



# Oregon Department of Forestry



**77<sup>th</sup> Oregon Legislative Assembly  
2013-15 Biennial Budget  
Ways and Means Presentation  
April 2013**

# Oregon Department of Forestry




77<sup>th</sup> Oregon Legislative Assembly  
2013-15 Biennial Budget  
Ways and Means Presentation  
April 2013





## Presentation Overview

- Overview of Oregon's forests
- ODF and our services to Oregonians
- Budget overview and issues
- A closer look at our key businesses



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**Oregon Department of Forestry**



**77<sup>th</sup> Oregon Legislative Assembly  
2013-15 Biennial Budget  
Ways and Means Presentation  
April 2013**

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**Introductory Comments**

**Healthy forests are  
crucial to Oregon**

6

**Introductory Comments**



**Public investment is important to maintaining our forests**

Introductory Comments



**Wildfire Protection Act**  
Controls costs, invests in forest resiliency

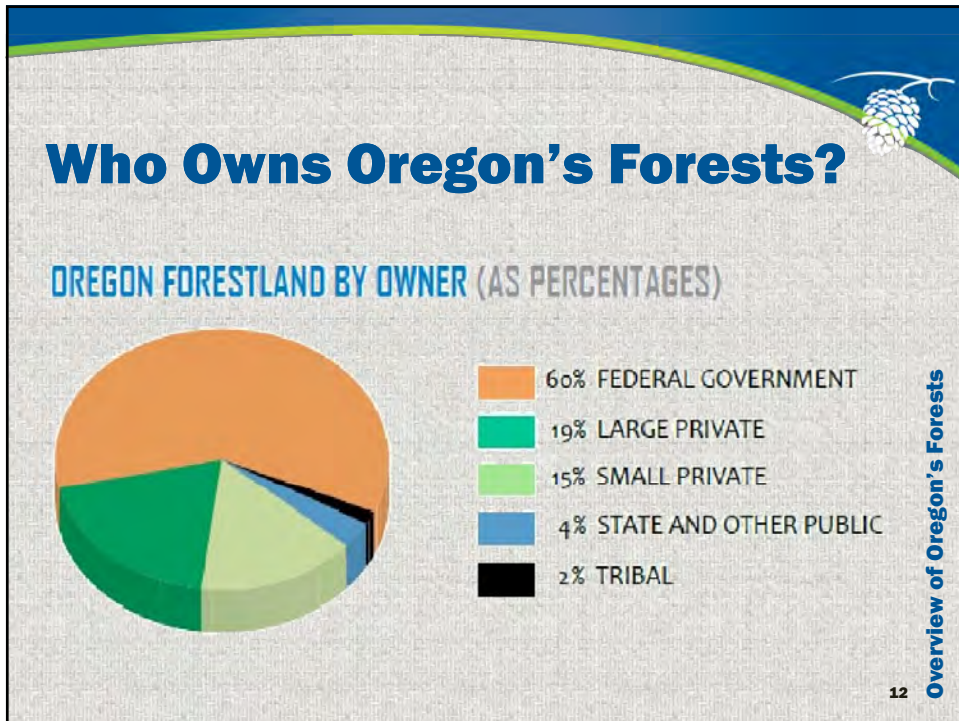
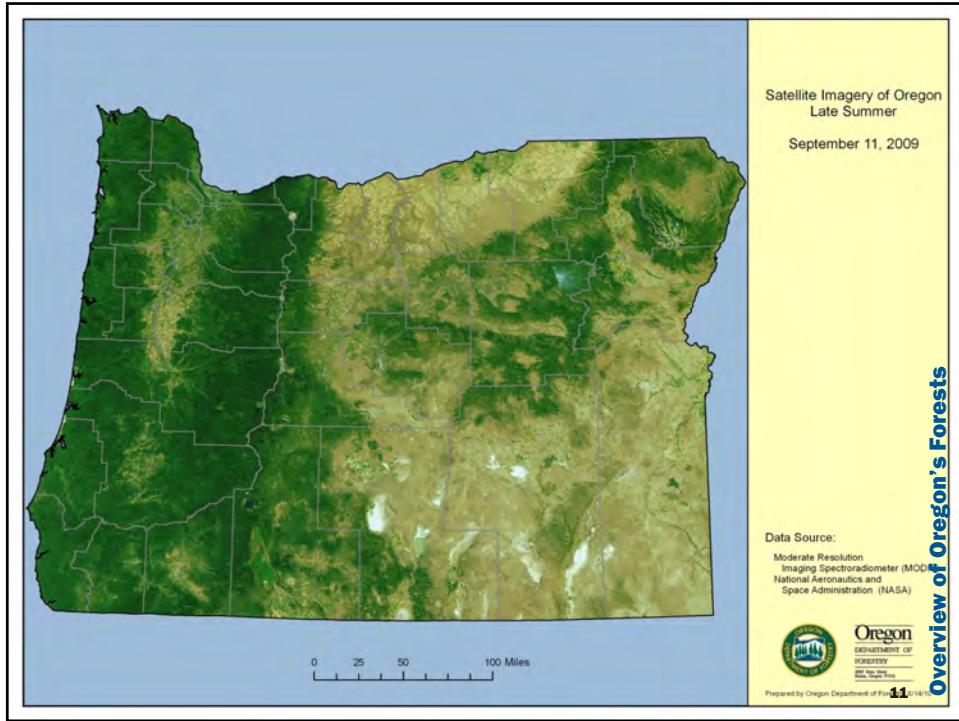
Introductory Comments



Introductory Comments



# OVERVIEW OF OREGON'S FORESTS





**State, tribal and other publicly owned forests**  
**6%**



**Private forestlands**  
(large industrial, corporate, and family-owned)  
**34%**

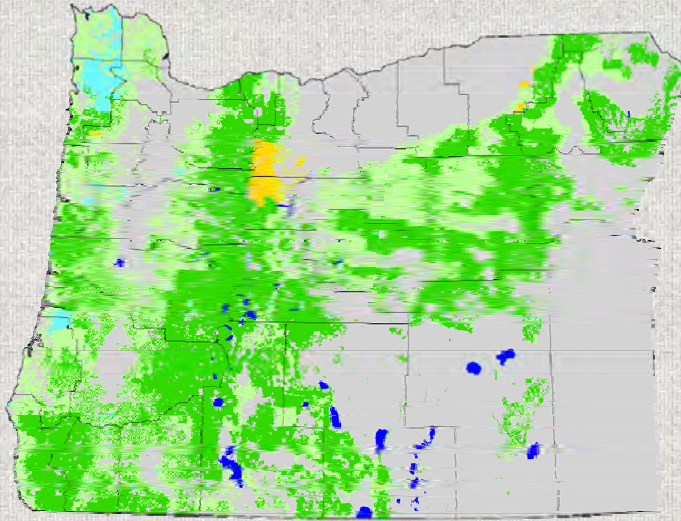


# Federal forestlands



## Generalized Ownership on Forested Land

- Blue: Private
- Red: State
- Green: Federal Government
- Yellow: Tribal
- Orange: Indian Reservations
- Purple: County/Local





# Oregon's urban forests



**Social | Economic | Environmental  
benefits**

19 Overview of Oregon's Forests

This slide features a lush green forest background. At the top right is a pine cone icon. The main title 'Social | Economic | Environmental benefits' is centered in white. Below the title are three circular icons: a hiker with a backpack (social), a dollar sign (economic), and a deer (environmental). The page number '19' and the text 'Overview of Oregon's Forests' are in the bottom right corner.



## **Economic benefits**

- Jobs & income
- Revenue for public services
- Primary manufacturing
- Benefits to rural communities

20 Overview of Oregon's Forests

This slide has a light grey textured background. At the top right is a pine cone icon. The title 'Economic benefits' is in blue. On the left is a photo of a forester in a red hard hat and safety vest using a chainsaw. On the right is a bulleted list of economic benefits. The page number '20' and the text 'Overview of Oregon's Forests' are in the bottom right corner.

## Support for public services



21

## Clean Water



22

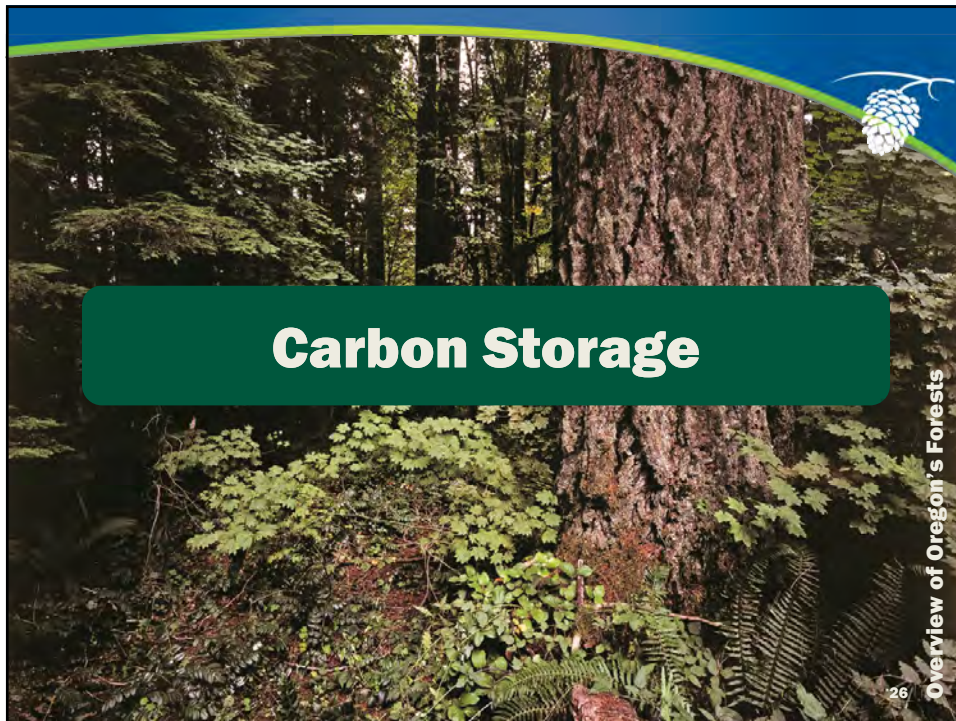


## Social benefits



25

## Carbon Storage



26

# Community well-being

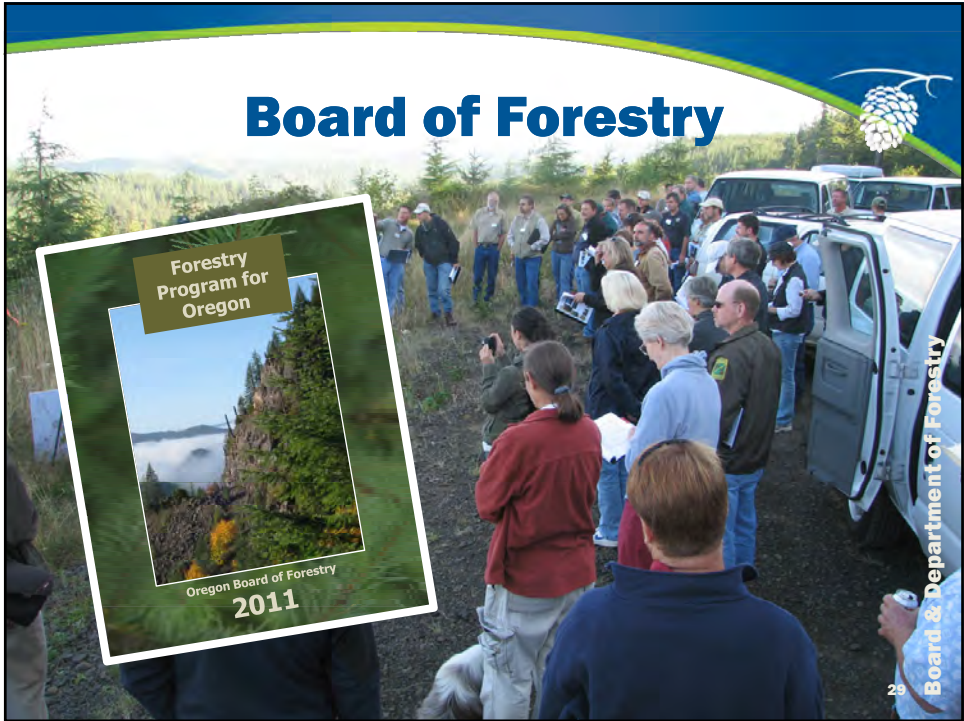
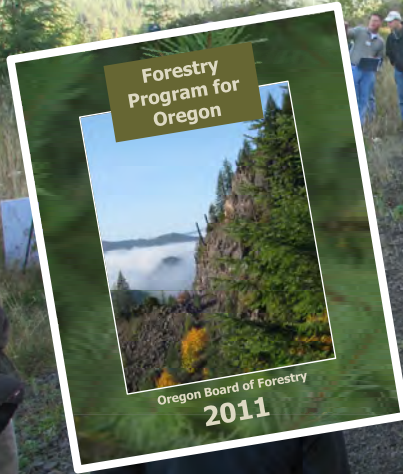


Overview of Oregon's Forests



# BOARD AND DEPARTMENT OF FORESTRY

# Board of Forestry



Board & Department of Forestry

# Board of Forestry



**Tom Imeson, Chair**



**Sybil Ackerman**



**Nils Christoffersen**



**Cindy Deacon Williams**



**Tom Insko**



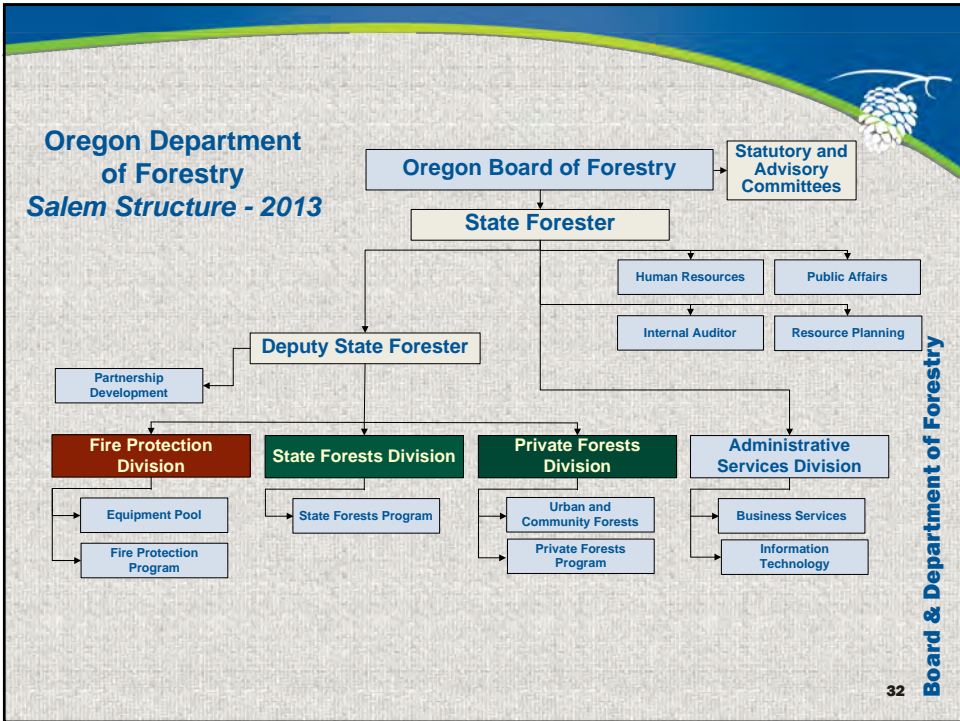
**Mike Rose**



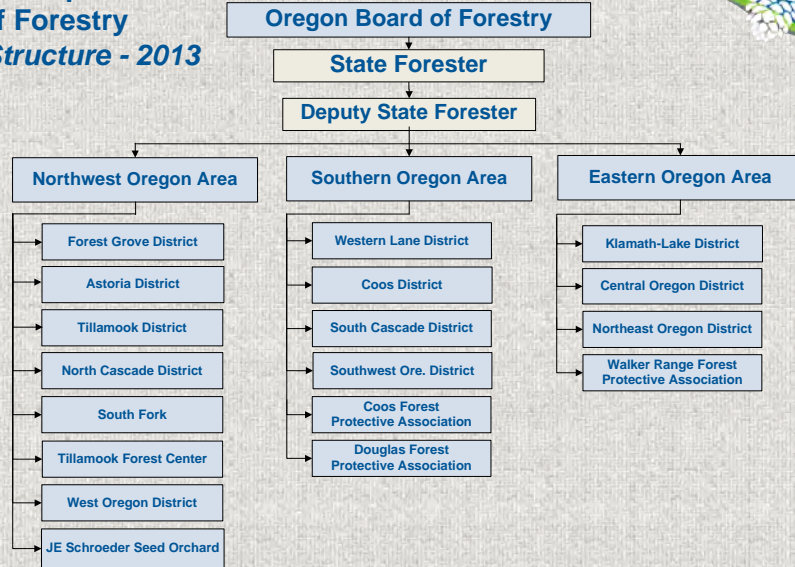
**Gary Springer**

Board & Department of Forestry





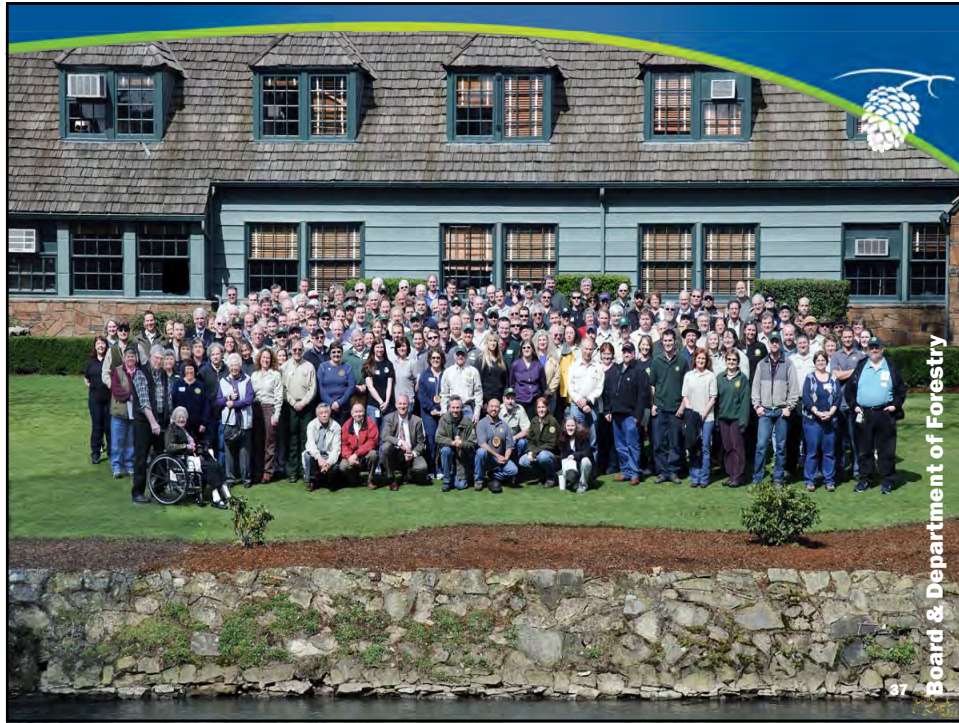
Oregon Department of Forestry  
Field Structure - 2013





## Direct benefit to Oregonians





## Governor's Balanced Budget by fund type

2013-15 Governor's  
Balanced Budget

General Fund	\$ 55,829,977
Lottery Funds	\$ 3,319,996
Other Funds	\$ 224,372,889
Federal Funds	\$ 30,800,792
Other Funds (non-limited)	-0-
Federal Funds (non-limited)	-0-
<b>Total Funds</b>	<b>\$ 314,323,624</b>
Full-Time Equivalent (FTE)	873.48

39

Governor's Balanced Budget

## Major Other Funds and Federal Revenues

### Major Other Fund Revenues

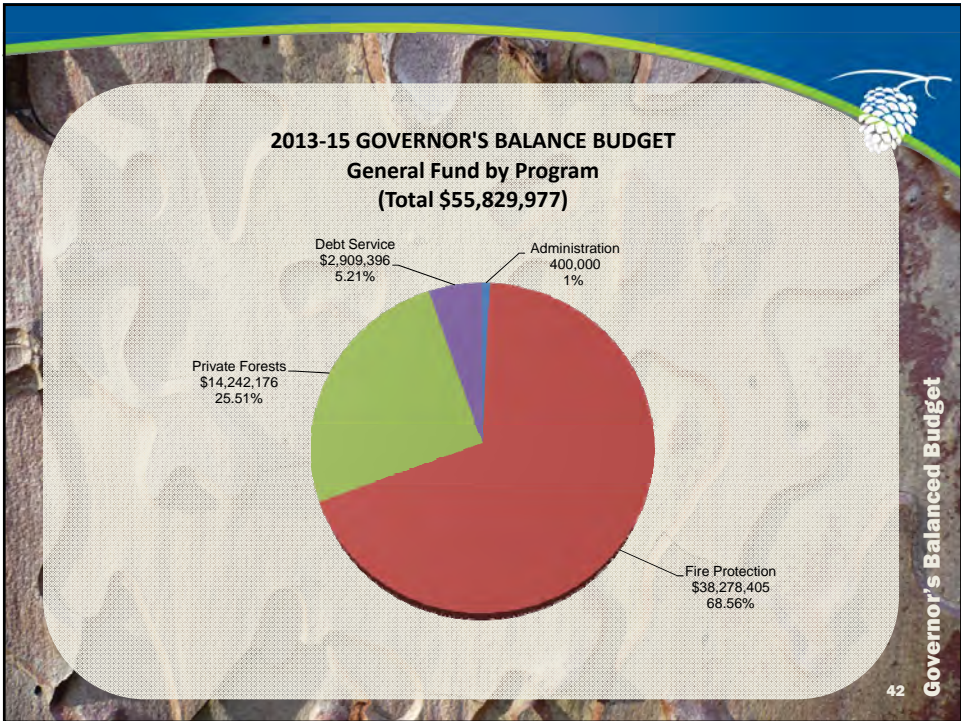
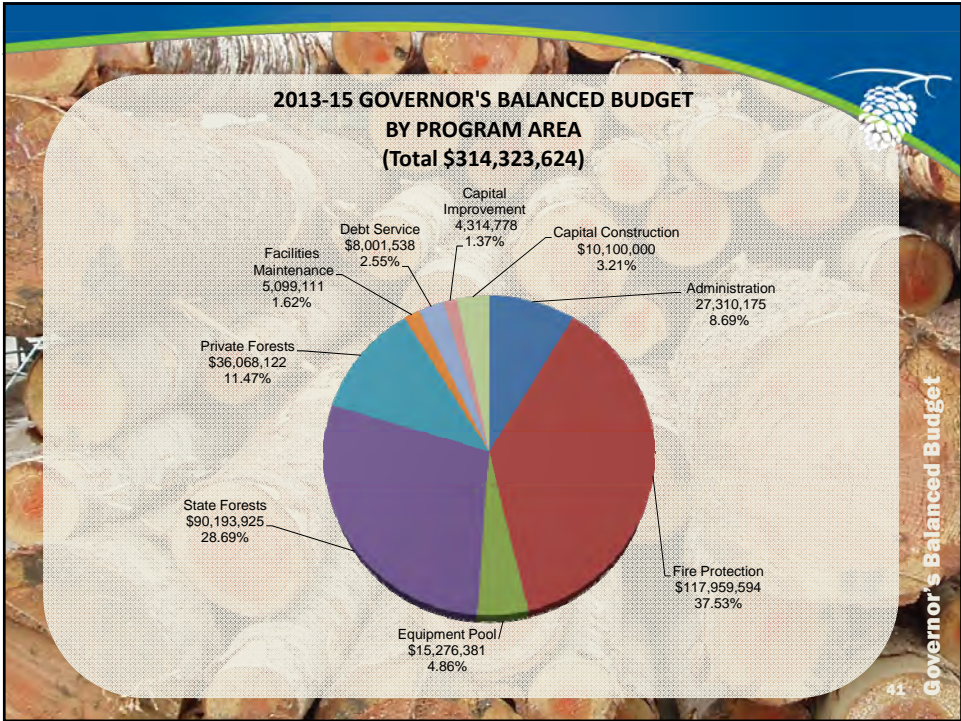
- Timber sales from state forests
- Fire protection land owner assessments
- Charges for fire protection contracts on federal lands and other services
- Harvest tax paid by all timber harvesters
- Smoke management and slash abatement fees

### Federal Funds

- Grants and reimbursements from the US Forest Service, Bureau of Land Management, FEMA, and other federal agencies

40

Governor's Balanced Budget



## 2013-15 Governor's Balanced Budget

- Basic fire protection, the Special Purpose Appropriation and the Wildfire Protection Act
- Increased water quality monitoring
- Authority to implement the Forest Practices Act in urban interface areas
- Completion of Gilchrist State Forest acquisition
- Replacement of aging, unsafe warehouse, and increased Information Technology capacity
- Seeking solutions on federal lands
- Administrative and PERS reductions

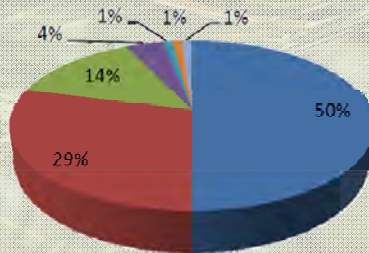
43

## Natural Resource Agency Budgets as portion of Statewide General Fund

### 2013-15 Governor's Balanced Budget

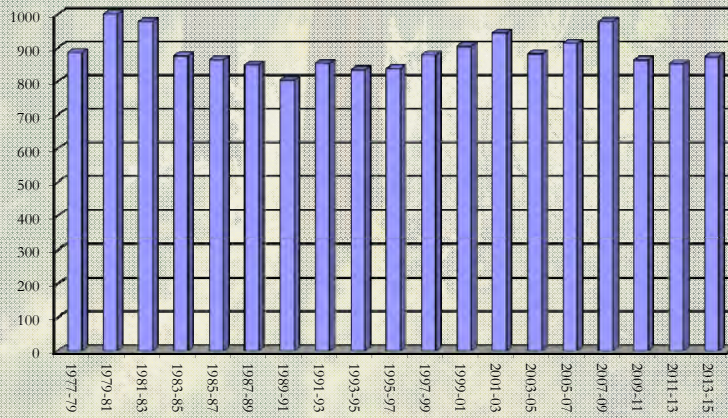
General Fund Allocations Between Program Areas

■ Education     ■ Human Services     ■ Public Safety     ■ Judicial  
■ Natural Resources     ■ Administration     ■ All Other



44

FULL TIME EQUIVALENTS (FTE)  
1977-2011 LEGISLATIVELY APPROVED FTE  
AND 2013-15 GOVERNORS BALANCED FTE OF 873.48



## The bottom line

- Public investment is essential
- Higher landowner costs = More pressure for fragmentation
- Wildfire Protection Act helps to keep fires small and control costs





## **A guide to program review**

- Purpose
- Strategies
- Funding
- Results
- Budget environment and challenges
- Governor's Balanced Budget

47

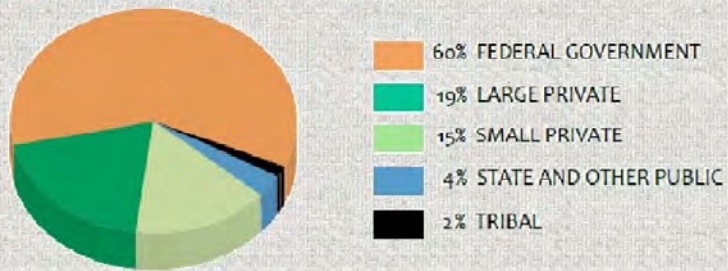


# **PRIVATE FORESTS**

48

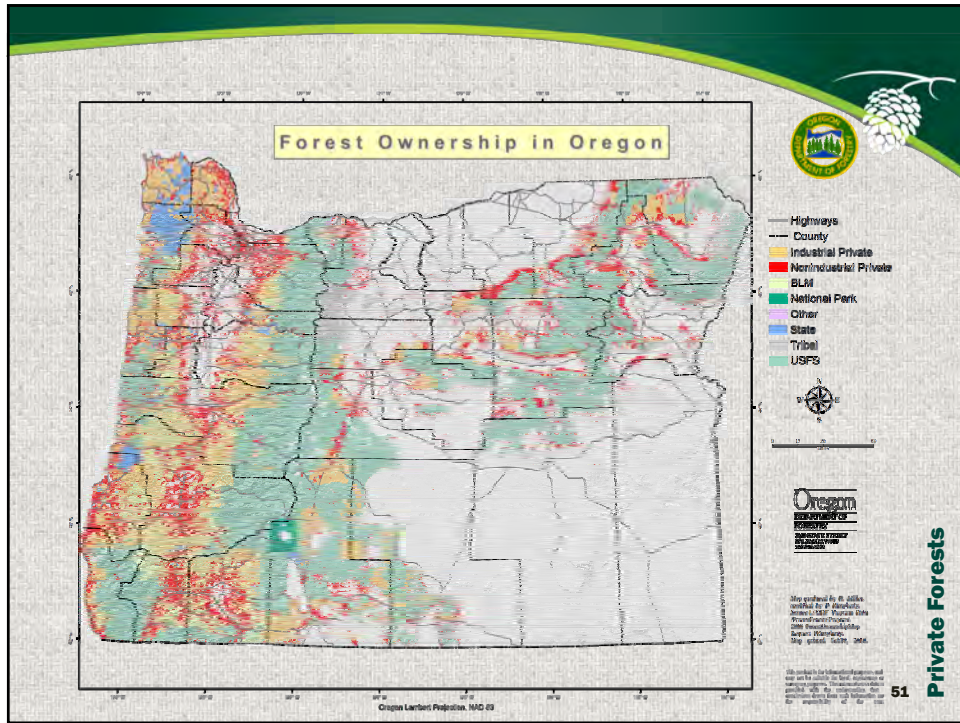
# Who Owns Oregon's Forests?

OREGON FORESTLAND BY OWNER (AS PERCENTAGES)



## Purpose

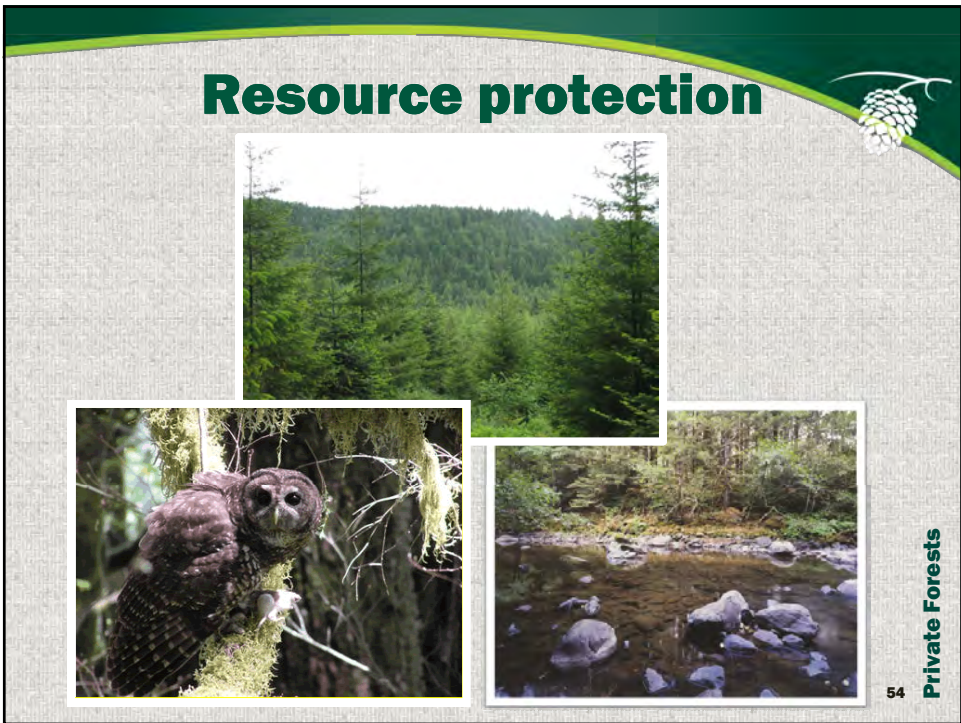
Keeping private forestlands healthy, intact, and working



## Four sub-programs

- Oregon Forest Practices Act (FPA) enforcement
- Forest Health Management
- Family Forestland Assistance
- Urban and Community Forestry

**52 Private Forests**





# Forest health management

Maintain and improve the health of Oregon's non-federal forests

Private Forests

55



# Family forestland assistance

Private Forests

56

# Urban Forestry



57

Private Forests

# Strategies



58

Private Forests

## Boots on the ground



59

Private Forests

## Inspections



**"South Coast Timber commented that I am in the field more." – Nick Morris, Stewardship Forester**

60

Private Forests







**Survey, evaluate, and monitor forest insects and tree diseases**



**Provide technical advice and training on integrated pest management**

Private Forests



**Stewardship Foresters are highly trained fire managers who are essential to ODF's fire protection mission**



Private Forests



**Stewardship Foresters  
provide technical advice to  
family forestland owners**



**Provide technical assistance to  
cities; run the Community Tree  
Management Institute**



## Funding

- Historically, 60% General Fund, 40% Harvest Tax for Forest Practices Act
- General Fund support for Forest Health Management leverages Federal Funds and Other Funds
- Family Forestland Assistance and Urban and Community Forestry are federally funded

67



## Results

**"I love the new process! Doubled my time in the field." – Jennifer Rhea, Stewardship Forester**

- Faster processing time, increased time in the field
- Increase in inspections on high-priority operations (e.g., fish streams, special resources, landslide hazard)

68



**On-line notification, mobile field capability**

Private Forests

69

This slide features a background image of a forest landscape with a green pine cone logo in the top right corner. Two inset images are present: one on the left showing a desktop monitor and a tablet displaying a software interface with various data fields and maps; one on the right showing a yellow mobile phone displaying a similar software interface. A dark green banner at the bottom contains the text 'On-line notification, mobile field capability'. The text 'Private Forests' is written vertically on the right side, and the number '69' is in the bottom right corner.



**Certifying family forests**

**Assessing tree survival**

Private Forests

70

This slide features a background image of a forest landscape with a green pine cone logo in the top right corner. Two inset images are present: one on the left showing a group of people sitting on a wooden bench outdoors, looking at a map; one on the right showing a group of people standing in a forest, assessing tree survival. A dark green banner at the top contains the text 'Certifying family forests'. The text 'Assessing tree survival' is written in a dark green font on the left side. The text 'Private Forests' is written vertically on the right side, and the number '70' is in the bottom right corner.



# Fragmentation



# Other challenges



# Biomass

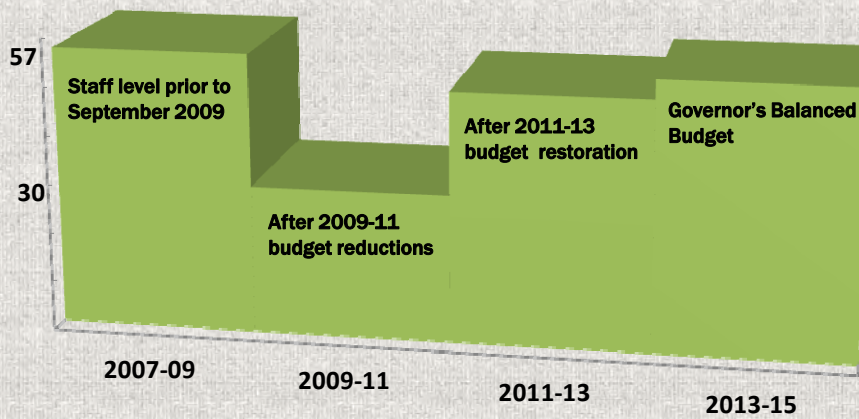


75

Private Forests

# Governor's Balanced Budget

## Stewardship Foresters



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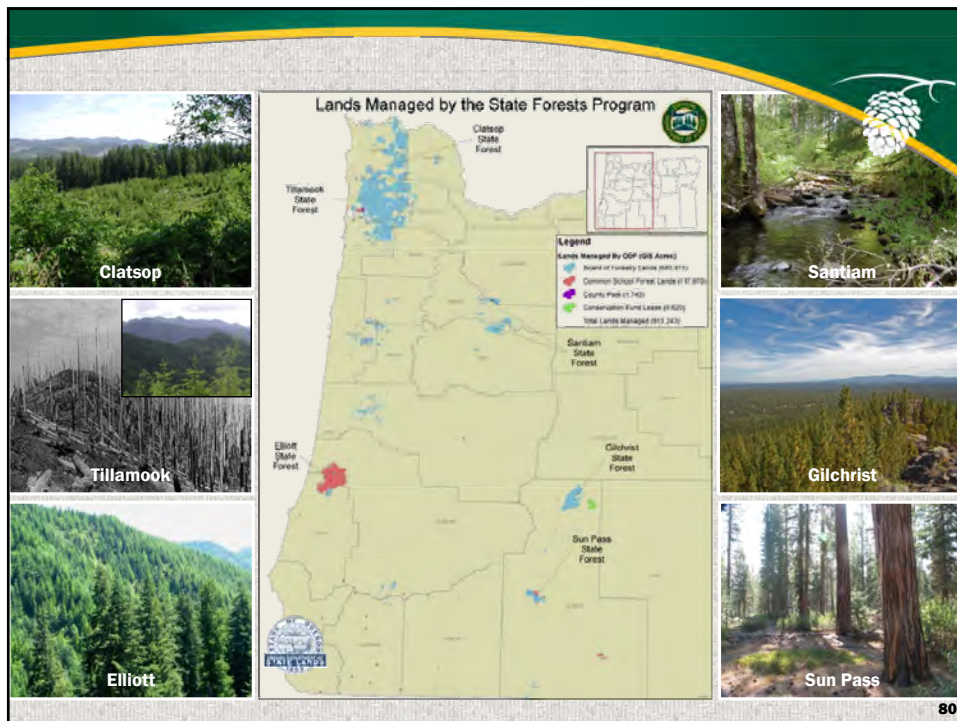
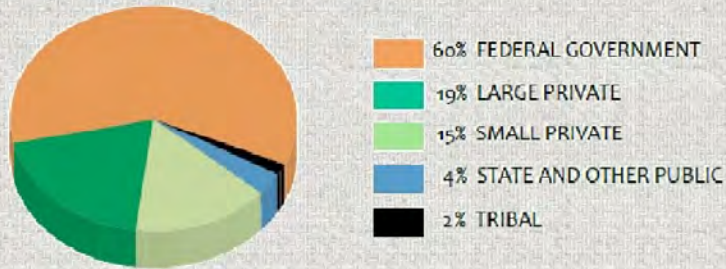
Private Forests

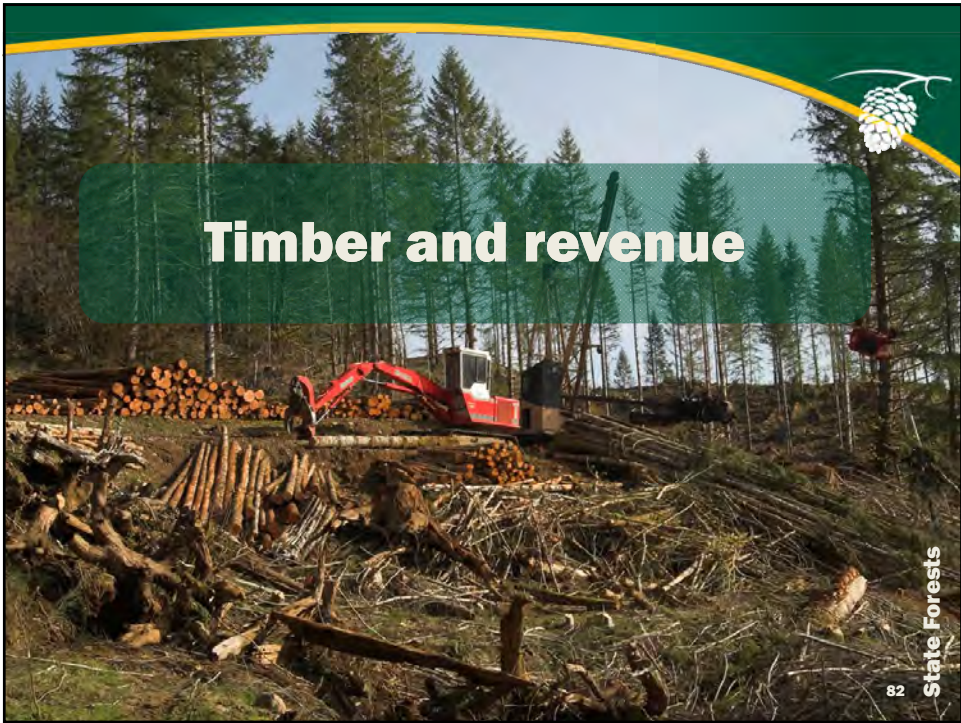


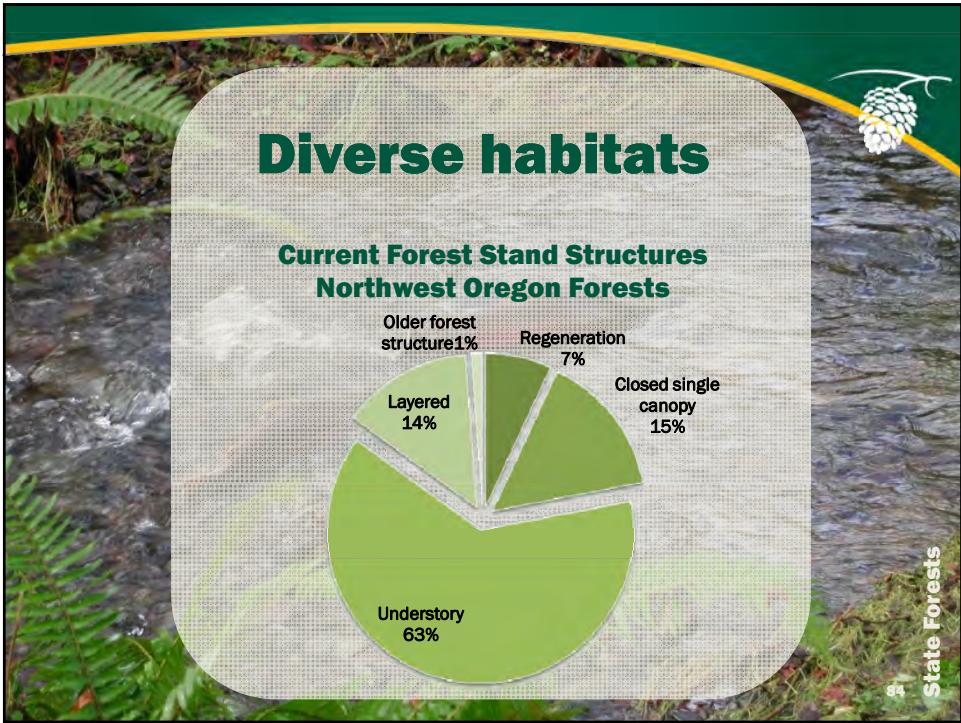
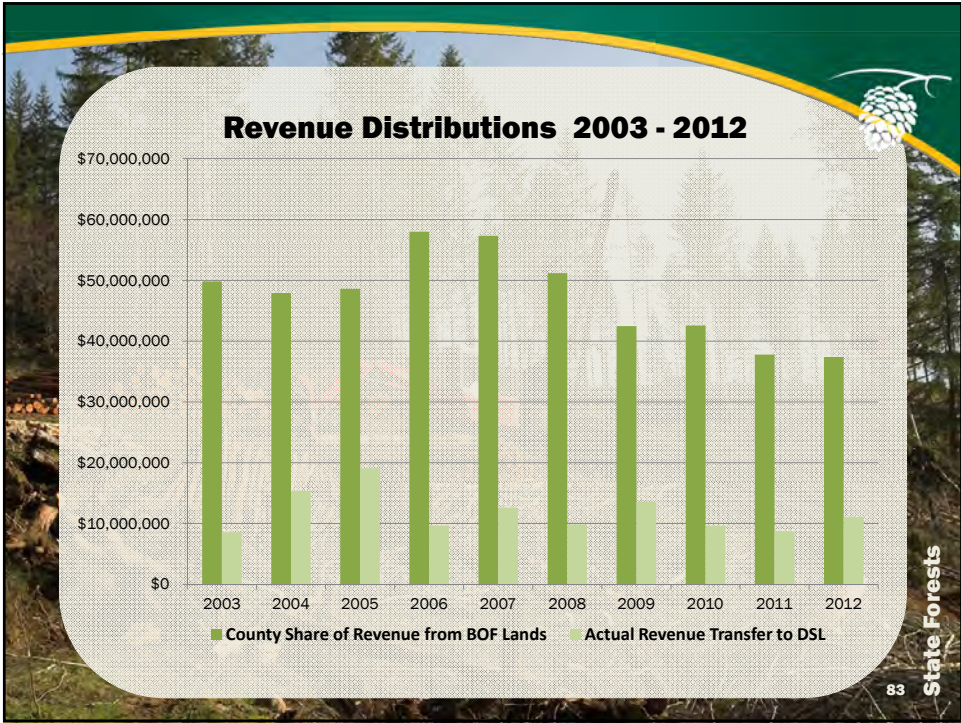


# Who Owns Oregon's Forests?

**OREGON FORESTLAND BY OWNER (AS PERCENTAGES)**



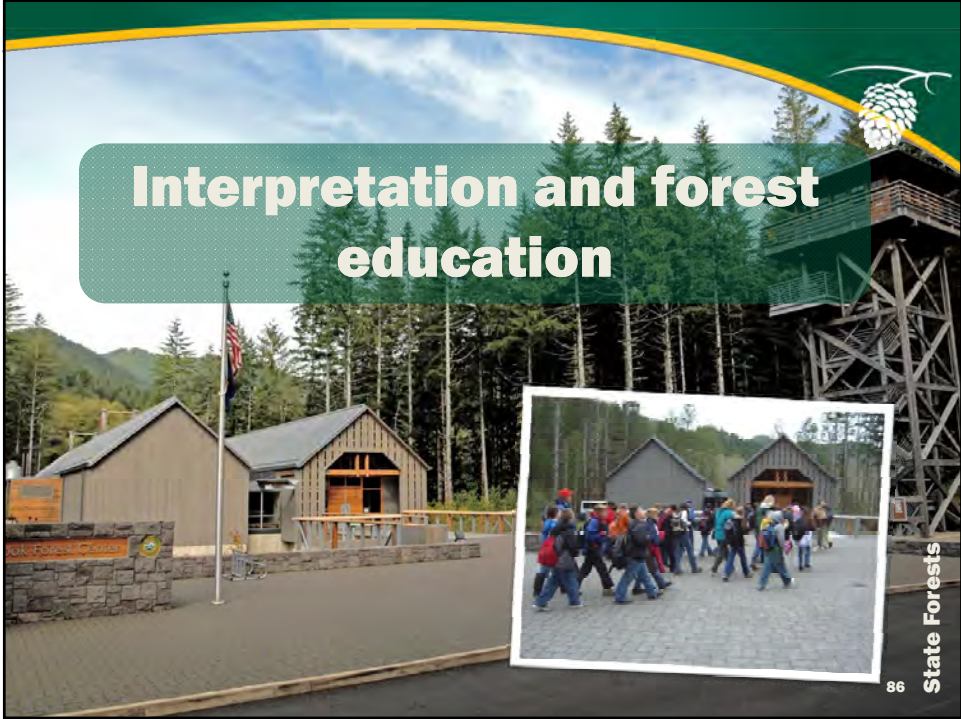




# Recreation



# Interpretation and forest education



# Keeping working forests working

Gilchrist State Forest dedication

87 State Forests

# Strategies

Statutory sideboards – GPV & Constitution

88 State Forests



# Results

## Timber Harvest Volume (Board of Forestry Lands)



- BOF Timber Harvest - 242 mmbf/ year (5-year average)
- Steady flow of timber through market fluctuations

91



## Recreation, Education, Interpretation

- Tillamook Forest Center – about 50,000 visitors annually
- Tillamook State Forest – over 100 miles of trails maintained in 2012
- Campers in State Forest campgrounds – 33,000 in 2012

92



- Stream restoration projects
- Removing barriers to fish passage
- Maintaining and improving forest roads



## Funding

Oregon's State Forests business is self-funded through timber harvest revenue and other fees

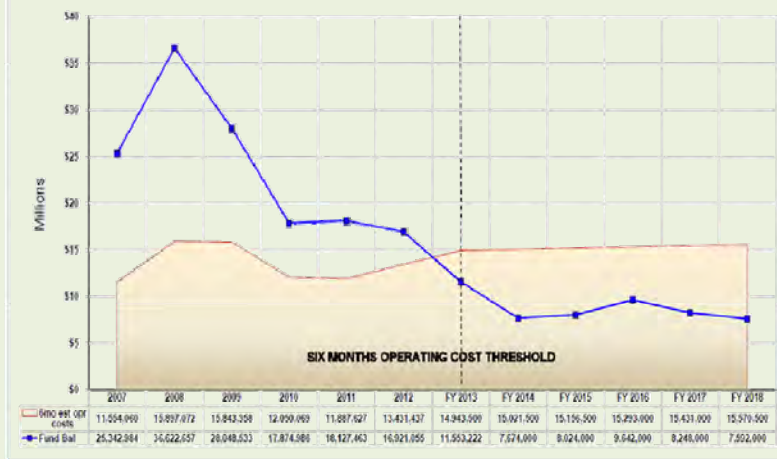


# Budget Environment and Challenges

Adequate revenues for sustainable forest management

## July 2012 State Forests Revenue Projection

Historic and Projected FDF Balance

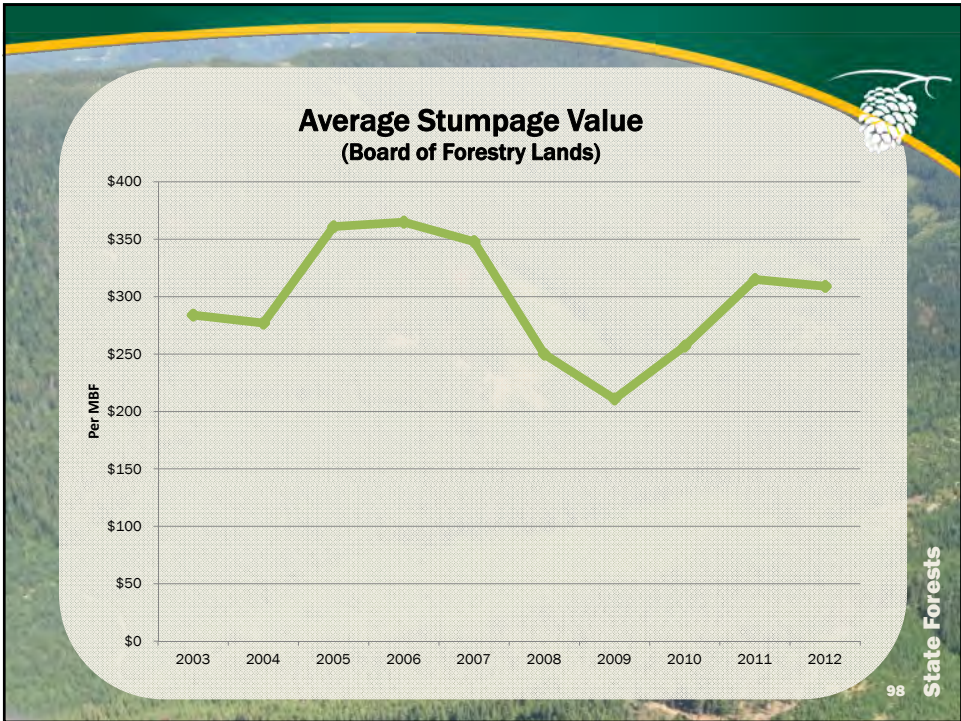



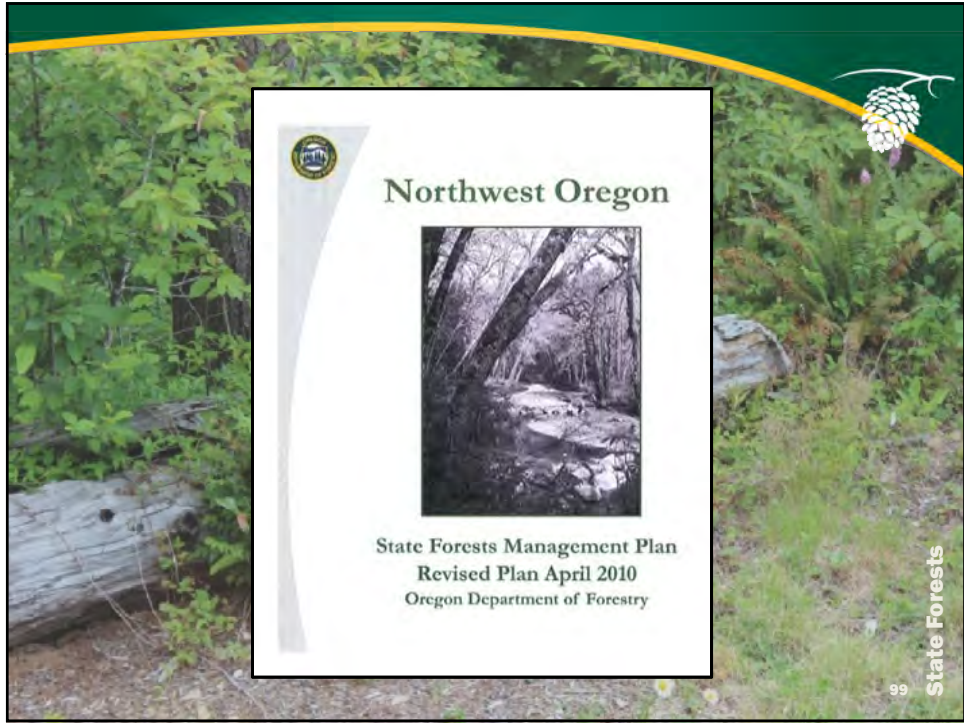


## Financial viability


- Economic recession
- Underperforming State Forest Plan
- Business model lacking revenue diversity

97 State Forests






# Northwest Oregon



State Forests Management Plan  
Revised Plan April 2010  
Oregon Department of Forestry



State Forests

99



# Possible alternative revenues



State Forests

100

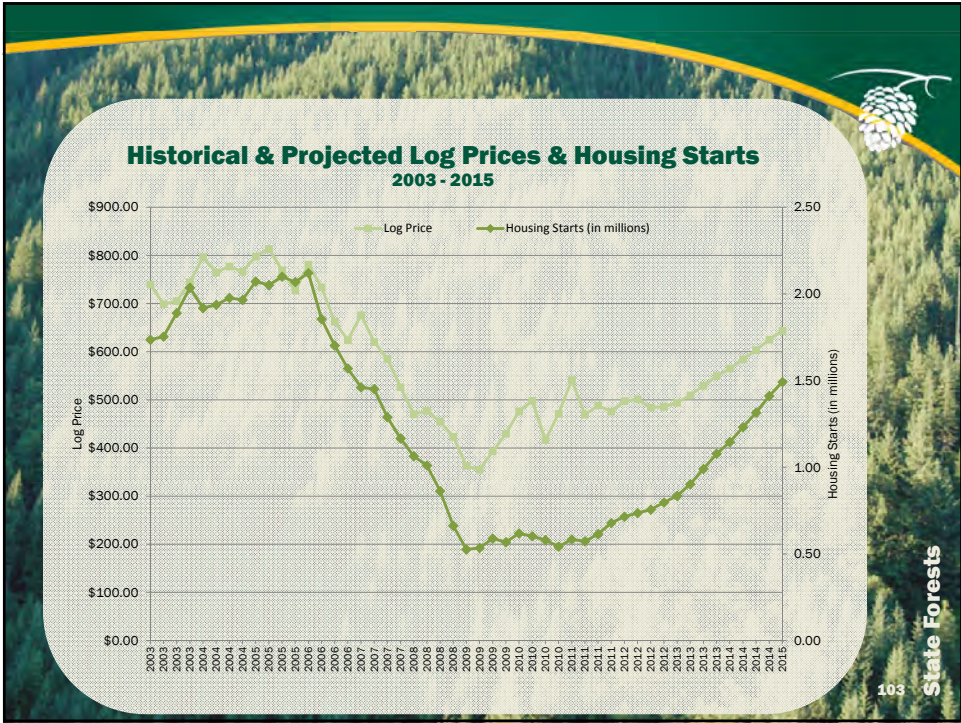
## Impacts of litigation

- Reduced planned harvest levels more than 50% on Elliott State Forest
- Introduced long-term uncertainty

101 State Forests

## Market uncertainty

102 State Forests



**Retaining some flexibility  
to respond to changing  
markets and to reinstate  
vital functions**

104 State Forests



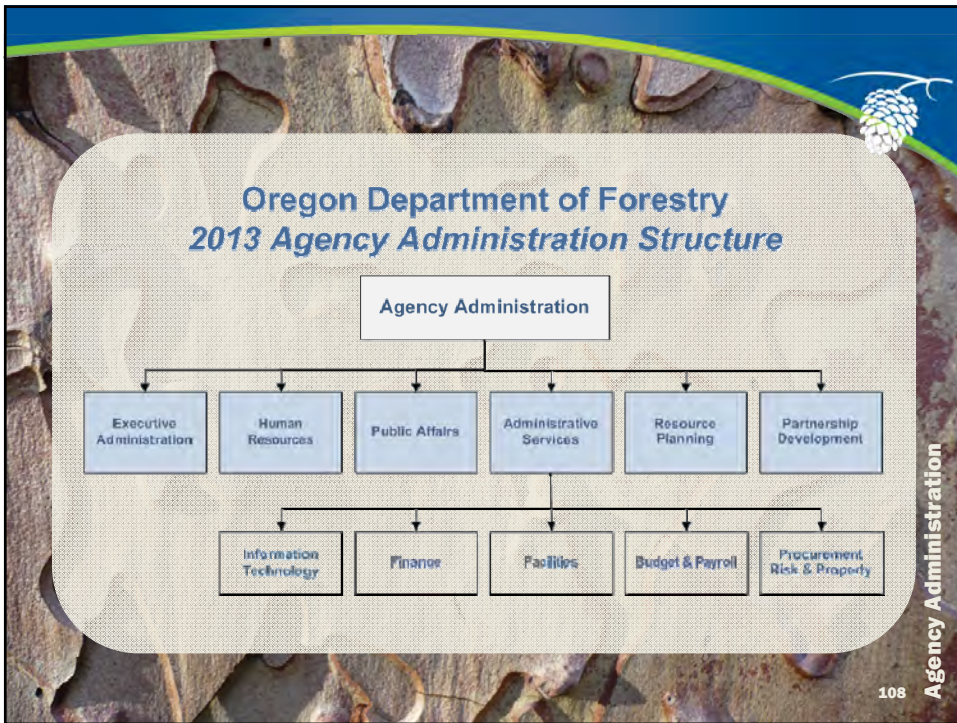
**Governor's  
Balanced Budget**

- Maintains current level of operation
- Enhanced monitoring - Elliott State Forest
- Gilchrist State Forest acquisition

105 State Forests



106 State Forests







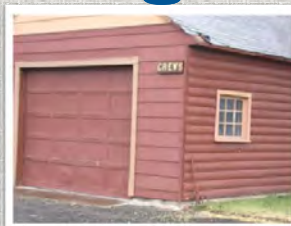
# Results

Recent findings from yearly survey of local policymakers and stakeholders:

- Met 100% satisfaction target on overall service, accuracy, expertise, timeliness
- Concerns about ability to sustain excellent customer service

111

# Budget Environment and Challenges



112

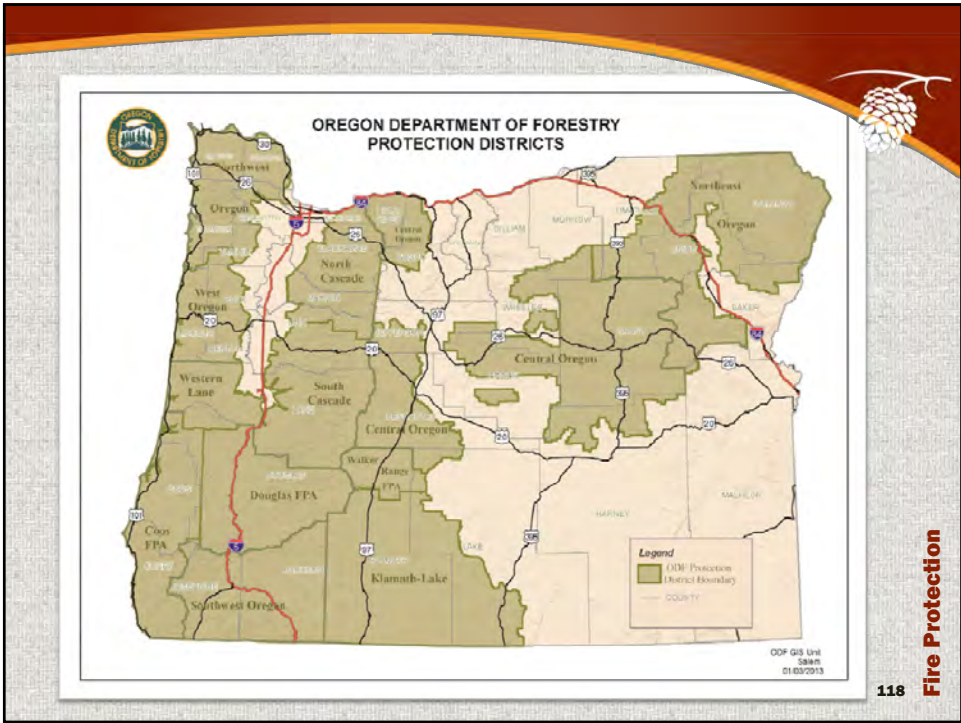


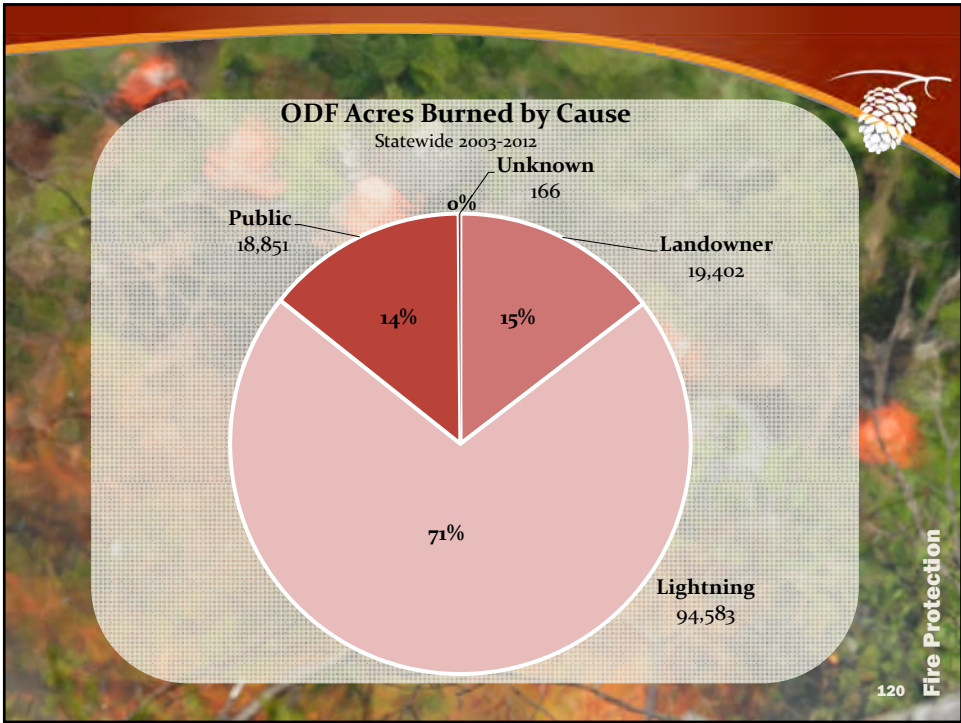
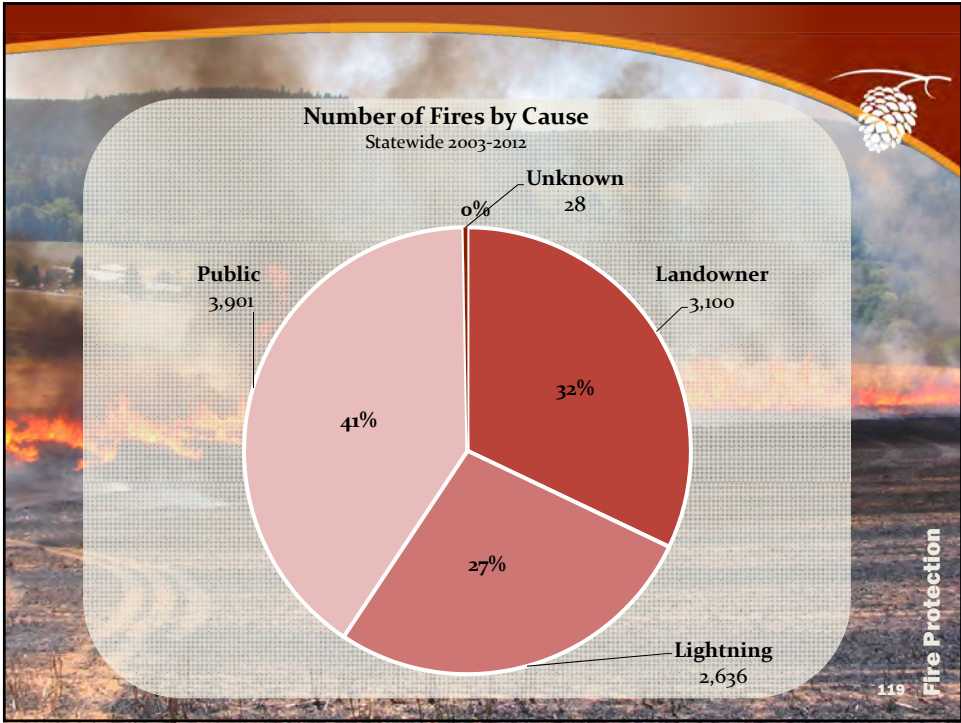
## Governor's Balanced Budget

- Additional information technology resources
- Replacement of aging, unsafe warehouse
- Funding to address federal forest health and economic issues

114 Agency Administration







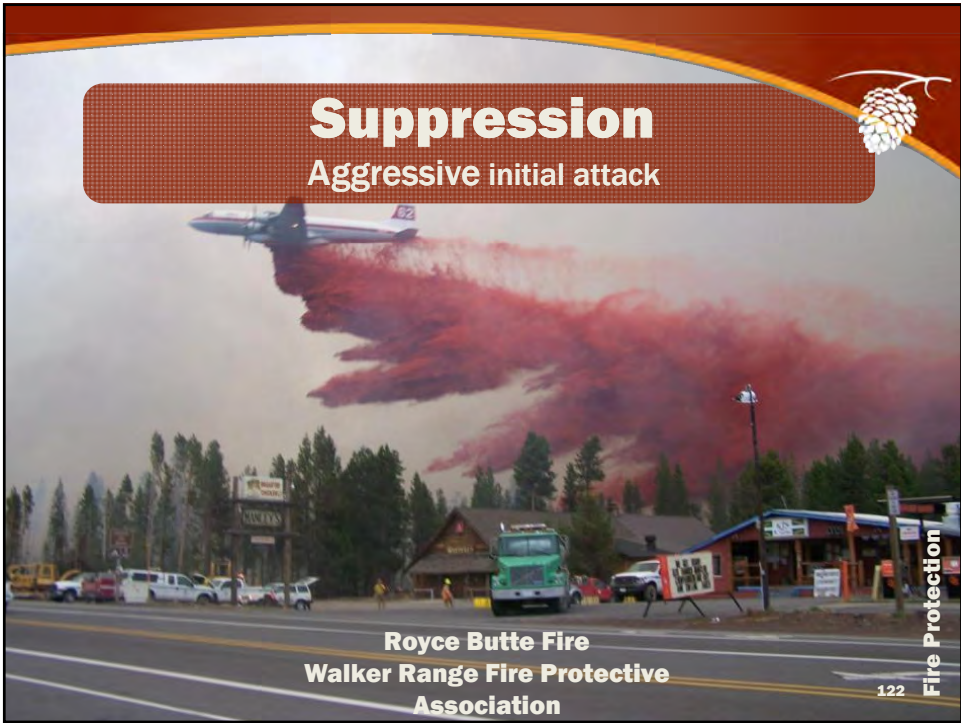


# Strategies



Fire Protection

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# Suppression

Aggressive initial attack



Fire Protection

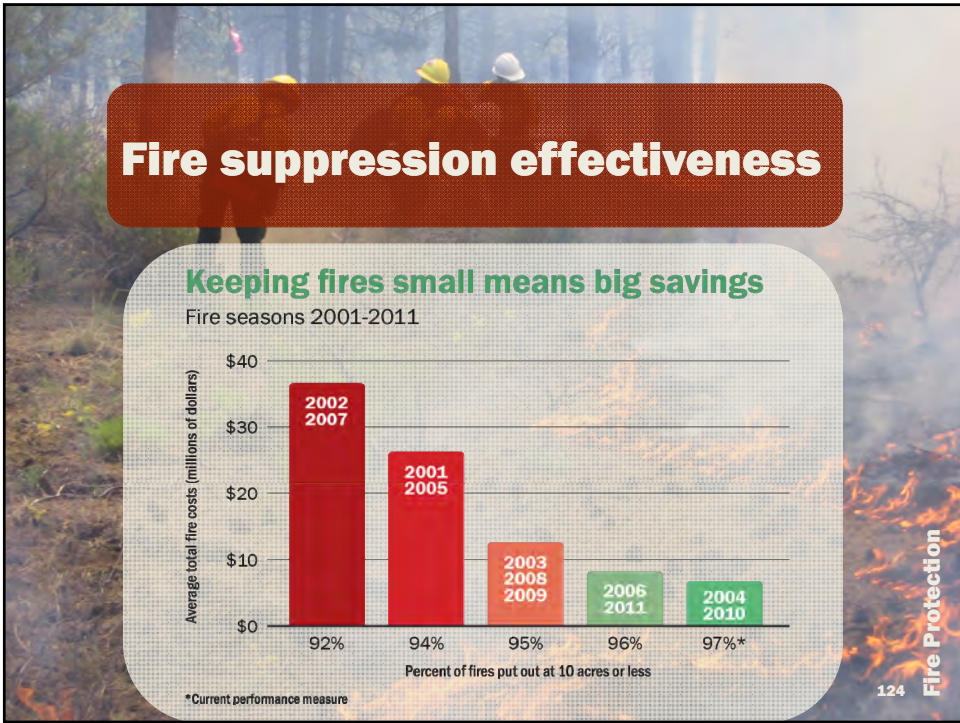
Royce Butte Fire  
Walker Range Fire Protective  
Association

122



# Keeping fires small

123  
Fire Protection

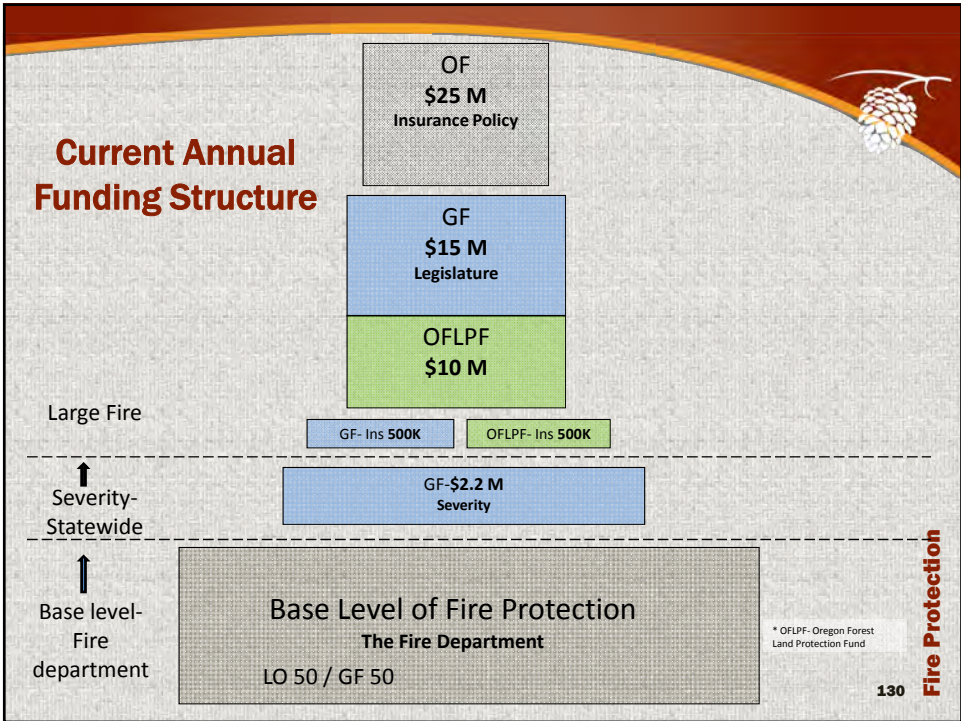


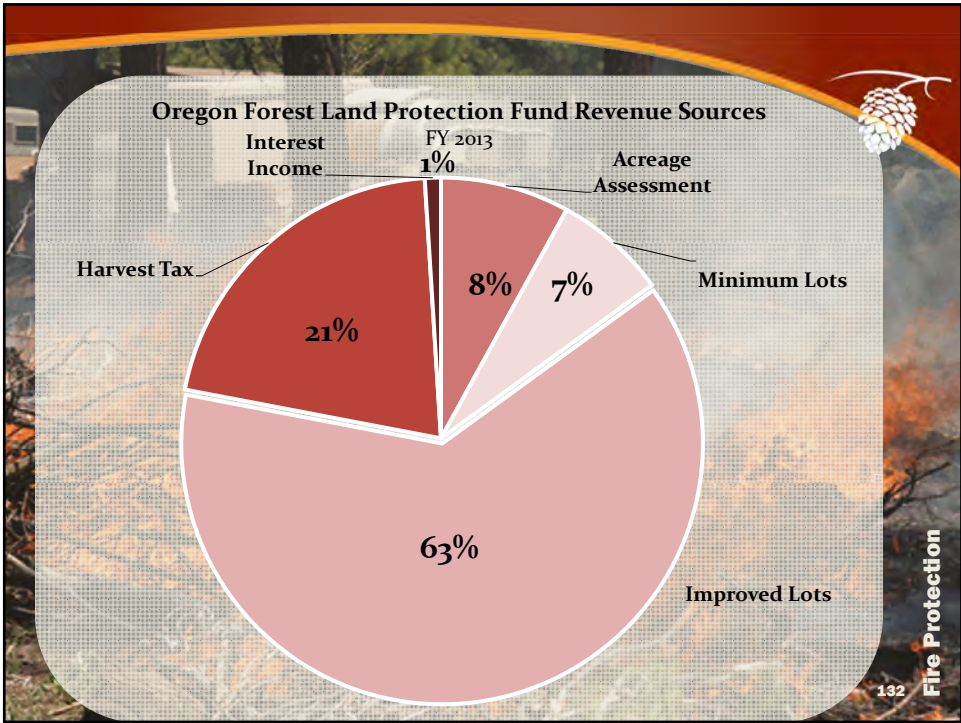
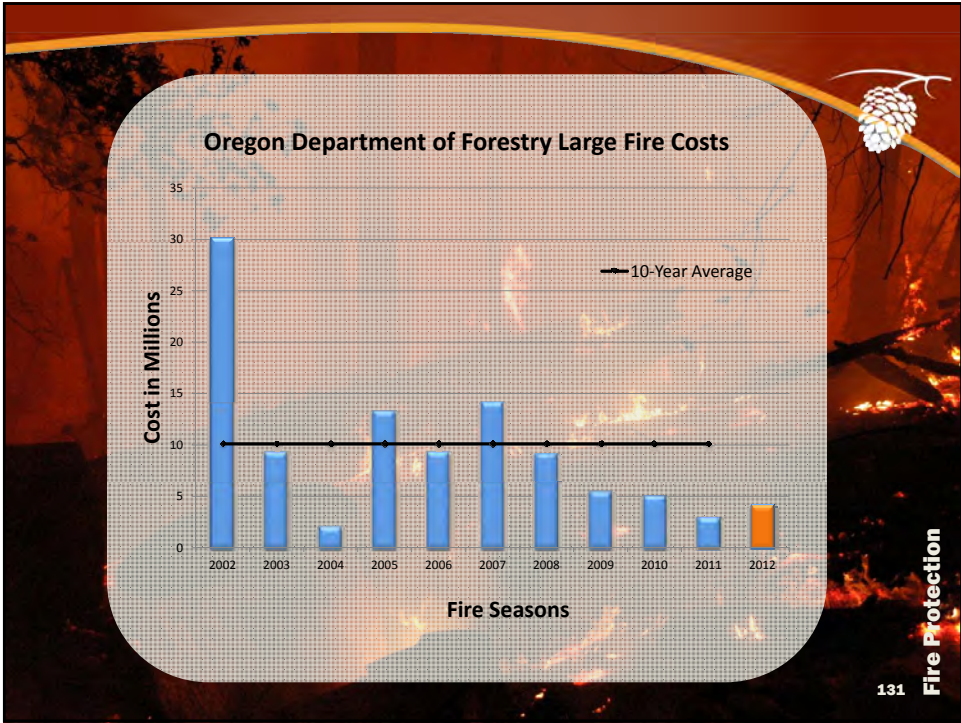
124  
Fire Protection













**Budget Environment  
and Challenges**

133 Fire Protection



**Jobs and a healthy Oregon**

134 Fire Protection

## The impacts of large fires



Dollar Lake Fire



Pole Creek Fire



Resource and infrastructure damage



Threats to homeowners

135

Fire Protection

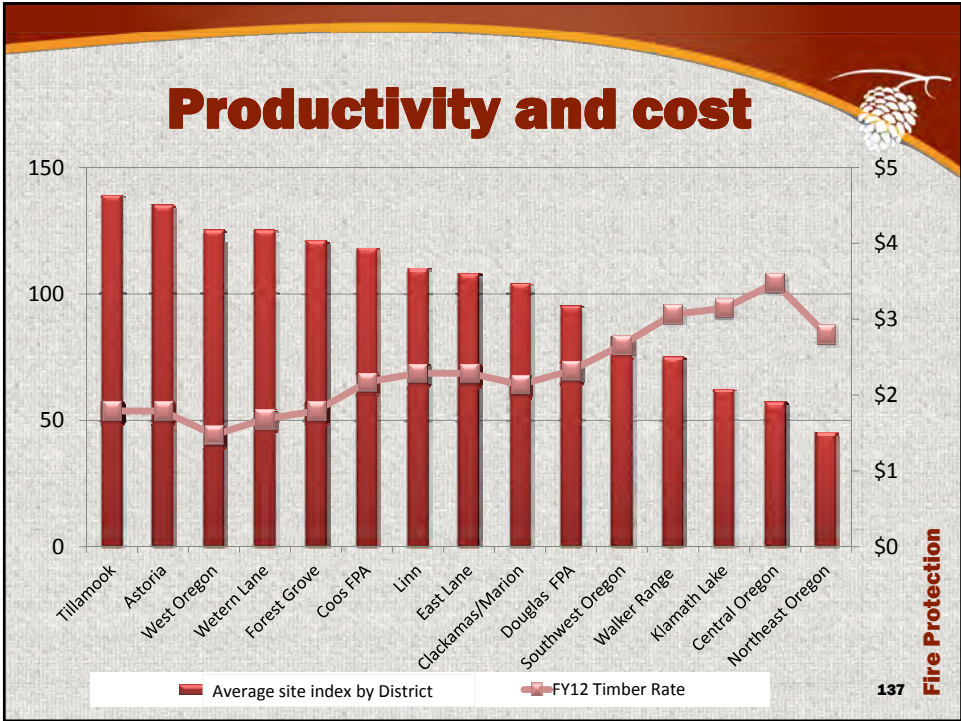
## Increasing fire season severity



AUG 29 2006

136

Fire Protection



## Wildland urban interface



139

Fire Protection

## Capacity to meet protection targets



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Fire Protection



**Special Purpose Appropriation**

141

Fire Protection

The image shows a firefighting aircraft in flight, releasing a large volume of bright red fire retardant. The retardant is falling over a residential area with houses and trees. The sky is clear and blue. A decorative pine cone icon is in the top right corner.



**Wildfire Protection Act**

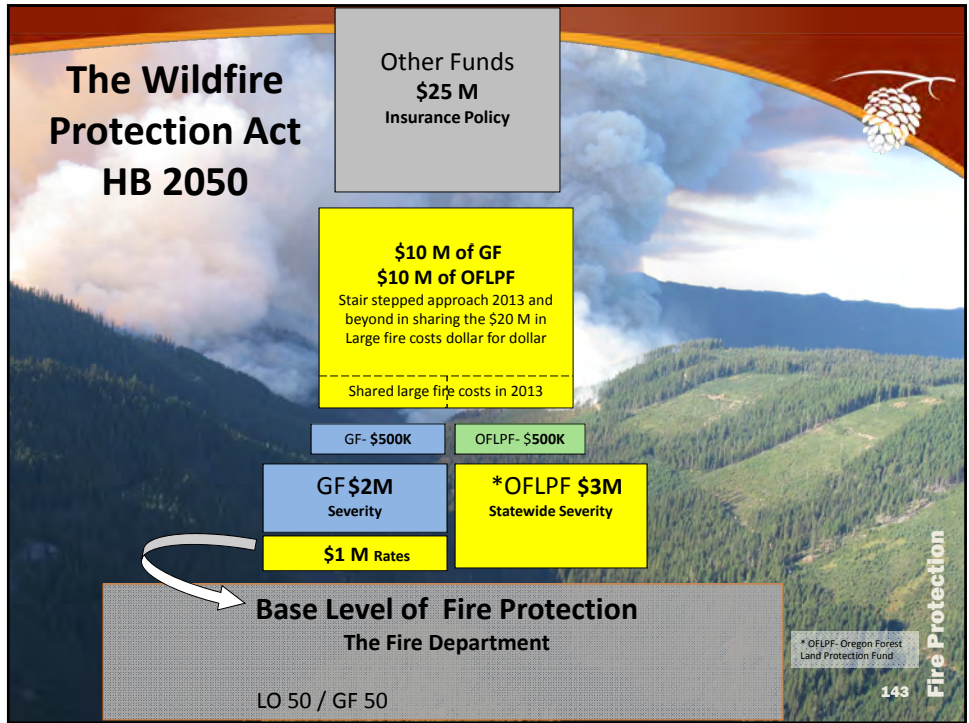
- Increase initial attack capacity
- Limit large-fire cost exposure
- Keep working forests working

142

Fire Protection

The image shows a landscape with a large wildfire. Thick white smoke is rising from a forested hillside. The sky is clear and blue. A decorative pine cone icon is in the top right corner.





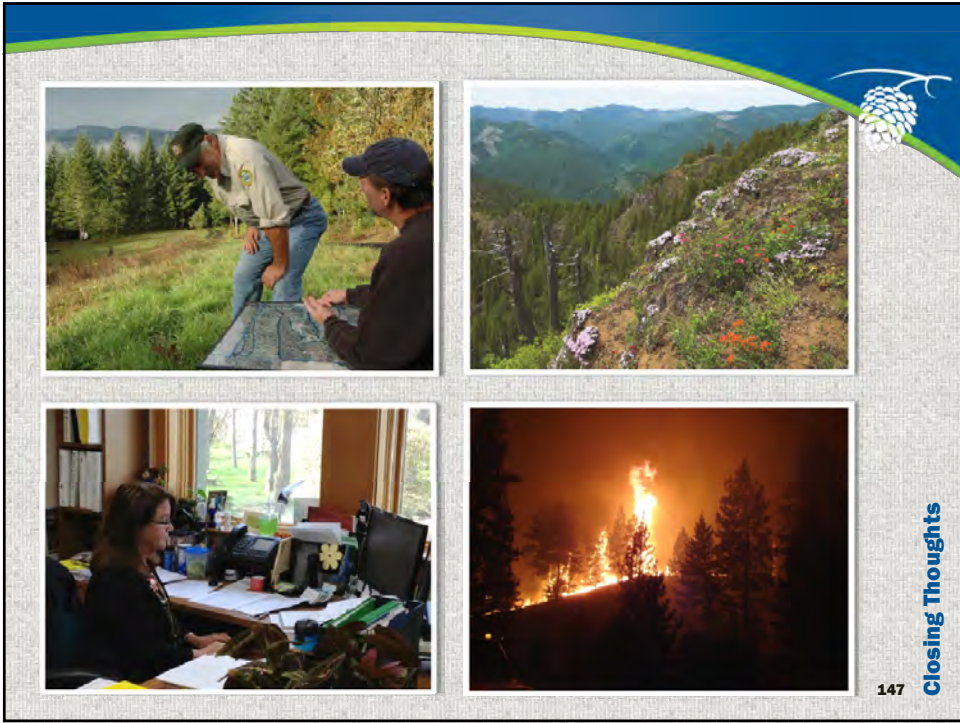


145  
**Fire Protection**



**CLOSING THOUGHTS**

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**Doug Decker, State Forester**

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(503) 945-7211  
ddecke@odf.state.or.us

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# 1. Agency Summary

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**Oregon Department of Forestry  
2013-15 Ways and Means Presentation  
April 2013**

# Agency Summary

## A. Overview

### Oregon's Forests

Forests are integral to Oregon's identity, economy and quality of life. They cover 30.5 million acres, almost half of the state's land area. Forests produce clean water – cleaner than water flowing from land in other uses – as well as wildlife habitat, jobs, recreation, scenic beauty and other benefits. This resource is highly diverse, ranging from dry forests in eastern and interior southwestern Oregon, to forestlands in northwestern Oregon that are among the most productive on earth. Healthy, working forests have a role in addressing key issues facing the state, including Oregon's general economic recovery, community and environmental health and vitality, funding of education and other services, and development of renewable energy sources.

Forests provide a critical economic engine. Oregon has long been the nation's no. 1 producer of lumber and plywood. Although the forest sector contracted during the Great Recession, the Oregon Forest Resources Institute (OFRI) reports that the sector remains significant within the Oregon economy, particularly in rural communities. Forest industries directly employ 76,000 Oregonians and account for 6.8% of the state's industrial output.

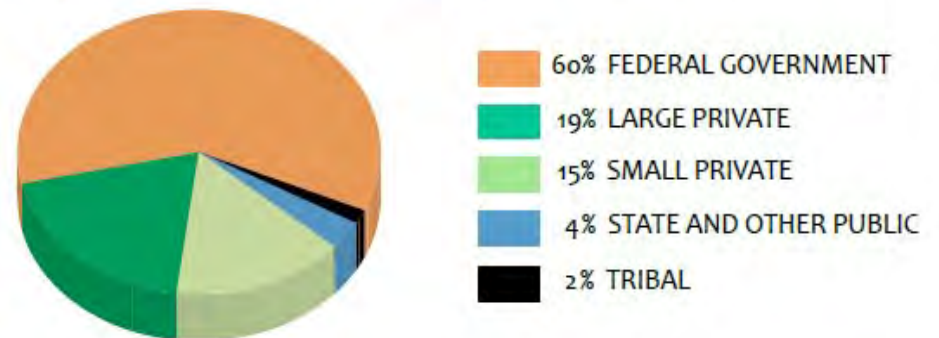
The forest resource also includes urban forests – trees in neighborhoods and other developed landscapes – with tangible benefits including stormwater retention and maintenance of property values, healthy streams and other values.

Oregon's forests face significant challenges. Although land use policies have largely succeeded in maintaining the forestland base in recent decades, fragmentation and loss of working forestland – with degradation or permanent loss of forest values – are growing concerns. Population pressure, escalating costs of managing forestland, loss of mills that provide markets for logs, forest health problems, climate change, and rising fire danger are among today's challenges.

Forest ownerships vary from a few acres to hundreds of thousands. Owners have widely differing management goals and face differing circumstances – factors such as the location, health and productivity of the land, knowledge of forest management, and funds available for management. The primary ownership groups are as follows:

- **Private forestlands**, divided between large industrial holdings managed primarily for environmentally sustainable timber production, and thousands of family forestlands whose owners have widely varying desires and goals for their lands.
- **State, tribal and local public lands**, managed for a variety of purposes. State Forests account for about 3% of Oregon's forestland, and are managed to produce a range of economic, environmental and social benefits.
- **The federal government is the largest forestland owner**, primarily through the Forest Service and Bureau of Land Management. Many of these lands, particularly in drier regions, face management problems including increased vulnerability to insect and disease activity, and high risk of large wildfires that may threaten neighboring lands or communities. Management of these lands, closely linked to the well-being of nearby communities and to the overall health of the forest landbase, is among Oregon's dominant forest policy issues.

### OREGON FORESTLAND BY OWNER (AS PERCENTAGES)





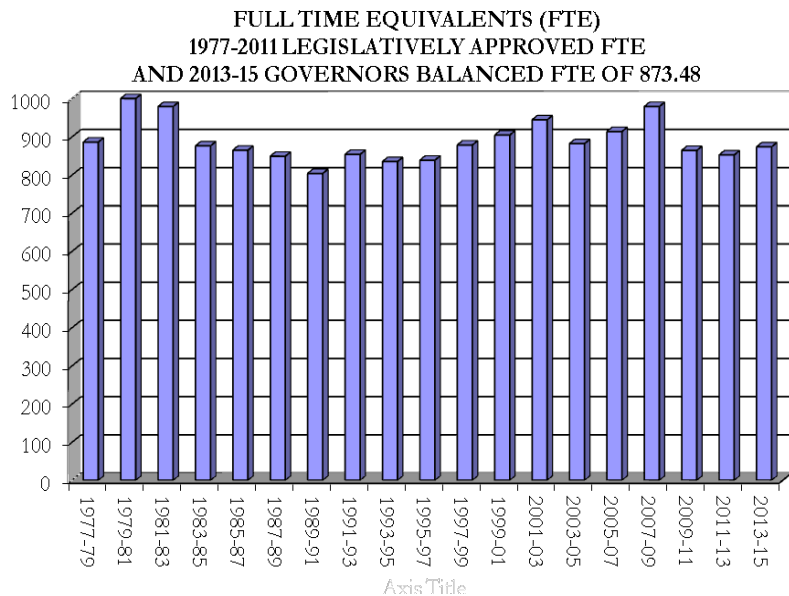
# Agency Summary

## A. Overview (Cont.)

### **Sustainability and the three principle businesses of the Oregon Department of Forestry**

Sustainable forest management means that forest resources are used, developed and protected in ways that enable us to meet current environmental, economic and social needs, while ensuring that future generations can meet their needs. The state's forest policy, expressed in the Board of Forestry's overarching *Forestry Program for Oregon*, recognizes that all forests are not managed in the same way. It is a mosaic of responsible management approaches, with a variety of emphases, that produces a healthy, resilient and sustainable forest landscape.

This approach further recognizes that economic, social and environmental values, although often viewed as being in conflict, are in fact interdependent. Maintaining environmental values protects the forest's health and productivity – the basis of its ability to provide all benefits. Economic benefits are necessary to retain forest use in the face of growing pressure to convert to other uses, and to pay to protect and enhance forest resources. Social values include recreation, revenue for public services, and stability of rural communities; these help sustain public support for forest management.



Against this backdrop, the Oregon Department of Forestry (ODF) helps to keep forests healthy, working, and contributing to Oregon's environmental, economic and community sustainability.

The Department represents a substantial share of Oregon's investment in forest protection and management for the benefit of all Oregonians. These investments – in protection, stable regulation, and balanced management of state-owned lands – in turn provide a platform for ongoing private investment in forests and the forest sector.

The agency's number of full-time equivalent positions today is about the same as it was in 1977. However, the Department has taken on considerable additional responsibility during that time, including implementation of the Oregon Forest Practices Act and the Oregon Plan for Salmon and Watersheds, increased forest management activity and public use on state forests, increased fire severity, and the complexity of maintaining healthy, working forests in a changing, urbanizing landscape.

With the resources available, ODF operates three principle businesses:

### **Protecting forests from fire**

This is the top priority, as it has been since the agency's creation in 1911.

Oregon's largest fire department, ODF protects 16 million acres, a \$60 billion asset covering more than half of Oregon's forest landbase. These are privately owned forestlands as well as some public lands, including state-owned forests and, by contract, U.S. Bureau of Land Management lands in western Oregon. Many of these lands are near communities and infrastructure. Fire protection is accomplished in close coordination with landowners, contracted crews and aircraft, inmate crews and other public agencies. Internally, the Department uses a militia approach, drawing on experience, expertise and training from all divisions to fill the positions, many of them highly specialized, on the teams dispatched to fight large fires. Adequate staffing across the agency is thus integral to an effective fire protection function.

# Agency Summary

## A. Overview (Cont.)

This function is vital in protecting forest resources as well as community safety and human health (by minimizing smoke impacts and protecting water quality, for example). Landowners and the state share costs, recognizing the public interest in an effective program. The Department responds to some 1,000 fires each year, extinguishing about 95% at 10 acres or fewer. The small number of fires that grow large, however, account for the majority of costs, and are the focus of ongoing policy and budgetary attention.

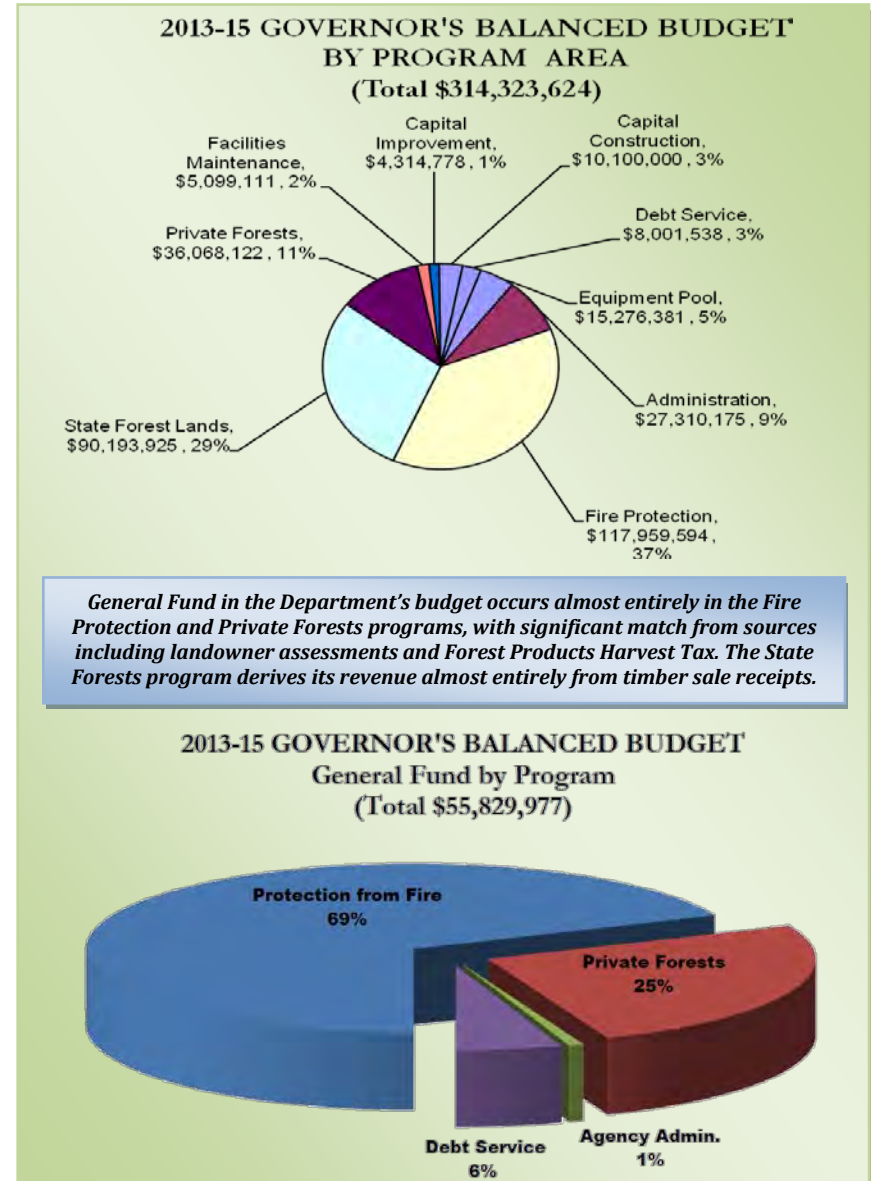
ODF's budgetary and legislative centerpiece during the 2013 session is the Wildfire Protection Act (HB 2050), which would use \$1.6 million in additional General Fund to leverage up to \$6 million in landowner funds to reduce the risk of large, catastrophic wildfires, and their costs and risks to landowners and the General Fund.

The Act also seeks to share large-fire costs, paid primarily by private landowners in recent years, evenly between landowners and the General Fund, and to ensure adequate, affordable fire protection on lower productivity, fire-prone eastside forests. These measures seek to maintain the long-term viability of the fire protection program, and of working forests that are at risk of loss to other use if fire danger, protection costs or other challenges make continued forest management untenable.

### Protecting natural resources on private lands, and helping to maintain healthy, working private forests

About 10.7 million acres of forest, 35% of Oregon's forest landbase, are privately owned. A healthy, diverse private forest landbase provides value for all Oregonians, including economic activity, clean air and water, and wildlife habitat. ODF's Private Forests Division protects natural resources on private forestlands through effective education and strong enforcement of the Forest Practices Act, enacted in 1971 and modified many times in response to new knowledge and needs.

At a time of growing pressure to convert working forestland to other uses, the program helps maintain healthy forests through landowner technical advice, a stable regulatory environment, research and monitoring, incentive programs and other services. Field foresters and specialists provide on-the-ground education and expertise in regulatory compliance, forest health, fuel control, invasive species, forest management planning for family forestland owners, and voluntary projects to enhance habitat, stream health or other values.



## Agency Summary

### A. Overview (Cont.)

After an era of reductions, the 2011 Legislature restored critical resources, including field foresters and support in training, wildlife, water quality, civil penalties and other areas. The Legislature also called for independent evaluations of the efficiency and effectiveness of Forest Practices Act enforcement, and of compliance with key Forest Practices Act requirements. Vigorous responses to these directions, and restoration of vital resources, are rebuilding the Private Forests Division, increasing its efficiency and responsiveness, and positioning it well for the future.

#### **Managing state-owned forests for a full range of public benefits**

The 821,000 acres of state-owned forests represent a small but important slice of Oregon's forest landbase. These public lands are actively managed to produce a sustainable flow of multiple benefits. There are six state forests: the Tillamook, Clatsop, Santiam, Sun Pass, Gilchrist and Elliott, plus scattered tracts.

Most of these lands are owned by the Board of Forestry, having been deeded by counties, generally following harvesting, fires and tax foreclosures, in the last century. By law, Board of Forestry lands are managed to achieve Greatest Permanent Value – a broad range of benefits including timber, wildlife habitat, healthy streams and recreation. Almost 64% of timber sale revenue from these lands flows to counties where harvests occur, to help fund local public services, including schools. The Department retains the remaining revenue for management costs.

The remaining state-owned land, located primarily in the Elliott State Forest, is Common School Forest Land, deeded to Oregon at statehood and owned by the State Land Board. The Department manages these lands by agreement with the Land Board and the Department of State Lands. By state constitutional mandate, the lands are managed to maximize revenue to the Common School Fund, consistent with sound management techniques. ODF is reimbursed for management costs.

# Agency Summary

## **B. Key Budget Drivers and Major Issues**

### **Introduction**

Many trends – on the landscape, and in public policy, public finance, forest economics and forest ownership, for example – intertwine to drive the Department's budget and key issues. These drivers, themselves inter-related, influence success in reaching the fundamental goal of intact, healthy forests, managed and working to provide sustainable value to Oregonians.

Issues and drivers are discussed more fully in the following sections of this document. A summary:

### **Climate change and forest health, particularly in drier regions**

As an over-arching concern, during the past decade, Oregon has experienced warmer, drier climate trends that have stressed forest ecosystems, exacerbated existing management and forest health problems, and led to extreme fire conditions. These trends are expected to continue. They add to the challenge on federal forestlands, many of which are already over-crowded with small, weak trees due to factors that include decades of fire suppression without other management, such as thinning or harvest. Continued warmer, drier conditions increase these forests' vulnerability to insect and disease attack and to uncharacteristically severe fires. Such fires can threaten communities and adjoining privately owned lands, while destroying resources including standing timber and habitat for wildlife, including species listed as threatened or endangered. About 35% of Oregon's forests are at high risk of uncharacteristic fire because of disruption in their natural fire regimes. Another 42% are at moderate risk.

Climate trends affect the management and protection of forestlands in all ownerships – again, particularly in drier regions – at a time when pressure to convert working forests to other uses is rising. Over time, climate trends also may affect forest species makeup and distribution, including invasive species, as well as insect and disease processes. Much remains to be learned about the effects of changing climate on forests.

Even outside the driest forest regions, introduction of non-native species threatens forest health. The potential spread of Sudden Oak Death in the forests of coastal southwestern Oregon, for instance, has significant implications for the environment and for the nursery and forest industries.

### **Fire protection: costs, capacity, and large fires**

Fire protection costs are rising 6-12% per year. The increase is due to factors such as the cost of contract aircraft and other resources, as well as climate conditions, contraction in forest-sector industries that are important on-the-ground partners in fire protection, fuel buildup, particularly on federal land, and the higher cost and complexity of protection in the growing wildland-urban interface.

Department budgets have not kept pace with these challenges. During the 2011 fire season, ODF fell short of its performance measure target of extinguishing 97% of fires at 10 acres or less, reaching only 95%. During the 2012 season, the Department overspent its special General Fund appropriation, dedicated for use during high-severity periods, due to increasing aviation costs and an extended fire season.

Diminished buying power reduces the resources available to attack fires aggressively, leading to larger, more costly, damaging fires. Even one large fire can cost millions of dollars to put out. Other consequences include increased threats to firefighter and public safety, loss of forest resources and property, and continued erosion of the viability of working forestland, particularly in eastern Oregon.

Such factors as severe fire weather, declining forest health and rising firefighting costs have aligned in the past several years to create risk that is unprecedented in recent history.

# Agency Summary

## **B. Key Budget Drivers and Major Issues (Cont.)**

An efficient, effective system that minimizes costs and large fires is essential in assuring the availability of Oregon's unique large-fire insurance policy, which in turn protects the General Fund in severe fire years, lending important stability to the system. As described elsewhere in this document, the Wildfire Protection Act (HB 2050) and associated elements in the Governor's Balanced Budget would address these issues, using General Fund to leverage increased landowner dollars to increase capacity to extinguish fires before they grow large.

### **Forest fragmentation and conversion, and the growing wildland-urban interface**

Various factors work to divide large tracts of working forests into small parcels, and to intermingle homes or other structures among forestlands. Both trends reduce the likelihood that forest will be actively managed to produce a range of values, and increase the cost and complexity of fire protection. These trends can lead to conversion of working forestland to other uses, with permanent loss or degradation of forest values. They also have a direct bearing on the Department's workload and budget.

Significant tracts of forestland can be sold as real estate, for values far larger than their value in ongoing forest management. Population growth, limited markets for logs, inability to realize income from carbon storage or other ecosystem services, and the cost of fire protection also contribute to the fragmentation and conversion of forestland. Faced with these economic realities, owners of large and small forest tracts find themselves challenged to keep their lands in working forest use. In some areas, large, contiguous blocks of forestland have become collections of smaller holdings and hobby farms with homes and other structures.

These changes can increase fuel accumulations and wildfire risks; provide a foothold for invasive species; and increase the likelihood of neighbor conflict in areas where timber harvests or other active forest management operations continue.

The landscape will continue to change as these trends unfold. About 300,000 acres of forest, about 5% of Oregon's privately owned forestland, are inside urban growth boundaries or other development zones. Another 1.8 million acres are within a mile of residential or other developable areas.

These drivers challenge the Department's ability to deliver services efficiently and effectively. About 20% of the Department's field staff time is spent in the wildland-urban interface, educating landowners and neighbors about resource protection requirements, responding to complaints and concerns from landowners adjacent to forest operations, and coordinating with local government on land-use changes. These trends will continue to challenge the Department, and highlight the need for new approaches and strategies in the wildland-urban interface and in areas at risk of forest fragmentation.

### **The future of family forestlands**

Because of their nearness to populated areas and major roads, these are the forestlands that most Oregonians see every day. Often for the same reasons, many of these lands are at particularly high risk of conversion to non-working forest use. In addition, as family forestland owners grow older, the next generation may have varying degrees of interest in retaining the lands as forests. The forest landowning population is large and diverse. Some 156,000 owners hold forest tracts of less than 500 acres; most of these holdings are below 50 acres.

There is much unrealized value for all Oregonians in these lands – in timber harvest, conservation values and other areas – if the owners have access to the required expertise and support. This will continue to be a challenge for the Department.

## Agency Summary

### **B. Key Budget Drivers and Major Issues (Cont.)**

#### **Federal forest policy**

As the biggest forest landowner in Oregon, the federal government has great influence over economic, environmental and community well-being. As discussed above, many federal lands, particularly in drier regions, face significant forest health and wildfire challenges. These, in turn, affect Oregon's forestland base and the Department more broadly. Impacts to ODF can include a lack of critical, shared firefighting resources (specifically contract aircraft, hand crews and heavy equipment), and the potential for increased costs if fires originating on federal lands escape onto state-protected land. Additionally, the steep decline in federal timber harvests has contributed to contraction in Oregon's forest products milling infrastructure in recent decades. Oregon had 390 operating mills in 1980, and has 104 today. Eleven mills remain in eastern Oregon. Mills are essential to process material removed from federal lands as part of efforts to restore forest health and maintain community viability and other values. They are essential, too, if private forestland owners are to continue to keep their lands in working forest use.

Oregon has a significant opportunity for economic, ecological, and community gains if dry-side forest management is increased. Local collaborative groups have demonstrated an ability to move beyond gridlock and increase sustainable management of federal lands. Primarily through the Oregon Business Development Department budget, the Governor proposes investments in forest collaboratives that are linked to arrangements with the U.S. Forest Service for sustained timber supply, reduced costs, habitat gains, and diversified jobs and infrastructure. These investments are also intended to be contingent on the Forest Service's investment of additional dollars in Oregon's dry-side forests, along with the use of business models that help increase the pace and scale of management of these lands.

Although not a part of ODF's proposed budget, these investments have the potential to affect the Department's success in maintaining healthy forests that provide a sustainable flow of multiple benefits.

#### **Strategies for managing state-owned forests**

The dominant management plan for state forests, the Northwest State Forest Management Plan, covers about 650,000 acres, or 75% of the total state forest landbase. When the plan was approved in 2001, analysis suggested high levels of timber harvest as well as high contributions to a diverse array of fish and wildlife habitat across the landscape. In the years since, timber harvest levels and the corresponding revenues to counties, local taxing districts and the agency have fallen well short of expectations.

The Department is beginning work on alternative management strategies that could potentially meet the Board of Forestry's performance expectations, including ensuring the financial viability of the State Forests Division and meeting the Greatest Permanent Value mandate – production of a full, sustainable range of social, economic and environmental benefits for Oregonians. This work comes against a backdrop of budget reductions in recent years as the recession drove down timber prices, and timber sale revenue to the division. The division has curtailed investments in recreation, research and monitoring, silvicultural activities such as pre-commercial thinning, and other key aspects of sound, long-term forest stewardship. The exploration of alternative strategies will be conducted in concert with investigations of business models that would diversify the division's revenue stream, which currently consists almost entirely of timber sale revenue.

# Agency Summary

## **B. Key Budget Drivers and Major Issues (Cont.)**

### **A public role in conserving working forests**

The tradition of state ownership of forests in Oregon has been one of acquiring lands in need of conservation and restoration. Just as this approach restored forests in the decades following the Tillamook fires, acquisition of forestland in central Oregon has served to keep intact large blocks of forestland at risk of parcelization and conversion to non-forest use.

The 2009 Legislature, with support from the Governor's Office and the Klamath County Commission, approved use of \$15 million in Lottery-backed bonds to purchase more than 43,400 acres of at-risk forestland near Gilchrist, in central Oregon. The resulting Gilchrist State Forest, the first new state forest in almost 70 years, was dedicated the following year. The Conservation Fund, a not-for-profit conservancy organization, purchased almost 26,000 adjoining acres, with the intent of holding them for eventual state purchase. The 2011 Legislature approved an additional \$1.98 million in Lottery bonds for acquisition of a portion of these lands, and the Governor's Balanced Budget for 2013-15 includes \$7.6 million in Lottery bonds to purchase the remaining acres.

Managed like the similar Sun Pass State Forest about 50 miles to the south, the new forest has the potential over time to provide significant revenue to the county, diverse wildlife habitat, recreation opportunities and other benefits.

### **Using forest biomass**

Forest biomass represents a significant opportunity to help meet Oregon's renewable energy goals, while also addressing critical forest health needs and improving rural economies. Federal Funds have helped to facilitate development of biomass energy facilities, to promote fuel-reduction projects on federal lands, and to develop new market-based solutions. Further resources and policy development are necessary to fully realize biomass' potential.

### **Aging and under-resourced administrative systems**

The Department is hampered in its service to Oregonians by aging business systems and facilities, and inadequate capacity in human resources, finance, and other supports that are essential to front-line programs. The consequences include diminished efficiency, effectiveness and accountability, lost cost-savings opportunities, and high levels of business risk. Many of the Department's current business processes and systems were developed in a piecemeal or siloed fashion 20 to 30 years ago, and are now obsolete, inefficient or at high risk of failure.

For instance, the system used to account for timber sale revenues that are passed on to counties and the Common School Fund is 30 years old, and uses a programming language that is no longer current. Failure of this system would severely compromise the agency's ability to accurately account for and transfer these funds. Financial systems are independent and not electronically linked, requiring manual work-arounds to manage financial resources and process fiscal actions. Payments to vendors during high-transaction periods, such as large fires, are slow and cumbersome.

Over time, budget constraints have prevented necessary maintenance and updates of information technology applications and software. Some application versions are no longer supported by vendors or manufacturers. The results include increased downtime, reduced productivity, and potential inability to meet data reporting requirements or other mandates.

## Agency Summary

### **B. Key Budget Drivers and Major Issues (Cont.)**

In addition, the Department struggles with an inventory of more than 400 buildings and other structures, many of which are decades old and in need of repair or replacement due to functional obsolescence, safety concerns and residential or commercial encroachment. These facilities include dispatch centers, fire equipment warehouses, buildings for the fabrication, storage and maintenance of fire engines and other vehicles, radio communication facilities and forest fire lookouts.

Furthermore, many support services traditionally provided by the Department of Administrative Services have shifted to agencies across state government. This shift, combined with staff losses, has impaired the Department's ability to adequately provide procurement, human resources and other mandatory services.

The Department has received resources to address some of these issues. Following an initial scoping and assessment effort in the 2003-05 and 2005-07 biennia, the Department has received some funding for business system improvements. The 2013-15 Governor's Balanced Budget includes a small staffing addition in information technology, and funds to replace an aging, unsafe building in Lane County.



## Agency Summary

### C. 2013-15 Governor's Balanced Budget

## Oregon Department of Forestry

### 2013-15 Governor's Balanced Budget

	2011-13 Legislatively Adopted Budget	2013-15 Governor's Balanced Budget
<b>General Fund</b>	\$50,181,631	\$55,829,977
<b>Lottery Funds (Debt Service)</b>	2,542,314	3,319,996
<b>Other Funds</b>	197,855,667	224,372,889
<b>Federal Funds</b>	44,278,675	30,800,762
<b>Total Funds</b>	\$294,858,287	\$314,323,624
<b>Full-Time Equivalent (FTE)</b>	852.19	873.48

### Highlights

#### **Wildfire Protection Funding**

Increases General Fund support and landowner contributions to extinguish more fires while they are small, phases in an increase in General Fund responsibility for large-fire costs (toward equal sharing with landowners), and addresses the cost of fire protection on lower productivity lands.

Fiscal Impact: \$1.6 million General Fund, \$6 million Other Funds (reallocation of some landowner funds to severity use), 3.3 full-time equivalent positions

#### **Continuation of Funding for Fire Severity Resources and Insurance Costs**

As in previous biennia, establishes a Special Purpose Appropriation in the Emergency Board Fund to pay the state's share of fire insurance premium costs, and to provide severity resources (primarily air tankers and helicopters, positioned when and where fire danger is highest).

Fiscal Impact: \$5 million General Fund

#### **Increased Fire Investigation Resources**

Adds capacity to investigate and collect revenue from cost-collectible fires.

Fiscal Impact: \$0.35 million Other Funds

#### **Elliott State Forest Monitoring Enhancement**

Adds resources from timber-sale revenues to increase monitoring activities on the Elliott State Forest.

Fiscal Impact: \$0.5 million Other Funds

## Agency Summary

### C. 2013-15 Governor's Balanced Budget (Cont.)

#### Highlights (Cont.)

##### **Gilchrist State Forest Expansion**

Provides Lottery Bond proceeds to expand the Gilchrist State Forest by approximately 26,000 acres, completing the Gilchrist acquisition.

Fiscal Impact: \$0.8 million Lottery Funds, 7.6 million Other Funds (bond sale proceeds – could be reduced if a federal grant to cover partial costs is approved)

##### **Integrated Effectiveness Monitoring**

Adds resources for water quality monitoring in forests.

Fiscal Impact: \$0.4 million General Fund, \$0.07 million Other Funds, 1 full-time equivalent position

##### **Forest Practices Act Administration**

Adds stewardship forester capacity to address high Forest Practices Act workload in urban and wildland-urban interface areas.

Fiscal Impact: \$0.7 million Federal Funds, 3.41 full-time equivalent positions

##### **Eastern Lane Redevelopment**

Provides general obligation bond proceeds to replace an aging, unsafe existing structure in eastern Lane county in the Department's South Cascade District.

Fiscal Impact: \$0.15 million General Fund, \$2.7 million Other Funds (bond sale proceeds)

##### **Information Technology Support Capacity**

Adds capacity to support the growing volume of Information Technology systems and subsequent required support in the Department.

Fiscal Impact: \$0.4 million General Fund, \$0.8 million Other Funds, 4 full-time equivalent positions

##### **Federal Forest Policy Support – Professional Services**

Provides funding for contracted professional services to assist the state in seeking solutions to forest health and economic issues related to management of federally owned forestlands.

Fiscal Impact: \$0.4 million General Fund

##### **Agency Administration Capacity and Technical Adjustment**

Addresses technical budget issues that have accumulated over several biennia.

Fiscal Impact: \$0.2 million General Fund, \$0.1 million Other Funds, \$0.1 million Federal Funds decrease, 0.18 full-time equivalent positions

##### **Statewide Administrative Savings and PERS Adjustments**

Includes a reduction of about 5 percent in administrative costs. Also includes reductions to reflect proposed changes to Public Employees Retirement System benefits.

Fiscal Impact: Decreases of \$0.7 million General Fund, \$2.9 million Other Funds, \$0.2 million Federal Funds

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## **2. Private Forests**

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**Oregon Department of Forestry  
2013-15 Ways and Means Presentation  
April 2013**

# Private Forests

## **A. Overview**

### **Mission**

The Private Forests Division works to protect natural resources and help maintain working forests – and their social, economic and environmental viability – into the future. This mission rests on the premise that healthy, diverse private forestlands provide value for all Oregonians, including watershed protection, economic activity, fish and wildlife habitat, recreation, green infrastructure and other ecosystem services.

### **Purpose**

Based on the Board of Forestry's Private Forests policy objectives and priority set of issues, the Department has developed the following guiding purpose for the division:

Maintain working forests and the social, economic and ecological viability of those forests into the future. The Private Forests Division carries out this purpose through effective administration, educational assistance, and enforcement of the Oregon Forest Practices Act; early detection and response to forest health threats, Urban and Community Forestry services; the delivery of state and federal incentive programs; and the development and implementation of new and emerging innovative programs.

About 10.7 million acres of forest, 35% of the state's total forestland base, are privately owned. These forests are highly diverse, including large corporate and industrial ownerships, family forestlands of many sizes, and treescapes in cities, suburbs and rural residential areas. To support such diverse ownerships, the division provides landowner consultation, forest and stream health protection and enhancement, urban and community forestry technical expertise, enforcement of forest resource protection laws, research and monitoring, and administration of state and federal incentive programs. In addition to private landowners, state and local public agencies turn to the division for service and expertise.

### **Effective administration, educational assistance, and enforcement of the Oregon Forest Practices Act**

The division supports Oregon's four-decade commitment to environmental protection on private forestlands through effective education and strong enforcement of Oregon's landmark forest protection law. Enacted in 1971, the Oregon Forest Practices Act (FPA) established the nation's first comprehensive set of best management practices and rules governing forest practices and safeguarding forest resources.

The FPA creates a partnership between the Department, landowners, and operators to achieve efficient and effective resource protection, and constitutes a social contract with the public. It contains a set of best management practices (BMPs) and rules in reforestation, harvesting, forest road construction and maintenance, slash disposal, chemical application, riparian area and wetland protection, and specified resource site (wildlife habitat) protection. Department policy attempts to gain compliance through an effective balance of science and technology-based rules, incentives, educational and technical assistance, and uniform enforcement.

The purposes of FPA administration are to help landowners meet their objectives while complying with the rules, to educate responsible parties that have violated rules to avoid future violations, and repair, to the extent possible, damage that has occurred. Department Stewardship Foresters provide on-the-ground administration and enforcement of the FPA by inspecting priority operations for compliance.

# Private Forests

## **A. Overview (Cont.)**

The division's work provides public assurance that Oregon's private forests are well-managed, in turn providing a stable base for continued investment in and management of these lands. The division staff inspects operations, enforces rules, and educates forestland owners and operators to achieve high levels of FPA compliance. The division also monitors outcomes, ensuring that the FPA and associated rules are effective at protecting resources. The division's effectiveness monitoring unit designs and implements monitoring projects, analyzes and publishes results in peer-reviewed journals, and informs policy decisions regarding FPA rules and best management practices. The unit also collaborates with other agencies on integrated monitoring and provides technical and financial support to the Watersheds Research Cooperative (WRC), a research group led by a multi-disciplinary team of scientists encompassing the Trask, Alsea and Hinkle Creek watersheds.

Department Stewardship Foresters also play a significant role in implementing the Oregon Plan for Salmon and Watersheds, which seeks to restore salmon runs and improve water quality. Oregon Plan volunteer activities are Oregon's home-grown response to listings of Coho and other salmon species under the federal Endangered Species Act. Stewardship Foresters help forestland owners identify opportunities for improving riparian function (e.g., large wood placement) and work with watershed councils to implement restoration projects.

### **Early detection and response to forest health threats**

The division's forest health professionals conduct surveys, evaluations, and monitor forest insects and tree diseases to achieve their mission of maintaining and improving the health of Oregon's non-federal forests. In partnership with the U.S. Forest Service, they provide early detection by annually surveying all of Oregon forests. This cooperative aerial insect and disease survey, conducted every year since 1947, is the longest-running survey of this type in the nation and provides data on status and trends of forest damage and tree mortality in Oregon. They provide technical advice and training in the use of integrated pest management principles to help professional foresters and landowners meet their management goals and objectives. They detect, monitor, and eradicate invasive, non-native species, including leading the cooperative effort to contain Sudden Oak Death disease in Curry County. They promote forest landscape conditions that are resilient to natural disturbances, reducing environmental impacts and losses of forest resources caused by wildfire, insects, diseases and other agents. They assist the Department's Stewardship Foresters in prevention and restoration associated with bark beetle activity on private forestland.

### **Family forestland technical assistance and incentive programs**

While comprising only 15% of Oregon's forests, family-owned forestlands provide contributions exceeding their size. Approximately 60,000 family owners manage forests of 10 to 500 acres, covering 2.2 million acres. These lands help to diversify landscapes and local economies, and provide political and cultural connections with urban populations. These forests comprise 80% of private forests in the urban and wildland-urban interfaces areas. These are the forestlands that most Oregonians see—and that are most at risk of conversion to other use if they lose economic viability as working forests. Field foresters help to keep these lands in forest use: They provide on-the-ground assistance in matters including FPA compliance, invasive species, and voluntary measures to enhance streams or other forest resources. They also help landowners make the best use of federal cost-share programs supporting forest improvement. The Woodlands Management Act was passed in 1979 to encourage long-term forestry investments and promote better management of Oregon forestlands.

# Private Forests

## **A. Overview (Cont.)**

Lack of forest management knowledge continues to be a major problem for many owners. Harvesting without a sound understanding of forest management has historically led to a reduction in forest productivity and lowering of other resource values. Family forestland owners need information, technical assistance and dollars to properly manage their lands for multiple resources and to take on long-term investments. Technical assistance and stewardship plans place landowners in a better position to address the multi-resource management to meet their objectives and address society's needs. Stewardship Foresters implement this effort as funding is available. Enhanced stewardship on family forestlands is achieved through technical and financial consultation, including forest management planning, advice on young-stand management, and riparian and wildlife enhancement projects.

### **Urban and Community Forestry services**

The Urban and Community Forestry (U&CF) program helps Oregonians improve their quality of life by promoting community investment in our urban forests. The U&CF staff manages the Tree City USA program, supports other agency functions and helps in addressing tree issues and forest practices in Oregon's growing communities and urban/rural interface areas. The program helps fulfill the Board of Forestry's goal to support programs that enhance urban and community forest values and that increase Oregonians' understanding of the important role of forests. The U&CF staff primarily serve 242 incorporated cities, as well as municipal governments, other public agencies, and non-profit organizations. Particularly in smaller cities, they provide technical expertise that wouldn't otherwise be available. Urban trees are now recognized as playing important roles in intercepting storm water runoff and maintaining healthier fish-bearing streams and rivers, as well as enhancing neighborhoods and property values. Urban foresters deal with wide-ranging natural resource challenges that include eradicating invasive species, climate change mitigation, and helping residents make their homes safer from wildfire.

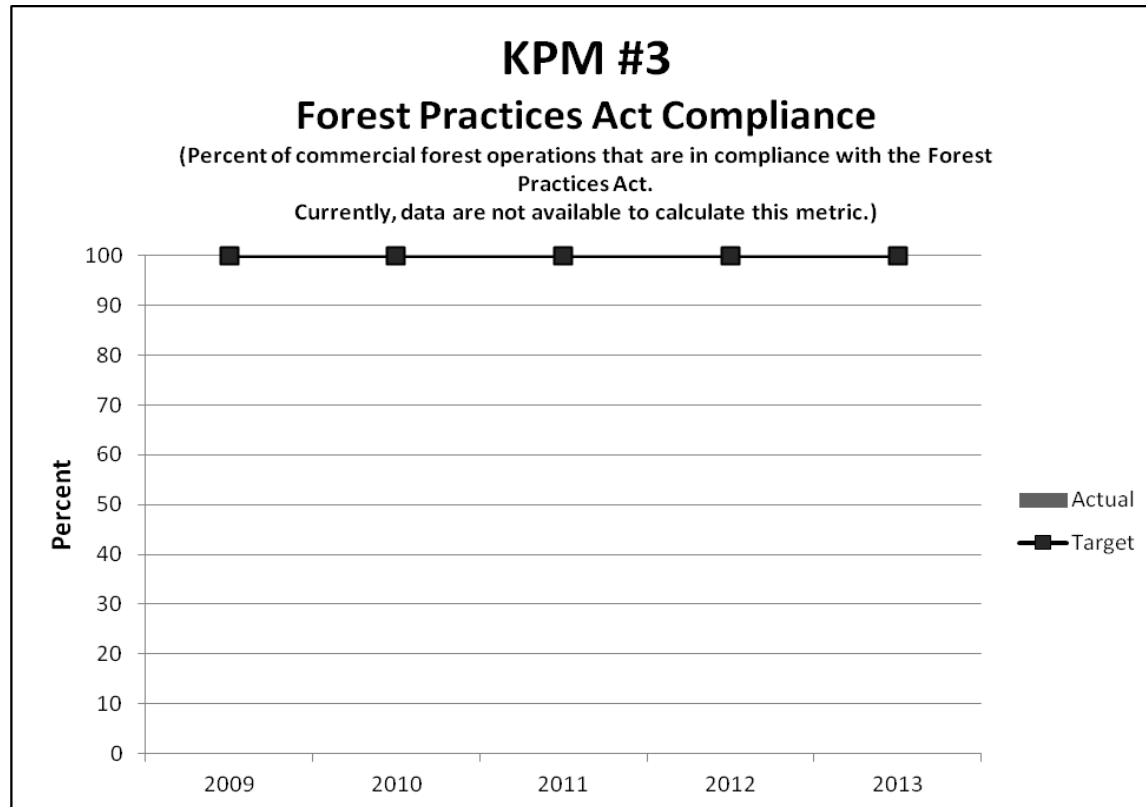
### **Developing and implementing new and emerging innovative programs in private forestry**

The Department has been a leader in setting policy and adapting to emerging opportunities. The division's primary objective under the innovative program part of its mission is to develop and support non-timber markets that increase forestland values. The division has developed new areas that help contribute to sustainable forest management. These activities have included:

- Managing the Federal Forest Legacy Program and exploring other conservation easement opportunities to obtain funding for protection of key forest types threatened by conversion to other uses.
- Actively encouraging Oregon Plan voluntary measures to restore and enhance salmon habitat. The Oregon Plan has stimulated millions of dollars in investments and restoration of thousands of stream miles.
- Developing a stewardship agreement program and a uniform forest management template. This work provides a framework accepted by multiple natural resource agencies for substantive incentives, including regulatory certainty, for forestland owners that choose to go beyond management standards imposed by law.
- Developing a programmatic Safe Harbor Agreement for spotted owls with the U.S. Fish and Wildlife and Natural Resource Conservation Services. The agreement establishes regulatory assurances to participating landowners who implement activities that provide a net conservation benefit.
- Promoting biomass utilization and bio-energy development, including identifying biomass use opportunities and barriers, and working to develop and implement Oregon's Forest Biomass Strategy.
- Participating in the Oregon Watersheds Research Cooperative (WRC) at the OSU College of Forestry. The WRC supports multiple research projects, including the Hinkle Creek, Trask River and Alsea paired watershed studies.

## Private Forests

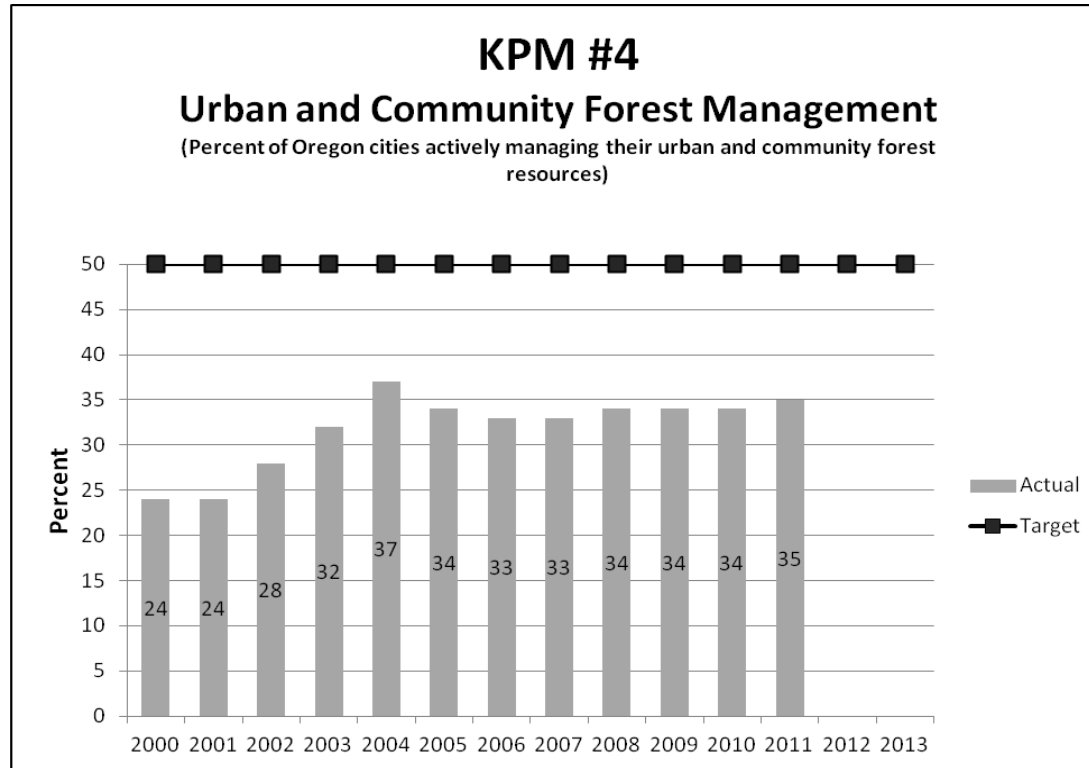
### B. Key Performance Measures



The Oregon Forest Practices Act (FPA) contains a set of best management practices and prescriptive rules designed to protect forest resources and maintain the economic outputs of forests. This performance measure demonstrates the effectiveness of the program by measuring how well forest operations comply with the rules. Ideally, forest operations would achieve 100% compliance with the Forest Practices Act. The Department designed a statically valid audit, and developed a Request for Proposal (RFP) for contracting a compliance audit of forests practices on an annual basis. The Department has awarded a contract to a private provider, with data collection beginning in spring 2013.

# Private Forests

## B. 2011-13 Key Performance Measures (Cont.)

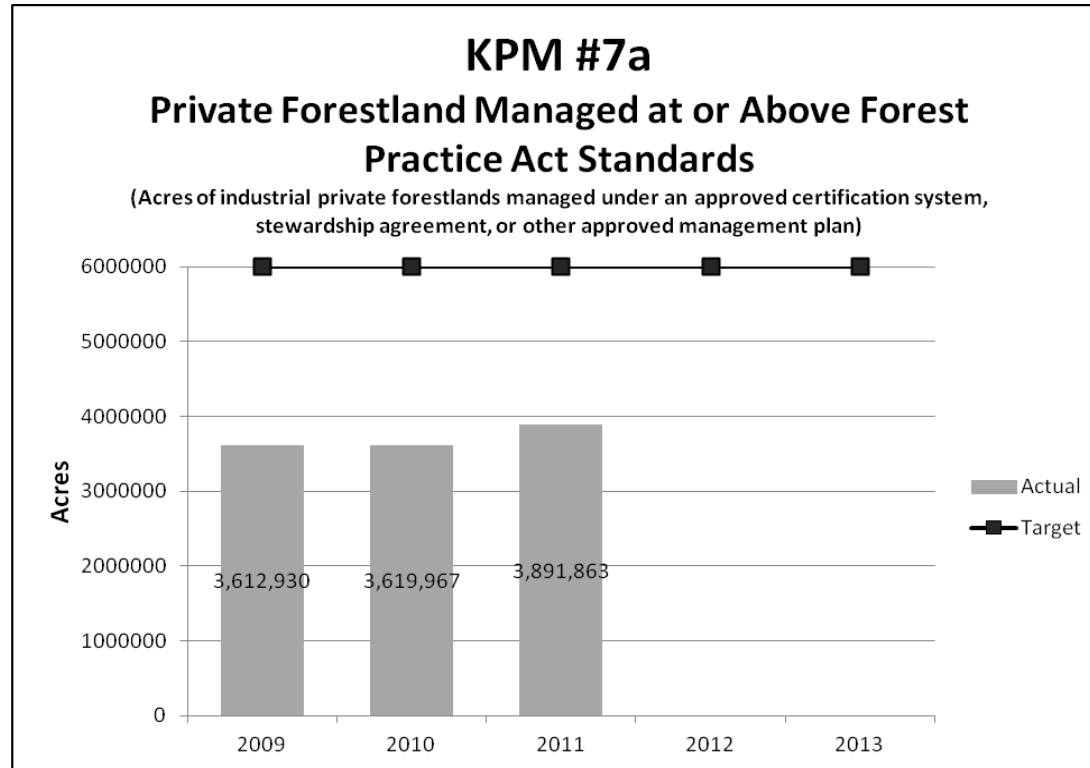


Currently, a little over one third (35%) of Oregon cities are taking an active role in managing their urban forests. The target for this performance measure is that 50% of Oregon's cities will take an active role as indicated by meeting requirements of the Tree City USA program. Over the past five years, the number of cities recognized as Tree City USA communities has remained flat. Not all of Oregon's 242 incorporated cities have the interest and ability to manage their urban forest resources. Interest in urban forest management can fluctuate in correlation to current events. For example, winter storms raise awareness about hazard trees. Cities are responding to the need to proactively manage their urban forests, but are hampered by the economy and limited budgets. Declining Federal Funds over the past biennium have limited the Urban and Community Forestry program's efforts to assist with outreach in education and technical assistance for cities desiring to manage their urban forests.



# Private Forests

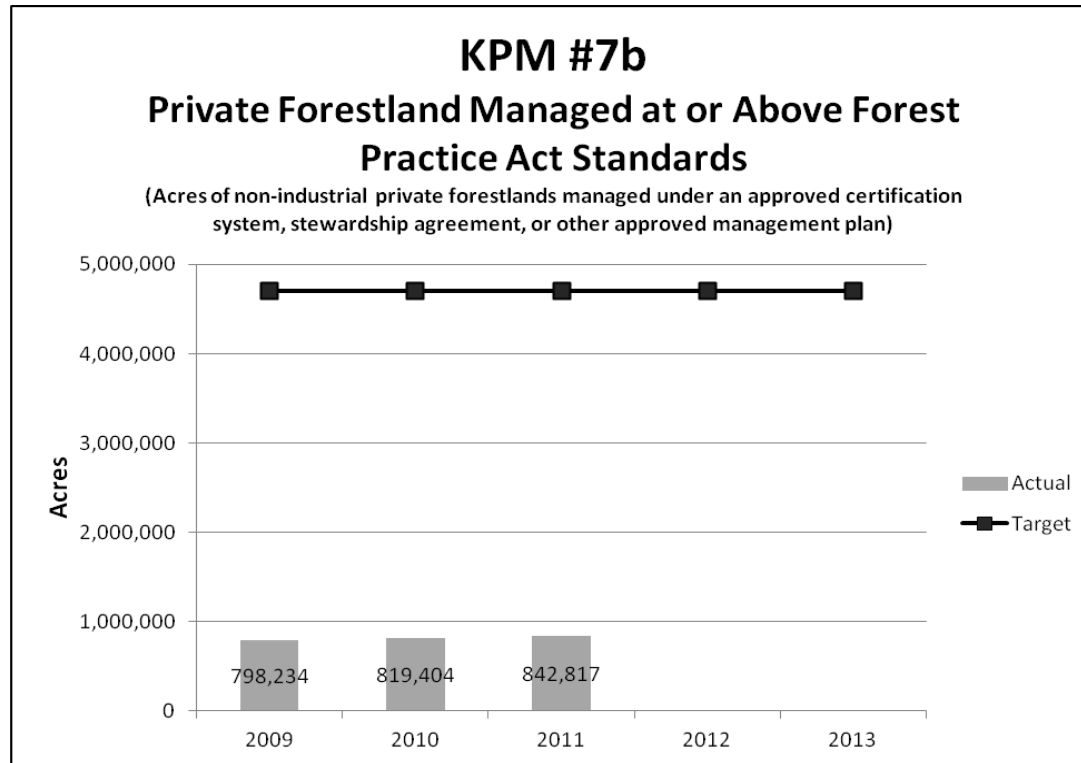
## B. 2011-13 Key Performance Measures (Cont.)



The amount of well-managed forestland recognized as being sustainably managed by a third-party (i.e., under a certification system and/or approved management plan) correlates with the acreage managed at or above FPA standards. The presence of a large proportion of certified forests should also provide public assurance that forests overall are soundly managed, and improve the investment climate for private forestlands. Ideally, all forestland owners should manage at or above FPA standards. There are 10.7 million acres of private forestland; 6.0 million are classified as corporate or industrial. Currently, 3.9 million or 65% of these 6.0 million acres of forestlands are managed under an approved certification system. The agency's annual compliance audit will support certification efforts and potentially lower the costs of certification for landowners.

# Private Forests

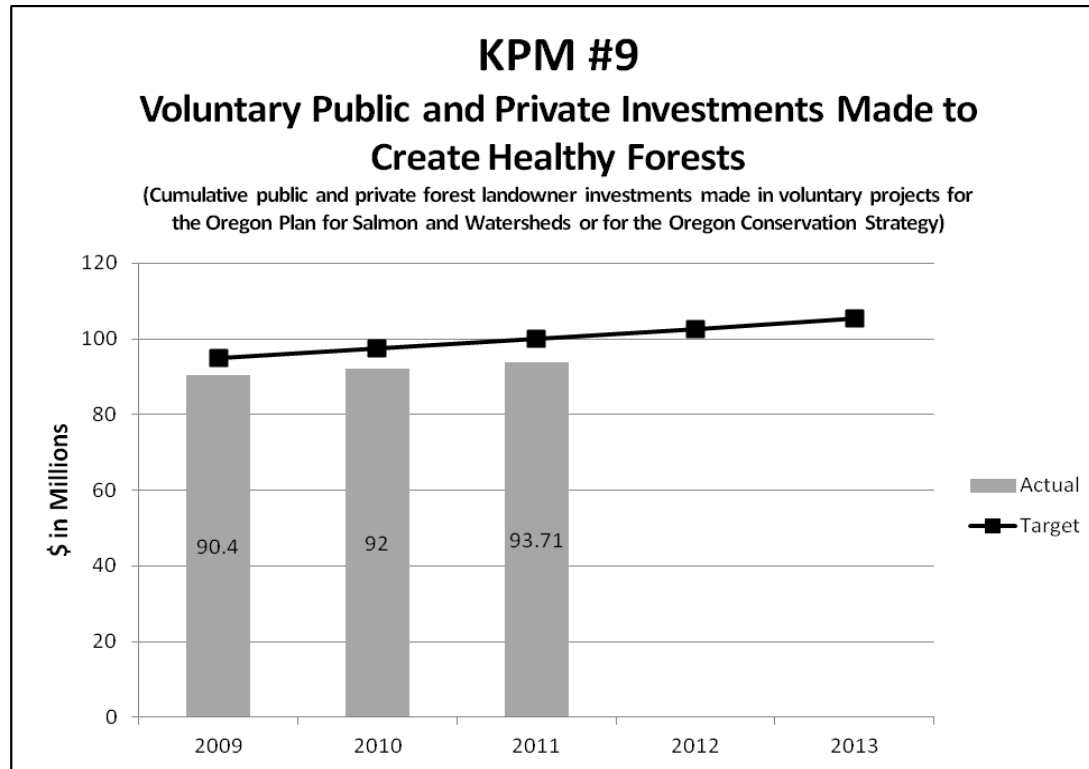
## B. 2011-13 Key Performance Measures (Cont.)



As indicated in the description of KPM #7a, the proportion of well-managed forestland recognized as being sustainably managed by a third-party indicates the amount of forests managed at or above FPA standards, helps provide public assurance that forests overall are well-managed, and improves the investment climate for private forestlands. Ideally, all forestland owners should manage at or above FPA standards. There are 10.7 million acres of private forestland; 4.7 million are classified as nonindustrial. Only 843,817 (less than 18%) of these 4.7 million acres are managed under an approved certification system, stewardship agreement, or other approved management plan. Most of these forestlands are managed under ODF-approved management plans, rather than third-party certification systems. The development of the uniform plan template for managed forestlands will help non-industrial private landowners access certification and incentives programs.

# Private Forests

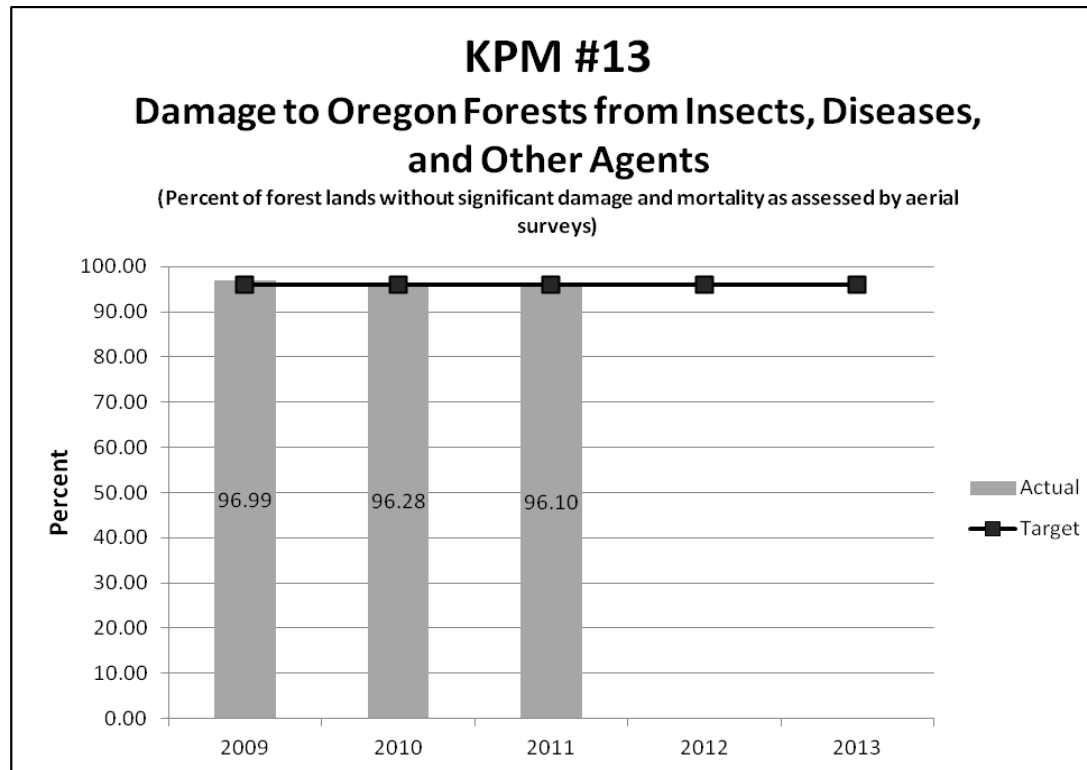
## B. 2011-13 Key Performance Measures (Cont.)



Voluntary restoration action on privately owned lands is the essence of the Oregon Plan for Salmon and Watersheds and Conservation Strategy. The Oregon Watershed Enhancement Board (OWEB) established the Oregon Watershed Restoration Inventory in 1995 to track restoration work. Except for projects funded by OWEB, all reporting is voluntary. The Conservation Registry is an online, centralized database that records, tracks and maps on-the-ground conservation projects. Its purpose is to help users understand the context, distribution, and effectiveness of our collective efforts to protect and restore ecosystems. The Department is a registry partner and is working with the Registry to establish reporting to produce data analogous to that received from the Oregon Watershed Restoration Inventory. Currently, data and targets are only available for Oregon Plan investments. The target amounts are predicted cumulative expenditures by private forestland owners in Oregon Plan restoration activities. Private forestland owners have made significant investments in improving water quality and fish habitat. All Department field districts have funding to support and provide technical assistance for voluntary measures under the Oregon Plan.

## Private Forests

### B. 2011-13 Key Performance Measures (Cont.)



The percent of Forestland without significant damage and mortality from insects, diseases, and other agents provides one measure of the overall health of Oregon's forests. The target of 96% of Oregon forests being free of significant damage has been established from analysis of over 60 years of aerial survey data. Annual aerial surveys are valuable in documenting long-term trends, providing early detection of new infestations, and in developing treatment priorities and strategies. Since 1994, Oregon forests have met or exceeded the KPM target. The 2011 value is similar to recent years and is largely attributable to an overall decline in mountain pine beetle outbreaks, which have been affecting large areas on the eastern slopes of the Cascades as well as areas of south-central and northeast Oregon for much of the last decade. Other damaging bark beetles, including the fir engraver, western pine beetle, and Douglas-fir beetle, were generally observed to be at endemic or low levels in 2011. In contrast, damage from insect defoliators increased dramatically, with infestations of western spruce budworm and pine butterfly expanding in extent and intensity in 2011. Efforts are in place to slow the spread of Sudden Oak Death on the southwest coast with currently available funding. The agency has also received funding to establish an invasive species technical specialist, who will work with other agencies to identify a rapid response plan for new invasive species entering Oregon.

# Private Forests

## **C. Key Budget Drivers and Major Issues**

### **Introduction**

The success of the Private Forests Division depends on shared responsibility and partnerships among stakeholders, forestland owners/operators, other State agencies, and the Department. The division gains compliance with the Forest Practices Act by maintaining an effective balance of science-based rules, incentives, technical assistance, and uniform enforcement. The division's Stewardship Foresters provide the critical on-the-ground implementation of this approach. The division promotes high levels of stewardship through a range of voluntary methods including cost-share, stewardship planning, Oregon Plan support, and management planning assistance. The division monitors and responds to forest health threats, including invasive species. The division supports sustainable forestry from the urban core to rural wildland forests. The division historically has been funded with a mix of General Fund, landowner dollars, and Federal Funds, an acknowledgement of the public benefits derived from healthy, working private forestlands.

### **Effectiveness and efficiency of the Forest Practices Act**

The Forest Practices Act (FPA) is a cornerstone of resource protection on private forestlands in Oregon. It requires adequate staffing to provide education and technical assistance, perform site inspections, and conduct effectiveness and compliance monitoring. The Department has a statutory obligation under ORS 527.710(1) to administer the FPA and associated rules adopted by the Board of Forestry. The division measure success using outcomes that demonstrate a high level of voluntary compliance with forest practices rules. Maintaining a stable complement of field foresters and technical experts ensures that forest operations implement best management practices and that these practices are effective at protecting resources on private forestlands.

After years of declining budgets, the 2011 legislatively approved budget contained resources to restore much of the capacity the Private Forests Division lost in the 2009-2011 biennium. The budget contained resources for field administration of the Forest Practices Act (FPA), including Stewardship Foresters and technical specialists; for effectiveness monitoring and compliance auditing of the FPA; and for the Forest Health Program, including continued monitoring and treatment of Sudden Oak Death. The legislature also provided specific direction to the division via two budget notes that directed the Department to 1) hire an independent contractor to audit compliance with the FPA, and 2) contract with an independent third party to assess and make recommendations on effective administration of the FPA.

In response to Budget Note #1, the division engaged with external and internal review committees, the three Board of Forestry-appointed Regional Forest Practices Committees and other stakeholders on the project purpose, scope, field protocols and planned reporting outcomes. The primary goal of the compliance audit is to be able to report on compliance rates for different geographic areas, forest ownership types, and FPA rule divisions and specific rules for agency Key Performance Measure 3 (Forest Practices Act Compliance). The division designed a statistically-valid compliance audit program to be conducted on annual basis, conducted a Request for Proposals process, and selected a contractor to conduct field data collection for the audit. Data collection will begin April 2013. The 2011 budget did not contain funds for contracting the audit. As reported to the 2012 Ways and Means Natural Resources Subcommittee, the division restructured, eliminating a manager, compliance specialist, and Stewardship Forester positions to free up resources to fund the audit. Appendix 1 provides a complete report on the process and results of contracting compliance monitoring, as required by the budget note.

The second budget note required the Department to contract with a third party to assess and make recommendations on cost savings, efficiencies, and cost avoidance strategies that could prove effective for the administration of the FPA. Stakeholders had expressed concern that administration of the FPA had fallen behind technological and industry advances. For example, databases for notifications, protected resources, and program reporting were poorly integrated and not adequate to ensure that technical assistance can be appropriately prioritized and the activities tracked.

## Private Forests

### **C. Key Budget Drivers and Major Issues (Cont.)**

The division selected a Department of Administrative Services-approved Lean business processing provider to conduct an assessment focused specifically on FPA administration – both field administration and the need for technical specialists. The results of the Lean analysis were used to develop a plan that addresses all of the required processes, policy and data related issues, and provides a structured approach for applying technical solutions to those issues. A pilot project focused on standardization of field operation inspection reporting and standardization of the Notification of Operation forms, submission, and handling process. The success of the pilot project facilitated the statewide rollout of the improved business process. However, technical capacity to train staff on new business procedures is limited to one limited-duration business analyst. This position is also the project lead for developing the vision for an online forest operation notification system. This project would significantly improve the efficiency with which stakeholders can notify the Department when forest operations take place.

#### **Water quality**

Forestlands supply abundant, clean water for Oregonians. Protecting, maintaining and enhancing the health of Oregon forests' soil and water resources is a key strategy in the 2011 *Forestry Program for Oregon*. The Private Forests Division serves a critical role in ensuring water quality around the state. It enforces rules that meet the Clean Water Act water quality standards and protect salmon habitat from excessive sediment, herbicides, turbidity, and temperature increases. The division also embraces its statutory requirement to conduct research and monitoring that verify that its current practices are indeed protective. The 2011-13 legislatively approved budget partially restored staff support and funding for the Forest Practices effectiveness-monitoring program, which was eliminated in the 2009-2011 reductions.

The division has reestablished the monitoring program and can once again meet its core monitoring functions. The Department has resumed work on its riparian functions research project, which directly tests the efficacy of riparian protection standards for small and medium fish streams. The project informs Board of Forestry rule analysis efforts around these standards. The division participates in the state Department of Environmental Quality development of the Mid-Coast Total Maximum Daily Load (TMDL) process, a water quality improvement endeavor that will potentially affect timber harvest on thousands of acres of private forestland. This TMDL process will benefit from the Department's parallel efforts with its riparian protection rule analysis.

The division also participated in developing Oregon's enterprise approach to natural resource monitoring, ensures that agencies are collaborating on environmental monitoring to achieve outcomes more efficiently, cost effectively and with better results than individual agency actions. This work identified priority needs for monitoring, including the Department's continued participation in the Watershed Research Cooperative, a collaborative venture among Oregon State University and federal and state researchers developed specifically to examine forest management effects on water quality. Further restoring monitoring program resources will enable the Department to meet statutory requirements for forest practices research and monitoring and for integrated monitoring at the watershed scale to determine the effectiveness of contemporary forest practices for achieving aquatic conservation goals.

# Private Forests

## **C. Key Budget Drivers and Major Issues (Cont.)**

### **Changing forest ownership and diverse private forests**

Oregon's diverse private forests span the landscape from within urban growth boundaries to remote rural areas. An estimated 330,000 acres of Oregon forest—about 3% of the state's private forestland—exist inside urban growth boundaries or other development zones. Another 1.8 million acres of private forest exist within one mile of developable areas. The remaining acres extend out from the wildland-urban interface to the more rural areas. The forest ownership diversity matches the geographic range. There are 87,000 family forests in the 1-9 acre size covering 397,000 acres and 58,000 family forests from 10-49 acres covering 1.13 million acres. Among midsize family forests, 4,000 owners with 50-99 acres cover 262,000 acres, and 7,000 owners with 100-499 acres cover 1,284 million acres. The remaining acres are in large family forests (1.6 million acres) and corporate/industrial forests (6.0 million acres). Oregon's 242 incorporated cities also contain varying amounts of forest canopy, and experience diverse issues related to maintaining forest values during urbanization and development.

The changing ownership and diversity of forestlands affects the division's ability to deliver services efficiently and effectively. A survey of ODF Stewardship Foresters shows that up to 20% of field staff capacity is being invested on topics relating to wildland-urban interface forests. These foresters spend significant amounts of time educating landowners and neighbors, responding to complaints and concerns from neighboring landowners, and providing liaison and coordination with local jurisdictions on land use changes. Ongoing forestland ownership changes will continue to challenge the Department's capacity to provide services, and highlight the need to develop new and innovative landowner and institutional strategies.

### **Increasing trend toward conversion and fragmentation of forestlands**

A key long-term policy challenge is keeping working forests working. Rising costs of forest regulation, particularly increasing federalization of state forest practice rules, and difficult markets for logs, can increase pressure to sell working forests for other uses. We also face development pressure, complexities in the wildland-urban interface, and significant changes in who owns Oregon's forests. Healthy working forests is one of the most efficient way to meet desired environmental outcomes; it is less costly to maintain quality lands than to restore them after they have been degraded.

Also when formerly productive timberlands are converted to development, surrounding economies are affected, as forest products-related jobs and infrastructure are no longer viable. Family forest landowners in western Oregon near populated areas or near federal forests, and in eastern Oregon everywhere, are hard-pressed to generate returns from timber management or agriculture that compete with other possible uses of their lands. As forestlands become fragmented, the likelihood that they will be managed for forest values declines, fire protection becomes more costly and complex, and the risk of introduction of invasive species goes up. We face some of our greatest challenges in the growing interface between developed areas and wildland forest. Forest conversion to other land uses will adversely affect Oregon's 76,000 direct forest sector jobs as well as the sector's contribution to the state's economic output.

### **Decreasing Federal Funds support for family forestland owners**

Oregon's 4.7 million acres of family forestlands provide key functions for rural landscapes, societies and economies. These lands dominate urban and wildland-urban interface areas, where they comprise 80% (1.7 million acres) of private forestlands. Much of the state's family forestland, with many exceptions, occupies ecologically important, lower elevation settings, often near residential areas. Family forest ownerships are smaller, their objectives and land uses are varied and their forestland is diverse. Decreasing federal support and lack of state support for family forestland owners impairs the division's ability to develop and implement a viable system of incentives for forest landowners, to help provide a sustainable flow of ecological, economic, and social outputs and benefits. Currently only four Stewardship Foresters (4 FTE) statewide are funded, through the U.S. Forest Service's State and Private Forestry program, to support forest stewardship planning for family forestlands.

## Private Forests

### **C. Key Budget Drivers and Major Issues (Cont.)**

Family forestland owners distinguish themselves from larger corporate/industrial forestland owners, who manage primarily for timber growth and harvest. As forestland value often exceeds timberland values, family forestland owners face great economic pressure to convert their forestland to non-forest use. Many family forestlands are shifting ownership to the next generation of family members. These new owners have a broad array of values and objectives for ownership, but they often lack the knowledge to implement their objectives. Sound forest management plans and estate planning can help keep family forest ownership in the family and in forest use.

Protecting and realizing the value in these lands is part of the division's mission. The division requires increased capacity to address issues that affect the sustainability of family forestlands in Oregon and to provide one-on-one technical assistance; fuels reduction and forest health projects; delivery and administration of incentives; implement the Oregon plan; and administer the Forest Practices Act. The federal Farm Bill has created an opportunity for a new source of funding for improving management on family forestland by incorporating forestry as a component. The Department and the U.S. Natural Resource Conservation Service (NRCS) are committed to increased cooperation to ensure that issues affecting sustainability of family forestlands in Oregon are addressed. Adding Stewardship Foresters to match NRCS funding in a cooperative agreement would double current capacity to support family forestlands.

#### **Invasive species and forest health risks**

The Department's Forest Action Plan (Assessment and Strategy) indicates a high level of risk to Oregon's forests due to invasive species. Oregon's Action Plan describes the necessary framework to address the threat of invasive species to Oregon's forestland as, "Program development in forest invasive species education and outreach, prevention, early detection, rapid response, eradication, risk assessment, survey and monitoring, containment and restoration [that will involve the coordination of the] Oregon Invasive Species Council, Oregon Board of Forestry, Oregon Department of Agriculture, Oregon Department of Fish and Wildlife, and Oregon Watershed Enhancement Board. The planning, organizing, and implementing of aerial, ground, or trapping surveys to detect the presence or determine the extent of nonnative insects, diseases, weeds, and other damaging agents of forests is a core strategy. The division must successfully manage invasive species to avoid a range of environmental, economic, and community sustainability problems.

Oregon's forests are at high risk of insect and disease outbreaks and uncharacteristically severe wildfires; 35% of forests are at high risk of uncharacteristic fire because natural fire regimes have been significantly altered. Another 42% are at moderate risk. Risks will grow without some form of fuel treatment. The mountain pine beetle has caused widespread death of mature lodgepole pine stands in eastern Oregon as well as more localized damage to other pines. The most severe outbreaks are concentrated on the eastern slopes of the Cascades from Crater Lake to Mt. Hood and over large areas in the Fremont-Winema National Forests in Klamath and Lake Counties.

Oregon's program for Sudden Oak Death (*P. ramorum*) has dramatically reduced the rate of disease spread as compared to similar areas in California where there is no comprehensive control program. The potential spread of this disease has significant implications for Oregon's environment and for the nursery and forest industries. The division shifted from an eradication program to a slow the spread strategy. The division continues early detection and delineation of infected sites, treating highest priority sites for slowing disease spread subject to resources. Oregon has defined a General Infested Area, in which treatments are not required. Disease reduction within this area is encouraged through cost-share for treatments and best management practices. We hope to minimize long-distance spread through education, and enforcement of quarantine regulations. Finally host removal is encouraged through tanoak utilization and conversion in areas where disease spread is likely.



# Private Forests

## **C. Key Budget Drivers and Major Issues (Cont.)**

### **Biomass utilization**

Oregon's Draft 10-Year Energy Action Plan recognizes that Oregon has a unique ability to lead in developing the next generation of biomass. In Oregon, stewardship of our forests is inseparable from our economic and environmental well-being. Indeed, forests cover nearly half of Oregon's 63 million acres, and the federal government manages about 60% of those lands. Restoration activity must be done in federal forests to reduce the risk of catastrophic fire and insect infestation. Active management of our forests can immediately create rural jobs, and the biomass developed through management can be utilized for generating heat and electricity and as a feedstock for liquid fuels.

In early 2011, co-chairs of Governor Kitzhaber's Forest Health & Biomass Energy Transition Team produced recommendations to the Governor for the 2011 legislative session and beyond. Recommendations included working with the Environmental Protection Agency to avoid discrimination against biomass heat and power generation, including a preference for biomass boilers in retrofit programs, ensuring that energy incentives maintained support of community-scale biomass projects, excluding woody biomass from regulation of solid waste, and reauthorizing the biomass collector tax credit. However, there are still a number of longer-term actions that must be pursued in order to build this robust industry. The State's Forest Biomass Working Group has developed a more detailed set of recommendations to this end.

Forest biomass represents a significant opportunity to help meet the state's renewable energy goals, while also addressing critical forest health needs and improving rural economies. The division lost all state support for biomass work in the 2009-11 budget reduction. The division has continued this work through the use of Federal Funds, although reductions in Federal Funds have made continued support of this work tenuous.

### **Urban and Community Forestry**

With a small staff and a large state, the Department struggles to meet the demand for urban forestry assistance. A 2004 survey of cities showed that ODF's assistance since 1991 has resulted in an increase in the number of cities with active urban forestry programs, an increase in the number of urban forestry program elements (inventories, management plans, etc.) found in cities, and an increase in local investment in urban forest management. Additionally, the survey showed that cities that had received ODF assistance were more likely to deal proactively with their tree problems than cities that did not receive ODF assistance.

ODF staff had a direct impact on the quality of urban forest management in Oregon cities. All levels of government are experiencing downsizing and significant changes in personnel and leadership through political processes and/or retirements. Most cities, particularly smaller and more rural communities, lack adequately trained staff to coordinate urban forestry activities in a comprehensive manner. Most cities lack tree risk assessment plans and often suffer infrastructure damage during storms. Cities need technical assistance to help mitigate the effects of storm water runoff, urban pollution, degradation of salmon bearing streams, urban/wildland fire issues, increased urban temperatures and noise pollution. A societal emphasis on addressing climate change challenges communities to help citizens connect local actions to global concerns.

## Private Forests

### **D. Measures to Contain Costs, Improve Program Delivery**

The Private Forests Division's purpose is to protect natural resources on private forestlands, and to help keep them healthy, intact and working. Private working forests are a vital part of Oregon's natural resources infrastructure, contributing significantly to Oregonians' quality of life. Sustaining and enhancing these forests is critical to meeting key Oregon needs, including consumer products, renewable energy, clean water, healthy watersheds, and jobs in rural communities. Innovation and collaboration have been hallmarks throughout our agency's 100-year history.

#### **Major Changes in the Private Forests Division**

Public support for the Private Forests Division has eroded since peak support in 1993, when the division had 134 full-time equivalents (FTE). Budget reductions in the 2003-05 and 2005-07 biennia led to the merger of Forest Practices and Forestry Assistance Programs and budgets into the Private Forests Division, with 114 FTE. The economic downturn resulted in significant reductions in 2009-11 biennium. The 2009-11 legislatively approved budget eliminated funding for 40% of the Department's Stewardship Foresters (from 57 positions to 30), 15% of field supervision and administrative staff, and 70% of the technical support staff. The reductions also eliminated funding dedicated to salmon recovery efforts and Oregon Plan for Salmon and Watersheds implementation. The program lost 41 fulltime equivalents (FTE), resulting in 86 FTE (13 of which were limited duration supported by stimulus funds). The reduction significantly decreased the ability to administer Oregon's current regulatory approach towards resource protection on private forestlands, putting at risk the credibility of the Act for providing public assurances towards protecting resources and public safety.

The 2011-13 legislatively-approved budget contained resources to restore much of the capacity the Private Forests Division had lost in the 2009-2011 biennium. The bill appropriated resources for field administration of the Forest Practices Act (FPA) and for the Forest Health Program, resulting in 107 FTE. The bill also contained two budget notes, directing the Department to 1) hire an independent contractor to audit compliance with the FPA, and 2) contract with an independent third party to assess and make recommendations on cost savings, efficiencies, and cost avoidance strategies that could improve administration of the FPA.

#### **Rebuilding the Private Forests Division**

Currently, the division is completing a rebuilding phase. Our intent, though, is not to simply re-create the program as it existed before. Rather, we are re-defining, improving and re-thinking everything we do. Working under the terms of our current budget, we are in the midst of a thorough review of business improvements that will increase our efficiency and effectiveness. Currently we are focusing on our Forest Practices Division administration, with an eye toward streamlining delivery, using new technology, and increasing customer service.

As previously presented to the legislature, in response to our 2011 Legislative approved budget, the Department developed a prudent implementation plan that addressed three key tasks: 1) phasing in resources to rebuild capacity, 2) contracting out compliance audit (Budget Note #1), and 3) contracting with an independent party for efficiency analysis of Forest Practices administration (Budget Note #2). The plan phased in resources to address immediate capacity needs, followed by additions based on a needs assessment. Department leadership identified resource needs in conjunction with the Board of Forestry-appointed Regional Forest Practices Advisory Committees and other stakeholders. Critical field staff and technical positions were selected for restoration to ensure continuity of resource protection and minimum regulatory responsibilities.

## Private Forests

### **D. Measures to Contain Costs, Improve Program Delivery (Cont.)**

#### **Forest Practices Act compliance audit**

The Department has completed laying the groundwork for an annual compliance audit of forest practices. We had been striving to develop an annual audit, and contracting it out is an innovative approach. The audit is needed to inform our Key Performance Measure 3 (Forest Practices Act Compliance); identify opportunities for landowner/operator training; ensure consistent rule application in the field; support third-party certification reporting needs; and inform our adaptive management process.

The primary goal of the compliance audit is to be able to report on compliance rates for different geographic areas, forest ownership types, and FPA rule divisions and specific rules. We convened an external review team to provide landowner, operator and stakeholder input on audit development and design. An internal review team of Stewardship Foresters and field managers also provides guidance on audit design, field protocols, and compliance determinations. The three Board of Forestry-appointed Regional Forest Practices Committees and Committee for Family Forestland also provided review and input. The division selected a contractor to conduct field data collection for the audit, which will begin April 2013. As the 2011 budget did not contain funds for contracting the audit, the division restructured, eliminating a manager, compliance specialist, and Stewardship Forester positions to free up resources to fund the audit. Appendix 1 provides a complete report on the process and results of contracting compliance monitoring, as required by the budget note.

#### **Forest Practices Act efficiency and effectiveness review**

An additional budget note directed the Department to contract with an independent third party to assess and make recommendation on cost savings, efficiencies, and cost avoidance strategies that could improve Forest Practices Act administration. We selected a Department of Administrative Services-approved Lean provider, Guidon Performance Solutions, to allow a quick start on this review. Guidon and the Department completed the assessment during the summer of 2011, and we reported results to the Legislature in November, six months ahead of schedule.

The assessment identified 27 business processes that needed improvement. The standardization of inspection reporting and Notification of Operations processes were identified as the top priorities. Guidon conducted Kaizen events to redesign these two key business process, based on identifying value-added services and eliminating waste. We then initiated a pilot project in six field offices to test the redesigned process.

Goals included:

- Decreasing the time it takes to process a notification from its arrival at the office until the processing and review is complete.
- Using administrative staff more efficiently to free up Stewardship Foresters to spend more time in the field.
- Ensuring that operations inspections are conducted and entered into the system for reporting purposes.
- Establishing a consistent process among offices.

Metrics were developed to measure the success of these processes. At the conclusion of the pilot, we found an increase of 30% in faster notification processing time and a 400% increase in recording field operation inspections into our system. The process also allowed for greater consistency among field offices. Roll-out of training to all field offices continues and is expected to be complete by March 2013.

## Private Forests

### **D. Measures to Contain Costs, Improve Program Delivery (Cont.)**

#### **Web-based Notification of Operations system**

The development of a web-based system in which customers can submit Notifications of Operations electronically was also identified as a key business improvement need. In 2012 we conducted stakeholder sessions to gather information from customers on their needs. Guidon Performance Solutions also worked with our information technology and Forest Practices IT staff to help identify the functional needs of an online notification system. The needs included:

- Ability to submit Notifications of Operations electronically.
- Electronic communication and reporting.
- Integrated Geographic Information System capability.
- Mobile capability, allowing Stewardship Foresters to take the system with them into the field.

The contract for development of this system is expected to be awarded in March 2013.

#### **HB2165 – Written plan waivers**

The Oregon Department of Forestry developed House Bill 2165 (2011 legislative session) to increase efficiency, while maintaining resource protection, by reducing the number of non-substantive or “cookie cutter” written plans received in conjunction with Notification of Operations/Application for Permit (NOAP or notification). HB 2165 targets written plans for operations within 100 feet of fish bearing and domestic use streams, as well as significant wetlands (non-estuaries). If the operation will be performed under a general vegetation retention prescription or operation activities will not directly affect the riparian management area, the Board of Forestry has the authority to waive the requirement for a written plan or grant that authority to the State Forester. Finally, HB 2165 allows notifications to be processed in six days rather than three, to allow for flexibility during high workload periods such as fire season.

Following HB 2165’s unanimous passage, the Board directed the Department to begin rulemaking to develop criteria for when written plans could be waived. The Board also determined that the changes associated with HB 2165 are purely administrative (ORS 527.714(1)(a)) and do not affect the resource protection standards set by the Board. The Board directed the Department to use the Regional Forest Practice Committees as an integral part of stakeholder outreach.

#### **ODF/Agency rule review meetings**

The Department meets annually with other state agencies with an interest in the forest environment and forest practice rule sufficiency. These annual meetings are set in rule to ensure proper coordination amongst the agencies (OAR 629-605-0110). Invited agencies include: Columbia Gorge Commission, Department of Environmental Quality, Department of Fish and Wildlife, Department of Geology and Mineral Industries, Department of Land Conservation and Development, Department of Transportation, Oregon Emergency Management, Office of Environmental Public Health, Oregon Forest Resources Institute, Oregon Parks and Recreation Department/State Historic Preservation Office, Department of State Lands, Oregon Watershed Enhancement Board, Water Resources Department, OSU Extension Service, and Department of Agriculture.

## Private Forests

### **D. Measures to Contain Costs, Improve Program Delivery (Cont.)**

#### **Uniform plan for forest management**

ODF and the agencies and organizations we collaborate with agree that the primary purpose of a forest management plan is to benefit the forest landowner by engaging them with information about the condition of existing forest resources, assisting the landowner in their understanding of their goals in owning forestland, describing desired future conditions of forest resources that achieve those goals and identifying the specific actions necessary to move from current resource conditions to desired conditions. The Uniform Plan Project unifies the often confusing maze of forest management planning requirements of state and federal agencies and non-governmental certification programs into a single set of guidelines, templates and tools in a one-stop format for family forestland owners. Agencies and entities involved in this project include: U.S. Natural Resource Conservation Service, Oregon Tree Farm System, U.S. Forest Service State and Private Forestry program, Forest Stewardship Council, and the Oregon Department of Fish and Wildlife. Quality control/quality assurance criteria will be adopted by the participating agencies and organizations to define a common understanding across all entities on what is required in a forest management plan, and for each required element, the quality of information needed. Upon mutual adoption of the Uniform Plan, forest management plan development and approval through one agency's process and procedures is essentially the same as for any other participating agency or organization.

#### **Private Forests Division “stem to stern” review**

The cycle of deep reductions, restoration and program transformation over the past several years has led to conversation among the agency, the Board of Forestry, legislators and stakeholders about how the division can best serve Oregon's needs in the years ahead. This review, with broad-based input, will involve a careful look at the division's mission, structure, appropriate areas of emphasis and other factors – all to determine the most efficient, effective ways to ensure that private forestlands of all sizes and types remain intact and soundly managed, providing a broad suite of benefits. This review will be launched in 2013.

## Private Forests

### **E. Revenue Sources and Relationships**

Multiple funding sources in the Private Forests Division contribute to maintaining working forests and the social, economic and ecological viability of those forests into the future. Following are the revenue sources:

- Forest Practices Act administration is funded in an amount not to exceed 40% of the approved budget from the Forest Products Harvest Tax (ORS §321.015), with the remaining 60% funded through a state General Fund appropriation. Once the budget has been determined, the harvest tax rate is set each biennium, based on the revenue need and projected harvest levels. In addition, the program seeks State and Federal grant funds to support rule effectiveness monitoring projects.
- Forest Health Management is supported by General Fund that leverages Federal Funds and other funds. On average, the program uses \$1.2 million in General Fund to leverage \$2.0 million in federal grants.
- Forest Practices – The division historically receives 60% of its Forest Practices Act (FPA) administration funding from the General Fund and 40% from the Oregon Forest Products Harvest Tax. The Harvest Tax rate is set each biennium once the budget has been determined, based on the revenue need and projected harvest levels.
- Family Forestland Assistance, Urban and Community Forestry (and other cooperative forestry programs), are entirely federally funded. The division receives these funds primarily from the U.S. Forest Service (USFS), and Natural Resource Conservation Service. Estimated revenue from Federal Funds in the 2013-2015 biennium are based on previous year averages.
  - Other cooperative programs that are supported with Federal Funds include Forest Legacy, Conservation Reserve and Enhancement Program (CREP), and Tree Improvement. All USFS projects must conform to the specific elements within the federal Cooperative Forestry Assistance Act authority.
- Miscellaneous Other Funds revenues include cooperative projects, private donations and miscellaneous receipts. These include private donations for the Forest Resource Trust and Urban and Community Forest Programs; funds received for work in cooperative project; and miscellaneous receipts and fees (e.g., nursery rent, sale of seed for family forest landowners, and subscription fee for Notifications of Operations). Estimated revenue from Other Funds in the 2013-2015 biennium is based on previous history.

## Private Forests

### **F. 2013-15 Governor's Balanced Budget**

The Private Forests Division full budget proposal ensures continued service delivery and enhancements that advance the guiding purpose of maintaining working forests and the social, economic, and ecological viability of those forests into the future. The Private Forests program is requesting \$36,068,122 (\$14,242,176 – General Fund, \$9,651,487 – Other Funds, \$12,174,459 – Federal Funds).

This investment provides the infrastructure required for effective administration, educational assistance, and enforcement of the Oregon Forest Practices Act (FPA). Department Stewardship Foresters provide on-the-ground education and inspections to gain a high level of compliance with best management practices (BMPs) and prescriptive rules in reforestation, harvesting, road construction and maintenance, chemical application, riparian area protection, etc. The monitoring program ensures that rules and BMPs are effective at protecting resources. Together, this approach maintains sustainable forests, high water quality, and protection of resources valued by Oregonians.

The investment also provides early detection and response to forest health threats. The program's annual insect and disease survey provides accurate information on forest health on all forestlands in Oregon. The investment includes technical advice and training, identifying invasive species, and treating Sudden Oak Death. The investment continues the partnership with the U.S. Forest Service and Natural Resource Conservation Service, which supply information, technical assistance and dollars to improve management on family forestlands. Federal Funds also provide for the delivery of urban and community forestry services, and support biomass development, conservation easements, safe harbor agreements and other efforts to improve protection of Oregon's forest resources.

#### **Integrated Effectiveness Monitoring – Policy Package 452**

This Policy Package restores capacity in the Forest Practices Act (FPA) monitoring program to ensure the effectiveness of the rules and best management practices for forest operations. The Department provides a one-stop regulatory approach for forest practices; we implement the federal Clean Water Act standards, fill and removal requirements and other laws. The FPA specifically highlights monitoring in areas of water quality, streamside forests, pesticide use and landslides and public safety at operational and watershed scales. The proposal would provide resources to meet statutory requirements for forest practices research and monitoring, and for integrated monitoring at the watershed scale to determine the effectiveness of contemporary forest practices for achieving aquatic conservation goals. The proposal also supports the Private Forests and State Forests Divisions' continued participation in the Watershed Research Cooperative, which conducts multi-agency, adaptive management, watershed research projects. Housed and led by OSU, Cooperative members include state and federal agencies, forestland owners, and other organizations.

The proposed action advances the Private Forests Division's guiding purpose of maintaining working forests and the social, economic and ecological viability of those forests into the future (Keep Working Forests Working). The proposed action also advances the State Forests Division's mission to manage Board of Forestry lands to achieve greatest permanent value and to manage Common School Fund forestlands to maximize revenues over the long term in a manner that is consistent with sound techniques of land management.

This enhancement package provides resources to protect, maintain, and enhance the soil and water resources of Oregon's forests. The funding mechanism for Forest Practices monitoring staff preserves the traditional 60/40 funding split between the State and forestland owners, with 60% General Fund and 40% Other Funds (Harvest Tax). Special payment funds for the Watershed Research Cooperative are 100% General Fund. This proposal requests \$399,600 in General Fund and \$66,400 in Other Funds and adds 1 FTE (monitoring specialist).

## Private Forests

### F. 2013-15 Governor's Balanced Budget (Cont.)

#### **Forest Practices Act administration for family forestland in urban and wildland-urban interface areas – Policy Package 453**

This Policy Package provides resources to increase Stewardship Forester capacity to address family forestland issues, primarily in the urban and wildland-urban interface areas. The package creates the opportunity to develop and implement a new approach and source of funding for incentives for family forestland technical assistance. If successful, the project will help provide a sustainable flow of ecological, economic, and social outputs and benefits. The resources will allow Stewardship Foresters to provide one-on-one technical assistance, the delivery and administration of incentives, implement the Oregon plan, and administer the Forest Practices Act. The package will use existing plans for delivering accomplishments from priority, landscape-based, issue-oriented sources of incentive financial assistance dollars.

The proposed action advances the Private Forests Division's guiding purpose of maintaining working forests and the social, economic and ecological viability of those forests into the future (Keep Working Forests Working).

This package provides \$675,100 in Federal Funds allocation to add five Stewardship Foresters to provide one-on-one technical assistance, the delivery and administration of incentives, implementation of the Oregon plan, and administration of the Forest Practices Act. This package would double our current capacity to support family forestlands.

#### **Proposed legislation**

HB 2051, a routine part of the budgeting process, establishes the rate for the segments of the Forest Products Harvest Tax for calendar years 2014 and 2015 that support implementation of the Forest Practices Act (FPA) and the OSU Forest Research Lab. The tax is levied on a per-thousand-board-feet basis when timber is harvested on public and private lands. The rate to support FPA administration is calculated considering three factors: the current biennium's ending balance, forecasted harvest levels for the coming two years, and projected requirements for the coming biennium. Historically, the legislation has been passed toward the end of the budget development process. Once General Fund and other budget requirements are determined, the harvest tax rate per thousand board feet can be set, and the bill moved forward.

**NOTE – Statewide administrative savings and PERS adjustments:** The division budget includes a reduction of about 5% in administrative costs. It also includes reductions to reflect proposed changes to Public Employees Retirement System benefits. Decreases of \$0.2 million General Fund, \$0.1 million Other Funds, \$0.07 million Federal Funds.



**Private Forests**

**G. Appendix**

1. ODF Forest Practices Act Compliance Audit Report ..... Page 2-23

# Private Forests

## *Appendix 1*

### **ODF Forest Practices Act Compliance Audit Report**

#### **Executive Summary**

This report summarizes the process and results of contracting compliance monitoring of the Oregon Forest Practices Act (FPA) as requested by the 2011 Legislature (Budget Note #1). The primary goal of the compliance audit is to be able to report on compliance rates for different geographic areas, forest ownership types and FPA rule divisions and specific rules for agency Key Performance Measure 3 (Forest Practices Act Compliance - Percent of commercial forest operations that are in compliance with the Forest Practices Act).

Conducting compliance auditing can be a sensitive subject for forest landowners and operators, other stakeholders, other state agencies, the general public, as well as Oregon Department of Forestry (ODF) field staff. For this reason, ODF engaged with external and internal review committees, the three Board of Forestry-appointed Regional Forest Practices Committees and other stakeholders on the project purpose, scope, field protocols and planned reporting outcomes. The selected contractor will collect field data but will not directly evaluate rule compliance. Electronic data submitted by the contractor will be processed through pre-determined algorithms for conditions indicating apparent non-compliance. A minimum of 10% of sampled forest harvest sites will be checked by ODF personnel as a quality assurance/quality control (QA/QC) measure.

The successful contractor is anticipated to begin data collection by April 2013. A final report is expected in the first quarter of 2014. The current compliance audit focuses on FPA rule divisions for roads, forest harvest, streamside areas and the margins of lakes and wetlands. As field data collection gets underway ODF will begin strategizing on how the compliance audit will expand to include the remainder of the FPA rule divisions and statutes in the future. The key finding from utilizing the service of a contractor to conduct compliance audits on behalf of the Department was how important the initial decision was to use a measurement-based as opposed to a discretion-based approach to a contractor reporting on FPA compliance. Using a measurement-based approach required the development of a detailed, repeatable field protocol that took many months to design and test. The Department will consider if a measurement-based versus discretion-based approach will be utilized in the next phase of plans to expand the scope of the compliance audit.

#### **Background**

The Oregon Legislature (2011 Legislative Session – Budget Note #1) directed the Oregon Department of Forestry (ODF) to audit rates of compliance with Forest Practices Act (FPA) standards and to utilize a contractor to collect compliance field data. This report is produced in order to meet the budget note requirement of informing the Joint Committee on Ways and Means in the 2013 session on the process and results of contracting compliance monitoring. Collected data will also support agency Key Performance Measure 3 (Forest Practices Act Compliance - Percent of commercial forest operations that are in compliance with the Forest Practices Act).

# Private Forests

## **Appendix 1 - ODF Forest Practices Act Compliance Audit Report (Cont.)**

Prior to 2009, ODF reported FPA compliance levels as based on a percentage of citations per number of inspections. It was determined that a statistically valid, field-based measurement of compliance was preferable to this approach and the KPM was changed to reflect this thinking. This was based in part due to the value of findings from the 2002 *ODF Best Management Practices Compliance Monitoring Project*<sup>1</sup>. This stand-alone compliance audit found that overall FPA compliance at a forest harvest unit level was high (96%) for the 189 sites sampled. Findings also provided ODF with opportunities for targeted education and outreach for particular FPA rules where compliance levels were lower.

Data on FPA compliance is used not only by the legislature and the ODF but by third-party forest certification systems such as the Sustainable Forestry Initiative (SFI)<sup>2</sup>. SFI-certified mills must provide information to substantiate their wood sources as coming from practices compliant with state regulations. Similarly, certified forest land management organizations need to be able to provide evidence of their compliance with state regulations. Finally, statistically-valid measures of FPA compliance are an important part of sharing with the public the performance of forest operations relative to the statutes and rules they depend upon to protect their forests.

### **Project Overview**

The primary goal of the compliance audit is to be able to report on compliance rates for different geographic areas, ownership types and FPA rule divisions and specific rules. This audit is not designed or intended to report compliance for specific forest landowners or operators. Compliance rates will be estimated across the entire state using a sample of 200 forest harvest units. Rates of compliance will also be estimated for the three forest practice regions (northwest, southwest and eastern Oregon) and for three ownership categories (Private Industrial, Private Non-Industrial and Other Non-Federal lands). This project will focus on FPA rules pertaining to roads, forest harvest, streamside or riparian areas and the margins of wetlands and lakes. The scope of FPA rules in the audit will be expanded in the future.

Secondary goals for the compliance audit include:

- Inclusion of the Private Sector in the conduct of the Audit;
- Identify key areas for outreach and education to forest landowners and operators;
- Provide a forum for training and consistent application of the FPA rules in the field;
- Examine the clarity and ease of interpreting and applying FPA rules; and
- Support of third-party certification organizations.

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<sup>1</sup> <http://www.oregon.gov/odf/privateforests/docs/bmpfinaltr15.pdf>

<sup>2</sup> <http://www.sfiprogram.org/>

# Private Forests

## **Appendix 1 - ODF Forest Practices Act Compliance Audit Report (Cont.)**

The 2012 -2013 Forest Practices Compliance Audit Field Guide for Contractors (as noted in the contract) specifies how the contractor will gather field data to provide a factual basis with which ODF will assess statewide compliance rates of timber harvest activities with Oregon's FPA. Landowner permission is required prior to the contractor accessing the site to collect data. The contractor will collect data but will not evaluate rule compliance. This remains the purview of ODF. The contractor will report on specific site conditions and ODF will determine which rules apply to the conditions, and compare the measured conditions against pre-determined criteria for compliance. Some units may not contain examples of all the FPA rules subject to the study. ODF will conduct quality assurance/quality control checks on a minimum of 10% of sampled harvest units.

### **Project Details**

#### Project Scoping and Initial Field Protocol Development

Project scoping and field protocol development began with the hiring of the Monitoring Coordinator in December 2011. This phase of the project was focused on establishing the scope of the FPA rules to be audited. During this time both the internal and external review committees were convened.

The decision was made during this time that ODF staff would process the contractor-collected measurements and categorical data through pre-established logical arguments to determine apparent rule compliance. This created the need to develop detailed protocols for contractors to implement in the field and subsequently narrowed the scope of rules that could be included in this first round of compliance auditing. Only rules that lend themselves to field measurement or categorization are included. Rules that involve more discretion were not included. This approach is in contrast to allowing the contractors to report directly on FPA compliance as based on their discretion or field measurements.

Examples of Contractor Decision making in the field:

*Objective Determinations:* The streamside protection rule prohibiting harvest of any trees within 20 feet of a fish-bearing stream (OAR 629-640-0100(2)(b)) is an example of a non-discretionary rule included in the current compliance audit that can easily be measured in the field (1 cut stump = non-compliance). This rule is included in the current audit protocol.

*Subjective Determinations:* The harvesting rule that describes the need to minimize the number and width of corridors through streamside buffers that are used to bring cut trees back to a processing and loading area (OAR 629-630-0700(3)) is an example of a discretionary rule that was not included. Determining compliance with this rule would require an individual to have sufficient background and training in forest operations and FPA application to professionally discern whether or not the number or width of corridors was excessive. This rule is not included in the current audit protocol.

As much as feasible, field protocols from the 2002 *ODF Best Management Practices Compliance Monitoring Project* were used and adapted. This previous project utilized ODF Forest Management Technicians as well as a retired Forest Practices Forester (now called Stewardship Foresters) in the data collection effort. Protocols had to be modified and sufficiently described for use by contractors with varying degrees of experience in applying the FPA in the field.



# Private Forests

## **Appendix 1 - ODF Forest Practices Act Compliance Audit Report (Cont.)**

Taking the time to build acceptance and support with external and internal interests is critical to compliance auditing for a number of reasons:

- Participation in compliance audits is voluntary for landowners. The integrity of the sample population may be compromised if a significant portion of landowners, or a class of landowners, deny access to audit contractors.
- Forest operators must have confidence that compliance audit outcomes truly reflect their work. If audit reports do not match what operators see on the ground there will be little support or interest in outcomes.
- The compliance audit must produce meaningful results for ODF field staff given the time they have and will continue to dedicate to its production.
- Compliance rates directly relate to environmental metrics such as water quality. ODF is the designated management agency (DMA) to establish and ensure implementation of forest BMPs to meet Oregon Department of Environmental Quality (DEQ) standards. The major resource concern for this compliance audit is delivery or potential delivery of sediment to waters of the state.
- Third party forest certification organizations must have confidence that compliance data is collected using a statistically rigorous method for their reporting needs.
- The Board of Forestry and Legislature need to know that effective and efficient administration of the FPA is occurring on the ground.

An external review committee was convened in March 2012. This team consisted of representatives of forest landowner interests (industrial and family forestlands), forest operators, forest certification organizations and other state agencies (DEQ, Oregon Watershed Enhancement Bureau (OWEB)) (see Attachment 1). This committee has been briefed and invited to provide comment on project objectives, scope and general protocol development since its inception (see Project Schedule).

The Department has also involved the three regional Forest Practices Regional Committees to build project support (northwest, southwest and eastern Oregon) (see Project Schedule). These committees are established in statute (ORS 527.650) as an advisory body to the Board of Forestry. These committees are comprised of forest landowners and forest management practitioners to advise the Board on technical forestry matters and forest practices rulemaking.

An internal ODF review committee was convened at the same time as the external committee. This committee has played a crucial role in assisting with the development and refinement of field data collection protocols, providing input on the most effective means of securing landowner permission, and addressing questions and concerns about how data will be collected and reported on.

To reach out more broadly to the landowner community, the Department has taken advantage of email listserves and newsletters of the Oregon Forestry Industries Council and Oregon Small Woodlands Association. Finally, the Board of Forestry was updated on project work completed and planned at its September 2012 meeting.

# Private Forests

## **Appendix 1 - ODF Forest Practices Act Compliance Audit Report (Cont.)**

### Field Protocol Development and Procedures

Development of the compliance audit presented ODF staff with the need to develop standardized, field measurement-based protocols to characterize FPA compliance. Earlier protocols developed for the 2002 BMP compliance effort were utilized as feasible but had to be adapted to be implemented by contractors with varying degrees of experience with the FPA.

Field protocol development phases:

- **Winter-spring 2012:** Salem ODF staff, namely the Monitoring Coordinator, initiated protocol development. The initial project scope and draft field protocols were reviewed in-office by the internal and external review committees and Regional Forest Practices Committees.
- **Spring-summer 2012:** Teams of ODF Stewardship Foresters across the state participated in field protocol testing to ensure the protocols could work across the broad range of environments encountered in northwest, southwest and eastern Oregon. Specifically, field protocol testing occurred on forestlands outside of Springfield, Columbia City, La Grande, Hood River, Grants Pass and Toledo.
- **Summer-fall 2012:** The Training and Compliance Specialist was hired and assumed the role of finalizing field protocol development.

The selected contractor will collect data but will not evaluate rule compliance. The contractor will report on specific site conditions and ODF will determine which rules apply to the conditions, and compare the measured conditions against pre-determined criteria for compliance (see Table 2). The contractor will gather data that will reflect conditions of roads, skid trails, landings, riparian areas, streambanks, and the margins of wetlands and lakes at the sample sites. Sampling will be limited to harvest units that were harvested between 2010 and 2012. Some units may not contain examples of all the FPA rules subject to the study. The contractor will submit field data to ODF electronically. The ODF will conduct quality assurance/quality control checks on approximately 10% of sampled harvest units.

### Audit Statistical Design

The audit is designed to answer the following key questions:

- What is the percentage of commercial forest operations that are in compliance with the Forest Practices Act statewide?
- What are levels of FPA compliance within the three regional forest practices areas (northwest, southwest and eastern Oregon)?
- What are levels of FPA compliance between different forest landowner categories (private industrial, private non-industrial and other non-federal lands)?

A sample of 200 forest harvest units stratified to address the questions above has been randomly selected from the ODF Forest Activity Tracking System (FACTS) database. This database contains Notification of Operation/Application for Permit (NOAP or notification) information required prior to beginning work.

# Private Forests

## Appendix 1 - ODF Forest Practices Act Compliance Audit Report (Cont.)

Table 2: Compliance audit data collection parameters

<b>Typical Data to be gathered at each Sample Unit</b>			
<b>Roads Data</b>	<b>Waters of State Data</b>	<b>Stream Crossings Data</b>	<b>Quarries/ Landings Data</b>
Road Type – entire	Stream Classification	Stream Classification	GPS point
Road Type – section	GPS Points	GPS Point	Type of feature: Q or L ?
GPS point	Stream segment type	Road type	Hillslope at landing
Road Use	Stumps within 20' of Type F or D stream	Fill length	Quarry / Landing issues
Road hillslope	Skid trails within 35' Type F or D stream	Fill Angle	Location of waste at landing
Road width	Cable Corridor Status	Fill Depth	Type of waste at landing
Sidecast/Fill Angle	S/N stream gradient	Culvert inlet diameter	Landslide present at quarry or landing Y/N?
Sidecast/Fill on steep slopes	Vegetation condition within 10 feet of stream	Culver outlet diameter	Drainage of landing or quarry to streams?
Fill condition	Slash present in stream	Temporary Crossing condition	Photo I.D. of issues
Road cut condition	Slash cover stream, cause ponding	Drainage features above stream crossing	
Gullies present Y/N ?	Disturbance to stream channels	Distance to drainage features above crossing	
Culvert status	Skid trails in stream	Status of water bars	
Water flowing onto road?	Amount of Sediment delivered to stream	Road slope to crossing	
Water flowing onto Slope- issues, slope	Distance of road to stream	Sediment issues	
Connectivity to Waters of State	Photo I.D. of issues	Fill stability issues	
Sediment deliver to Streams? Amount ?		Photo I.D. of issues	
Photo I.D. of issues			

**General Data to be gathered:**

Notification # / Forester's Name / Date / Stream Presence / Classification  
 Timber Harvest type / Stream crossings - present/absent / Access Issues ? Skid trails used: Y/N  
 Road Construction: present/absent  
 General photos, notations, & observations



# Private Forests

## **Appendix 1 - ODF Forest Practices Act Compliance Audit Report (Cont.)**

A sample in excess of 200 sites has been drawn in anticipation of landowners denying permission to audit contractors or ODFs inability to contact landowners to gain access. More commonly, harvest units drawn from the FACTS database are not used because a forest operation did not actually occur, because the operation was a land use conversion or because the operation was not significant enough to include (hazard tree removal). Additional randomly selected sites will be substituted in this case and the reason for dropping the site from the selection process will be recorded and included in the final compliance audit report. We anticipate some landowners will deny access but ODF has had great success over time with securing access to private forestland for monitoring purposes. Part of this success is due to our regular process of including landowners in monitoring projects early and throughout their development. A denial rate that would threaten the integrity of compliance audit findings, while not impossible, is not anticipated.

### **Project Work Plan**

#### Securing Landowner Permissions

As stated earlier, forest landowner participation in this audit process is voluntary. If audits were specifically for the purpose of enforcement of the FPA, the ODF could seek a warrant to conduct investigations on private forestland. This project is considered a monitoring effort separate from FPA investigation and enforcement. The voluntary nature of this compliance monitoring effort makes the effort to reach out to forest landowners a critical part of its success (see *Building Project Support*). ODF staff began outreach to landowners in January 2012 and will have secured access to most selected sites prior to the contractor beginning work in April 2013.

#### Quality Assurance/Quality Control and Consistent Application of the FPA in the Field

A minimum of 10% of sampled forest harvest sites will be checked by ODF personnel as a quality assurance/quality control (QA/QC) measure. These checks will serve the dual purpose of QA/QC on contractor work as regular training in consistent application of the FPA in the field. The ODF Training and Compliance Specialist will invite field staff to join in QA/QC efforts to culture regular discussion on FPA compliance calls. ODF field staff will be encouraged to participate in QA/QC field work both within and outside their regular enforcement areas and home Districts to invigorate the exchange of FPA training experiences throughout the state.

#### Reporting Outcomes

Like the 2002 *ODF Best Management Practices Compliance Monitoring Project*, compliance rates will be calculated and reported at a harvest unit level and at a rule level based on the total number of rule applications evaluated for each unit or rule. Summaries to describe compliance for the three forest practices regions and forest landowner types will also be created. To do this, the electronic data submitted by the contractor will be processed through pre-determined algorithms for conditions indicating apparent non-compliance.

For regions, landowner classes or rule types that exhibit low compliance rates, education and training efforts will be enacted. Strategies to address specific compliance outcomes will be created, utilizing regular training events as feasible and creating new events and materials if needed. Conversely, the audit can serve to highlight areas where FPA compliance is exemplary and may provide the foundation for process improvements in other areas.

# Private Forests

## **Appendix 1 - ODF Forest Practices Act Compliance Audit Report (Cont.)**

### Next Steps

The successful contractor is anticipated to begin data collection by April 2013. Soon thereafter ODF will begin QA/QC and field training efforts. Data compilation for reporting purposes can begin as soon as the contractor completes and submits data for the first ten (10) harvest units as per RFP requirements. Data collection is scheduled to be completed by the end of December 2013. A full report on compliance audit outcomes is anticipated in March 2014.

As field data collection gets underway ODF will begin strategizing on how the compliance audit will expand to include the remainder of the FPA rule divisions and statutes in the future. An overarching compliance audit strategy will be developed, describing the frequency and methods for auditing compliance across the entire suite of FPA regulations. As with this current phase of auditing, generating acceptance and support for the ODF compliance audit program through direct to project design and implementation will be critical. ODF will continue to involve a variety of stakeholders in this next phase of compliance audit development.

### **Findings**

The key finding from utilizing the service of a contractor to conduct compliance audits on behalf of the Department was how important the initial decision was to use a measurement-based as opposed to a discretion-based approach to a contractor reporting on FPA compliance. Using a measurement-based approach required the development of a detailed, repeatable field protocol that took many months to design and test. On the other hand, this approach results in a repeatable protocol open to a relatively wide pool of contractor candidates with basic field measurement skills. The four (4) applicants to the current RFP covered a wide range of contractor business sizes and backgrounds.

The Department will consider if a measurement-based versus discretion-based approach will be utilized in the next phase of plans to expand the scope of the compliance audit. Using a discretion-based approach will significantly reduce the time needed to develop field protocols. Significant time, however, would need to be dedicated to describing the professional qualifications of a contractor needed to be successful in making direct FPA compliance calls in the field. An increased level of QA/QC measures may also be necessary to have confidence in collected data. This approach would be expected to significantly reduce the pool of potential contracting candidates. It is possible that a combination of the two approaches will be the outcome of these discussions.

### **Acronyms**

Board – Board of Forestry  
BMP – Best management practice  
DEQ – Oregon Department of Environmental Quality  
DMA – Designated management agency  
FACTS – Forest Activity Tracking System  
FPA – Forest Practices Act  
KPM – Key performance measure  
NOAP – Notification of Operation/Application for Permit

OAR – Oregon administrative rules  
ODF – Oregon Department of Forestry  
ORS – Oregon revised statutes  
OWEB – Oregon Watershed Enhancement Bureau  
QA/QC – Quality assurance/quality control  
RFP – Request for Proposal  
SFI – Sustainable Forestry Initiative

## Private Forests

### Appendix 1 - ODF Forest Practices Act Compliance Audit Report (Cont.)

#### Attachment 1 ODF Compliance Audit External Review Committee

Name	Association	Certification
Adrian Miller	Longview Timber Corporation	Sustainable Forestry Initiative
Chris Jarmer	Oregon Forest Industries Council	
Scott Gray	Stimson Lumber Company	Sustainable Forestry Initiative
Tally Patton	Weyerhaeuser Company	Sustainable Forestry Initiative
Kevin McElwee	International Paper, Fiber Supply	Sustainable Forestry Initiative
Lee Fledderjohann	Collins Timber Company	Forest Stewardship Council
Jim James	Oregon Small Woodlands Association	
Joe Holmberg	Oregon Tree Farm System	Oregon Tree Farm System
Josh Seeds	Department of Environmental Quality	
Rex Storm	Associated Oregon Loggers Inc.	Oregon Professional Logger Program
Kyle Abraham <sup>4</sup>	Oregon Watershed Enhancement Board	
Wayne Auble	ODF State Forests <sup>5</sup>	

<sup>4</sup> Kyle Abraham has since left OWEB and now works for ODF.

<sup>5</sup> The State Forests Division of ODF represents the "Other non-federal" landowner category.

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# 3. State Forests

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**Oregon Department of Forestry  
2013-15 Ways and Means Presentation  
April 2013**

# State Forests

## A. Overview

### Mission

The State Forests Division's mission is to manage Board of Forestry lands to achieve greatest permanent value—healthy, productive, and sustainable forest ecosystems that over time and across the landscape provide a full range of social, economic and environmental benefits to Oregonians—and to manage Common School Fund forestlands to maximize revenues over the long term, consistent with sound techniques of land management.

The division manages about 821,000 acres of forestland in Oregon, which accounts for 3% of Oregon's forestland base. There are six state forests: the Tillamook, Clatsop, Santiam, Sun Pass, Elliott and Gilchrist, plus scattered tracts. Approximately 85% of the state forestlands are owned by the Board of Forestry; the remaining 15% are Common School Forest Lands (CSFL) owned by the State Land Board.

### Purpose

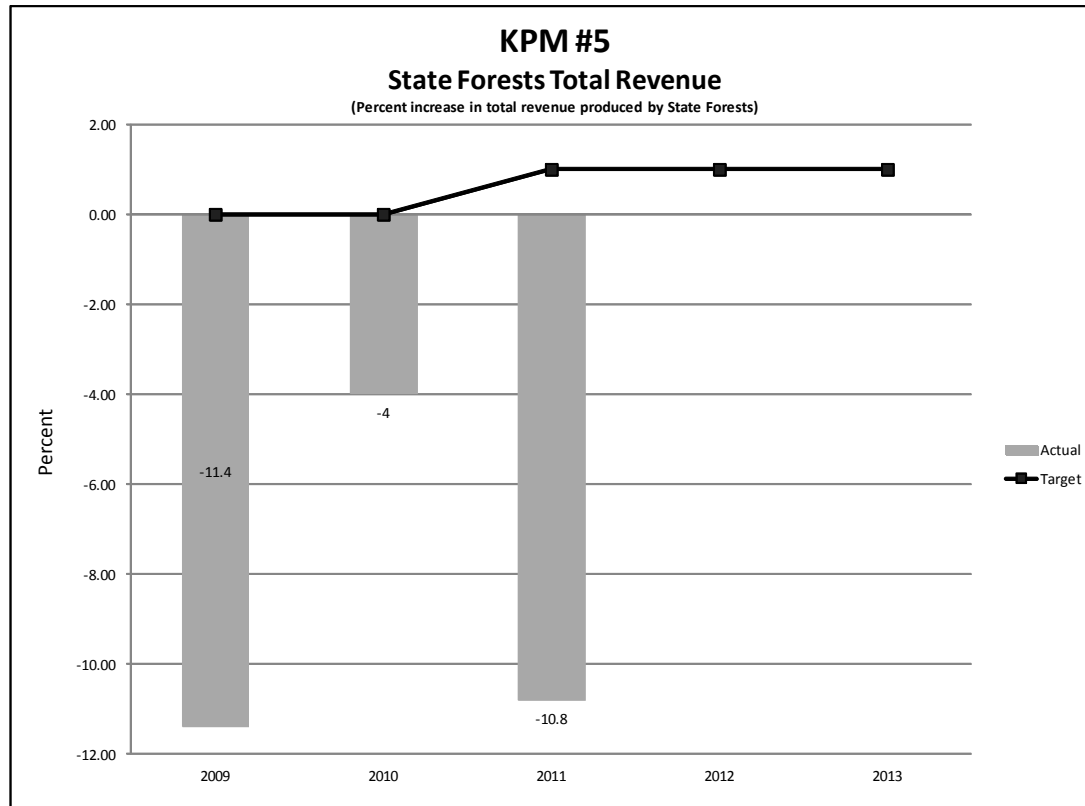
State-owned forests are a valuable asset to Oregon, providing many benefits, including jobs, revenue for public services, clean air and water, diverse wildlife habitat, a range of recreation opportunities, and forest learning opportunities. Several of the state forests, including the Tillamook, which is just an hour west of Portland, are close to major population centers.

The division achieves its purposes through its three sub-programs:

- **Management of Board of Forestry Lands** — Achieves healthy, productive and sustainable forest ecosystems that, over time and across the landscape, provide a full range of social, economic and environmental benefits to the people of Oregon. Board lands are actively managed in a sound environmental manner to provide for sustainable timber harvest and revenue to the state and local taxing districts. 63.75% of revenue derived from these lands is distributed to the counties, which in turn distribute the majority to local taxing districts, including K-12 schools. The remaining revenue pays for the management of the Board lands.
- **Management of Common School Forest Lands** — Maximizes income to the Common School Fund (CSF) over the long term, consistent with the conservation of this resource under sound techniques of land management. The Department manages the Common School Forest Lands under the CSFL Management Agreement with the State Land Board and the Department of State Lands. Revenues from these lands are dedicated to the State's CSF. Common School Fund lands generate the greatest amount of long-term revenue for the CSF.
- **Seed Orchard** — Conserves the genetic quality of forests on state and private lands, and increases the yield and quality of forest products by developing and producing genetically improved seed sources for reforestation. Emphasis is on providing diverse and site-adapted sources of seed at the J.E. Schroeder Cooperative Seed Orchard. This cooperative seed orchard, a public-private partnership established in 1973, has produced ample supplies of high-quality seed to meet reforestation requirements for State Forests, private cooperators and family forest landowners.

# State Forests

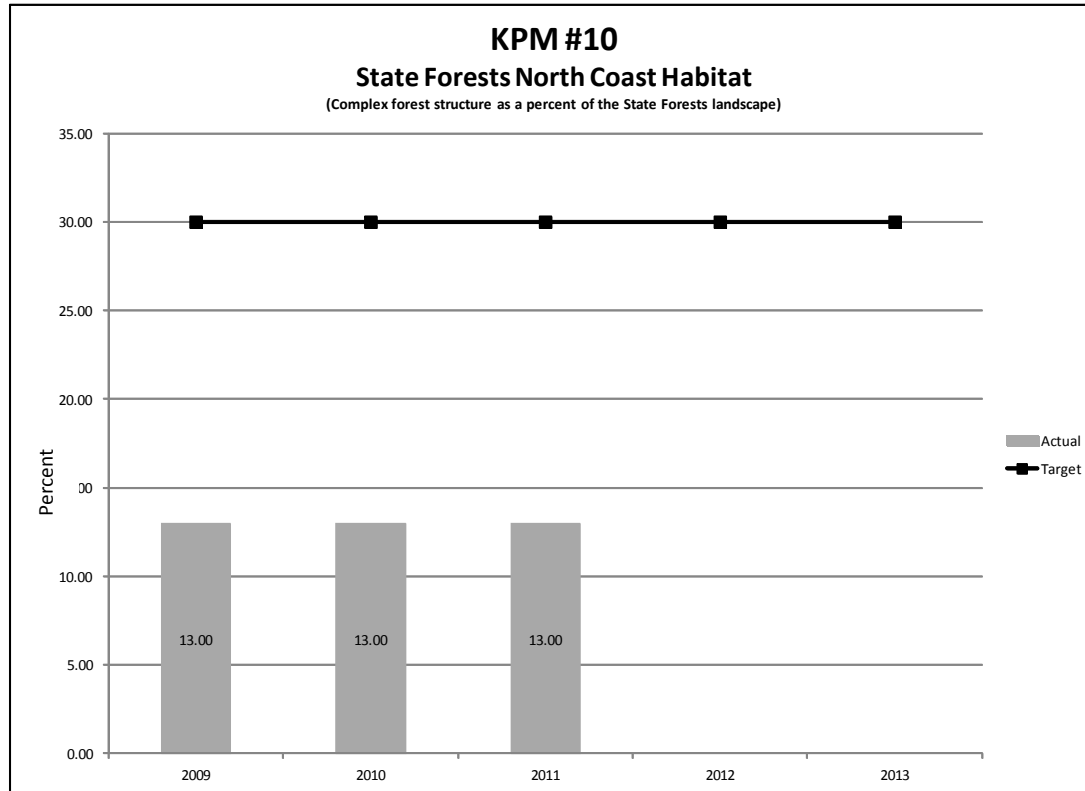
## B. Key Performance Measures



The goal of the Forestry Program for Oregon Strategy B is to ensure that Oregon’s forests provide diverse social and economic outputs and benefits valued by the public in a fair, balanced, and efficient manner. The goal for Key Performance Measure (KPM) #5 for State Forests is to increase total revenue generated from State Forests, at this point primarily from timber harvest and with some contributions from sources such as recreation and minor forest products. Data presented above demonstrate State Forests is not achieving revenue targets and in fact reported a 10.8% decrease from previous year (down to \$68,807,870). The major factor affecting Fiscal Year 2011 revenues was the declining national economy which resulted in lower demand for wood products and lower log prices. While timber values have increased recently, purchasers are still operating on many sales purchased in 2009 and 2010 which were sold at lower values. The State Forests Division is evaluating financial viability and exploring opportunities to increase revenue while continuing to provide for the range of social and environmental values.

# State Forests

## B. Key Performance Measures (Cont.)



The goal of KPM #10 is to contribute to the conservation of diverse native plant and animal populations and their habitats in Oregon's forests. The Board of Forestry adopted in administrative rule (OAR 629-035-105) long-term forest management plans which describe the percent of Clatsop and Tillamook State Forests managed to achieve complex forest structure. Complex forest structure provides a diversity of overstory and understory species, layered and older forest conditions, with large diameter trees and ample downed wood and snags. The data provided in the graph above demonstrate that 13% of the Clatsop and Tillamook Forests are currently in complex forest structure. Complex forest structure develops slowly and is anticipated to take decades to achieve the desired target of 30%. With only three years of data it is too early to comment on trends.

## State Forests

### **C. Key Budget Drivers and Major Issues**

#### **Generating sufficient revenues from sustainable forest management to provide a balance of social, economic and environmental benefits**

The vast majority of revenues that support forest operations on state forestland are generated from timber sales. The program currently does not receive General Fund. There has been a gradual increase in demand for forest products as housing starts increased in the past year and are predicted to continue increasing. This is fueled by consumer confidence and current low interest rates for home purchases. The increase in housing starts coupled with a declining, yet strong, export market has helped to push domestic log prices upward. This upward trend for housing starts and log prices should continue into the foreseeable future.

While the log price trend is encouraging, it will take several years for higher prices to influence revenues. In the meantime, generating sufficient revenues to fund management activities is a key policy issue for the Board of Forestry and the State Land Board. Cost and revenue analysis, even with higher log prices factored in, suggest that the current Forest Management Plan for NW Oregon is not self sustaining over time, given the current set of forest management goals and objectives and the current funding structure, where 98% of the revenue is generated from timber sales.

Insufficient revenue over the past four years has severely curtailed State Forests' investments in recreation, research and monitoring, forest inventory, silvicultural activities like pre-commercial thinning, and other key aspects of forest stewardship. The impacts of under-investing in these areas have been somewhat offset with federal and state grants and to some degree could be absorbed without immediate ramifications. However, continued lack of investment in these activities will challenge the division's ability in the near future to create a range of forest characteristics across the landscape, accurately model forest conditions and associated harvest volumes, and implement adaptive management with monitoring that informs decision-making in a timely way.

Revenue projections are a critical component of financial planning for State Forests. There are limitations to such projections. For example, timber sale prices are difficult to predict. Currently, sale prices, and the revenues they produce, are expected to recover to some extent in the 2013-15 biennium, and the recovery is expected to continue for some time after that. While ODF is experiencing increasing prices, the full impact of these increases won't be realized for a couple of years. In addition to these limitations, projections on Common School Forest Lands are further confounded due to legal uncertainties associated with a pending lawsuit, the outcomes of which have the potential to influence harvest levels.

#### **Financial performance of Common School Forest Lands**

In 2006 the State Land Board adopted an updated 10-year Asset Management Plan that includes performance measures for annual revenue, net operating income, return on asset value, and land value appreciation. The division manages 119,248 acres of Common School Forest Lands and reports annual revenue and net operating income to the State Land Board for these forestlands. Approximately \$11 million was transferred from Common School Forest Lands in 2012 for an associated net operating income of \$6.3 million. While these measures indicate strong economic performance for 2012, legal uncertainties are expected to result in below-average economic performance in 2013.

A Forest Management Plan for the Elliott State Forest (93,000 acres) was approved in 2011. The new plan does not use a habitat conservation plan to meet requirements of the Endangered Species Act and instead uses surveys for endangered species, which will be protected as individual resources. This approach is known as "Take Avoidance".



## State Forests

### **C. Key Budget Drivers and Major Issues (Cont.)**

#### **Developing Alternative Management Plans and improving the State Forests Business Model**

The dominant management plan for State Forests is the NW Forest Management Plan (FMP) that includes 650,000 acres, about 75% of the total state forest land base and generates over 90% of the revenue from Board of Forestry lands. The original FMP was approved in January 2001 by the Board of Forestry as the first integrated resource management plan for the state. Analysis of the forest management plan outputs, at the time of approval, suggested a high level of timber harvest and a corresponding contribution to a diverse array of fish and wildlife habitat across the landscape. Once implemented, timber harvest levels and the corresponding revenues to counties, local taxing districts and the agency have fallen well short of expectations. As a result, the Board of Forestry revised the plan in 2010 with a performance measure of increasing revenues by 5-15% and to remain financially viable. It is now apparent that the Northwest FMP will not likely meet revenue expectations for the counties or generate sufficient revenues for the state, assuming that timber continues to be the dominant revenue source.

In November of 2011, the Board directed the agency to start work on alternative management plans that could potentially meet Board-approved performance measures, ensure financial viability for State Forests and meet the Board's standards for "greatest permanent value". This Board direction followed Governor Kitzhaber's address to the Board in November 2011 in which he articulated a range of social, environmental, and economic challenges for forestry in Oregon and posed five specific goals to the Board of Forestry. These were to develop and use performance measures, consider a land allocation approach, clarify conservation areas, use an adaptive management approach, and review the State Forests' business model. The exploration of alternative management plans will be informed with a rigorous science review and transparent stakeholder processes. This work will incorporate an effort to explore a change in the business model that could diversify the existing revenue stream toward non-timber values such as recreation, clean water, conservation areas, and stream restoration.

#### **Reduced workforce**

Revenue from operations on Board of Forestry lands support the Forest Development Fund (FDF). The FDF supports operations and investments on Board of Forestry forestlands. Several factors resulted in a major decline in the FDF balance over the past several years. Projections in 2008 identified an upcoming FDF crisis, narrowly averted by a 30% reduction in expenditures and workforce in 2010. At this current reduced operating level, the division strives to complete harvest objectives, to assist in fire suppression efforts, and to provide expected benefits from state forests at minimal levels. The division will continue to provide as many services as possible within these revenue and workforce constraints but several important investments such as monitoring, young stand management, and forest inventory remain underfunded.

#### **Conserving working forests**

The 2009 Legislature authorized the Department of Forestry to use \$15 million in Lottery Bonds toward acquisitions of forestlands owned by Fidelity National Timber Resources Inc., located in the Gilchrist area of Central Oregon. The purchase of 43,389 acres was completed in early 2010. Acquisition of these lands was supported by the Governor's Office, legislative leadership, and the Klamath County Commission. In June 2010, the forest was dedicated as the Gilchrist State Forest, the first new state-owned forest created in almost 70 years. The Conservation Fund has acquired an additional 25,754 acres adjacent to the state forest, with the intent that the state would eventually be able to purchase and manage these lands as part of the Gilchrist State Forest. These remaining

## State Forests

### **C. Key Budget Drivers and Major Issues (Cont.)**

lands are valued at \$9.5 million. The 2011 legislature approved an additional \$1.98 million in lottery bonds, leaving approximately \$7.6 million needed to complete the acquisition. A Policy Option Package (POP) in the current Governor's Balanced Budget requests \$780,000 in Lottery Funds (debt service for 2013-15) and \$7.6 million from the sale of lottery bonds to support the purchase of the remaining 25,754 acres. Please see the "conserving working forests" item in Section F.

The primary driver for this acquisition is to conserve working forests. Today, they are at risk of being parcelized: divided up into minimum lots and sold for development. When large blocks of forestland are fragmented into smaller ownerships, especially when low-density homes are introduced — which studies indicate is likely to happen here — major challenges emerge, and forest values are lost. There is more potential for human-caused fires, compounded by more costly and complex fire protection needs. It's less likely the land will be managed for timber production. Public access is commonly reduced or lost, and wildlife habitat can be fragmented. Keeping these forest lands as forest lands is in the best interest of all Oregonians. The Department has a tradition of restoring healthy forests on lands that have been devastated due to fires and heavy harvest activity. Managed like a similar state forest just 50 miles to the south, the Sun Pass State Forest, these lands could one day provide revenue to the county, excellent wildlife habitat, recreation for locals and visitors, and many other important forest values.

**State Forest management as a potential model for federal forestlands** — State-owned Board of Forestry lands are actively managed in a sound environmental manner to provide sustainable timber harvest and revenues to the state, counties, and local taxing districts. This is achieved within a broader context that provides for other forest resources, including properly functioning aquatic habitats for salmonids, native wildlife habitats, high water quality, and diverse recreation. While only making up about 3% of Oregon's forestlands, compared to 60% in federal ownership, state-owned forestlands have produced 75% to more than 100% of the timber volume harvested from federal forestlands in recent years. At the federal level, debate continues over how to manage forestlands. The continued success of the active management of state-owned forestlands, consistent with statutory mandates, can serve as an example for active management on portions of the federal forestland base in the future.

## State Forests

### **D. Measures to Contain Costs, Improve Program Delivery**

Beginning in 2010, the State Forests Division reduced spending and staff by about 30% to respond to severely depressed timber prices and a revenue projection that indicated that the State Forests Division would run out of funds by 2012. As described above, this adjustment slowed the rate of erosion of the Forest Development Fund (FDF) account. Over the last 3 fiscal years, State Forests has continued to tightly control investments in order to remain solvent. Current revenue projections suggest that the FDF will remain at dangerously low levels over the next five years unless steps are taken to increase revenues or further reduce costs. The FDF balance is projected to stabilize between \$7 million and \$9 million from Fiscal Year 2014 to Fiscal Year 2018. 2010 reductions brought expenses in line with projected income, and State Forests continues to closely monitor the financial health of the division.

For the last three years, State Forests has under-invested in forest inventory, recreation, education and interpretation, staff support for policy development, pre-commercial thinning and fertilization of forest stands, and research and monitoring. The magnitude of this reduced investment is about \$6 million per year. The agency is actively pursuing operational and policy changes to address the financial situation on State Forests. The impacts of under investing in these areas have been somewhat offset with federal and state grants and to some degree could be absorbed without immediate ramifications. However, continued lack of investment in these activities will challenge the division's ability to create a range of forest characteristics across the landscape, accurately model forest conditions and associated harvest volumes, and implement adaptive management with monitoring that informs decision-making in a timely way.

During the economic recession ODF partnered with the Oregon Parks and Recreation Department to fund the popular off-highway recreation program on the Tillamook State Forest through All-Terrain Vehicle (ATV) fees. In addition, the division works closely with watershed councils and the Oregon Watershed Enhancement Board to cost-share on stream restoration projects.

## State Forests

### **E. Revenue Sources and Relationships**

The division is entirely self-financed from timber sales and the sale of special forest products. The Department retains 36.25% of timber sale revenues for management of the state-owned county trust lands. The remaining 63.75% is distributed to the counties and local taxing districts where the forestland is located. The state's projected share of timber sales for 2013-15 is \$62 million. The agency is reimbursed for Common School Fund land management costs, and the remaining revenue goes to the Common School Fund. These management costs are approved by both the Board of Forestry and the State Land Board. State-owned lands are expected to generate \$109 million for counties and local taxing districts during the 2013-15 biennium. Due to the uncertainty caused by an ongoing lawsuit regarding marbled murrelet management, projecting revenue on the Common School Forest Lands is very difficult. Timber sales from Common School Fund lands are forecasted to generate approximately \$4.1 million in revenue during Fiscal Year 2014 and \$6.1 million in Fiscal Year 2015. Management costs on the Common School Fund lands are proposed in the budget at slightly over \$11.5 million for the 2013-15 biennium.

## State Forests

### **F. 2013-15 Governor's Balanced Budget**

The Governor's Balanced Budget maintains the current level of services for State Forests.

#### **Complete Gilchrist State Forest land acquisition – Policy Package 431**

This policy package requests \$780,000 in Lottery Funds (debt service for 2013-15) and \$7.6 million from the sale of lottery bonds to allow purchase of 25,754 acres of land adjacent to the current Gilchrist State Forest. Please see the “conserving working forests” item in Section C above.

#### **Implement Monitoring Plan on the Elliott State Forest – Policy Package 486**

\$500,000 Other Funds to implement a monitoring plan for the Elliott State Forest Management Plan that was approved in 2011. These funds would be invested in projects that increase understanding of the effectiveness of resource management strategies on the Elliott State Forest.

**NOTE – Statewide administrative savings and PERS adjustments:** The division budget includes a reduction of about 5% in administrative costs. It also includes reductions to reflect proposed changes to Public Employees Retirement System benefits. Decrease of \$1.0 million Other Funds.

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# 4. Administration

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**Oregon Department of Forestry  
2013-15 Ways and Means Presentation  
April 2013**

# Administration

## A. Overview

### Mission

The Agency Administration Division's mission is to provide high-quality leadership, assessment, policy development, public involvement, communications and administrative systems in support of the Board and agency, and to provide the foundation for effective implementation of the agency's core business functions.

### Purpose

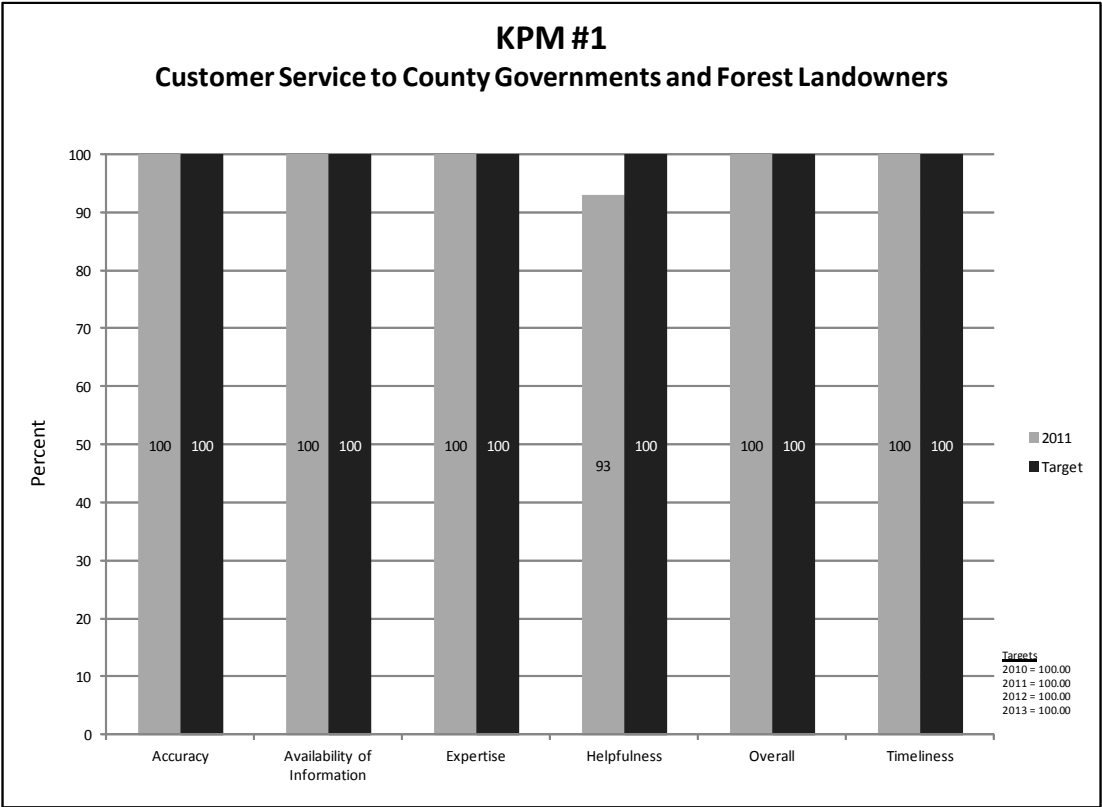
The division achieves its purposes through three primary components:

- **Agency Leadership and Management**, which in concert with the Board of Forestry provides leadership and policy direction on all forestry matters in the state, and also includes quality assurance, legislative coordination and public affairs support.
- **Forest Resources Planning**, which furnishes technical analysis and planning, as well as a wide variety of information on forestry issues to other divisions of the Department and to other state, federal and local agencies and the public.
- **Administrative Services**, comprised of human resources, business services, information technology, partnership development and transportation equipment management.

The division's direct customers are the Board of Forestry and agency employees. Indirect customers include forest landowners, local, state, federal and tribal agencies and governments, non-profit natural resources organizations, academic and corporate institutions, and all Oregonians.

# Administration

## B. Key Performance Measures



KPM #1 reflects the percentage of Oregon’s forested counties and forest protection associations that rate ODF’s customer service as “good” or “excellent” based on timeliness, accuracy, helpfulness, expertise, and availability of information. The agency has set a 100 percent target.

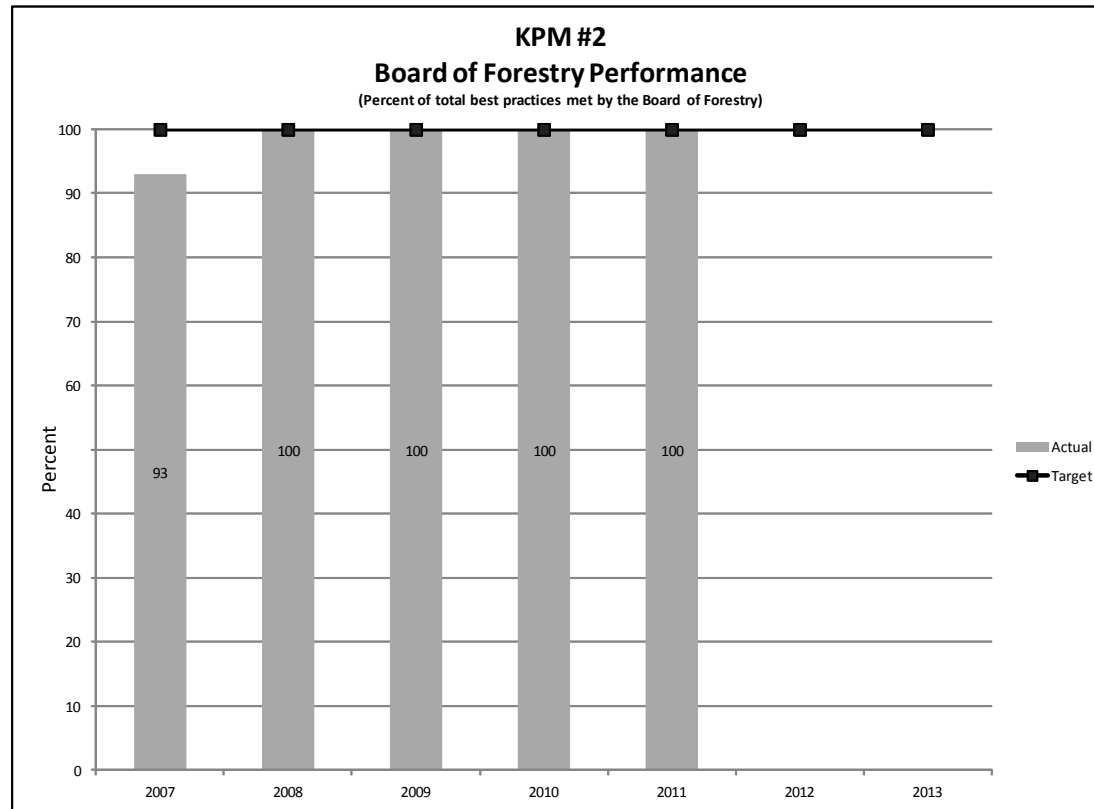
Each year, half of the commissioners in forested counties are surveyed. We also include comments from the Board of Forestry’s Forest Trust Land Advisory Committee.

The agency met its target on overall, accuracy, availability of information, expertise, and timeliness. It fell short on helpfulness. Some concerns raised were about reductions in staff and the ability to continue to provide the excellent service given in the past, and the increasing costs of fire protection.



# Administration

## B. Key Performance Measures (Cont.)



KPM #2 tracks the percentage of best practices met by the Board of Forestry, which focuses on 15 standard criteria for successful boards and commissions. The Board has chosen a 100 percent target for this measure.

During its last survey on this KPM, Board members expressed high satisfaction at the way the Board operates, rating it as one of the most effective and dedicated boards in state government. They also expressed a high level of trust with the agency staff. Board members expressed concerns that budgets, the economy, and politics are making decisions critical and difficult.

## Administration

### **C. Key Budget Drivers and Major Issues**

#### **Introduction**

The Department's administrative services have been impacted by many external factors over the past years. For the most part, these are not unique to the Department, or even state government, but are common to most organizations, public and private. In many ways, these "costs of doing business" are greater today than in the past, and the resources necessary to meet administrative, financial and legal requirements and obligations and to provide our internal services with "best practices" have risen substantially. For the Department, this increased need for resources has occurred during a time of static allocation of these resources in our administrative and business services, which has equated to essentially no increase in capacity. The need for administrative support functions, such as communication and outreach, may increase during tough economic times, but the tendency is to reduce such resources. We embrace the need for frugality, but also recognize that the agency cannot meet its mission without essential administrative support for its operational functions.

In addition, the Department is dealing with aging infrastructure, primarily in information technology, business systems and facilities. The impacts include not only cost inefficiencies and less effective service to internal and external customers, but also higher risk of loss of information and capital asset value, both near-term and longer term.

#### **Providing public information**

A number of factors combine to drive budget needs and challenge present capacity in providing quality and timely public information. These include:

- High interest in policy development by the Board of Forestry and in forest issues generally.
- Increased demand for public and stakeholder involvement in state lands planning and management, and in administration of the Oregon Forest Practices Act.
- Increased need to educate landowners, particularly family forestland owners, and operators in legal compliance and general forest management.
- Increased complexity of forest-related issues.
- Increasing information requests from the public, other agencies, the Governor's office and the offices of other elected officials, and from within the Department.
- Increased workload associated with development of new communication platforms, such as social media.

#### **Conducting forest resources planning**

Credible, scientific information about Oregon's forests and forest conditions provides the foundation for effective policy development and decision-making. Several current issues combine to drive the budget needs of the Department's forest resources planning efforts, including:

- Forestry issues are becoming more complex. Forest management is a lengthy, sometimes contentious process involving many partners. Furnishing accurate and timely information about forestland management is an important job of the agency. Forest management issues are likely to become yet more complex during 2013-15, particularly in light of such factors as changing forest ownership patterns, changing global forest product markets, changing land use laws, climate change adaptation and mitigation, wildfire and forest health risks, biomass energy opportunities, and mounting concerns and new visions for federal forestland management.

## Administration

### C. Key Budget Drivers and Major Issues (Cont.)

- Demand is increasing for timely, accurate statewide forest assessments and geographic data among the Department's decision-makers, other agencies, stakeholders and the general public. This requires an enhancement of Department information technology capabilities.
- Forestry issues have become more prominent in public policy discussions, increasing the need for sound information. Using a publicly accepted framework of sustainable forest management goals and indicators provides useful tools for discussing and measuring forestry issues in an understandable, integrated manner.
- The Department is leading the state in implementing a forest cluster economic development strategy, including identifying new revenue streams for landowners, developing new markets, and a growing interest in use of forest biomass across public and private ownerships. There is a continuing need for specialized policy and planning services to Oregon's forestry leadership, internal and external to the agency.

#### Addressing inefficient, obsolete and failing business systems

The Department has historically operated an extremely lean Information Technology (IT) Program, with most resources dedicated to supporting and maintaining existing applications. Complicating this situation, most of the agency's critical business systems have been developed on a limited budget. Many were developed in a "piecemeal" or "siloeed" fashion 20 to 30 years ago, in the technology platform common for the day, and offer no option of reconstruction. As many of these systems continue to age, they experience difficulty operating on newer platforms such as Windows 7, and cannot be integrated or shared across the enterprise. This has created business inefficiencies and redundancy, and is introducing ever-increasing risk of failure. Consequently, the IT Program often operates in a reactive mode where projects are scheduled as a result of application failure, and not according to a planned migration or upgrade schedule. Due to this, the streamlining of agency operations for internal and external customers, in most cases, is not possible without complete system replacements.

Starting in the 2007-2009 biennium the Department, with assistance and support from the Legislature and the Department of Administrative Services, embarked on a process to improve its technology platforms and business systems. However, the investment plan is long-term, and many enterprise business needs continue to experience inefficiencies and limited functionality. In 2011, the Department identified more than fifty critical business system needs and began to prioritize them.

The prioritization effort identified the following as critical business system needs that are imperative to address over the next several biennia:

- **Document management.** The Department does not have an automated record or document management system, and relies on paper documents and unstructured email. This is not only very inefficient (estimated to be 10-20% inefficient), but also places the Department at high risk for information loss or failure to comply with federal or state records management requirements and public records requests.
- **Asset management.** The Department does not have a centralized database of all its assets. Individual asset classes across several domains – real property, capital assets and fleet – are tracked on spreadsheets or ledgers that make managing and reporting of assets a time-consuming proposition at best. Additionally, this does not allow comprehensive long-term planning of asset maintenance, management and replacement.

## Administration

### C. Key Budget Drivers and Major Issues (Cont.)

- **Procurement.** The Department's current "home-grown" PowerBuilder purchase order/payment system is no longer supported and exhibits extreme instability on the operating hardware platforms in use at the State Data Center. It is expected to lose all functionality when the Department migrates to Windows 7. With limited application development resources, the Department lacks in-house experience to support the application and relies on contracted IT resources. Additionally, because the current system is more of a payment than procurement system, the Department is not able to strategically plan procurements agency-wide, a lost opportunity for overall cost containment. Collectively, due to system inefficiencies and associated lack of integration, payments to vendors during high-transaction periods such as large fires are slow and cumbersome.
- **Grants Management.** The Department uses multiple Access databases and Excel spreadsheets to track and manage a plethora of grants information. Due to a lack of integration among the applications, staff has to manually enter universal grants information in multiple places, which may lead to data inaccuracy and inconsistency. Additionally, the lack of integration requires a time-consuming manual reconciliation process, and there is the risk of inaccurate or untimely reimbursement tracking, which could impact overall cash flow for the agency.
- **Wildfire management (Enterprise GIS).** Many critical systems, such as those used to track operators' notices of planned forest operations, and many systems related to fire protection, are not integrated. This results in duplicate data entry, data inconsistencies and limited business analytic capability (workload analysis, etc.) due to ineffective data capture, sharing and reporting. Some of these systems are no longer supported, and any type of update to the existing application would require a change to a new platform.

Further complicating these obstacles, budget constraints over time have prevented necessary routine maintenance and updates of current IT applications and software. Some application versions are no longer supported by vendors or manufacturers. The results include increased downtime, reduced productivity, and potential inability to meet data reporting requirements or other mandates.

#### **Providing administrative and business services**

Like most organizations, the Department faces the rising challenges of compliance with federal and state laws relating to workplaces, compensation and benefits, including the Americans with Disabilities Act (ADA), Federal and Oregon family medical leave (FMLA and OFLA), Worker's Compensation laws, Administratively Determined (AD) firefighters, and Oregon pension system (PERS) Police and Fire retirement benefits.

Another significant budget driver is the shifting of administrative workloads from the Oregon Department of Administrative Services to agencies, particularly in human resources, contracting, routine procurement, risk management, asset management, information management, planning and assessment, and payroll.

Furthermore, the agency must actively engage in succession management, as it is experiencing high numbers of retirements. This has a resulting budget impact with increased workloads in recruitment, knowledge transfer, training and development, creatively identifying and removing barriers to career development and employee movement, examination of proper classifications, and assuring incentives for employee advancement.

A major budget driver for any organization today is the increasing reliance on information technology, along with increasing threats and risks to information assets. While internet and web-based approaches have placed the power and functionality of information with the end-user and the individual customer/stakeholder, they require significant investments in application development (or modification), data management, and information security to truly be effective and cost-efficient.

## Administration

### **C. Key Budget Drivers and Major Issues (Cont.)**

Changes to standards, practices and controls in fiscal accounting, budgeting, and procurement require additional resources, including personnel, and ongoing training and development. Also, Department staff currently process over 220,000 financial transactions per year (not including payroll). The need for improved internal controls for these transactions has challenged our current business systems, and without modernization and system improvements, we cannot achieve the appropriate or desired level of control, accountability and service delivery.

Finally, the fiscal accounting aspects of employee payroll, retirement systems and personnel benefits have all increased significantly in complexity over recent years. As changes occur to labor laws, collective bargaining contracts, and benefit and retirement systems, there must be more and more processes, checks and balances in place to ensure timely and accurate payments and accounting entries. This is driven, in part, by increased restrictions and control requirements, tighter processing timelines and by an increase in the proportion of employees who receive specific benefits. The net effect is significantly greater workload, for which the Department is not adequately staffed.

#### **Addressing facilities and capital investment needs**

The Department owns 414 capital structures with a current replacement value of approximately \$110 million. Outside of the 11 Salem Headquarters Campus buildings, which house the Department's centralized business functions, the balance of the facilities are located at 12 fire protection districts and within five state forests across the state. These facilities support a wide range of activities including administrative functions, fire dispatch centers, fire equipment warehouses, vehicle repair and fabrication, reforestation and road maintenance activities, radio communication facilities and forest fire lookouts. The acquisition of these facilities span decades of building design, construction and workplace technologies. Many of these buildings need substantial improvement or replacement due to their condition, functional obsolescence, safety concerns and residential and commercial encroachment.

The major outcome of the Department's facilities management program over the past several biennia has been the wider institutional awareness of the condition and obsolescence of some of our facilities and the funding obstacles to address those needs. This has prompted the Department to initiate a longer-range, more comprehensive capital planning focus that provides for all our facilities needs, including future and deferred maintenance, capital improvement and capital construction planning. The first phase of this process, currently underway, is the development of the strategic context that identifies key planning issues, opportunities and priorities.

To support this comprehensive capital planning effort, the agency must collect and maintain current condition information, projected major maintenance needs and capital improvement needs in a way that allows for informed decision-making through the improved capacity to quantify, track, analyze and prioritize facilities needs and costs. To this end, the Department is acquiring a proven asset management system during the current biennium.

A significant budget driver is the second phase of the Department's capital planning process that will be conducted during the 2013-15 biennium. The major elements of this phase are the completion of the linkage of strategic facilities planning with Department strategic planning priorities, a comprehensive assessment of all facilities renewal needs, the organization of those needs into a capital strategic plan, concluding with planning future funding solutions with direct stakeholder involvement.

## Administration

### **D. Measures to Contain Costs, Improve Program Delivery**

As outlined earlier in this document, the Department has experienced constraints in resources to support critical business functions, rising demand for these resources, and continued challenges with connectivity of systems, deterioration of key assets, and systems that lack capacity to meet today's complex needs. While the agency has begun to prioritize and seek funds to meet needs in this area, partnerships and process improvements are also important parts of the solution.

#### A. Partnerships with Other Agencies

##### **Administrative Services**

- Partnerships with federal agencies and other state forestry agencies on the procurement of contract fire crews have produced overall savings on fire costs.
- Ongoing partnerships with the Department of Administrative Services and the Department of Justice have streamlined the procurement process for goods and services that the agency has independent statutory authority to obtain. This process has helped to reduce the time needed to complete contracts for fire prevention and protection of forestland.
- Continued use of statewide price agreements to the greatest extent possible has helped to contain costs.
- Close cooperation with the Governor's Office of Economic and Business Equity has increased opportunities for Oregon Minority, Women & Emerging Small Businesses to contract with the agency.
- Frequent partnerships with other state natural resource agencies have saved money for services that would certainly cost more if we were to contract the work independently.
- Participation in the SPOTS Card Program has reduced the number of purchase orders and warrants. We also receive a rebate based on the amount spent in a month and the timeliness of payment.
- We have continued to maximize return on investment at our facilities where possible through collocating with other agencies at Department facilities. The Department currently is collocating with the Department of Transportation and the Department of Fish and Wildlife at several locations.

##### **Forest Resource Planning Program**

- Leveraging of Federal Funds secured through an agreement with the US Forest Service Pacific Northwest Research Station has allowed for completion of a 5-year update of a study tracking development trends on Oregon forest, agriculture, and range lands. In addition to the Research Station, this work was done in coordination with the Oregon Department of Land Conservation and Development, Oregon Department of Agriculture, and volunteers. The study results inform two Oregon Benchmarks and an Oregon Indicator of Sustainable Forest Management. Building on this work, the program is building models for predicting future development trends and also working with the Research Station to expand Oregon's study protocol to other states.
- Leveraging of funds also helped to conduct a study of the economic impacts of increasing federal management (i.e., timber harvest and restoration activities) in eastern Oregon federal forests.

## Administration

### **D. Measures to Contain Costs, Improve Program Delivery (Cont.)**

- Close work with the Pacific Northwest Research Station maximized the value of federally funded Forest Inventory and Analysis Program information for assessing Oregon forest resource conditions and trends.
- Data submitted by the Forest Service, Bureau of Land Management, Indian Tribes, counties and others helped in producing the Department's widely used Oregon Timber Harvest Reports.
- Ongoing coordination with Oregon State University, Oregon Business Development Department, Oregon Forests Resource Institute (OFRI), Oregon Department of Energy and private stakeholders helped to sustain a comprehensive forest cluster economic development strategy for the State of Oregon.
- A full-time equivalent position provided to the Governor's Office supported the development of recommendations for managing BLM's Oregon and California forest lands.
- A 0.5 full-time equivalent position helped to facilitate State of Oregon policy coordination on forest biomass policy issues.

#### **Public Affairs**

- Ongoing work with other information / education organizations such as the Oregon Forest Resources Institute (OFRI) helped to provide content for publications. Example: ODF provided input into a widely used OFRI forest facts book, and participated in a partnership to educate family forestland owners on various aspects of forest management.
- A substantial decrease in printed materials in favor of information in electronic formats has reduced printing costs.

#### **Information Technology Program**

- Continued participation in the Light Detection and Ranging (LiDAR) Consortium allowed for purchase of LiDAR data at a reduced cost through partnerships with other federal, state and local governments.
- Participation continued in the definition and development of statewide framework geospatial data, in cooperation with other state agencies. We have provided staff to work on this effort and have developed some of the geospatial data layers that have contributed to the statewide framework effort. These efforts have reduced the cost of geospatial data.
- Partnership with 11 other agencies as part of the State Data Center (SDC) has provided additional technical resources for the agency and improved information systems infrastructure.
- Centralized management has improved delivery of Geographic Information Services for mapping, imagery, and spatial data.

#### **Human Resources**

- Continued ODF/ODOT Interagency agreement – ODOT utilizes ODF personnel to accomplish highway maintenance activities during periods of low fire danger. This saves in recruitment costs and invests in employees. ODF partners with other agencies to share costs associated with attendance at job fairs. For example, through the Governor's Diversity and Inclusion group, we have begun to partner with other agencies in career fairs.
- Partnered with DAS Training to provide training related to the iLearn training system.

## Administration

### **D. Measures to Contain Costs, Improve Program Delivery (Cont.)**

#### **B. Partnerships with the Private Sector**

##### **Administrative Services Program**

- Use of Qualified Rehabilitation Facilities has reduced costs for custodial and security services at several major agency administrative sites.
- Centralizing collection of trash and recycled materials at the Salem Headquarters has reduced the cost of custodial services.

##### **Forest Resource Planning Program**

- Partnerships with private consultants have assisted in conducting forest economic analyses.
- Partnerships with the forest industry have helped to identify market opportunities for wood products.

#### **C. Process Improvements**

- Creation of a risk assessment document has helped to accurately determine appropriate insurance levels for contracts. This document is based on a DAS form that was modified to include potential lost business opportunities if the insurance requirements are not in line with the industry.
- Procurement within ODF has been working on evaluating enterprise-wide needs in order to identify areas of overall cost savings by combining purchasing power.
- A review of procurement processes for the fire crew contracting has been completed, to ensure that the most efficient processes were used.
- Movement to electronic reports for the Oregon State Payroll System has saved paper costs.
- An energy conservation plan has produced savings exceeding those mandated by ORS 276.915.
- A significant number of hard copy documents that traditionally have been centrally purchased, stored and distributed have been moved to digital formats.
- Business process modeling, primarily through input from front-line workers, has examined work flows and work processes to identify areas or systems for improvement.



## Administration

### **E. Revenue Sources and Relationships**

Agency Administration is funded by the Other Funds and Federal Funds assessed against agency programs on a pro-rated basis by funding source, such as the State Forests Account (timber receipts) and Forest Products Harvest Tax. The division also receives a small amount of revenue from fees charged for services and map sales.

Expenditures for the Equipment Pool program are financed entirely from internal service fees charged to users. Facilities Maintenance and Development is currently funded through the facility operation and maintenance budgets of each program. Revenue to pay debt service comes from the General Fund (40%), Other Funds (23%), and Lottery Funds (37%). Capital construction projects are funded through Certificates of Participation and Other Funds generated from the State Forests Division.

## Administration

### **F. 2013-15 Governor's Balanced Budget**

The Governor's Balanced Budget maintains the current level of services for Administration. It also includes the following policy packages:

- Information Technology Support Capacity: Adds capacity to support the growing volume of Information Technology systems and subsequent required support in the Department. \$0.4 million General Fund, \$0.8 million Other Funds, 4 full-time equivalent positions.
- Forest Collaborative Support – Professional Services, Federal Lands: Provides funding for contracted professional services to assist the state in seeking solutions to forest health and economic issues related to management of federally owned forestlands. \$0.4 million General Fund.
- Agency Administration Capacity and Technical Adjustment: Addresses technical budget issues that have accumulated over several biennia. \$0.2 million General Fund, \$0.1 million Other Funds, \$0.1 million Federal Funds decrease, 0.18 full-time equivalent positions.
- Statewide Administrative Savings and PERS Adjustments: Includes a reduction of about 5% in administrative costs. Also includes reductions to reflect proposed changes to Public Employees Retirement System benefits. Decreases of \$0.5 million Other Funds, \$0.06 million Federal Funds.
- Capital Construction: Eastern Lane Redevelopment – Provides general obligation bond proceeds to replace an aging, unsafe existing structure in Eastern Lane County in the Department's South Cascade District. \$0.15 million General Fund, \$2.7 million Other Funds (bond sale proceeds).

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# 5. Fire Protection

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**Oregon Department of Forestry  
2013-15 Ways and Means Presentation  
April 2013**

# Fire Protection

## A. Overview

The state's forest fire protection policy is to preserve and conserve forest resources. Protection from wildfire is a service fundamental to Oregon's wellbeing. It helps to maintain a stable environment for ongoing investment in forest ownership, and protects public safety and signature natural resource values (jobs, clean air and water, habitat, etc.) that benefit all Oregonians.

### Mission

The Fire Protection Division's mission is to protect Oregon forestlands from fire through a complete and coordinated system with our landowner partners and cooperators, including fire prevention, suppression, investigation and cost collection. The over-arching programmatic goal is to minimize the cost of suppression and the loss of resource values by aggressive wildland fire initial attack, secondary only to the protection of human life.

### Purpose

The division provides fire protection on 16 million acres of Oregon forestland, having an estimated value of more than \$60 billion. Most of this land is in private, state or U.S. Bureau of Land Management (BLM) ownership. Fire protection is provided through a complete and coordinated system that incorporates the resources of federal wildfire agencies, other state agencies, city fire departments, rural fire protection districts and forest landowners. To provide for fair and equitable payment of the state's base fire protection services, the division by statute administers the forestland classification system, under which decisions are made locally about which lands classify as forestland or grazing land and therefore are subject to assessment and protection laws. These responsibilities make ODF the largest fire department in the state. The Fire program also provides:

- Direction and regulation for prescribed fire use statewide concerning smoke management, air quality and fuels reduction.
- A Federal Excess Property Program to provide low-cost suppression equipment to ODF, local fire districts and Rangeland Fire Protection Districts.
- Acquisition and management of federal grants to reduce fuels, increase wildland-urban interface home defensibility, increase fire prevention and education about wildfire risk reduction, and financial assistance to rural and volunteer local fire districts across the state.

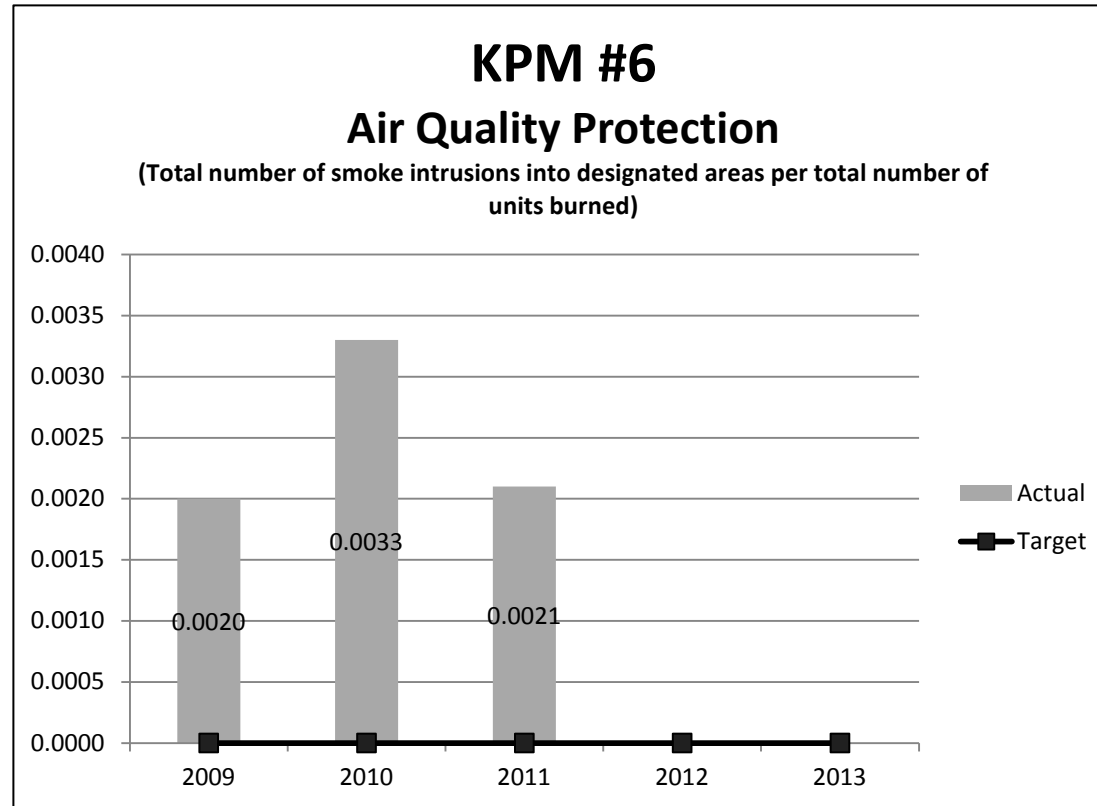
The program operates in three primary functional areas:

- **Fire prevention** elements include education of the general public and the users of forestland, regulation of activities in the forest, media relations through collaboration with the Keep Oregon Green Association, inspection of forest operations, law enforcement, fire investigation, fire cost recovery, and fire studies.
- **Fire suppression** elements include maintaining a ready fire department through management of statewide severity resources (airtankers and helicopters), interagency mutual aid and joint response planning, coordination and agreements, fire detection, preparedness, initial attack response, resource mobilization and incident management. Also included is the use of forest inmate work crews, administration of the region's 20-person private contracted fire crew workforce (3,000 firefighters), fire cache mobilization, federal excess personal property program administration and personnel safety, training and certification.
- **Treatment of forest fuels** includes smoke management, weather forecasting, hazard determination, forest fuels mitigation prescription design, implementation of hazardous fuels projects to protect communities and forest resources, engineering research, and education.

The program is delivered through a coordinated line/staff organization. The line function includes three operating areas incorporating 12 forest protection districts, three of which are operated by private, non-profit Forest Protective Associations (FPA). The staff function encompasses Fire Operations, Fire Policy and Prevention, Fire Business, Meteorology, and Administration.

## Fire Protection

### B. Key Performance Measures



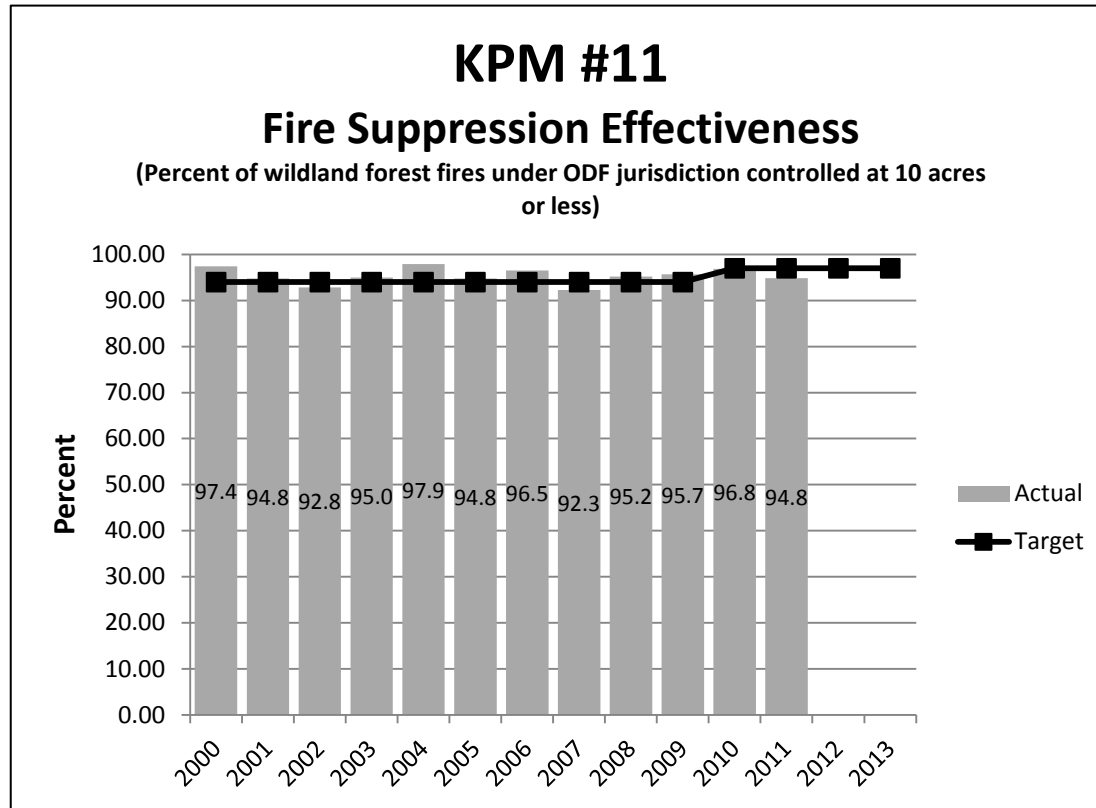
The division manages the state's smoke management program for hazardous fuels reduction and forestland burning, with the overarching goal of maximizing prescribed burning while minimizing smoke intrusions into communities and emissions. KPM #6 demonstrates the effectiveness of meteorological forecasting and management instructions by representing the total number of smoke intrusions into protected areas per total number of units burned.

The division's smoke management program also provides meteorological support to the Department of Agriculture's field burning program and the National Fire Danger Rating System (NFDRS), and meets other needs related to specific weather events and weather forecasting.

Smoke management activities are primarily funded via fees assessed to landowners who register and accomplish burns of forest fuels. In addition, smoke management has a payment agreement for providing meteorological services to the Department of Agriculture's field burning program, and a payment agreement with the Department of Environmental Quality for providing burn/no burn forecasts of backyard and agricultural burning in the Willamette Valley north of Lane County.

# Fire Protection

## B. Key Performance Measures (Cont.)



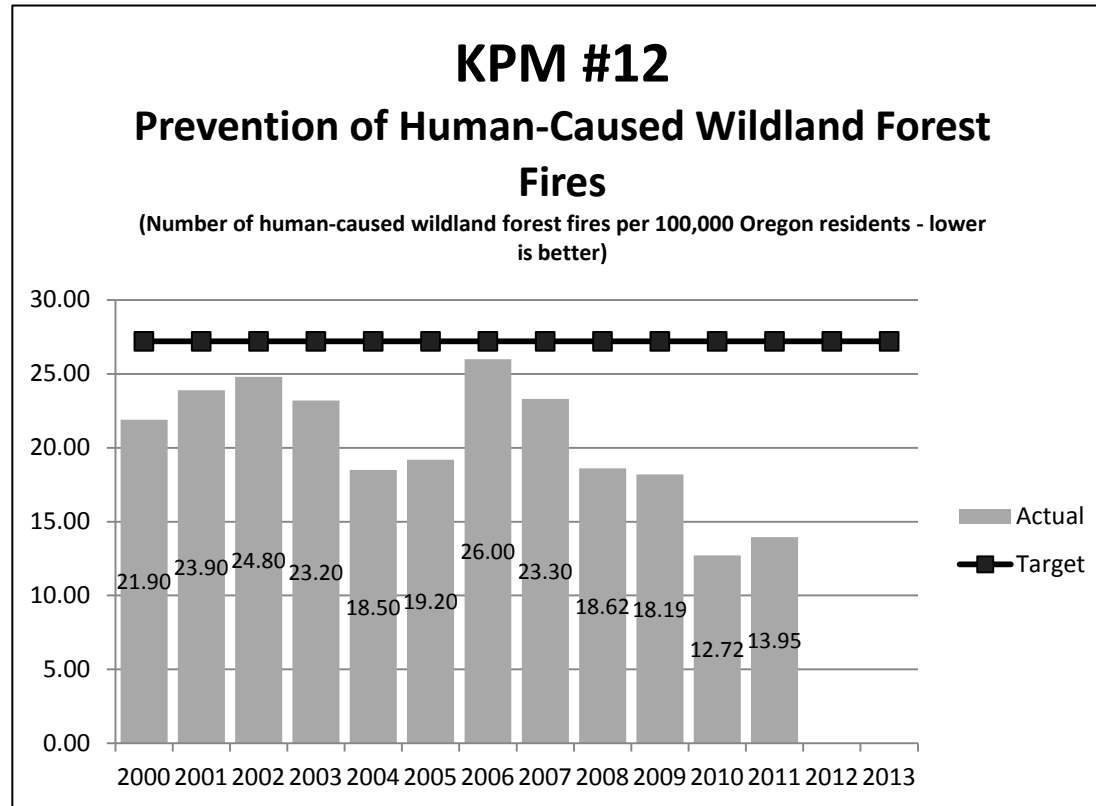
KPM #11 represents the percentage of wildland forest fires under ODF jurisdiction controlled at 10 acres or less, which demonstrates the effectiveness of the initial-attack organization, including the use of contracted resources. The Department has only achieved this target twice in the past twelve years.

A direct correlation exists between lower initial attack effectiveness and significant large-fire costs and resource loss. With funding at the requested level, which includes HB 2050 (Wildfire Protection Act), the Department expects to achieve the 97% measure more frequently over the next 10 years. In the long term, this will also moderate or decrease overall costs while protecting communities, jobs and natural resources. HB 2050 and the associated Policy Option Package in this budget in part resulted from this KPM showing the opportunity to reduce costs by preventing even one additional fire from becoming large (*Appendix 1: Keeping Fires Small Means Big Savings*).

The division's base level of protection and Severity funding are the significant contributors to achieving this key performance measure.

# Fire Protection

## B. Key Performance Measures (Cont.)



KPM #12 represents the number of human-caused wildland forest fires per 100,000 Oregon residents and demonstrates the effectiveness of the fire prevention program at preventing human-caused fires. Over the past decade, the division has experienced measured success in this KPM. This success is attributed to continued focused attention to reducing human caused fires through partnerships with Keep Oregon Green and other cooperators.

The division's investment in fire prevention and investigation is the first line of defense in fire protection. Oregon's fire prevention policies have been solid for decades, and the division maintains an efficient and effective partnership with landowners through ongoing communication, education and regulations, and with the public through education, outreach, and regulated use during fire season on the forestlands the Department protects. Prevention staff oversee the Oregon Forestland Urban Interface Fire Protection Act, also known as Senate Bill 360; Community Wildfire Protection Planning (CWPP); statewide Firewise programs; and acquisition and management of federal grants to reduce fuels, increase interface home defensibility, increase fire prevention and education about wildfire risk reduction, and provide financial assistance to rural and volunteer local fire districts. Consistent with Oregon policy, every fire is investigated and to the extent possible the Department seeks to collect costs when applicable.

## Fire Protection

### **C. Key Budget Drivers and Major Issues**

#### **Capacity to continue to meet resource protection targets by keeping fires small**

The division provides fire prevention and suppression on about half of Oregon's forests. The cost of putting out wildfires is rising about 6-12% each year. Major cost drivers include rising firefighting costs (personnel, contractors, equipment use, and training); trends related to climate conditions such as lightning and drought; increasing safety requirements; shifting federal fire policy; contraction in forest-sector industries that are important partners in fire protection; escaped fires from unprotected and under-protected lands; decreasing levels of protection and buildup of fuel on federal lands; and the additional complexity of providing fire protection in the growing wildland-urban interface.

For approximately 19 years, the budget has not kept pace with inflation or has experienced reductions. Diminished buying power reduces the number of people and equipment available to attack fires aggressively, leading to larger, more costly, damaging fires.

- During the 2011 fire season, ODF fell short of its target of extinguishing 97% of fires at 10 acres or less, attaining only 95% success with this target.
- During the 2012 fire season, ODF overspent its Special Purpose Appropriation as a result of increasing aviation costs and an extended fire season that forced extensions on all daily availability aviation contracts across the state.
- Over the 2011-13 biennium, ODF is projected to exceed its General Fund authorization due to the increasing costs of fighting wildfires. Additionally, the biennial budget does not provide adequate Other Funds limitation for emergency firefighting (instances in which fires overwhelm local districts' capacity). Consequently, when the Department experiences a busy season, and expends dollars that will be reimbursed by other agencies and the Oregon Forestland Protection Fund (landowner dollars), Other Fund limitation is exhausted early in the biennium and requires the Department to return to the Legislature for additional limitation. Since the 1987 fire season, ODF has asked for additional limitation 15 times.

The erosion in capacity and buying power comes as fire danger and severity are increasing, causing threats to public safety, firefighter safety, forest resources and human health.

#### **Special Purpose Appropriation (Severity)**

A Legislative Emergency Board Special Purpose Appropriation (SPA) has been established in each of the past six biennia to help the division carry out its fire suppression mission during extreme fire conditions that exceed the capacity of budgeted resources. The Severity program has provided for the acquisition of two large airtankers and three helicopters strategically placed throughout the state, based on weather and fire severity factors. These resources are contracted annually and initially paid for by the Department, which is then reimbursed through an Emergency Board request. The Severity program also provides for immediate short-term capacity for additional helicopters, engines, crews and personnel on an as-needed basis. The principal of aggressive initial attack to extinguish fires at the smallest possible size is predicated on having quick-mobilizing resources such as helicopters and ground-based firefighting assets.

As stated in part one of this section, the Department's erosion in capacity and buying power are keenly reflected in the Severity program. Significant increases in traditional Severity aviation contracts are mirrored with flat or decreasing authorizations in Special Purpose Appropriations since inception of the Severity program. The Governor's Balanced Budget (GBB) addresses this key budget driver with policy package # 410 (Wildfire Protection Act), through proposing a partnership with the Oregon Forestland Protection Fund and maintaining the recent levels through policy package # 411 (Severity Program).



# Fire Protection

## **C. Key Budget Drivers and Major Issues (Cont.)**

In addition to acquisition of resources, the Severity program has supported the Department's purchase of catastrophic fire insurance. This insurance policy, unique to Oregon, has been purchased over the past 30 years to supplement the Oregon Forest Land Protection Fund (OFLPF) for emergency suppression costs and to reduce the risk of large General Fund expenditures during catastrophic fire years. This insurance currently provides \$25 million of coverage beyond a shared (landowners and General Fund) \$25 million deductible. The first \$10 million of the deductible is paid by the OFLPF. The General Fund then pays the upper \$15 million to form the \$25 million deductible. The premium cost is shared equally by the OFLPF and the General Fund. One year of the General Fund share is paid through the Special Purpose Appropriation and the second year's costs is placed in the Department's budget (*Appendix 2: ODF Annual Large Fire Costs*).

### **Adequate funding support for fire protection in Eastern Oregon**

Current funding mechanisms do not adequately support fire suppression, management personnel, and infrastructure in Eastern Oregon. These lands are less productive due to climate and other factors, and therefore produce less revenue for landowners compared to western Oregon. Fires in Eastern Oregon are also heavily weighted to lightning and non-landowner causes. Over the past 10 years, 67% of the state's lightning fires and 22% of the human-caused fires have occurred in Eastern Oregon, resulting in 68% of the state's acres burned. In recognition of these challenges, a partnership between landowners and the public (through the General Fund) in providing support of forest fire protection has been in place for over 40 years in Eastern Oregon. Additionally, due to the loss of wood processing facilities, changes in landowner types (Real Estate Investment Trusts and Timberland Investment Management Organizations) and fragmentation of large blocks of single-ownership lands into smaller parcels, landowners' ability to pay 50% of the costs and assist with firefighting resources has diminished. Growing consequences of these events have exposed the Oregon Forest Land Protection Fund and the state's General Fund to higher costs (*Appendix 3: Productivity and Cost*). The GBB addresses this key budget driver with policy package # 410 (Wildfire Protection Act), through proposing to increase rapid response firefighting resources such as airtankers and helicopters along with mitigation at the base level of costs for eastside landowners by making an additional investment of new General Fund.

### **Large-fire cost**

Large wildfires cost millions of dollars to suppress. Reducing the frequency and number of large, damaging wildfires will reduce the overall costs and limit resource damage. Currently, landowners are liable for first \$10 million of large-fire costs, as needed annually, and the General Fund for the next \$15 million which form a \$25 million deductible. Additionally, a \$25 million insurance policy is purchased annually to reduce the risk to the General Fund during catastrophic fire seasons. Annually, the deductible combined with the insurance policy results in \$50 million identified for large-fire costs. Over the last five years, actual large-fire costs have averaged \$8 million, fully within the landowner share of the deductible. This translates into forest landowners paying a majority of the large-fire costs. Elsewhere in the west, the public (General Fund) bears most to all of the cost for large fires. HB 2050 addresses this key budget driver through phasing in a 50-50 public-private sharing of large-fire costs. HB 2050 also reduces the overall exposure of the General Fund by \$5 million annually for large-fire costs.

### **Climatic changes and forest health**

Over the last 10 years, the West has experienced some very intense fire seasons due in part to a climate trend that has fostered extreme fire conditions. Climatologists predict this trend will continue for decades with last year being the warmest year on record since the 1950's. With severe fire behavior likely to become the norm most years, the program must adapt its firefighting and fire-prevention strategies to cope with the elevated threat. Fire protection budgets are typically developed related to past statistics and experiences, typically with monetary inflation factors but not accounting for climatic changes.

# Fire Protection

## **C. Key Budget Drivers and Major Issues (Cont.)**

According to many scientists and forest managers, wildfire fuels, particularly on federal lands, have accumulated to uncharacteristically high levels in drier forest ecosystems, causing fire risk, frequency, intensity, severity and size (and associated suppression costs) to increase. Fire return intervals, fuel accumulations and other fire regime characteristics are no longer within their historical ranges of variability in many dry conifer forests. Fuels have accumulated to uncharacteristically high levels due to various combinations of fire suppression, timber harvesting, grazing and other land uses. Dense stands of small trees resulting from fire exclusion and other land uses are more prone to being killed by insects and disease, which in turn adds to the amount of dry, flammable fuels.

Severe fire weather, fuel buildup, declining forest health, competition for shared firefighting resources and rising firefighting costs have aligned in the past several years to create fire conditions and risk unprecedented in recent history. This has stretched the Department's resources beyond the most-efficient-level of initial attack capacity (*Appendix 4: Fire Season Severity*).

### **Private, state and federal forest management and protection priorities**

A major challenge is providing effective wildfire protection when state and federal forest management objectives and legal mandates diverge. Management of private, state and federal forests in Oregon used to be more similar across ownerships. However, after a long history of intensive management, timber harvesting on federal forests has declined dramatically. Much of Oregon's landscape is in second- or third-growth forest, which is actively and intensively managed on most industrial timberlands and managed less intensively or not at all on federal land. Because of this difference, some wildfires starting on federal lands tend to become more intense, larger and longer-lasting, tying up shared firefighting resources and occasionally burning onto ODF-protected land. This has the potential to increase state suppression costs.

### **Federal fire policy and action**

Of increasing concern for the division are changes in federal direction on wildland fire policy. The federal policy allows federal agencies to contain lightning-caused fires as quickly as possible, or to manage them to meet other management objectives. Lack of full suppression or managing wildfires for resource benefits increases smoke impacts, risk of escape, impacts on timber supply, potential for floods and mudslides, and overall long-term environmental and public health impacts. Impacts to ODF can include a lack of critical resources (specifically aviation, crews, and heavy equipment) as well as the potential for increased state costs if these fires escape onto ODF-protected land. Private and public landowners can experience substantial losses as a consequence of this policy. The combination of historic fuel loads on federal lands, coupled with any policy other than aggressive initial attack, poses significant current and future challenges for ODF, private forest landowners, communities, and Oregon's forests.

### **Forest fragmentation and the wildland-urban interface**

Due to increasing values for other uses of Oregon's forestlands, continued escalating costs of owning forestland, including the increasing cost of fire protection, and urban development, the state is experiencing shifts and conversion of forestland to other purposes, including residential use and hobby farms. In some areas, large, contiguous blocks of managed forestland have become collections of smaller holdings containing homes and other improvements. Proliferation of structures on forestland in the wildland-urban interface increases wildfire risks and hazards to people, firefighters, forestland and improvements. It also restricts the choice of available firefighting tactics and strategies. Legislation such as the 1997 Oregon Forestland-Urban Interface Fire Protection Act (SB 360) has been effective in addressing some of these issues; however much work remains. As lands continue to lose economic viability as managed forests, fuels will continue to build, and fire protection costs in the wildland-urban interface will continue to increase. Problems grow as this cycle continues. Currently the wildland-urban interface accounts for approximately 3.5 million acres of ODF's fire protection responsibility and is projected to continue to expand.

# Fire Protection

## **C. Key Budget Drivers and Major Issues (Cont.)**

### **Air quality and carbon emission releases**

The state must comply with the federal Clean Air Act. As part of that requirement, the division regulates forestland burning through the Smoke Management Plan. Accurate and timely forecasting, data collection, and analysis of fuels are vital components of Clean Air Act compliance plans. ODF is responsible for meeting expectations for increased monitoring of fuels management activities and smoke emissions, related to wildfire and prescribed fire on public and private timberlands. As Oregon's population has increased in the wildland-urban interface, the potential for health issues related to smoke from forestland burning has grown, as has the importance of the Smoke Management program. ODF staff provides the technical expertise to forecast appropriate opportunities to conduct burning, prioritize burning, identify alternatives and establish consistent fuels measurement methodologies to achieve federal goals and requirements.

Additionally, ODF is concerned about large releases of carbon from uncontrolled catastrophic wildfires. The more effective ODF is at ensuring proper fuels management and catching fires while small, the less carbon will be released through catastrophic wildfire. For a variety of reasons, including federal fire policy, flat or reduced initial attack capacity, and increased fire season severity, ODF expects to see larger amounts of carbon released from larger catastrophic fires. Additional firefighting capacity would increase ODF's initial attack success, reducing large fires and, in turn, carbon emissions.

### **Business and technology capacity and enhancements**

Over the past decade, budget constraints have prevented the division from keeping up with substantial needs to enhance business processes and use new technology. Investing up front to expand limited test projects would greatly increase the division's capability. A few test projects using Federal Funds have provided excellent examples of increased capability to detect and suppress fires. Examples include:

- **Remote camera fire detection systems:** Due to limited budgets, relatively few of these systems exist in Oregon. Douglas, Linn, Lane, and Jackson counties have been able to develop some 30 smoke detection camera sites, primarily through federal grants and county dollars. The cameras have proved to be a significant asset in fire detection. Camera detection of fires in their infancy allows for quicker response and more effective use of suppression resources. This in turn significantly reduces fire cost and resource damage. ODF is working to explore all options in the development of a larger statewide remote detection network.
- **Geographic wildfire location, lightning detection, and suppression equipment location technology:** Geographic remote location technology and tools have proved valuable in enhancing our ability to locate a fire and provide the best route to the fire, significantly reducing response times. Further exploration of GPS, geographic information system layers, and mapping systems will be critical in promoting the optimum response from initial attack resources. Increasing efficiencies in these areas helps to reduce suppression costs. ODF also uses a lightning tracker system to help detect and pinpoint lightning strikes, so fire crews can quickly locate fires.
- **Suppression equipment** is also changing significantly, with improvements in engine pumping systems, water handling capacity, and other tools and technologies.

HB 2050, the Wildfire Protection Act, provides new authority that would allow future investment of state and landowner funds in evolving protection strategies, such as the use of fire-detection cameras.

## Fire Protection

### **C. Key Budget Drivers and Major Issues (Cont.)**

#### **Legal Challenges and Liabilities**

Over the last few years the division has continued to experience legal action taken against the Department in regard to administration of the Interagency Firefighting Crew Agreement (IFCA), challenges to forestland classification and district fiscal fire protection budgets. These factors have significantly increased overall costs, and may continue to do so in the future. These costs are not included in ODF's base biennial budget.

Since the inception of the interagency crew contract and subsequent management by the Department, costs, quality and sustainability have been key focus areas. To address these focus areas the Department, in cooperation with the other agencies that use the crew contract, modified the contracting methodology for these critical resources. A "best value" methodology was implemented to place additional emphasis on price and performance of the contracted crews. Placing additional emphasis on containing costs paid by forest landowners and the General Fund has ultimately brought significant legal challenges. Since ODF is responsible for the administration of the crew contract, the Department has been solely responsible for the costs and staff work associated with legal challenges. These costs are not budgeted. Currently, legal costs have been covered within ODF's fire budget and staff work spread across existing personnel, which is reducing funding and time available for other key protection activities.

## Fire Protection

### **D. Measures to Contain Costs, Improve Program Delivery**

The Department and the Fire Protection Division have undergone many changes in the last 10 years. A significant review of the fire protection function was completed in 2004 and has resulted in numerous programmatic shifts and high-priority continuous improvement initiatives. One such area is adequate funding for the base level of protection and for Severity resources. Efforts to address funding have been underway for multiple biennia. This progressive work has informed what is now the cornerstone of the Department's Wildfire Protection Act (HB 2050).

#### **Use of Severity funding**

One outcome of the program review was the concept of statewide "rapid response," specialized firefighting resources such as airtankers and helicopters as a strategy to keep fires from becoming large and costly. This concept is known as "severity" and has played a significant role in reducing ODF's large-fire costs, better protecting our communities and reducing damage to natural resources. The severity concept is a time-tested, effective strategy. However, current funding levels do not meet the need and or demands for maximum effectiveness. HB 2050 uses landowner funding to significantly increase the Severity program, enhancing the Department's ability to aggressively stop more fires before they become large and costly.

#### **Prevention, Rangeland Fire Protection Associations, fuels control**

Implementation of SB 360 continues in high-risk populated areas susceptible to wildfire. Additional efforts and work will need to continue to lower the risks of wildfire impacting communities, especially as the wildland-urban interface continues to expand. Along with reducing risks to Oregonians, emphasis has also been placed on areas of the state that have no wildfire protection system. The Department continues to support and help "grow" Rangeland Fire Protection Associations. However, additional capacity and funding are needed in this arena to fully address the unprotected and under-protected lands issue. Implementation of SB 189 (Forestland Classification) will also continue to be a priority, improving the delivery of fire protection services for Oregonians.

Prevention, education and fuels work remain key drivers and opportunities to improve service delivery and lower costs. Work to reduce hazardous fuels across the state continues to help protect communities and to lower costs in the long term. Fuel reduction projects have predominately been funded through federal grants. Additional funding is needed to increase hazardous fuels reduction efforts, which will reduce suppression costs, loss of natural resources and mitigate the negative consequences of wildfire such as unhealthy air and water.

#### **Loss of matching funds compounds General Fund reductions**

Budget reductions over the last two biennia have challenged the forest protection system and the division's ability to implement a statewide complete and coordinated fire protection system. Due to the "matching" nature of funds in the Department between forest landowners and General Fund, reductions in General Fund have a compounding effect. Due to later-than-normal starts to fire season the division has been able to mitigate, to the greatest extent possible, past allotment reductions without significantly impacting the protection system. However, average or early-starting fire seasons coinciding with allotment reductions would have significantly impacted the Department's ability to provide fire protection services.

# Fire Protection

## **D. Measures to Contain Costs, Improve Program Delivery (Cont.)**

### **Measures to increase efficiency and effectiveness**

The Department operates with a philosophy of “Shared Leadership.” In this context, agency managers encourage employee suggestions for improvements, and many suggestions occur and are implemented at the local office, the division, or at the agency level. The agency formally recognizes significant contributions by employees with annual achievement awards in the areas of technical achievement and team achievement. This recognition provides meaningful feedback to employees that encourages an attitude of continuous improvement at all levels.

To meet the Protection Division’s mission, the Department employs a militia strategy for managing medium and large catastrophic events. This includes involvement by all employees and programs within the organization to support fire suppression efforts when needed. Because employees across the agency play critical and significant roles in fire protection, stable funding in all divisions of the Department is a major concern. Without the ability to use the militia strategy and ability to access a fully staffed organization, ODF’s Incident Management capacity would be significantly reduced and unable to fully respond. Additionally, for the same level of response and service without militia staffing, the fire protection budget would need to be significantly increased.

The current model, assuming adequate funding exists in divisions other than Fire, is by far the most effective method of providing these services, in that employees in other divisions do not charge to the fire budget unless they are activated. When that occurs, savings accrue in those divisions’ base budgets. Secondly, ODF participates in a complete and coordinated system that “sees” no boundaries in moving resources and employees to active fire areas of the state. The militia strategy, combined with the statewide complete and coordinated system, are key to maintaining cost-effective and efficient protection.

### **Improvements to program delivery through collaboration with other agencies**

- A cornerstone of ODF’s successful fire protection system is the long-standing private landowner and state partnership. Landowners work closely with their respective protection districts to determine levels of protection, review budgets, assist in fire prevention and suppression, and provide landowner resources at no cost, e.g., “in-kind”. Through annual assessments, private landowners currently pay 50% of the base level of fire protection on their ownership, public landowners pay 100% on their ownership, and through the Oregon Forest Land Protection Fund, all landowners pay up to \$10 million in large-fire costs along with half of the premium costs for the state’s wildfire insurance policy.
- One of the largest savings in terms of leveraging public partnerships is the Western Oregon U.S. Bureau of Land Management (BLM) protection contract. This contract (\$12 million per biennium) significantly lowers the overall costs to both the General Fund and private and other public landowners. Protecting these 2.3 million acres through contract spreads the costs of fire protection across more acres, which decreases the per-acre cost to all landowners and the General Fund.
- Additionally, ODF has numerous agreements and a solid partnership with the U.S. Forest Service and the BLM for cooperative work on federal fuels projects and in the fire suppression arena. Fuel reduction agreements allow ODF to help the federal agencies complete critical fuels work while also allowing ODF access to firefighting crews when needed. Fire suppression agreements allow resources such as helicopters, engines and firefighters to assist the federal agencies on fires, in which case the costs are charged to the federal agency, decreasing ODF’s overall costs.

## Fire Protection

### **D. Measures to Contain Costs, Improve Program Delivery (Cont.)**

- ODF also has cooperative agreements with other state agencies such as the Oregon Department of Transportation (ODOT) and Oregon Parks and Recreation Department (OPRD). These agreements function much like the fuels reduction agreements described above. ODF employees work on ODOT projects when not needed for fire activities and during the winter months for snow plowing activities. Additionally, ODF has a fire protection agreement with OPRD to provide fire protection services on state park lands. As with the BLM contract, this decreases the overall costs to all landowners and the General Fund.
- ODF also has increased efficiencies through partnerships in technology enhancements – especially in the area of remote fire detection cameras. ODF has been able to collaborate and leverage dollars with the public and private sectors to increase the capacity of a remote fire detection network covering parts of the state. The savings are significant in terms of construction costs through land lease agreements, local county dollars and sharing of resources. Additionally, the largest cost savings are realized from the proven functionality of detecting fires early and suppressing them, which lowers the costs for all landowners and the General Fund.

Other examples of partnership cost savings include exchange of lands for fire protection responsibilities with other jurisdictions where this creates geographic efficiencies, 24-hour mutual aid agreements with rural and city fire departments, co-locating in fire guard stations, and co-locating at wireless communication sites.

## Fire Protection

### E. Revenue Sources and Relationships

The Oregon Department of Forestry (ODF) Fire Protection Division service delivery is provided in three levels with separate funding mechanisms (*Appendix 5: Current Annual Funding Structure*):

**Base Protection** — ODF's base protection program is delivered through nine local Forest Protection Districts and three private Forest Protective Associations. Each local unit prepares an operating budget for prevention, detection, resource readiness, initial attack, and extra-cost deductible. The revenue to support the local budgets comes from a combination of the Public Share Fire Fund (General Fund) and forest patrol assessments on local forest landowners. The distribution is established in statute as 50% General Fund and 50% private landowner assessment. Since each local budget is developed independently, the forest patrol assessments charged against landowners vary by district. County assessors collect the assessments, which are made on a per-acre basis with a minimum assessment of \$18.75 per lot. Public landowners receive no General Fund match and pay the full cost of fire protection. The contract for fire protection on Westside U.S. Bureau of Land Management land is subject to an adequate level of protection to meet the contract specifications. The contract provides approximately \$6 million per fiscal year.

**Emergency Protection** — The purpose of emergency protection is to pay for the excess fire suppression costs of major fires. The enabling legislation is based on the premise that the emergency fire suppression costs on forest lands protected by the State Forester need to be equalized so that no single district is required to pay the full amount of firefighting expenses. Funding for emergency costs is provided through the Oregon Forest Land Protection Fund (OFLPF), administered by the Emergency Fire Cost Committee. The 2005 Legislature modified the reserve base for the OFLPF in HB 2327 from \$15 million to \$22.5 million, stipulating that when the unencumbered balance of the fund reaches a level greater than \$22.5 million but less than \$30 million, the minimum assessment would decrease from \$18.75 to \$16.88, with \$1.88 to be paid into the OFLPF. Above a \$30 million balance, the assessment would drop to \$15 per lot or parcel paid towards base protection (with none paid to the OFLPF). The other revenue sources to the fund would similarly decrease by half or shut off altogether at the \$22.5 and \$30 million thresholds. Revenues would restart in the year following the fund balance dropping below \$22.5 million. Revenues to support the OFLPF are estimated to be \$22.1 million in 2013-15 and are generated from an assortment of landowner assessments and taxes:

- Harvest Tax of \$0.625 per thousand board feet on all merchantable forest products (\$4.2 million).
- Acreage assessment on all protected forest land (\$0.05 per acre for protected western Oregon forestlands, \$0.075 per acre for eastern Oregon protected forestland, and \$0.075 per acre for all grazing lands - \$1.86 million).
- Assessment of \$3.75 per lot (out of the \$18.75 minimum assessed for forest patrol - \$1.47 million).
- Surcharge of \$47.50 for each improved tax lot (\$13.99 million).
- Interest from the State Treasurer's investments of the fund (\$0.2 million).

The OFLPF reimburses fire suppression costs after a district meets an annual deductible based on protected acreage and a deductible of \$25,000 for any one fire or on any one day.



## Fire Protection

### E. Revenue Sources and Relationships (Cont.)

**Catastrophic Protection** — HB 2327 (2005) directs that, prior to February 1 of each year, the State Forester and the Emergency Fire Cost Committee review the need to purchase emergency fire suppression insurance and determine what level might be needed in view of the current condition of the forests, long-term weather predictions, available resources, and other factors. The statute includes a provision to annually assess the insurance premium equally between the OFLPF and the General Fund. The current insurance policy provides \$25 million total insurance with an annual deductible of \$25 million and an annual premium of \$0.86 million. HB 2327 also increased the limits of the landowners' responsibility, which was \$10 million annually at that time, to \$15 million per year, including the cost of insurance premiums and all claims paid to local districts from the OFLPF to address the rising costs of emergency fire suppression. Beyond this limit, the cost responsibility falls on the General Fund. The measure included a sunset provision that would revert to the lower limit of \$10 million if the Legislature did not take action to maintain the increase in landowners' responsibility. The 2009 Legislature allowed the increase in the landowners' responsibility to revert back to \$10 million. The impact of this action is an increase in the risk that emergency fire suppression costs above \$10 million will require General Fund for payment.

The **Smoke Management/Fuels program** — Funded by registration and burning fees collected from landowners (87%), contractual payments from other government agencies (12%), and landowner assessments (1%).

**Cooperative Fire** — These funds provide a ready source of additional fire suppression personnel at low or no cost to the forest protection system and local landowners. The program is funded from other landowners' payments for work done on their lands by fire personnel.

**Federal Funds** — The Department actively seeks federal funds to support the program's mission and goals. These funds have declined steadily in recent years, and at least one grant has been eliminated as of fiscal year 2013.

## Fire Protection

### **F. 2013-15 Governor's Balanced Budget**

#### **Governor's Balanced Budget (GBB)**

The GBB supports the program's mission to protect Oregon forestlands from fire, through a complete and coordinated system with our landowner partners and cooperators, including fire prevention, suppression, investigation and cost collection. The over-arching programmatic goal is to minimize the cost of suppression and the loss of resource values by aggressive wildland fire initial attack, secondary only to the protection of human life. Protection from wildfire is a service fundamental to Oregon's wellbeing. It helps to maintain a stable environment for ongoing investment in forest ownership, and protects public safety and signature natural resource values that benefit all Oregonians. Emphasis on prevention and on suppressing fires quickly, while they are small, ensures cost-effective results for the public and for forest landowners. The GBB directly supports the protection of jobs, maintaining a stable environment for ongoing investment in forest ownership and management. Fire protection is critical to maintaining and protecting the forest products sector, which provides more than 76,000 jobs. It also protects communities and multiple forest values that benefit all Oregonians, such as clean air and water, fish and wildlife habitat, and scenic views.

Sufficient and efficient use of funds and resources enables the Department of Forestry to protect natural resources, enhance public safety, protect jobs and businesses related to the forest and tourism sectors, and reduce the level of carbon and other emissions that affect air quality. Aggressive wildfire suppression by the Department has significantly contributed to these key outcomes.

#### **Legislation**

**House Bill 2050 – The Wildfire Protection Act** (*Appendix 6*) — The concept contains the following main features:

**Statewide Severity resources** — The Policy Option Package includes increasing Other Funds (OF – landowner dollars) by \$6 million. The package amends the authority of the Oregon Forest Land Protection Fund (OFLPF) allowing it to invest up to \$3 million annually for "severity resources" such as airtankers, heavy-lift helicopters, contract engines and crews, to be managed centrally for statewide use. This would be in addition to the resources already managed for the same purpose using a General Fund Special Purpose Appropriation under ORS 477.777. Combined, these funding sources would provide up to \$10 million (\$5 million annually) to significantly boost the initial-attack capabilities of the Department and to reduce the number of fires that escape to become large, multi-million-dollar suppression efforts. An analogy to this is preventive health care, where up-front investment can save millions in the long term.

**Rate mitigation** — Policy Option Package #410 includes \$1.6 million of new General Fund (GF) (\$800,000 annually) to be added to the Special Purpose Appropriation pursuant to ORS 477.777 (balances the additional landowner commitment for Severity funding) and would amend ORS 477.777(1) to include language allowing an anticipated \$1 million per year of the appropriation to be expended on mitigation of protection district budgets. This would only apply to those districts in which low land productivity limits the landowners' ability to pay for protection. This would result in a reduction in the per-acre rates that the landowners pay without reducing the level of protection provided for the district.

**Shared large-fire funding and insurance costs** — The concept begins sharing responsibility for large-fire suppression costs through a phased-in approach. Ultimately, the goal is to share up to \$20 million annually in large-fire suppression costs on a dollar-for-dollar basis between the OFLPF and the GF. Insurance premiums would continue to be paid on a shared 50-50 basis between the GF and the OFLPF. The first biennium (2013-15) large-fire suppression exposure would annually be shared between the GF and the OFLPF for the first \$2 million, then the OFLPF would pay the next \$9 million and

## Fire Protection

### **F. 2013-15 Governor's Balanced Budget (Cont.)**

the GF would pay the next \$9 million, as needed, depending on fire season severity. In 2015-17, the first \$10 million annually would be shared equally; the OFLPF would pay the next \$5 million and the GF the next \$5 million. Finally in 2017 and beyond, annually there would be equal sharing in large fire suppression costs up to the insurance deductible of \$20 million between OFLPF and the GF.

Statewide Strategic Investments — The proposal would further amend the authority of the OFLPF to create a mechanism for one-time strategic purchases of supplemental fire prevention, detection or suppression resources when surpluses in the OFLPF and annual expenditure limits permit. (One such purchase might be for detection cameras to be installed in districts that so far have been unable to fund them.) This could also be combined with Other Funds, General Fund, or Federal Funds if available in the future. There is no General Fund component requested in the 2013-15 biennium in this section of the bill. This item, together with the increased statewide Severity resources above, should contribute greatly to stopping more fires at initial attack before they become large and very costly.

This legislation and its Policy Option Package are structured to help the Fire Protection Division meet its initial-attack effectiveness Key Performance Measure (KPM), and strives to lower large-fire expenditures over time. The KPM directs the Department to stop 97% of all fires at 10 acres or less. The Department has been successful in meeting this 97% KPM for only two years in the past decade. This policy package would enable additional funding for strategically placed, statewide contracted fire suppression resources (such as helicopters, airtankers and ground-based resources), which would lead to an increase in the effectiveness at initial attack - all aimed at meeting the effectiveness KPM, and reducing large-fire expenditures and damage to natural resources.

#### **Senate Bill 31 - Forest Land Classification**

This measure would adjust statutes guiding local committees that determine which lands meet definitions, as described in wildfire protection law, of forest and grazing land. The bill would restore an unintended language change from 2009 regarding committee membership, and would allow the state forester to intervene in court appeals of committee orders. Both changes address factors that may limit participation in the committee.

#### **Policy Option Packages**

The Department's top-priority funding increase request for 2013-2015 seeks to help the agency meet its core missions and its goal of extinguishing 97% of fires at 10 acres or less. The package strives to lower large-fire costs, decrease risk to the General Fund over time, and maintain viable, healthy forests.

#### **Wildfire Protection Act – Policy package 410**

This new priority policy package would leverage up to \$5,998,949 additional landowner funding (OF), supplementing package #411, the General Fund Special Purpose Appropriation, for strategically placed statewide contracted resources (such as helicopters, airtankers and ground crews), increasing initial attack effectiveness. The package also adds \$1,599,469 of General Fund to reduce base fire protection costs in the eastside forest protection districts, where forest productivity is lowest, and uses a phased approach (3 biennia) to equitably share large-fire costs between the state and landowners. Landowners currently pay most of these costs. Staffing needed to implement the OF component of this package include 3.3 FTE that would be seasonal and used to staff and manage the additional contract firefighting helicopters.

## Fire Protection

### F. 2013-15 Governor's Balanced Budget (Cont.)

#### **Severity Program – Policy package 411**

This \$5 million General Fund policy package has been moved to the Emergency Fund as a Special Purpose Appropriation. Statewide resources funded through this source are used to suppress fires while small, most often during and after multiple lightning events, and at times of severe fire conditions. This effectively limits large-fire expenses, protects natural resources, enhances public safety, and reduces smoke emissions.

#### **Fire Investigation – Policy package 412**

This \$348,801 Other Funds request would fund a cost-effective and efficient system of fire investigation, prevention, and cost recovery, integral to a complete and coordinated fire protection system. Budget reductions have severely limited investigative capacity in recent years. Two fire investigator/case manager positions (2 FTE) would provide needed investigative and cost recovery capacity statewide.

**NOTE – Statewide administrative savings and PERS adjustments:** The division budget includes a reduction of about 5% in administrative costs. It also includes reductions to reflect proposed changes to Public Employees Retirement System benefits. Decreases of \$0.4 million General Fund, \$1.0 million Other Funds, \$0.1 million Federal Funds.

# Fire Protection

## G. Appendix

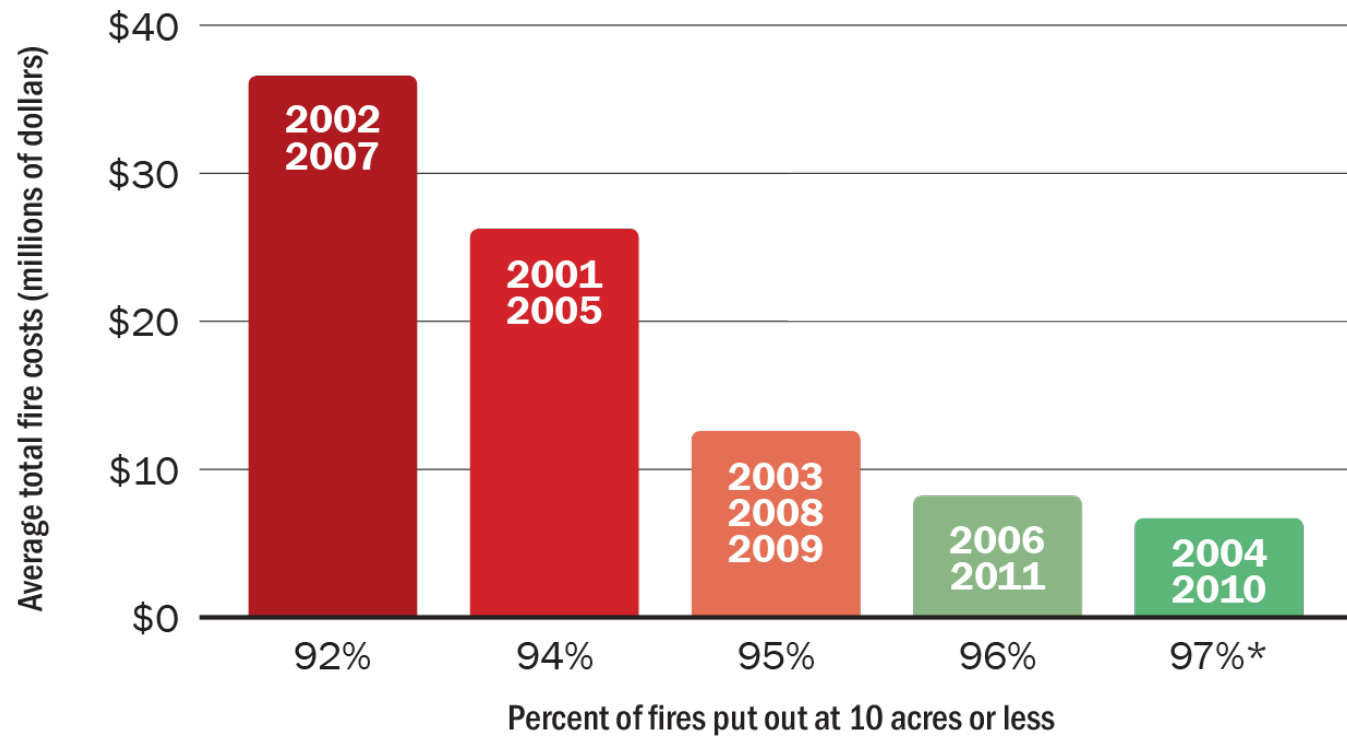
1. Keeping Fires Small Means Big Savings .....	Page 5-19
2. Oregon Department of Forestry Annual Large Fire Costs .....	Page 5-20
3. Average Site Index by District – Productivity and Cost.....	Page 5-21
4. Fire Season Severity .....	Page 5-22
5. Current Annual Funding Structure .....	Page 5-23
6. Wildfire Protection Act.....	Page 5-24

## Fire Protection

### *Appendix 1*

# Keeping fires small means big savings

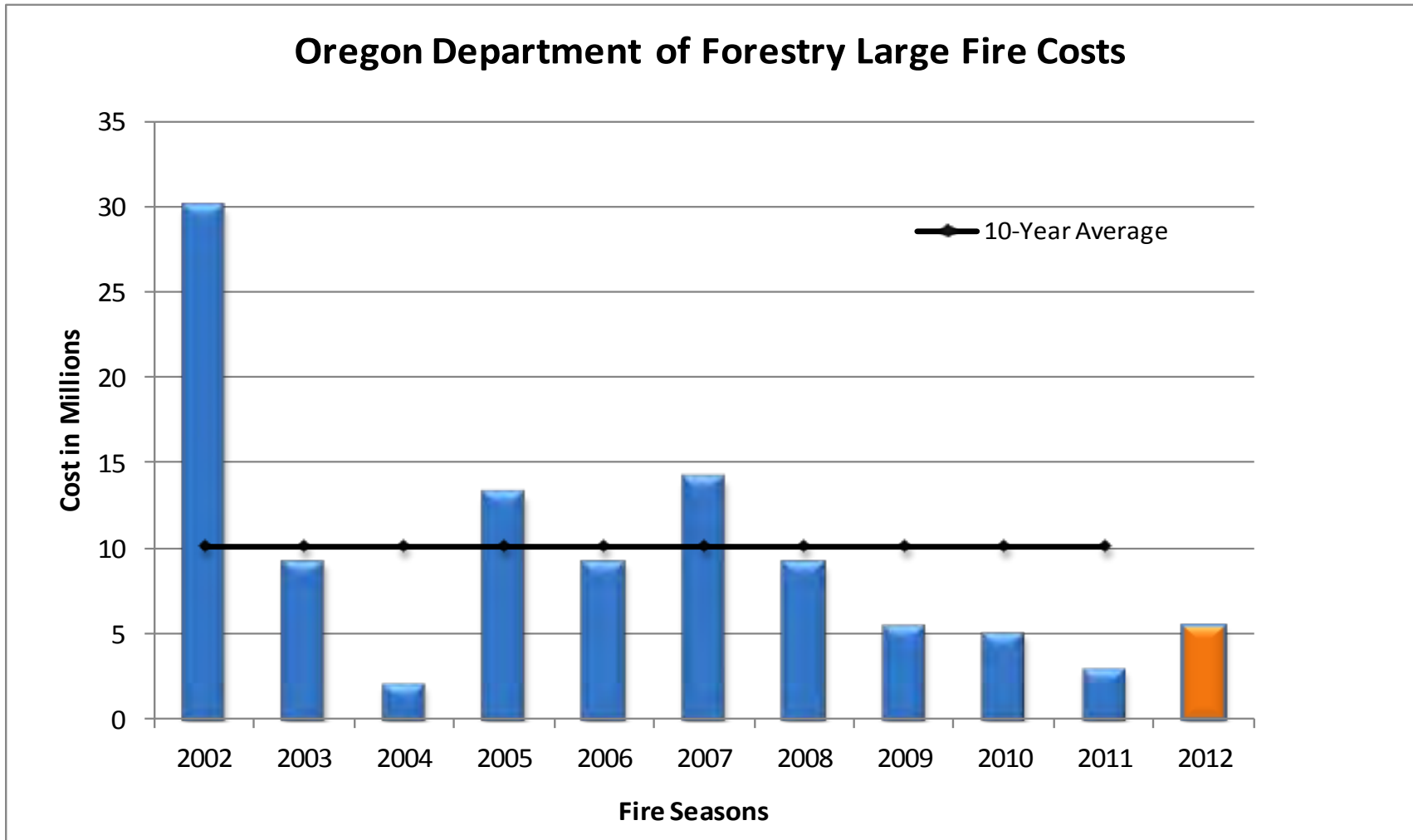
Fire seasons 2001-2011



\*Current performance measure

# Fire Protection

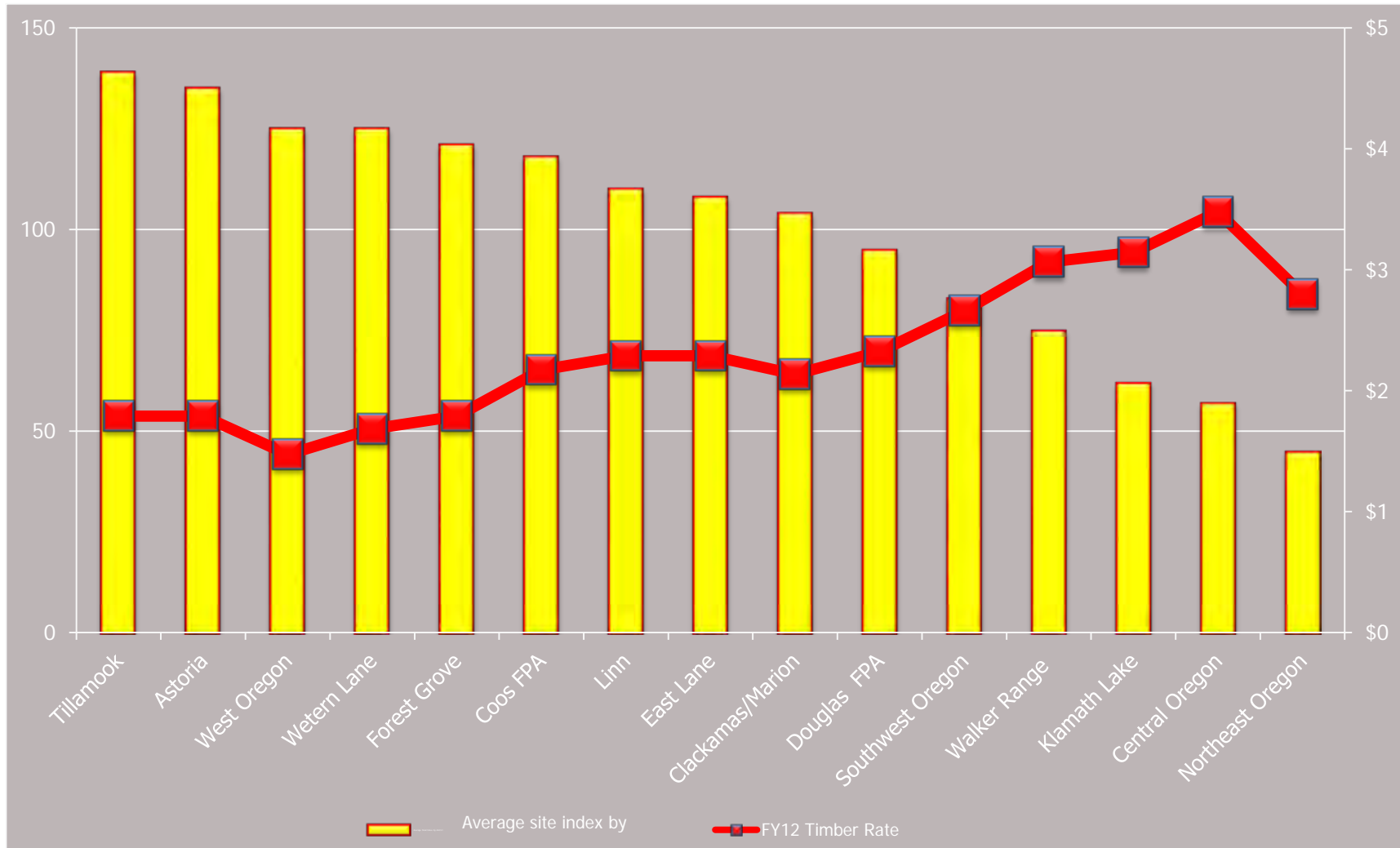
## *Appendix 2*



Fire Protection

*Appendix 3*

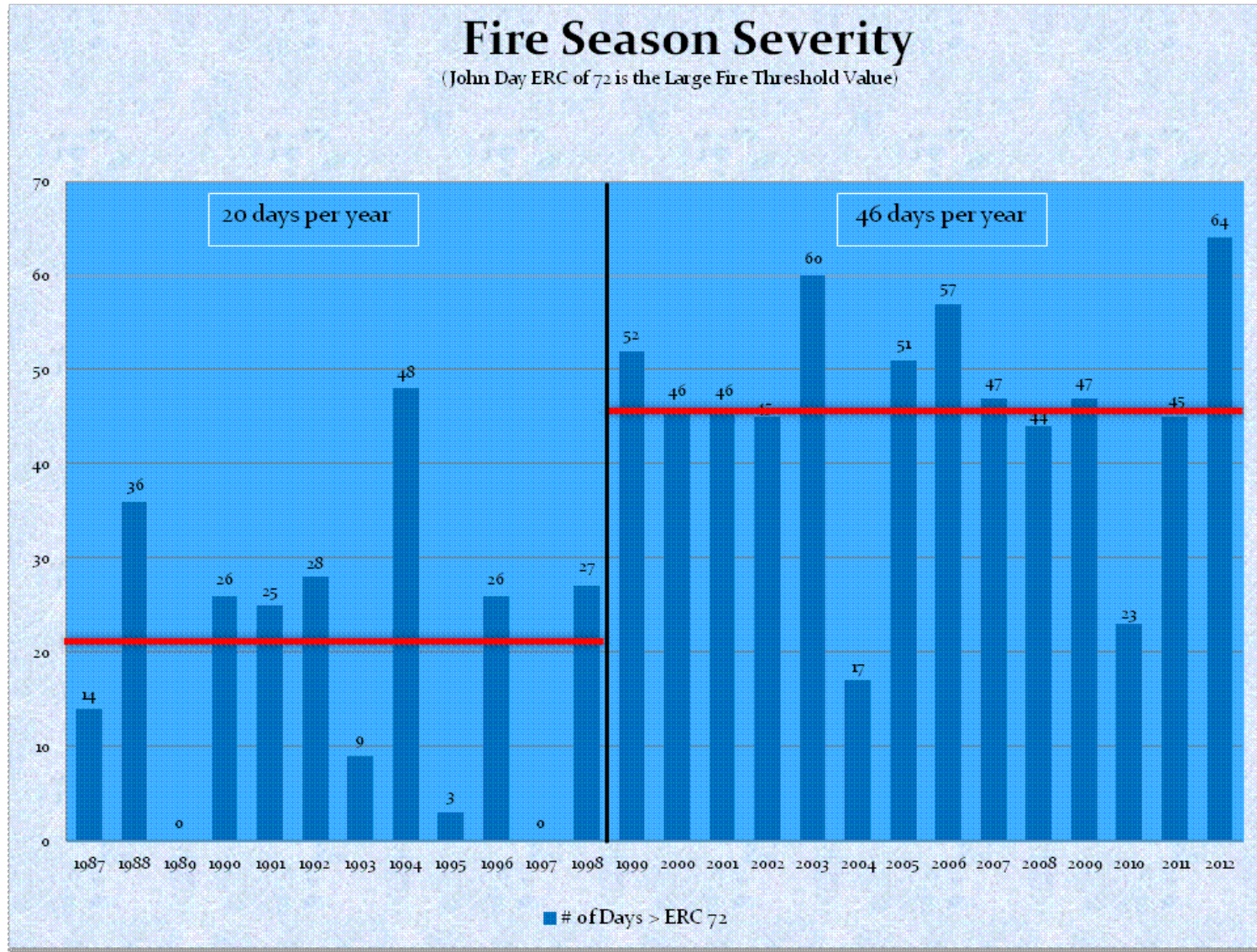
# Productivity and Cost





# Fire Protection

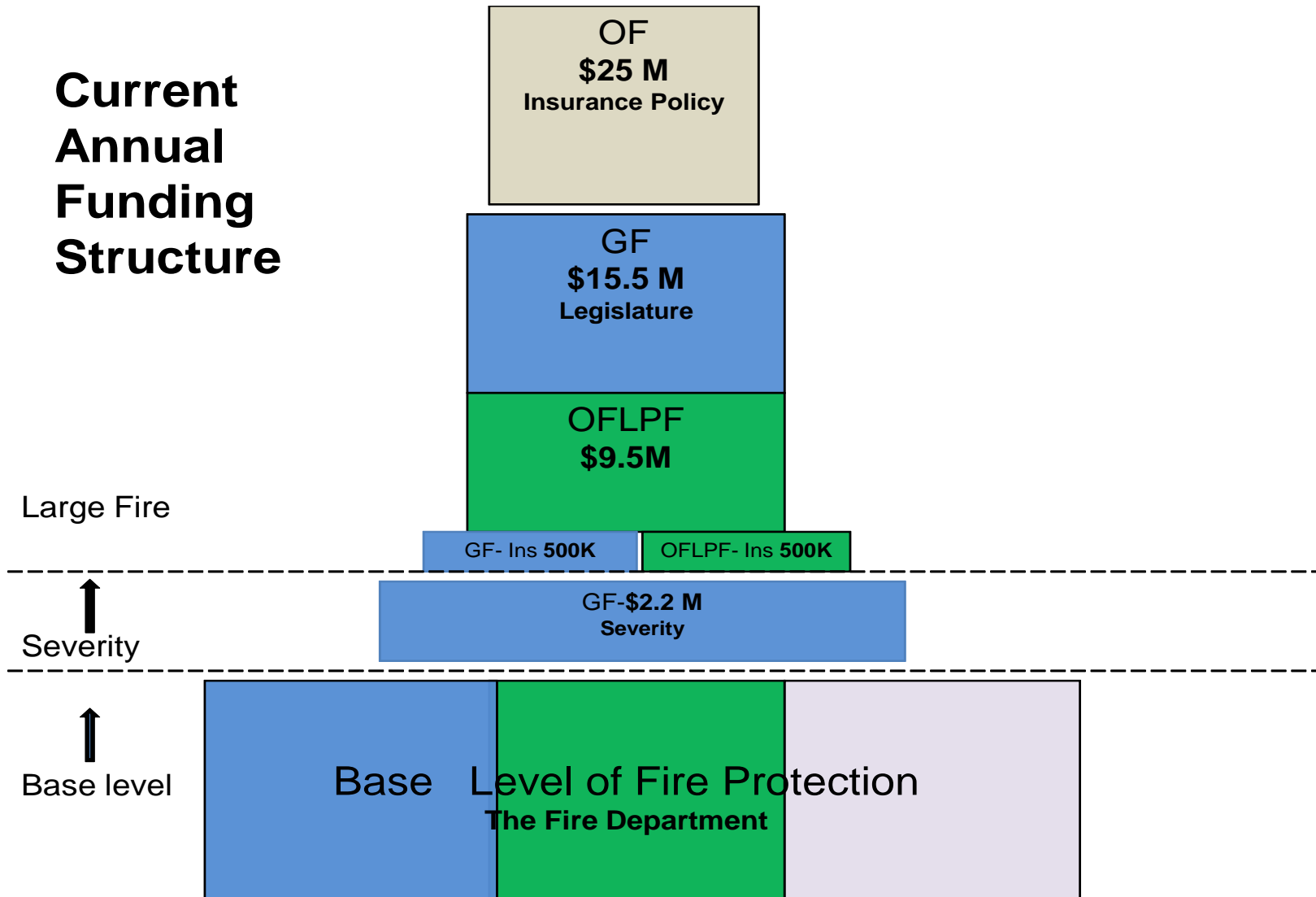
## Appendix 4



# Fire Protection

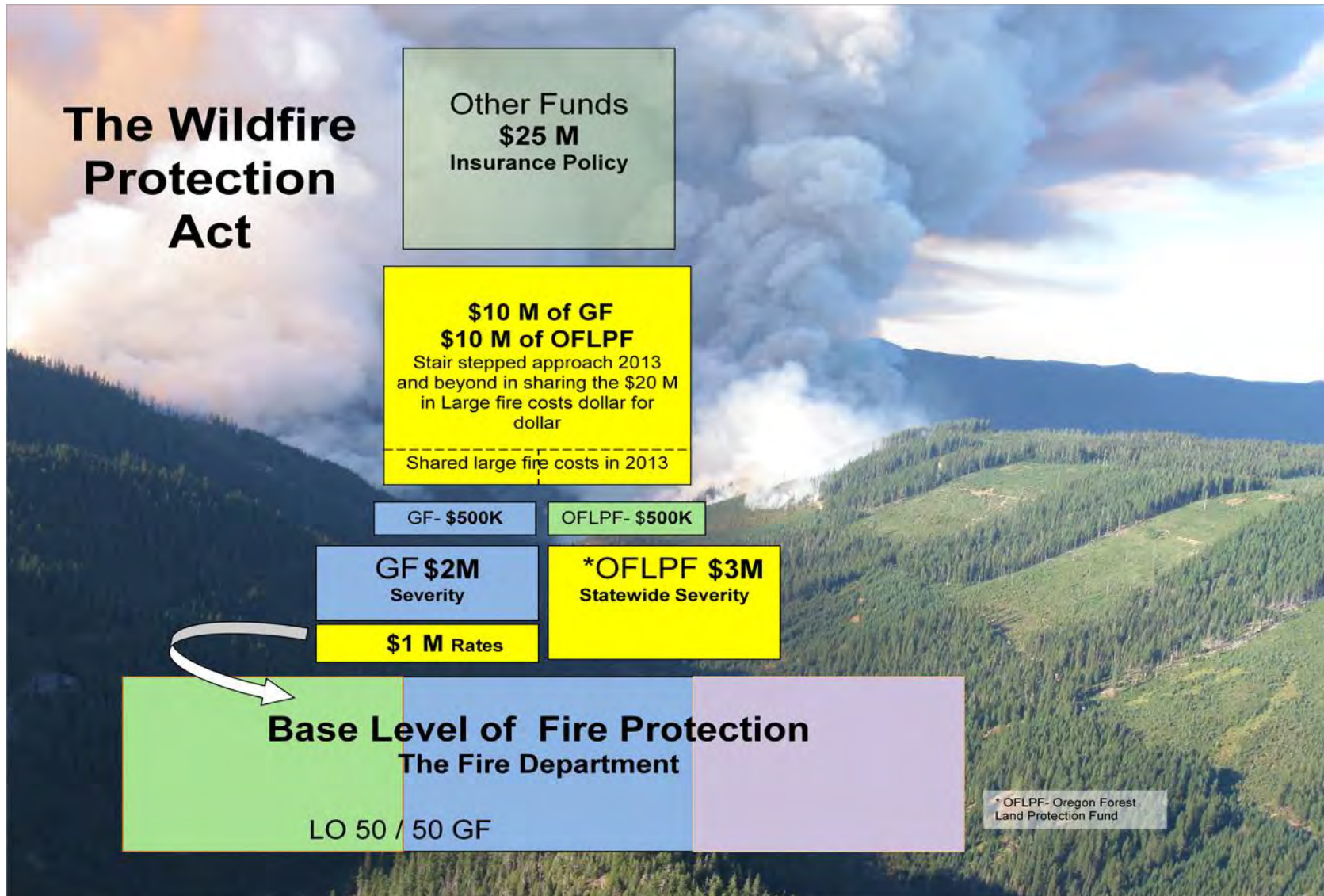
## *Appendix 5*

**Current  
Annual  
Funding  
Structure**



# Fire Protection

## *Appendix 6*



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# 6. Appendices

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**Oregon Department of Forestry  
2013-15 Ways and Means Presentation  
April 2013**

# Appendices

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## Appendices

### Appendix A – Key Performance Measures

## Agency Management Report

### KPMs for Reporting Year 2012

Finalize Date: 7/31/2012

This report provides high-level performance information which may not be sufficient to fully explain the complexities associated with some of the reported measurement results. Please reference the agency's most recent Annual Performance Progress Report to better understand a measure's intent, performance history, factors impacting performance and data gather and calculation methodology.

# Appendices

## Appendix A – Key Performance Measures (Cont.)

### Agency Management Report

#### KPMs For Reporting Year 2012

Finalize Date: 7/31/2012

**Agency: FORESTRY DEPARTMENT**

	Green = Target to -5%	Yellow = Target -6% to -15%	Red = Target > -15%	Pending	Exception Can not calculate status (zero entered for either Actual or Target)
<b>Summary Stats:</b>	35.29%	5.88%	35.29%	5.88%	17.65%

**Detailed Report:**

KPMs	Actual	Target	Status	Most Recent Year	Management Comments
1 - CUSTOMER SERVICE TO COUNTY GOVERNMENTS AND FOREST LANDOWNERS – Percent of Oregon’s forested counties and forest protective associations rating that ODF programs collectively provide “good” or “excellent” customer service: overall, timeliness, accuracy, helpfulness, expertise, availability of information.	100	100	Green	2011	Survey results indicate that the Department of Forestry has been very successful in meeting or exceeding the expectations of county governments and forest landowners and generally confirms personal experience of local Department leadership around the state.
2 - BOARD OF FORESTRY PERFORMANCE – Percent of total best practices met by the Board of Forestry.	100	100	Green	2011	The Board of Forestry self-evaluates its performance based on 16 criteria, and has reached full consensus that they have met those criteria.
3 - FOREST PRACTICES ACT COMPLIANCE – Percent of commercial forest operations that are in compliance with the Forest Practices Act.			Pending		The Forest Practices Act contains a set of best management practices designed to protect forest resources from damage. Rule compliance is maintained through a balance of incentives, education, technical assistance, and enforcement. ODF will engage an independent contractor to create a system for compliance auditing in 2012. Initial efforts will focus on rules suitable for numeric evaluation and expand incrementally to include all rules.
4 - URBAN AND COMMUNITY FOREST MANAGEMENT – Percent of Oregon cities actively managing their urban and community forest resources.	35	50	Red	2011	Currently, about one third of Oregon cities (54) are actively managing their urban forest. Cities are responding to the need to proactively manage their urban forests, but are hampered by the economy and declining local budgets.

# Appendices

## Appendix A – Key Performance Measures (Cont.)

### Agency Management Report

#### KPMs For Reporting Year 2012

Finalize Date: 7/31/2012

KPMs	Actual	Target	Status	Most Recent Year	Management Comments
5 - STATE FORESTS TOTAL REVENUE – Percent increase in total revenue produced by State Forests.	-10.80	1.00	Red	2011	Revenues from State Forests continued to decline in 2011 due to historically low log prices. In 2010 the Board of Forestry revised the Forest Management Plan and subsequent targets for revenue to include an increase in revenue of 5-15%. This will take time to complete operations to match this change. Initial returns will start to accrue in FY 12.
6 - AIR QUALITY PROTECTION – Total number of smoke intrusions into designated areas per total number of units burned.	0.0021	0	Exception	2011	The Smoke Management Program is doing a good job of protecting Oregon’s air quality while, at the same time, allowing forest landowners to dispose of unwanted accumulations of forest fuel. The inclusion of the entire state into the measurement target beginning in 2009 precludes any comparison with previous year’s data. However, with a total of 2,880 units burned with six intrusions is indicative of the smoke management program being largely successful.
7 a - PRIVATE FORESTLAND MANAGED AT OR ABOVE FOREST PRACTICES ACT STANDARDS – a. Acres of industrial private forestlands managed under an approved certification system, stewardship agreement, or other approved management plan including wildlife habitat conservation and management plans.	3,891,863	6,000,000	Red	2011	ODF approves and audits management plans, under the USDA-Forest Service’s State and Private Forestry Program, and enters into Stewardship Agreements with forestland owners, who agree to manage beyond the FPA standards. ODF requested information on acres of industrial private forestlands certified or approved under the major systems. Of the 6 million acres of industrial private lands, 3.9 million acres are approved under one of the certification systems.
7 b - PRIVATE FORESTLAND MANAGED AT OR ABOVE FOREST PRACTICES ACT STANDARDS – b. Acres of non-industrial private forestlands managed under an approved certification system, stewardship agreement, or other approved management plan including wildlife habitat conservation and management plans.	842,817	4,700,000	Red	2011	To increase certification on non-industrial forestlands, the department needs to provide additional technical and financial assistance to landowners for development of management plans and procedures. The Department does not receive any state support for this effort, and relies solely on Federal funding to conduct this work. The Department works with multiple organizations to promote the development of management plans and mutual recognition of plans. Of the 4.7 million acres of industrial private lands, 0.84 million acres are approved under one of the certification systems.



# Appendices

## Appendix A – Key Performance Measures (Cont.)

### Agency Management Report

#### KPMs For Reporting Year 2012

Finalize Date: 7/31/2012

KPMs	Actual	Target	Status	Most Recent Year	Management Comments
8 a - FOREST STREAM WATER QUALITY – a. Percent of monitored stream sites associated predominately with forestland with significantly increasing trends in water quality.	0	75	Exception	2010	About 62 percent of forest sites, continue to have “good” to “excellent” water quality and that has remained fairly consistent over the last 10 years. In some cases, it may be unrealistic to expect continued increasing water quality trends on streams sites with water quality already in good or excellent condition. No increasing or decreasing trend was observed on 71 percent of the monitored forest stream sites.
8 b - FOREST STREAM WATER QUALITY – b. Percent of monitored stream sites associated predominately with forestland with significantly decreasing trends in water quality.	29	0	Exception	2010	Of the 12 monitored sites with decreasing trends in water quality, 8 (67%) remain in good to excellent condition, 3 (25%) in fair condition, and 2 (17%) in poor or very poor condition.
8 c - FOREST STREAM WATER QUALITY – c. Percent of monitored stream sites associated predominately with forestland with water quality in good to excellent condition.	62	60	Green	2010	About half the ambient sites statewide, and a much higher percentage on forestlands, have "good" to "excellent" water quality and that has remained fairly consistent over the last 10 years.
9 - VOLUNTARY PUBLIC AND PRIVATE INVESTMENTS MADE TO CREATE HEALTHY FORESTS – Cumulative public and private forest landowner investments made in voluntary projects for the Oregon Plan for Salmon and Watersheds or for the Oregon Conservation Strategy.	93.71	100.00	Yellow	2011	The Oregon Plan has been successful because of the strong support from the forestland owner community for voluntary measures versus regulatory mandates. In 2011, investments in fish habitat and water quality improvements were about 94 million compared with a target of 100 million. This is the third year investments did not meet the target. This drop is due to the economic downturn. Data on restoration projects completed under the Conservation Strategy are not available.
10 - STATE FORESTS NORTH COAST HABITAT – Complex forest structure as a percent of the State Forests landscape.	13.00	30.00	Red	2011	Complex forest structure develops very slowly and it is anticipated to take decades to achieve the range of 30 to 50 percent complex structure now described in the forest management plans. To date, the Division only has two years of data so trends cannot be identified yet.

## Appendices

### Appendix A – Key Performance Measures (Cont.)

## Agency Management Report

### KPMs For Reporting Year 2012

Finalize Date: 7/31/2012

KPMs	Actual	Target	Status	Most Recent Year	Management Comments
11 - FIRE SUPPRESSION EFFECTIVENESS – Percent of wildland forest fires under ODF jurisdiction controlled at 10 acres or less.	94.84	97.00	Green	2011	The Department was not able to meet the target of suppressing 97 percent of all wildfires at ten acres or less in size for the 2011 fire season. Factors influencing the severity of the fire season included: increased fire danger; fires burning in light, flashy fuels that grew rapidly.
12 - PREVENTION OF HUMAN-CAUSED WILDLAND FOREST FIRES – Number of human-caused wildland forest fires per 100,000 Oregon residents (lower is better).	13.95	27.20	Green	2011	This measure is used to account for the steady upward growth in the state's population and it provides a good balance to account for urban resident users who use forestlands for recreation, and rural resident users who live in wooded areas or use it for a livelihood. A lower number means the fire prevention program is more effective at preventing human-caused fires. The Department has consistently exceeded the target since 2000.
13 - DAMAGE TO OREGON FORESTS FROM INSECTS, DISEASES, AND OTHER AGENTS – Percent of forest lands without significant damage & mortality as assessed by aerial surveys.	96.10	96.00	Green	2011	Oregon forests have met or exceeded this target since 1994. The current value is largely attributable to the overall decline in the mountain pine beetle outbreaks in eastern Oregon. In contrast, damage from insect defoliators, like the western spruce budworm, expanded in extent and intensity. Over the last decade an average of 950,000 acres of forestland have been significantly affected by insects, diseases, and other damaging agents.
14 - FOREST BIOMASS UTILIZATION – Million bone-dry tons of forest biomass converted to biofuels, electricity or steam.	1.61	2.04	Red	2010	Given the growing importance and public interest in biomass as an energy source, the Department of Forestry should work aggressively to implement the provisions of Chapter 772 Oregon Laws 2005; make interested parties aware of important credits and other renewable energy legislation passed by the 2007 and 2009 Legislatures; develop broad support for policy recommendations resulting from the Oregon Forest Biomass Workgroup process; and work with the Department of Energy to develop a consistent and reliable data source for this measure.

## Appendices

### Appendix B – HB 4131 Report

The agency's current ratio of total employees to supervisory employees is 1 to 6 as reflected in the 2011-13 Legislatively Adopted budget. The agency's required ratio by October 31, 2012 is 1 to 7. In order to achieve this target, the agency has taken the actions listed below. The actions are in various stages of completion at this time. The agency intends to attain full compliance with the requirements of HB 4131 by the October 2012 deadline. Agency leadership is reviewing the overall structure of the organization and identifying opportunities for meeting the legislation's 2013 requirements.

The agency's policy package requests include 29 positions, none of which are in management. If these positions are authorized by the Legislature there will be no effect on the agency's overall ratio of 1 to 7.

	Mgmt Supv	Mgmt Non-Supv	Public Employees	Total	Supervisory Ratio
<b>2011-13 Legislative Adopted Budget</b>	<b>170</b>	<b>14</b>	<b>997</b>	<b>1181</b>	<b>1 to 6</b>
Administrative classification changes					
(2) Prin/Exec E - MMS to OA	-2		2		
(1) Ops/Pol 4 - MMS to MMN	-1	1			
(4) Prin/Exec D - MMS to OA	-4		4		
(1) Internal Auditor 3 - MMS to MMN	-1	1			
(1) Prin/Exec C - MMS to OA	-1		1		
(2) Forest Mgr 1 - MMS to OA	-2		2		
(1) Wildland Fire Sup. - MMS to OA	-1		1		
(1) Office Mgr 2 - MMS to OA	-1		1		
<b>2011-13 Adjusted for HB 4131</b>	<b>157</b>	<b>16</b>	<b>1008</b>	<b>1181</b>	<b>1 to 7</b>
Administrative classification changes					
(1) Project Mgr 3 - MMN to OA		-1	1		
(1) Nat Res Spec 4 - MMN to OA		-1	1		
(1) Training & Dev Spec 2 - MMN to OA		-1	1		
<b>2011-13 Adjusted for HB 2020 effective 9/1/12</b>	<b>157</b>	<b>13</b>	<b>1011</b>	<b>1181</b>	<b>1 to 7</b>
Administration - (4) IT positions			4		
Fire - (10) Seasonal positions			10		
Fire - (2) Permanent Fire positions			2		
State Forests - (5) Permanent positions			5		
Private Forests - (8) Permanent positions			8		
<b>2013-15 Adjusted for ARB Policy packages</b>	<b>157</b>	<b>13</b>	<b>1040</b>	<b>1210</b>	<b>1 to 7</b>

# Appendices

## Appendix C – 2011 Audit Report

### Office of the Secretary of State

Kate Brown  
Secretary of State

Barry Pack  
Deputy Secretary of State



### Audits Division

Gary Blackmer  
Director

255 Capitol St. NE, Suite 500  
Salem, OR 97310

(503) 986-2255  
fax (503) 378-6767

January 30, 2012

Doug Decker, State Forester  
Oregon Department of Forestry  
2600 State Street  
Salem, Oregon 97301

Dear Mr. Decker:

We have completed audit work of selected financial accounts at the Oregon Department of Forestry (department) for the year ended June 30, 2011.

This audit work was not a comprehensive audit of the department. We performed this audit work as part of our annual statewide financial audit. The objective of the statewide audit was to express an opinion on whether the financial statements contained in the State of Oregon's Comprehensive Annual Financial Report were fairly presented, in all material respects, in conformity with generally accepted accounting principles.

In planning and performing our audit of the selected financial accounts at the department as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the department's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements of the State of Oregon, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

We audited the following accounts at the department and determined their fair presentation in accordance with generally accepted accounting principles in relation to the statewide financial statements.

<u>SFMA Account</u>	<u>Description</u>	<u>Audit Amount</u>
<u>GAAP Fund 1107 – Environmental Management Fund</u>		
0065	Unreconciled Deposit	\$ 1,870,118
0070	Cash on Deposit with Treasurer	21,004,790
0703	State Forest Lands- Sales	63,955,029
1405	Transfers to Counties	37,916,516

Management Letter No. 629-2012-01-01

# Appendices

## Appendix C – 2011 Audit Report (Cont.)

Doug Decker, State Forester  
Oregon Department of Forestry  
Page 2

<u>SFMA Account</u>	<u>Description</u>	<u>Audit Amount</u>
14xx,18xx	Transfers Out	10,107,477
3111	Regular Employees	22,485,724
3210	Public Employees Retirement Contribution	2,929,115
3212	Pension Bond Assessment	1,559,003
3221	Social Security Taxes	2,233,981
3263	Medical, Dental, Life Insurance	8,411,241
4xxx	Services and Supplies	28,590,452

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. As discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

### Prior Year Findings

In prior fiscal years we reported a significant deficiency related to the department's access controls for its Purchase Order (PO) System in letters dated February 24, 2010, and January 11, 2011. This finding can also be found in the Statewide Single Audit Reports for the fiscal years ended June 30, 2009, and June 30, 2010; see Secretary of State audit report numbers 2010-19, and 2011-06, finding number 09-10. During fiscal year 2011, the department continued its efforts to strengthen its policy for timely termination of system access when an employee leaves or changes jobs. Based on our review, we found these efforts were not sufficient as we identified several instances where system access was not timely terminated; in some cases, system access was not terminated until several months after the employees had left the department. Subsequent to our review, the department established a requirement that system access be reviewed quarterly by the Fiscal Services Manager. The first quarterly review was completed in August 2011. This finding will be reported in the Statewide Single Audit Report for the fiscal year ended June 30, 2011, with a status of partial corrective action.

## Appendices

### Appendix C – 2011 Audit Report (Cont.)

Doug Decker, State Forester  
Oregon Department of Forestry  
Page 3

This communication is intended solely for the information and use of management, others within the organization, and the Board of Forestry and is not intended to be and should not be used by anyone other than the specified parties.

We appreciate your staff's assistance and cooperation during this audit. Should you have any questions, please contact Alan Bell or me at (503) 986-2255.

Sincerely,  
OREGON AUDITS DIVISION



Julianne Kennedy, CPA  
Audit Manager

JK:AJB:nmj

cc: Satish Upadhyay, Administrative Services Division Chief  
✓Mark Hubbard, Fiscal Services Manager  
John Blackwell, Board of Forestry, Chair  
Michael J. Jordan, Director, Department of Administrative Services

# Appendices

## Appendix D – 2012 Audit Report

**Office of the Secretary of State**

Kate Brown  
Secretary of State

Brian Shipley  
Deputy Secretary of State



**Audits Division**

Gary Blackmer  
Director

255 Capitol St. NE, Suite 500  
Salem, OR 97310

(503) 986-2255  
fax (503) 378-6767

January 9, 2013

Doug Decker, State Forester  
Oregon Department of Forestry  
2600 State Street  
Salem, Oregon 97301

Dear Mr. Decker:

We have completed audit work of selected financial accounts at the Oregon Department of Forestry (department) for the year ended June 30, 2012.

This audit work was not a comprehensive audit of the department. We performed this audit work as part of our annual statewide financial audit. The objective of the statewide audit was to express an opinion on whether the financial statements contained in the State of Oregon's Comprehensive Annual Financial Report were fairly presented, in all material respects, in conformity with generally accepted accounting principles.

In planning and performing our audit of the selected financial accounts at the department as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the department's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements of the State of Oregon, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

We audited the following accounts at the department and determined their fair presentation in accordance with generally accepted accounting principles in relation to the statewide financial statements.

SFMA Account	Description	Audit Amount
<b>GAAP Fund 1107 – Environmental Management Fund</b>		
0542	Accounts Receivable- Federal Unbilled	\$ 9,742,100
0543	Accounts Receivable- Federal Billed	5,948,041
0300	Federal Revenue	17,403,010
0703	State Forest Lands - Sales	64,205,277

Management Letter No. 629-2013-01-01

# Appendices

## Appendix D – 2012 Audit Report (Cont.)

Doug Decker, State Forester  
Oregon Department of Forestry  
Page 2

<u>SFMA Account</u>	<u>Description</u>	<u>Audit Amount</u>
1405	Transfers to Counties	\$ 37,377,039
14xx, 18xx	Transfers Out	11,949,992
3111	Regular Employees	22,020,809
3210	Public Employees Retirement Contribution	4,330,906
3212	Pension Bond Assessment	1,531,320
3221	Social Security Taxes	2,147,956
3263	Medical, Dental, Life Insurance	8,105,821
4xxx	Services and Supplies	36,786,427

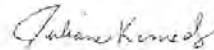
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, others within the organization, and the Board of Forestry and is not intended to be and should not be used by anyone other than the specified parties.

We would like to express our appreciation to Mark Hubbard and department staff for their assistance and cooperation during the audit. Should you have any questions, please contact Alan Bell or me at (503) 986-2255.

Sincerely,  
OREGON AUDIT'S DIVISION



Julianne Kennedy, CPA  
Audit Manager

JK:AJB:nmj

cc: Tom Imeson, Board of Forestry, Chair  
✓ Satish Upadhyay, Administrative Services Division Chief  
Mark Hubbard, Finance Director  
Michael J. Jordan, Director, Department of Administrative Services



## Appendices

### Appendix E – 2011-13 Reclassification

Reclass #	PsnNo	Before Classification	After Classification	Before Budgeted Rate <sup>1</sup>	After Budgeted Rate <sup>1</sup>
11-13-01	0000367	MMS X7006 AA	OA C0872 AA	6,992	6,371
11-13-02	0004586/0005366	MMS X8258 AA	OA C8502 AA	5,228	4,787
11-13-03	0004044	OA C1488 IA	OA C1487 IA	7,474	6,853
11-13-03	0003426	OA C1486 IA	OA C1487 IA	6,195	6,853
11-13-04	0004087	OA C8501 AA	OA C8503 AA	4,150	5,524
11-13-05	0000017	OA C0211 AA	OA C0212 AA	3,434	3,783
11-13-06	0001012	OA C0104 AA	OA C0801 AA	3177	3177
11-13-07	0004617	OA C1483 IA	OA C1484 IA	4,774	5,182
11-13-07	0004002	OA C1483 IA	OA C1484 IA	4,774	5,182
11-13-07	0004974	OA C1483 IA	OA C1484 IA	4,774	5,182
11-13-08	0000126	OA C8504 AA	OA C3412 AA	6,371	7,005
11-13-08	0004863	OA C4012 AA	OA C4014 AA	3,600	4,787
11-13-09	0003884/0005396	MMS X7008 AA	OA C0872 AA	7,699	6,371
11-13-10	0000249	MMS X7004 AA	E C2169 AA	6,249	6,249
11-13-11	0005340	MMS X8259 AA	OA C8503 AA	4,039	4,039
11-13-12	0005320	MMS X7006 AA	OA C1487 IA	4,906	4,906
11-13-13	0003449	OA C0104 AA	OA C0211 AA	3,132	3,434
11-13-13	0004713	OA C8503 AA	OA C0872 AA	5,524	6,371
11-13-14	0000037	MMS X7008 AA	OA C0872 AA	7,699	6,371
11-13-14	0003515	OA C0437 AA	OA C0438 AA	5,524	6,075
11-13-15	0003524	MMS X7006 AA	OA C8504 AA	6,992	6,371
11-13-15	0003477	MMS X7006 AA	OA C8504 AA	6,992	6,371
11-13-16	0000117	MMS X0806 AA	OA C0119 AA	4,100	3,783
11-13-16	0000861	MMS X8259 AA	OA C8502 AA	5,756	4,787
11-13-17	0003429	MMN X0856 AA	OA C0856 AA	6,992	6,686
11-13-17	0003469	MMN X8504 AA	OA C8504 AA	6,663	6,371
11-13-17	0004307	MMN X1339 AA	OA C1339 AA	5,756	5,524

<sup>1</sup>All positions are based on Budgeted Top Step, not on actual salaries

## Appendices

### Appendix F – 2011-13 New Hires

#### ODF Hires During 11-13 Biennium Step 3 and above

NAME	JUSTIFICATION	REPR	CLASS	TITLE	BASE	STP	POSNO	CODE	EFF-DTE
AUSLAND, KIRK W	RETURN FROM LAYOFF	OA	C8502	NRS2	\$ 4,089.00	06	0003597	144	08/01/2011
BARBOUR, DAVID M	NEW HIRE-APPROVED	OA	C1484	ISS4	\$ 4,056.00	04	0003918	141	11/15/2011
BASTING, SETH M	SALARY JUSTIFICATION- MORE THAN 2 YEAR BREAK	OA	C4422	EQ OP	\$ 3,284.00	04	0000511	141	12/06/2011
BERKSHIRE, DENISE L	RETURN FROM LAYOFF	OA	C8501	NRS1	\$ 3,600.00	06	0003891	144	12/19/2011
BERRIN, LAURENCE	SALARY JUSTIFICATION	MMS	X7006	PEMD	\$ 5,228.00	03	0004673	141	09/03/2012
BIESECKER, ROBIN L	RETURN FROM LAYOFF	OA	C8502	NRS2	\$ 3,903.00	05	0000879	144	08/08/2011
BROG, ALAN H	RETURN FROM LAYOFF	OA	C8502	NRS2	\$ 4,716.00	09	0000885	144	07/01/2011
CONE, DAREN L	SALARY JUSTIFICATION	OA	C3412	ENV ENG3	\$ 5,703.00	07	0000126	141	10/17/2011
DALKE, STEVEN M	TRANSFER IN PROMO	OA	C0108	AS1	\$ 2,989.00	04	0000362	171	11/06/2012
DAVIS, CHAD T	SALARY JUSTIFICATION	OA	C8504	NRS4	\$ 5,524.00	06	0003554	141	07/02/2012
DEROSIER, MICHAEL J	NEW HIRE	E	C2168	CSA2	\$ 4,049.00	03	0000244	141	02/04/2013
DEWEY, MIKE R	RETURN FROM LAYOFF	OA	C8502	NRS2	\$ 3,727.00	04	0002080	144	07/18/2011
EWING, JAMES C	RETURN FROM LAYOFF	OA	C8502	NRS2	\$ 4,089.00	06	0000889	144	08/01/2011
FIELDS, THOMAS R	SALARY JUSTIFICATION- TRANSFER FROM DFPA	OA	C0872	OPA3	\$ 5,187.00	05	0000118	141	09/19/2011
FRUEH, WALTER T	SALARY JUSTIFICATION	OA	C8502	NRS2	\$ 3,783.00	04	0005324	141	10/04/2012
GROOM, JEREMIAH D	TRANSFER IN FROM OSU	OA	C8504	NRS4	\$ 5,524.00	06	0000326	181	12/05/2011
HACKETT, VALERIE J	RE-EMPLOYMENT TO LOWER CLASS	OA	C0103	OS1	\$ 2,451.00	06	0002201	142	02/11/2013
HAWKSWORTH, JOHN T	RETURN FROM LAYOFF	OA	C8502	NRS2	\$ 4,562.00	08	0005323	144	07/02/2012
HILL, SHANIE J	TRANSFER IN PROMO	OA	C1484	ISS4	\$ 4,056.00	04	0003400	171	09/01/2011
HOFFERT, STEVEN G	SALARY JUSTIFICATION	MMS	X7008	PEME	\$ 8,774.00	09	0000034	141	10/17/2011
HUCK, BRYAN L	SALARY JUSTIFICATION	OA	C8501	NRS1	\$ 3,600.00	06	0003877	141	09/24/2012

## Appendices

### Appendix F – 2011-13 New Hires (Cont.)

#### ODF Hires During 11-13 Biennium Step 3 and above

NAME	JUSTIFICATION	REPR	CLASS	TITLE	BASE	STP	POSNO	CODE	EFF-DTE
HUSERIK, WILLIAM H	RE-EMPLOYMENT TO LOWER CLASS	OA	C8218	FICC	\$ 3,434.00	07	0003404	142	12/03/2012
KAETZEL, BRANDON R	NEW HIRE-SALARY APPROVED BY DD	OA	C8504	NRS4	\$ 4,787.00	03	0000035	141	01/17/2012
KAUFFMAN, MARCUS J	SALARY JUSTIFICATION	OA	C8503	NRS3	\$ 4,951.00	07	0004869	141	11/07/2011
KELLEY II, TIMOTHY J	SALARY JUSTIFICATION	OA	C1484	ISS4	\$ 4,177.00	04	0003400	141	02/13/2013
MAGBY, JENNIFER L	SALARY JUSTIFICATION-STUB ATTACHED	OA	C8502	NRS2	\$ 4,628.00	08	0003613	141	01/07/2013
MAURICIO, LISA M	SALARY JUSTIFICATION	OA	C0103	OS1	\$ 2,160.00	03	0000492	141	01/01/2012
MCCRAE, LOGAN J	REHIRE-LD TO PERM	OA	C8502	NRS2	\$ 3,547.00	03	0003214	142	11/01/2011
MCLAUGHLIN, DONALD E	SALARY JUSTIFICATION-NEW HIRE	OXN	C4422	EQ OP	\$ 4,402.00	08	0002223	141	01/02/2013
MELEASON, MARK A	FROM OSU, STUB REFERENCED IN E-MAIL	OA	C8504	NRS4	\$ 5,524.00	06	0003909	181	10/29/2012
MONTOYA, CHAD J	TRANSFER IN PROMO	MMS	X0806	OM2	\$ 3,274.00	03	0004612	171	01/01/2013
NASER, MOHAMED SALLAM	TRANSFER IN PROMO	OA	C1487	ISS7	\$ 5,202.00	03	0004044	171	06/11/2012
PEW, BRIAN S	SALARY JUSTIFICATION	MMS	X8260	FM2	\$ 5,957.00	07	0003002	141	07/05/2011
RISSEEUW, HEATHER A	SEASONAL	OA	C0104	OS2	\$ 2,735.00	06	0003413	142	04/02/2012
RUDOLF, HANS J	REHIRE-LD TO PERM	OA	C8502	NRS2	\$ 3,903.00	05	0003020	142	11/01/2011
STEWART, DAVID C	VOLUNTARY DEMOTE FROM OTHER AGENCY	OA	C4015	FOS2	\$ 5,265.00	09	0004158	173	12/01/2011
TOKARCZYK, JOHN A	TRANSFER IN LOWER	OA	C8503	NRS3	\$ 5,145.00	07	0003496	173	09/10/2012
TOLIVER, JANE W	TRANSFER IN FROM OSU	OA	C0108	AS1	\$ 3,434.00	07	0005178	181	07/01/2012
WHALEN, WILLIAM P	SALARY JUSTIFICATION-NEW HIRE	OA	C8501	NRS1	\$ 3,086.00	03	0003896	141	09/26/2011

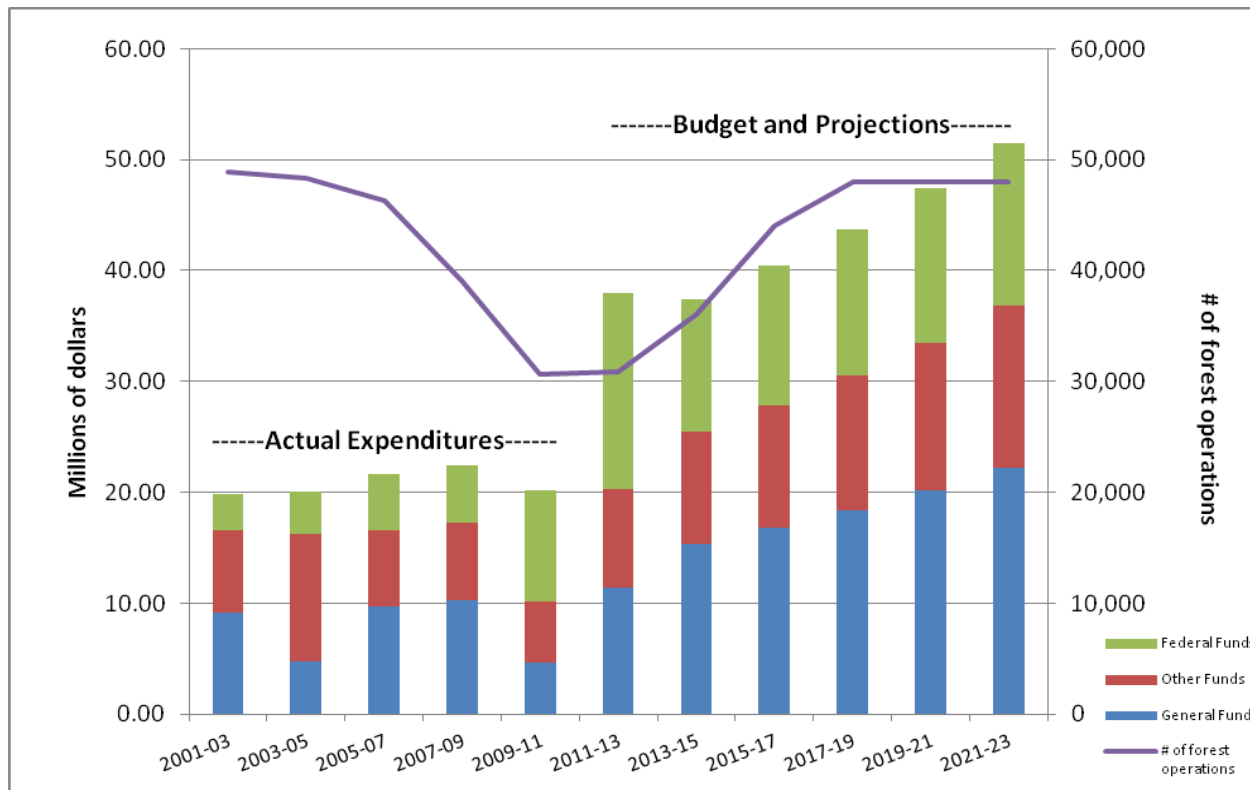
# Appendices

## Appendix G – Phase 2 Buy Sheets

### Oregon Department of Forestry: Private Forests

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Primary Outcome Area: Healthy Environment  
 Secondary Outcome Area: Economy and Jobs  
 Program Contact: Peter Daugherty, 503-945-7482



*2009-11 and prior reflect actual expenditures, 2011-13 and forward reflect budget and projections*

# Appendices

## Appendix G – Phase 2 Buy Sheets (Private Forests Cont.)

### Executive Summary

Oregon's forests include some of the most productive forestlands on earth, and are among the basic building blocks of the state's wellbeing and success. The Private Forests program seeks to protect and maintain soil, air, water and wildlife habitat on the 10.7 million acres of forest (35% of Oregon's forestland base) under private ownership. The program strives to *keep working forests working*, so they can provide environmental, economic, and social benefits for all Oregonians into the future.

### Program Description

Private forestlands are a valuable asset, providing about three-quarters of Oregon's timber harvest and helping to support a key traded-sector industry that directly employs about 45,000 people. The Private Forests program helps to ensure that privately owned forests are healthy, soundly managed, resilient and productive. Because these lands provide public benefits—jobs as well as wood products, clean water, clean air, wildlife habitat and scenic beauty—the program serves all Oregonians. Its four main businesses are:

**Oregon Forest Practices Act (FPA) enforcement.** A cornerstone of resource protection, the FPA requires post-harvest reforestation, and scientifically supported measures such as streamside buffers and best practices in all aspects of forestry. The FPA encourages investment in private forestlands by providing a consistent regulatory environment. It also constitutes a social contract with the public, providing assurance that private forests are managed responsibly. Management of publicly owned forests also must meet or exceed FPA requirements.

The Department, landowners and loggers work together for efficient and effective resource protection. Education and technical advice are the strongest tools, although civil penalties or other measures are available if necessary. Field foresters inspect priority operations before they start, when they are active, and when completed. Other key functions include compliance auditing, and research to measure the effectiveness of rules.

**Forest Health Management.** Experts monitor forests for insect and disease activity, and assist with prevention, treatment, and integrated pest management on non-federal lands. The Department has joined with other agencies to conduct insect and disease aerial surveys yearly since 1947.

**Family Forestland Assistance.** While comprising only 15% of Oregon's forests, family-owned forestlands provide contributions exceeding their size. Approximately 60,000 family owners manage forests of 10 to 500 acres, covering 2.2 million acres. These lands help to diversify landscapes and local economies, and provide political and cultural connections with urban populations.

These are the forestlands that most Oregonians see—and that are most at risk of conversion to other use if they lose economic viability as working forests. Field foresters help to keep these lands in forest use through assistance in matters including FPA compliance, invasive species, and voluntary measures to enhance streams or other forest resources. They also help landowners make the best use of federal cost-share programs supporting forest improvement.

# Appendices

## **Appendix G – Phase 2 Buy Sheets (Private Forests Cont.)**

**Urban Forestry.** This activity helps communities maintain and enhance the benefits of urban treescapes. These include stormwater filtering and retention, enhanced neighborhoods and property values, shade, and healthy streams. The agency helps Oregon’s 242 incorporated cities, as well as other governmental units and community organizations, with resource management, hazard trees, climate change mitigation and other issues.

It is also important to note that the Department uses a “militia” approach to carry out its top mission—fire protection—and relies on staff in all programs to contribute their skills and experience to this effort during times of high fire activity.

**Major cost drivers** across the program involve the personnel costs of field foresters and specialists in biology, geology, forest health and other disciplines. Factors leading to higher workload include greater rule complexity, increasing numbers and variety of forest operations, and disproportionate time devoted to neighbor concerns or conflicts when logging occurs in areas transitioning from natural resource to developed use. Over 2 million acres of forestland fall in or within a mile of developable areas.

### **Program Justification and Links to 10-Year Outcomes**

**Strategy 1:** Invest in programs that improve air and water quality, and **Strategy 2:** Invest in programs that conserve, protect and restore key watersheds, stabilize populations of fish and wildlife species and improve forest and rangeland health.

These are direct program goals, and are expressed in state law that calls for “the continuous growing and harvesting” of trees on private forestland, “consistent with sound management of soil, air, water, fish and wildlife resources and scenic resources.” (ORS 527.630). Examples:

- The FPA establishes best management practices to meet federal clean water standards, and provides strong streamside protection measures. Monitoring, conducted with academic, conservation and landowning partners, evaluates the effectiveness of rules and best practices, and provides a scientific foundation for regulation.
- The program provides guidance with voluntary measures under the Oregon Plan for Salmon and Watersheds to restore and enhance salmon habitat, and helps landowners improve long-term forest stewardship.
- The agency strategically channels federal bark beetle treatment dollars, for more effective control of fire risk and forest health problems.

**Strategy 3:** Reduce Oregonians’ exposure to toxics.

- Because forestlands experience less-intensive pesticide use than other lands, keeping forests as forests means less pesticide application overall.
- The program works with landowners and other agencies to ensure that FPA practices are effective at protecting the environment from elevated levels of pesticides.

**Strategy 4:** Build great communities for a growing population.

- Urban forestry assistance enhances the livability of urban areas.
- The program has published best management practices to reduce forest fragmentation during development, and is currently piloting such efforts in the wildland-urban interface.

# Appendices

## Appendix G – Phase 2 Buy Sheets (Private Forests Cont.)

**Strategy 5:** Improve the effectiveness and efficiency of natural resources management.

- The program is improving the efficiency and effectiveness of FPA enforcement, including a broad systems review, and uses of new technology to better serve customers.

**Strategy 5.1:** Coordinate natural resources management plans.

- The program is leading development of a uniform forest management plan and endorsement system, so that a single plan can meet the requirements of multiple state and federal agencies and certification organizations.
- “One-stop shopping” streamlines enforcement of water quality, fill-and-removal and other requirements in commercial operations and associated voluntary enhancement projects.
- The program works with multiple agencies to ensure adequate forest protection and to reduce risk of exposure to toxics.

**Strategy 5.2:** Develop new and more efficient ways to achieve desired environmental outcomes.

- The program works with the Board of Forestry and other agencies to promote voluntary improvements under the Oregon Plan and to evaluate, and adopt when possible, non-regulatory approaches to achieving resource protection.

The program also reinforces Economy and Jobs strategies and outcomes related to timber harvest, key traded sectors and sustainable business development.

**Program Performance**

Compliance with the FPA was 98% in 2007 and 2008. Budget constraints prevented measurements in 2009 and 2010, but this capability is being redesigned and restored, and annual compliance for 2011-2013 is estimated at 95-98%. Other key metrics include:

- 65% of streams on forestland have consistently had good to excellent water quality over the past decade, a higher rate than for streams in areas with other land uses.
- More than 60% of industrial forestlands are certified by independent organizations as soundly managed.
- Over 95% of non-federal forestland remains free of significant insect or disease damage.
- Annual landowner investments in voluntary watershed improvements under the Oregon Plan have averaged \$3.0 million for the past five years, and totaled \$92 million as of 2010.

The following table displays examples of yearly program work activities.

	Actual					Estimated	
	2007	2008	2009	2010	2011	2012	2013
Number of forest operations	22,740	20,229	15,031	15,408	14,710	17,000	20,000
Family forest assists	1,893	1,813	1,668	1,582	1,419	1,400	1,400
Family forest acres with improved management	18,262	16,874	17,870	10,047	9,871	9,800	9,800

# Appendices

## Appendix G – Phase 2 Buy Sheets (Private Forests Cont.)

### Enabling Legislation/Program Authorization

**ORS 527** contains the Forest Practices Act, and outlines integrated pest management and insect and disease control responsibilities.

**ORS 526** mandates urban forestry assistance, and includes the Woodland Management Act, which encourages long-term forestry investments and forestland management.

### Funding Streams

**Oregon Forest Practices Act (FPA) enforcement** is funded primarily by General Fund, which is matched by Oregon Forest Products Harvest Tax at a 60:40 ratio. The program also receives some General Fund to implement the Oregon Plan.

**Forest Health Management** is supported by General Fund that leverages Federal Funds and other funds. On average, the program uses \$1.2 million in General Fund to leverage \$2.0 million in federal grants.

**Family Forestland Assistance and Urban Forestry** are entirely federally funded.

### Significant Proposed Program Changes from 2011-13

One additional 1 FTE for the **Forest Practices Act (FPA) monitoring program** would help to ensure the effectiveness of the rules and best management practices. The proposal would support integrated monitoring by the Watershed Research Cooperative, led by OSU, specifically the Trask River Watershed Study, which evaluates timber harvest impacts on water quality in small streams, effects on fish and other biota, and if impacts are carried downstream. These positions will also improve interagency coordination on water quality monitoring and pesticide management projects.

A proposed 3.4 FTE increase in **Stewardship Forester capacity** would provide **family forestland technical assistance**, primarily in the urban and wildland-urban interface areas.



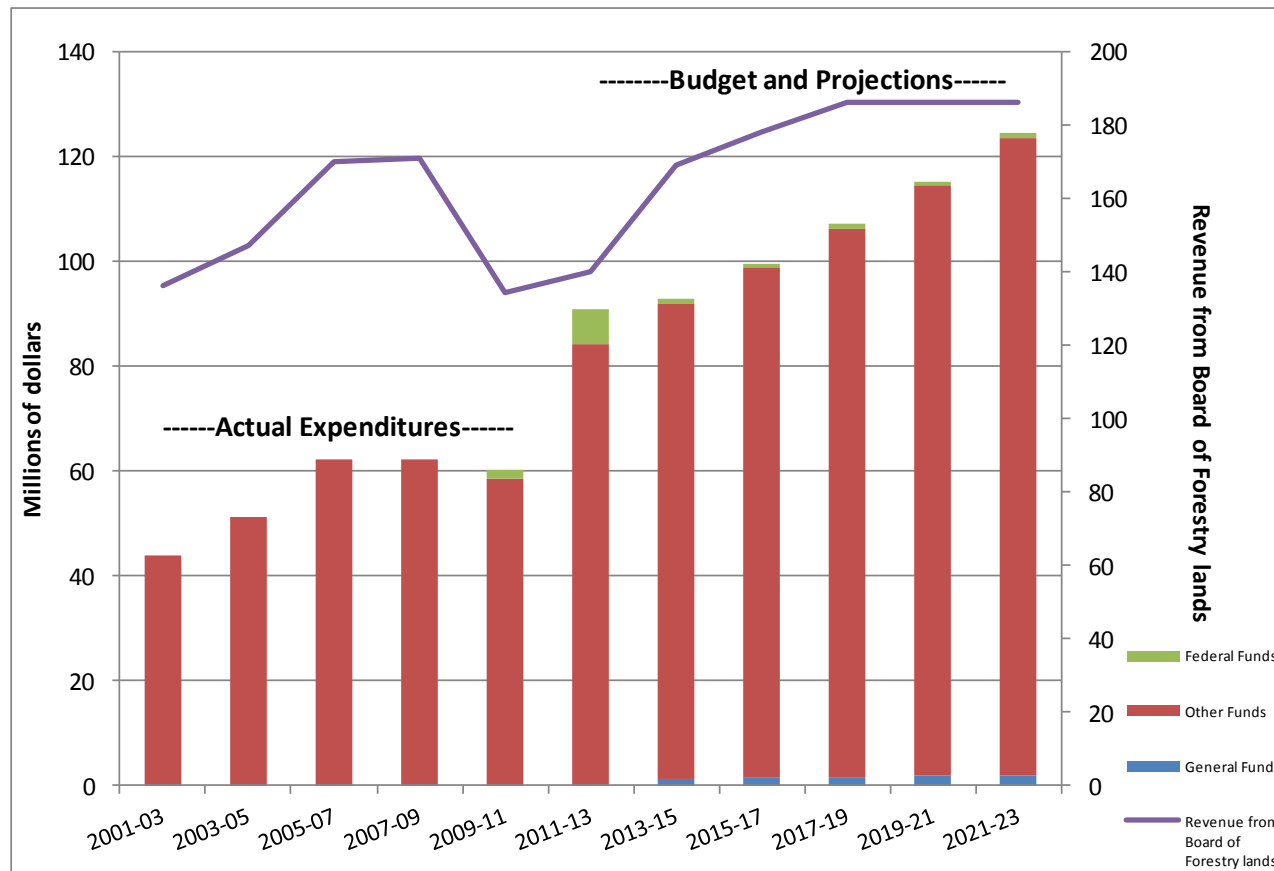
# Appendices

## Appendix G – Phase 2 Buy Sheets (Cont.)

### Oregon Department of Forestry: State Forests

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Primary Outcome Area: Economy and Jobs  
 Secondary Outcome Area: Healthy Environment  
 Program Contact: Mike Bordelon, 503-945-7213



*2009-11 and prior reflect actual expenditures, 2011-13 and forward reflect budget and projections*

# Appendices

## **Appendix G – Phase 2 Buy Sheets (State Forests Cont.)**

### **Executive Summary**

Oregon's 830,000 acres of state forests provide timber products, jobs, clean water, wildlife habitat, and recreational opportunities important to all Oregonians. The program operates without state general funds, actively managing these lands in collaboration with the many partners and stakeholders that love Oregon's forests. Timber-sale revenues from the forests benefit the counties in which they are located and the Common School Fund, and pay for ongoing forest management.

### **Program Description**

State forests comprise just 3% of Oregon's forestland base, but produce a broad range of benefits. Program staff achieve these benefits through activities including timber sale planning and administration, forest stand inventories, measures to protect sensitive species and other resources, road engineering and maintenance, recreation management, environmental monitoring, and long-range planning.

It is also important to note that the department uses a "militia" approach to carry out its top mission—fire protection—and relies on staff in all programs to contribute their skills and experience to this effort during times of high fire activity.

Management goals for the state forests are defined by the two forms of forest ownership: Board of Forestry lands and Common School lands (owned by the State Land Board).

**Board of Forestry lands** were acquired after fires, extractive logging and tax foreclosures. Through time and with purposeful management, they have been restored as productive forests. The new Gilchrist State Forest, south of Bend, is just beginning this transition. All of these lands are managed to achieve "greatest permanent value," defined by law as healthy, productive and sustainable forest ecosystems that, over time and across the landscape, provide a full range of social, economic and environmental benefits to Oregonians.

The current focus is to provide sustainable timber and revenue to the state, counties and local taxing districts, within a context of protecting water quality and habitat, and providing recreational opportunities. Timber harvests provide revenue to support services provided by counties and other local governments, with a portion retained to pay for forest management and protection.

In addition to the Gilchrist State Forest, these lands consist of the Tillamook, Clatsop, Santiam and Sun Pass state forests, and scattered parcels throughout western Oregon. Many state forests are close to population centers and easily accessible to most Oregonians.

Forest management evolves continually in response to new knowledge and changing societal interests. Focuses for future refinement include clarifying the specific benefits expected from the forests, and more clearly delineating areas for conservation and for timber production emphasis.

**Common School Fund Lands**, concentrated in the Elliott State Forest, are managed to maximize revenue for the Common School Fund, consistent with sound techniques of land and timber management. This direction is expressed in the Oregon Constitution. Timber revenues are transferred to the Common School Fund. The Oregon Department of Forestry manages these lands through an agreement with the Department of State Lands, and is reimbursed for management expenses.

## Appendices

### **Appendix G – Phase 2 Buy Sheets (State Forests Cont.)**

Oregon's Forest Trust Land Counties, which deeded the acreage that became the Board of Forestry lands, and the State Land Board actively participate in management of the respective state-owned lands. The counties have an advisory group to the Board of Forestry and work very closely with the agency. The Land Board, through the Department of State Lands, provides overall guidance for management of the Common School Forest Lands.

A visit to any of Oregon's state forests will show active timber management, buffers and conservation areas around streams and important wildlife areas, and diverse forest recreation, all integrated on the landscape. A visit to any of the policy-setting arenas, local or statewide, will show a vigorous debate about the mix of benefits that flow from these forestlands. Success of the State Forests program depends on working with many interest groups to meet the legal mandates of the lands and to maintain the social license to manage state forests.

**Cost drivers.** Under current management plans and at current timber prices, the Department is challenged to make necessary investments to support the program, including reforestation, timber inventory, recreation administration, research, monitoring and fire protection. The agency is working with stakeholders to explore new business models and management approaches that better align revenue and expenses.

#### **Program Justification and Link to 10-Year Outcome**

State forests contribute to strategies in both the Jobs and Economy and Healthy Environments portions of the 10-Year Plan.

The Economy and Jobs Policy Vision identifies breaking Oregon's "boom and bust" economic pattern as the single most immediate and important issue facing the state. State forests help mitigate this cycle by providing a sustainable and predictable log supply. This raw material source generates family-wage jobs through forest management, harvest, transport and processing. By law, logs from state forests may not be exported. Products milled from these logs are marketed locally, nationally, and internationally.

#### **Jobs and Economy Strategy 1: Focus on sustainable business development.**

Sustainably harvested timber is a benefit of Oregon's state forests and a part of Oregon's economic plan as articulated in this strategy. The harvest contributes to the State of Oregon's share of the strategy's statewide 4.5-billion-board-foot target, while conserving the inherent value of the forests.

The Healthy Environment Policy Vision describes the link between Oregon's forests, healthy environments, and healthy economies. The vision highlights sustainability, a foundation of state forest management that leads to a steady flow of forest benefits into the future. The Department, Board of Forestry, and State Land Board recognize the importance of sustainability to Oregon's environmental, social, and economic interests.

#### **Healthy Environments Strategy 2: Invest in programs that conserve, protect, and restore key watersheds.**

Planning and integrated forest resource management conserve, protect and restore aquatic resources and wildlife habitats. The Oregon Conservation Strategy, conservation plans, and Oregon Department of Fish & Wildlife (ODF&W) specialists guide much of this work. Investments in the environment correlate demonstrably with applicable plans, especially those created through excellent partnerships with ODF&W.

# Appendices

## Appendix G – Phase 2 Buy Sheets (State Forests Cont.)

### Program Performance

State forests provide the full range of economic, environmental and social benefits, many of which are difficult to quantify. Timber harvest and revenue generation provide one means of measuring program performance relative to Economy and Jobs. Annual reports detail the range of program outcomes.

#### Timber harvests and revenue (five-year annual averages)

Land type	Revenue to counties and local taxing districts	Harvest (millions of board feet)	Range of harvest levels (millions of board feet)
Board of Forestry	\$46 million	248	236-268
Common School Fund	\$11 million	27	23 - 32

Management plans for northwest Oregon state forests and for the Elliott State Forest have recently been revised to increase volume and revenue while providing protection for environmental benefits. For Board of Forestry lands, future harvest levels are expected to be in the range reported above. For Common School Fund lands, harvest levels are expected to increase in alignment with the Land Board's *Real Estate Asset Management Plan* and the new Elliott State Forest Management Plan.

Other outcomes and areas of program performance:

- Models indicate that state forest timber harvests equate to about 1,200 direct jobs and 3,300 total jobs. Additional jobs are generated through recreation and fishing industries supported by these lands.
- 40,000 people per year visit the Tillamook Forest Center and learn that forest's story of restoration, and another 7,000 participate in education and interpretation programs.
- Relative to Healthy Environments, recently published research has found that harvest buffers along small and medium fish-bearing streams in state forests effectively maintain stream temperature.

### Enabling Legislation/Program Authorization

ORS 530 describes the acquisition and management of state-owned forestlands.

### Funding Streams

State Forests are primarily funded through timber revenue. On Board of Forestry lands, by statute, the Department retains 36.25% of revenue for fire protection and management. On Common School Lands, the Common School Fund pays management expenses.

In addition to revenue from sale of timber, Oregon State Parks provides a significant revenue transfer for management of off-highway vehicles. Limited revenues are derived from recreation activities and the sale of minor forest products. Finally, the Department has received American Recovery and Reinvestment Act resources to accomplish some forest management activities.

### Significant Proposed Program Changes from 2011-13

The agency seeks additional dedicated funds from the Department of State Lands to invest in **monitoring and research activities in the Elliott State Forest**. This forest is 90% Common School Lands. The State Land Board recently approved a new long-range plan for the Elliott. The Governor identified development and implementation of a monitoring plan as a condition of his support of the new plan.

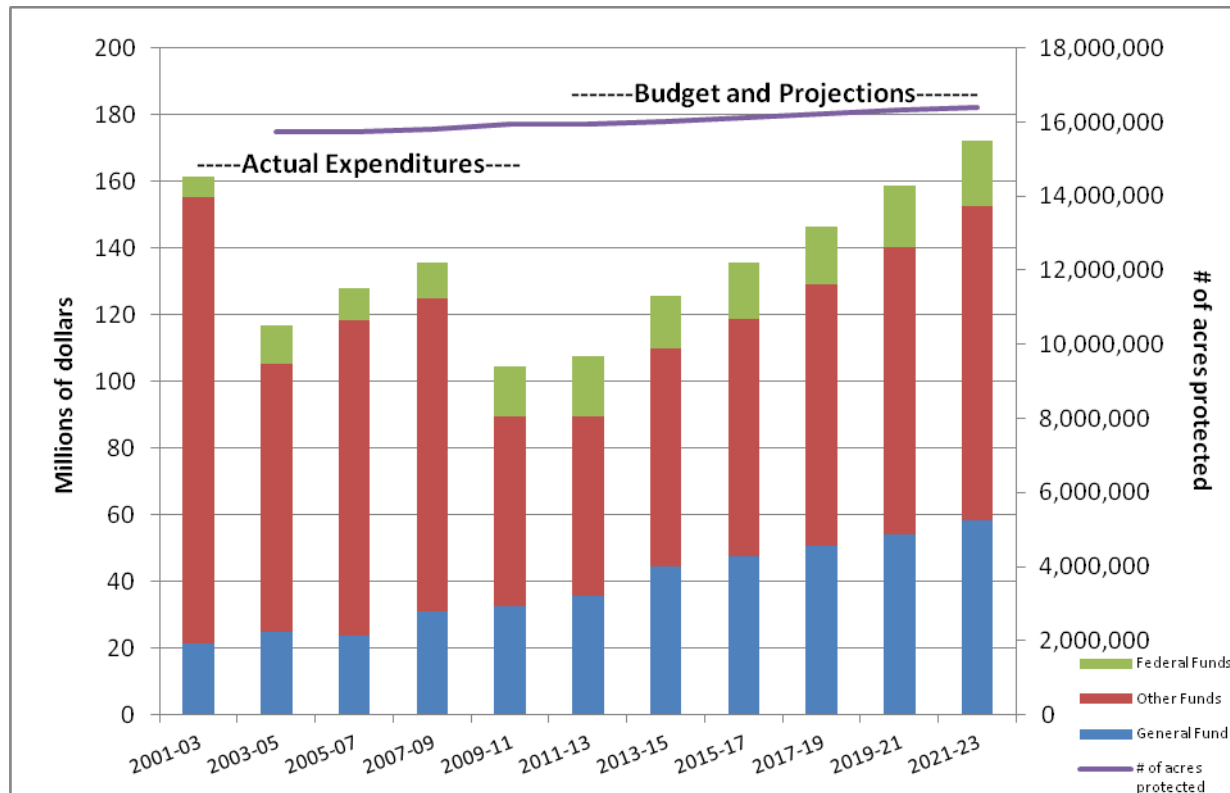
# Appendices

## Appendix G – Phase 2 Buy Sheets (Cont.)

### Oregon Department of Forestry: Fire Protection

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Primary Outcome Area: Economy and Jobs  
 Secondary Outcome Area: Healthy Environment  
 Program Contact: Nancy Hirsch, 503-945-7204



*2009-11 and prior reflect actual expenditures, 2011-13 and forward reflect budget and projections*

# Appendices

## **Appendix G – Phase 2 Buy Sheets (Fire Protection Cont.)**

### **Executive Summary**

Operating as Oregon's largest fire department, the Department of Forestry protects 16 million acres of forestland – just over half of Oregon's forest landbase – an asset with an estimated value of \$60 billion. This service is fundamental to Oregon's wellbeing. It helps to maintain a stable environment for ongoing investment in forest ownership, and protects public safety and signature natural resource values that benefit all Oregonians. Emphasis on prevention and on suppressing fires quickly, while they are small, ensures cost-effective results for the public and for forest landowners.

### **Program Description**

The Program protects privately owned forests as well as state, county and city forests and, by contract, U.S. Bureau of Land Management forests in western Oregon. The Department has held wildfire protection as its top priority since its inception in 1911.

The Program's core mission is to provide protection through a complete, coordinated system that incorporates the agency's resources with those of private forest landowners, federal agencies, other state agencies, city fire departments and rural fire protection districts. Fire prevention, detection and suppression are accomplished through twelve protection districts, including three private Forest Protective Associations. Landowners play an essential role in supporting and enhancing the protection program, which is financed with a blend of public and landowner dollars.

Sub-programs, including smoke management and fuels reduction, provide important support.

The system operates with three specific tiers:

**Base-level protection**, the heart of the "fire department," provides quick initial attack, statewide coordination, large-fire support and aviation management. **Severity resources**, air tankers, helicopters and other assets, are positioned around the state wherever fire danger is greatest, a proven approach to keeping fires small. **Large-fire funding** provides reimbursement of costs of suppressing the fraction of fires that escape initial attack and grow large. A wildfire insurance policy, unique to Oregon, provides \$50 million through its deductible and direct coverage.

The Program works year round with many stakeholders and partners, from timber and grazing landowners to forest operators; from homeowners and communities to tourists and outdoor enthusiasts; and from federal agencies to private firefighting contractors. Their combined efforts protect a renewable resource that provides multiple benefits, including timber products, family-wage jobs, revenue to support public services, clean air and water, wildlife habitat and recreation.

**Major cost drivers** include rising firefighting costs (personnel, contractors, equipment use, and training); trends related to climate conditions such as lightning and drought; increasing safety requirements; shifting federal fire policy; contraction in forest-sector industries that are important partners; escaped fires from unprotected and under-protected lands; decreasing levels of protection and buildup of fuel on federal lands; and the additional complexity of providing fire protection in the growing wildland-urban interface.

# Appendices

## **Appendix G – Phase 2 Buy Sheets (Fire Protection Cont.)**

### **Program Justification and Link to 10-Year Outcome**

#### **Strategy 1.1: Focus on sustainable business development and the chain of innovation**

The agency's fire protection service covers about half of Oregon's forested land base. However, with federal harvests much decreased, the privately owned portion of these lands accounts for more than three-quarters of statewide timber harvest. Forestry and wood products rank among the top four Oregon traded sectors. These industries are particularly important to rural economies, pay higher-than-average wages, and are connected to other thriving businesses.

Research by the University of Oregon and the Western Forestry Leadership Coalition found that large wildfires have many complex impacts on local economies, with total costs 2 to 30 times greater than what is typically reported. Direct expenses include infrastructure and business shutdowns, commerce disruption, and property losses. However, the full, long-term accounting considers loss of air and water quality (public health effects), ecosystems, timber, agricultural crops, recreation, tourism, and other public and private investments. Watersheds with scorched soils experience increased erosion, sediment, flooding and stream temperature fluctuations that hamper other key Oregon industries, such as fisheries.

#### **Strategy 1.2: Amplify economic effects and make Oregon's economy more resilient**

Much like preventive health care, ODF works with landowners to create healthy landscapes and communities that can better withstand wildfire without loss of life or investment. The program engages directly with landowners and communities through Community Wildfire Protection Plans (all 36 counties), the Oregon Forestlands Urban Interface Fire Protection Act (16 counties and counting), and the nationally recognized Firewise Communities program.

Forestry agencies and local stakeholders work together to reduce hazardous fuel buildup in dense, over-stocked forests. Woody biomass from fuels reduction projects supports clean technology industries, helps Oregon meet its renewable energy infrastructure goals, provides jobs, and helps revitalize rural economies. The Nature Conservancy estimates that of Oregon's 30 million acres of forests and woodlands, 25 million acres need active vegetation treatment.

The EPA and DEQ have delegated authority to ODF's smoke management program to develop and implement clean air plans, maximizing prescribed burning while minimizing smoke emissions and impacts to people.

#### **Strategy 1.2.6 directly states, "Ensure a cost-effective and coordinated wildfire protection system that provides for the protection of life, natural resources and communities by minimizing large wildfires."**

Economic prosperity and jobs are just a fraction of the total benefits that ODF protects each year. An effective fire program is the insurance policy for Oregon's investments connected to the Economy and Jobs vision, as well as the Healthy Environment and Safety vision. These include a long-term supply of timber, improved forest and rangeland health, communities that are better prepared for catastrophic wildfire, and a stable platform for forestry investment.

# Appendices

## Appendix G – Phase 2 Buy Sheets (Fire Protection Cont.)

### Program Performance

Since 2001, some 11,435 fires have burned 261,186 acres on ODF-protected land. On average, the program has responded to 1,074 fires annually. Climate, snowpack duration, and rainfall trends have contributed to fire seasons that are more severe, start earlier or stretch longer than usual. The chart to the right shows how costs increase rapidly when the proportion of fires stopped while still small decreases by even a few percentage points.

Adequate funding of firefighting resources, both on the ground and in the air, is vital for the Department to carry out its mission. An underfunded fire program today will translate to larger fires and higher costs in the future, as well as greater resource damage for years to come.

### Enabling Legislation/Program Authorization

**ORS 321** outlines the public-private partnership that funds the system.

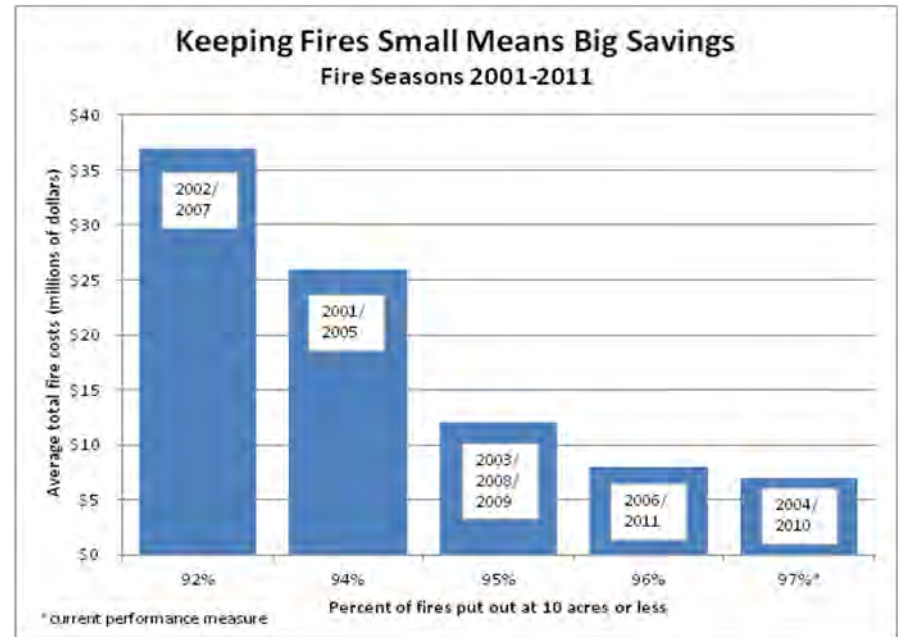
**ORS 477** declares forest conservation through fire prevention and suppression to be state policy; describes wildfire on inadequately protected forestland to be a nuisance; outlines responsibilities for landowners and the Department. Statutorily, ODF's top mission is to minimize risks and provide for the safety of Oregonians through aggressive wildfire suppression.

**ORS 526.** Through the forestland classification process, all land within a county is examined to determine which is forest and grazing land. A forest patrol fee is assessed from owners of these lands within ODF's protection district boundaries to help fund base-level fire protection.

### Funding Streams

**General Fund (GF).** These Public Share Fire Funds are acquired as 50% match to private landowner assessments and serve to offset the costs of fires started by public activity (over 1/3) and lightning (1/3), and to recognize the public benefits of a robust wildland fire protection system. This 50-50 match funds the base level of fire protection, the "fire department."

**Emergency Supplemental General Fund.** The Legislature and Emergency Board allocate a *Special Purpose Appropriation* for resources positioned around the state in response to immediate, severe fire danger. This encompasses the Department's air tanker program and portions of the helicopter program.





## Appendices

### **Appendix G – Phase 2 Buy Sheets (Fire Protection Cont.)**

**Emergency Fire Cost.** The Oregon Forest Land Protection Fund provides emergency fire funding from private and public landowner assessments, and is used for large, expensive fires. The fund equalizes these costs across the state. *The fund protects the state GF and forest landowners from the high costs of severe fire seasons.*

**Landowner Assessed Fees.** Forest Patrol assessments are based on annual budgets developed by each forest protection district and approved by the State Forester and Board of Forestry. These funds are used to leverage Public Share Fire Fund at a 50% match rate (base level of fire protection).

**Cooperative Fire.** These funds provide a ready source of additional fire suppression personnel at low or no cost to the forest protection system and local landowners. The program is funded from other landowners' payments for work done on their lands by fire personnel.

**Federal Funds.** The Department actively seeks federal funds to support the program's mission and goals. These funds have declined steadily in recent years, and at least one grant has been eliminated as of fiscal year 2013.

#### **Significant Proposed Program Changes from 2011-13**

The Department's top-priority funding increase request for 2013-2015 seeks to **help the agency meet its core missions and its goal of extinguishing 97% of fires at 10 acres or less.** The package strives to lower large-fire costs, decrease risk to the general fund over time, and maintain viable, healthy forests.

One policy package seeks to continue the appropriation of General Fund to the **Special Purpose Appropriation.** Statewide resources funded through this source are used to suppress fires while small, most often during and after multiple lightning events, and at times of severe fire conditions. This effectively limits large-fire expenses, protects natural resources, enhances public safety, and reduces smoke emissions.

A new priority policy package would leverage additional landowner funding (OF), supplementing the above General Fund Special Purpose Appropriation, for strategically placed statewide contracted resources (such as helicopters, airtankers and ground crews), increasing initial attack effectiveness. The package also allocates limited funding to reduce base fire protection costs in the eastside forest protection districts, where forest productivity is lowest, and uses a phased approach (3 biennia) to equitably share large-fire costs between the state and landowners. Landowners currently pay most of these costs.

A third request would fund a cost-effective and efficient system of **fire investigation, prevention, and cost recovery,** integral to a complete and coordinated fire protection system. Budget reductions have severely limited investigative capacity in recent years. Two fire investigator/case manager positions would provide needed investigative and cost recovery capacity statewide.