

Draft Board of Forestry Meeting Minutes

January 4, 2017

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Items listed in order heard.

Complete audio recordings from the meeting and attachments listed below are available on the web at www.oregonforestry.gov

- (1) Presentation, [Financial Dashboard Presentation](#) , Agenda Item 2
- (2) Handout, [Financial Dashboard Handout](#) , Agenda Item 2
- (3) Presentation, [2016 ODF Fire Season Presentation](#) , Agenda Item 3
- (4) Presentation, [State Forest CFTLC Annual Report Presentation](#), Agenda Item 8
- (5) Presentation, [Riparian Rulemaking Economic Analysis Results Handout](#) , Agenda Item 4
- (6) Handout, [Woodland Owners that Love their Land by Jim James](#), Agenda Item 4
- (7) Presentation, [Human Resources Dashboard Presentation](#), Agenda Item 6
- (8) Handout, [Human Resources Dashboard](#), Agenda Item 6

In accordance with the provisions of ORS 526.016, a meeting of the Oregon Board of Forestry was held on January 4, 2017 at the Oregon Department of Forestry Headquarters on 2600 State Street Salem, OR 97310.

Chair Imeson called the public meeting to order at 9:00 a.m.

Board Members Present:

Sybil Ackerman-Munson
Nils Christoffersen
Tom Imeson
Tom Insko

Absent

Mike Rose
Cindy Deacon Williams

CONSENT AGENDA:

[Listen to audio](#) MP3 – (14 minutes –6.8 MB)

Tom Insko and Nils Christoffersen are here by phone due to weather traveling conditions.

Executive session was canceled at this meeting do to no new legal concerns.

Chair Imeson indicated that we have always set aside time for the Forest Trust Land Advisory Committee chair or his designate to provide testimony on state forest topics, but they had decided that they have no need to provide testimony today.

Tom Insko motioned for approval of the consent agenda. *Sybil Ackerman-Munson* seconded the motion. Voting in favor of the motion: Sybil Ackerman-Munson, Nils Christoffersen, Tom Imeson, and Tom Insko. Against: none. With Board consensus, Items A and B were approved.

A. OCTOBER 12, MEETING MINUTES

Approval of Board Meeting Minutes

Action: The minutes of the August 24, 2016 Board meeting were approved.

B. NOVEMBER 2, 2016 MEETING MINUTES

Approval of Board Meeting Minutes

Action: The minutes of the September 7, 2016 Board meeting were approved.

ACTION AND INFORMATION:

1. STATE FORESTER AND BOARD MEMBER COMMENTS

State Forester Daugherty spoke about the governors recommended budget which was released in December. The state faced a one point seven billion dollar gap from current service level.

The sources of the gap include:

- The public employee's retirement system, with obligations coming out of the fix, accounting for about three hundred million of the one point seven billion dollar gap.
- Three ballot measures that were past in the recent election which included veterans outdoor school and high school vocational training added another three hundred to three hundred and fifty million dollars to that gap.
- The majority of the gap came from the loss of one-time Federal funding at Department of Human Services (DHS).

The Governor's recommended budget chose to fill the gap with reductions and new revenues from Taxes of about fifty percent of that one point seven billion dollars. The taxes included:

- Cigarette tax increase of eighty five cents, which would generate one hundred and forty million,
- Provider tax on health care which would generate about five hundred and thirty million,
- A repeal of tax breaks past during the 2015 PERS fix, at about one hundred and thirty million, and
- A change in the fee for liquor from fifty cents to a dollar.

In the first phase of the Oregon Department of Forestry budget, twelve policy option packages were proposed for reductions of twelve percent. The Governor's budget included six of the twelve policy option packages.

There is a continuation of the funding for the fire severity and insurance cost at six million dollars in general fund which did not include the additional one point five million in severity recommended by the fire program review, but did include one of the positions recommended by the fire program review which is a new Aviation Coordinator.

The package included:

- Six hundred and fifty thousand in general funds for the Rangeland Protections Associations to protect sage grouse rangeland habitat and health,
- Four point four million dollars of lottery funds for our federal forest restoration program, which would be made a permanent part of our base budget.

The other two packages were the state forester office building restoration and the west Oregon Toledo office replacement. It included eight percent general fund reduction to our current service level. A general fund reduction plan was developed with a concentration in reductions for the Private Forest division and Agency Administration to maintain capacity in our Fire Protection division and maintain service to Oregonians.

Private Forest Budget will take five percent of the eight percent reduction for around three million in general fund and about a million in other funding. This will have significant impacts. We look at options to eliminate funding without impacting employees; we are eliminating funding for all watershed research coop, reducing compliance audit to every other year, and reducing general funding from the Oregon Plan for salmon and watersheds. This does have some impacts on staff and forest health and forest practices field report and monitoring program.

General staffing impact would be on nine stewardship forester positions and eight staff positions in Salem, about seventeen positions will be affected or eliminated in this budget. With agency administration they take the next two and half percent which is about two million dollars in reductions.

The fire program faces about an eight tenth of a percent reduction. About four hundred and thirty seven thousand dollars in general fund and eight hundred and eighty eight thousand in other funds. This will eliminate ten full-time equivalents or thirty seasonal positions throughout the state. Fire will be impacted by reductions in other programs. We all serve for the fire program, so the private forest reduction could affect the ability to staff three incident management teams for fire.

State Forests division was affected by the elimination of the recreation, education, interpretation package. State Forest had implemented a one million dollar reduction in fiscal year seventeen and reductions will need to be made in fiscal year eighteen as well.

Executive teams priority work is now on planning, especially in the budget process. The final budget situation will not be known until late June. Employees are valued and are our most important asset and Oregon Department of Forestry is considering every possible option to minimize impacts on employees from this budget.

An idea to minimize impacts include filling vacancies with limited duration positions, so that permanent employees are not brought on that could be eliminated. The stakeholders may find the budget hard to understand considering the Governor is investing \$4.4 million in lottery funds for the Federal Forest Restoration and \$650,000 in general funds to support the rangeland protection associations, while proposing \$5.4 million reductions in our existing programs. The Board will stay posted on all this.

1A. PUBLIC COMMENTS: None

2. DEPARTMENT OF FORESTRY FISCAL REPORT
[Listen to audio](#) MP3 – (11 minutes – 5.2 MB)

Presentation ([Attachment 1](#))

Satish Upadhyay, Administrative Services Division Chief, provided an update on the Department of Forestry's financial status with reference to the Financial Dashboard ([Attachment 2](#)) summarizing the agency's biennial budget, expenditures and anticipated revenues.

Board discussion was brief, with a question to the state of the current export market.
Information only.

3. FIRE DIVISION UPDATE
Fire Protection Work Plan –
[Listen to audio](#) MP3 – (25 minutes – 11.5 MB)

Presentation ([Attachment 3](#))

Doug Grafe, Fire Protection Division Chief and Ron Graham, the Deputy Chief of Fire presented on the Fire Division update and final numbers for Oregon Department of Forestry protected lands only.

Doug Grafe touched on ten year averages, trends, and fire cost in (attachment x). Money Received and budget were also discussed.

Contributing factors of lower acres burned vs. high cost was due to:

- Fires on the west side of the cascades are in heavy timber.
- Holding at lower acreage can cost more resources and money.
- Underlying drought conditions still cause problems.

A large volume of people were deployed and created a longer fire season this year. Specifics included:

- Carolina, had a late and challenging fire season,
- Complications of Hurricane Matthew
- Four different states needed help including Kentucky, Tennessee, North Carolina, and Georgia.
- Created an opportunity to reciprocate help to other states.
- Incident management teams were sent to North Carolina during the Thanksgiving Holiday.

The Board asked about the trajectory for next year's fire season.

Doug Grafe indicated that the next year fire season is based on current precipitation and looks hopeful. Some drought conditions continue to trend, but not extreme like the previous years.

The Board discussed more detail on the per acre fire cost associated with the fixed cost component of fire response preparation in terms of prepping for a more severe summer and components to that challenge.

Doug Grafe went over levels of funding, readiness, and suppression costs including increasing a base level of protection and the separation of large fire cost from base level cost.

State Forester Peter Daugherty talked of the cost of the fire vs. the positive benefit of those lands being protected and the resources they hold that did not burn.

The Board asked for clarification on funding when we help other states.

Doug Grafe responded that the receiving state will cover the base levels of these costs. During fire seasons we have some indirect cost to backfill to maintain readiness, but outside of fire season we don't have this backfill component so there is savings in that.

The Board asked if we have better seasons can we renegotiate with the Lloyds of London.

Doug Grafe responded that every spring we have the opportunity to negotiate more favorable terms, after clean years there is an option to get reductions in premiums. After a few years of clean seasons we can have the discussion as of the deductible going down.

Information only.

8. STATE FOREST CFTLC ANNUAL REPORT

State Forests Work Plan –

[Listen to audio](#) MP3 - (32 minutes – 14.9 MB)

Liz Dent, Division Chief for State Forests, and *Don Everingham*, Assistant Area Director for Northwest Oregon area provided an update on the Department of Forestry’s accomplishments for State forests for fiscal year 16. Presentation ([Attachment 4](#)) summarized State Forests Division Fiscal Year (FY) 2016 accomplishments and highlight the contents of the FY 2016 Council of Forest Trust Land Counties (CFTLC) annual report.

Liz Dent covered accomplishments and challenges of the State Forest Department that included leadership and operational activities at the district level, harvests, revenue, high quality recreation, education, and interpretation programs, reduced budget, Linn County Lawsuit, fluctuating markets, the Elliot Land transfer, and the focus on social and environmental budgets.

Don Everingham covered information on economics, social and environmental accomplishments.

Economic accomplishments were measured by revenues distributed to the counties and revenue retained by the department. This also included an overview of stumpage prices and progress report on sort sales.

Social accomplishments and benefits included activities on the Gilchrist State Forest, the Tillamook forest Center, and maintaining trials, volunteers, permits and organized events.

Environmental protection accomplishments included the safe harbor agreement, northern spotted owl protections, and candidate conservation agreement with assurances.

Don Everingham discussed long term solutions, identifying sales that provide revenue, and opportunities for the future while minimizing impacts on reduced service level due to budget.

The Board questioned about timber harvest values and benchmarks.

Liz Dent mentioned how they have continued to do business efficiently, have had significant accomplishments, and social and environmental benefits have delivered on greatest permanent value.

State Forests is in continuous business improvement to create more positive revenue going forward.

The Board asked about the annual harvest averages going back further than ten years.

Liz Dent will provide more specific response later with that data, but overall with adoption of Forest management plan in 2001 the harvest levels have gone up.

The Board asked if there is any additional recreational solutions that can increase this stream of revenue.

Liz Dent replied that we are looking at ways to organize and creative cost efficiencies, along with developing public/ private partnerships, to put other sources of funding into the public benefits, and Oregon Parks and Recreation District's continues to provide support with some revenue annually.

The Board asked more detail on forecasting revenue.

Liz Dent indicated it primarily has to do with housing markets and value of timber with some information based around export markets and the revenue we can generate.

Information Only.

4. RIPARIAN RULEMAKING ECONOMIC ANALYSIS RESULTS

Private Forests Work Plan – Forest Practices Act (FPA) Rule Enforcement Policy Review

[Listen to audio](#) MP3 – (64 minutes – 30.2 MB)

Lena Tucker, Private Forests Division Chief introduced Forest Economist *Brandon Kaetzel* and Research Professor and Director for Institute for a Sustainable Environment (ISE) at University of Oregon, *Cassandra Moseley*.

Private Forests Division presented ([Attachment 5](#)) results on macro and micro economic analysis for the riparian rule change as required by ORS 527.714(7).

Brandon Kaetzel:

Reviewed macro-economic report:

-Supply and demand are not always linear and the supply curve is kinked because the landowners try to maximize the value they are going to get, each bend means they changed purchasers and maximized profit.

-Covered background information on the analysis, the ORS rules, and the log market model.

Log Market model review

-A base scenario to establish a baseline,

-Proposed riparian Salmon, Steelhead, Bull Trout (SSBT) policy for proposal,

-And projections.

In this analysis they ran all plots that are small and medium fish streams not just the ones covered in SSBT due to need for additional data.

Bandon Kaetzel went over the results and found that they would see less than a 1% decrease in timber harvest around 28 million board feet loss and potentially would affect a maximum of 62-87 jobs. An estimate of the total economic impact on the forest products industry and common

school and county forest trust land revenues, both regionally and statewide were also touched on in more detail.

Equity analysis was performed and indicated the number of acres that would be encumbered within differing size classes if land expectation value was applied evenly across the landowners. \$105 million would be affected if they took a total loss, but in reality it would be significantly less.

The board asked about the net social surplus being a loss in profits, land values, and consumer's willingness to pay. Land value factors and influences were discussed and it was found that this would have the highest influence.

Cassandra Moseley walked through a presentation via phone on the landowner survey in regards to potential changes to riparian rules in Oregon addressing the micro economics. She covered an overview of the survey, who took it, and what results they found. This was based on a random survey of landowners with ten or more forested acres.

PUBLIC COMMENT

Heath Curtiss, General Counsel and Director of Government Affairs at Oregon Forest Industries Council, feels that this survey is inaccurate to the bigger picture and minimizes the transparency of the effects of the impacts. He suggests there are more accurate ways to conduct this survey that would take more into account large landowner impacts and how that will affect communities and jobs. He felt the survey may be skewed toward smaller land ownership, and that it is unlikely to change their management practices, and is not applicable to his large landowner members. He believes the benefits to fish are on the margin, which needs to be calibrated with the affects to the landowners. He takes the stance here that there are consequences on these rule changes for landowners.

Jim James, Oregon Small Woodlands Association (OSWA), Executive Director, concurs with Heath Curtiss on his comments, but wanted to reiterate from the previous meeting that he would recommend that the Board should go with the 4% equity threshold instead of the 8%. ([Attachment 6](#))

Lena Tucker asked for the Board of Forestry to approve the report as satisfactory work regarding the requirements set forth in ORS 527.714(7).

The Board asked if landowners who will potentially be impacted by this rule change were involved in the study.

The Riparian Rule Advisory Committee was involved but analysis was primarily done at OSU.

Sybil Ackerman-Munson made the motion to approve the report as satisfactory work regarding the requirements set forth in ORS 527.714(7). *Tom Imeson* seconded the motion.

Comments from the Board about concern over large landowners that derive their revenue from timber harvest and how this will affect them. There is a concern that this rule change is pointing to an incentive to break those lands up and sell for residential use. Looking at growth numbers and total numbers the impact values look insignificant in this survey to the Board.

The Board feels there is a principle driver on social surplus figures being land values and being aware of that point where people begin to move out of forestry into other land use and allow other land values to begin to dominate what is currently forested land. The importance of the opinion of the landowners that own large pieces of land needs to be better taken into account.

Chair Imeson asked for the vote:

Nils Christoffersen: Yes

Tom Insko: Yes, but does think the economic and social consequences are more significant than the way this report was put together. Yes, because it meets the rule.

Sybil Ackerman-Munson: Yes

Tom Imeson: Yes

Vote Passed 4 to 0.

The Board Approved the Report as Satisfactory Work Regarding the Requirements set Forth in 527.714(7).

Nils Christoffersen commented that they need to think hard about communications around this rulemaking and also continue to dig deeper into the impacts of incumbencies on forestland and regulation on forest land values as it pertains to conversions of land because if the Board doesn't then it undermines the core purpose of what Oregon Department of Forestry is all about.

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5. **GOVERNOR'S NATURAL RESOURCE POLICY DIRECTOR INTRODUCTION**

[Listen to audio](#) MP3 – (16 minutes – 7.8 MB)

Jason Miner, Manager of the Natural Resource office for Governor Brown, highlighted aspects of the Governor's budget and touched on fire values, rural job creation, rural infrastructure, equity, commitment to balance, and collaboration. The three natural resource priorities set by the Governor is to reduce greenhouse gas in Oregon, align environmental and human health, and get more Oregonian's outdoors out to enjoy the benefits of Oregon. He also went over the Good Neighbor Authority and the exploration of new revenues to help fill the budget gap.

Information Only

6. HUMAN RESOURCES DASHBOARD

[Listen to audio](#) MP3 – (16 minutes – 7.6 MB)

Presentation ([Attachment 7](#))

Jonathan Herman, Human Resources Division Chief, provided an annual report on the Department of Forestry's Human Resources status with reference to the Human Resource Dashboard ([Attachment 8](#)) summarizing the agency's annual retention data, employee statistics, leadership, and safety.

The Board asked questions on safety and diversity matrix. *Jonathan Herman* addressed the Board's question on the top one or two human resource related issues for the focus of the department. He indicated that right now it would be the strategic workforce planning effort based on the secretary of state audit and revising policy and guidelines for agency governance.

Information Only

With no further business before the Board, Chair Imeson adjourned the public meeting at 1:20 p.m.

Respectfully submitted,

/s/ Peter Daugherty



Peter Daugherty, State Forester and
Secretary to the Board

JN