



Forest Management Plan Project

Comment by Rex Storm, Associated Oregon Loggers, Inc.
before the Oregon Board of Forestry – March 6, 2019

Chair Imeson and Board members, my name is Rex Storm, Certified Forester and Forest Policy Manager for Associated Oregon Loggers (AOL). I make these comments on behalf of the 1,000+ AOL member companies, representing logging, transport, construction, reforestation, protection, improvement, maintenance, assessment, and allied forest management businesses working in Oregon. AOL member companies are the forest professionals who provide services to manage public and private forestlands on a contract basis, including Western Oregon's state forests. These companies may also purchase state forest timber sale and service contracts.

Revision of the forest plan is of critical concern to our work—our work today and for future generations of Oregon contracting forestry professionals.

We are encouraged that the Board and Department are proceeding toward revising and adopting a new & improved Forest Plan. We support many of your Plan considerations, and offer several perspectives from our decades of Oregon forestry experience.

Together as your forestry partner, we share common visions for state forest active management that improves harvest and forest health. Healthy managed forests are where vigorously growing trees capture the most carbon, harvested and standing trees both store carbon, and managed forests are most resilient to minimize smoke-emitting wildfires.

We encourage the Board and Department to strengthen the Western Oregon State Forest Plan (Plan) proposed vision, guiding principles, and proposed metrics—to assure that vital revenue-producing active forest management is codified as a beneficial tool to achieve the Plan's goals. Professional discretion of State Forest managers must be authorized by the Plan, in a manner that this active forest management is a clearly articulated goal to produce timber value and revenue.

- 1. I concur with my colleagues' remarks from Oregon Forest & Industries Council and Stimson Lumber Co.**
- 2. We support a strong Plan revision under a take avoidance strategy, which would optimize revenue, timber and conservation using long-term adaptive management.**
- 3. We support the inclusion of a climate-carbon guiding principle—because active forest management by forest professionals is Oregon's leading carbon sequesterer.**
State forests have an important role to produce carbon in forest products and healthy trees. Healthy fast-growing immature and mature forests are the best means to remove and store atmospheric carbon within continuously-harvested forest products. Many of us in this room today live in homes storing carbon as structural wood. My home has been storing carbon for over 40 years!

4. **We support the proposed Plan revision “solutions” to remedy those seven Department stated “barriers” within the current Plan.**
 - The solutions would improve upon both the important revenue and conservation outcomes.
 - The solutions would and should effectively increase the revenue outcomes that are vital to the partners of state forest management, including: a) county governments; b) ODF state forest program; c) forest sector communities; d) regional economies; and e) Oregon’s General Fund coffers that are less burdened because local taxing districts and counties receive state forest timber revenues.

5. **We support the proposed Plan “vision” because the latest modifications would strengthen the revenue and forest growth ideals that foster active management of fast-growing healthy forests harvested sustainably.**
 - Added new key concept “Sustainable harvest and flow of revenue” is necessary
 - Added new key concept “Effects of climate change on forest health...” would foster improved forest productivity to sequester more carbon with fast-growing trees.
 - Added “Vision” elements clarify essential context for integration, tradeoffs and adaptation.
 - And, the added “Visions” afford Department forest professionals the necessary discretion for their decision-making to continue active forest management of these productive state forestlands.

At this time, I will address my concerns about the State Forest’s projected financial outlook—the proposed Plan’s revenue, expenses, and Forest Development Fund balance.

6. **We are concerned that the Plan revision anticipates active forest management on just 50% of the state forest land base. We urge an increased percentage.** Prudent strategy discussed among state forest stakeholders in recent years has remained focused on active management strategies encompassing nearly 70% of the land base. This 20% variance is a significant opportunity cost (both revenue & conservation) that must be clearly evaluated, minimized as possible, and displayed in a transparent manner during Plan development.

7. **Projected revenues are overly optimistic. The Board of Forestry chart, ‘Financial Metrics’, dated 11/7/18, ‘Total Revenue’ projected for 2020-‘22 is too high in our judgement.**
 - Revenue projection appears based on enthusiasm, rather than rational experience.
 - Log prices and lumber indices have fallen this past year to pre-2017 levels, or below.
 - And forest contract operating costs are escalating in an unprecedented business cycle—translating into lower future stumpage values.
 - Rational regression of revenue should mimic the 2017-18 revenue rise; the projection understates the regression slope and depth. Accelerated harvest of timber-under-contract will necessarily be followed by a 2020-21 depression of timber-under-contract harvested.

8. **Projected ODF expenses are understated. The Board of Forestry chart, ‘Financial Metrics’, dated 11/7/18, ‘ODF Expenses’ projected for 2020-‘22 are too low in our judgement.**
 - Expense projection based on a rear-view mirror past, rather than predictable realities ahead
 - ODF State Forest program delivery expenses are necessarily facing marked future escalation not included in the projection.

- ODF has acknowledged that some strategic austerity measures began a decade ago in 2010, must now in 2019-22 be reversed with marked increased program investment-expense (young stand management, recreation investment, monitoring, deferred maintenance & capital replacement, forest planning, staff development, deferred low-value harvest, etc.).
 - Without adding a single FTE employee, ODF's per-employee expenses are anticipated to rise more rapidly than indicated in the "ODF Expenses" projection (COLA, Step, PERS, health, taxes). Out-year employee expenses would foreseeably rise at more than 2%/year, while the expense projection indicates just a 1%/year increase during 2020-22.
 - Additionally, there are foreseeable rising future expenses for the state forest program during 2020-22 that appear *not* incorporated into the projection, including: development of HCP and/or take avoidance modifications; increased stand restoration; real fiscal impacts of numerous costly legislative and executive actions now proposed; elevated delivery cost of sort sale program; carbon-climate assessments; water/habitat monitoring; plan revision; and rising ODF assessments for public affairs/legal services/administrative services.
- 9. Net Operating Income and Forest Development Fund (FDF) balance are over-stated.**
 Combined deviation of projected 2020-'22 optimistic revenue and understated expenses, translates to over-projection of net operating income and FDF balance in our judgement.
- The 'Financial Metrics' chart projects an unrealistically high state forest program net operating income for 2020-'22.
 - FDF balance for 2020-'22, shown on the chart, is overstated in our judgement. Were the 'Financial Metrics' to be adjusted for rational revenue and expense realities, the 2020 and out-year net operating income would become more dire/negative.

10. In summary, Plan revision is motivated by more than one imperative to achieve future improved state forest management.

A revised Plan would afford important benefits to extending the effectiveness, economy, desired outcomes, and amount of active state forest management.

- ✓ Improved forest management cost effectiveness and efficiencies; and
- ✓ Improved harvest revenue long-term; and
- ✓ Improved conservation sustainability; and
- ✓ Improved net operating income and FDF balance to self-fund the ODF state forest program

In closing, I urge the Board's consideration of our perspective from decades of Oregon forestry experience, concerning our support for a revising and adopting an improved Forest Plan. Thank you for your consideration.