

ANALYSIS

Item 51: Department of Forestry Federal Forest Restoration

Analyst: Matt Stayner

Request: Increase Other Funds expenditure limitation for the Department of Forestry by \$3,000,000, for the expenditure revenues resultant from federal forest restoration work under Good Neighbor Authority agreements.

Analysis: The Oregon Department of Forestry provides a number of services related to federal forest restoration projects under 31 active Good Neighbor Authority (GNA) agreements with federal forestland management agencies. Revenues generated from commercial projects are shared with the Department of Forestry under the GNA agreements and can be used to fund the costs of the Department under the agreements. The current budget for the Federal Forests Restoration program is roughly \$8.3 million, with \$3 million coming from the General Fund, \$4.7 million from direct Federal Funds, and the remaining \$600,000 from anticipated federal revenue shares. Current federal revenue shares are just over \$2.5 million and are expected to continue to increase through the end of the biennium. The additional expenditure authority will allow the program to expand the scope and scale of restoration activities using the increased federal revenue shares.

Recommendation: The Legislative Fiscal Office recommends that the Emergency Board increase the Other Funds expenditure limitation for the Department of Forestry by \$3,000,000, for the expenditure of revenues resultant from federal forest restoration work under Good Neighbor Authority agreements.

Request: Increase Other Funds expenditure limitation by \$3.0 million to facilitate increasing workload associated with Good Neighbor Authority restoration projects.

Recommendation: Approve the request.

Discussion: The Oregon Department of Forestry (ODF) currently has 31 active Good Neighbor Authority (GNA) agreements through the United States Department of Agriculture Forest Service. Work performed under the GNA agreements allow ODF to conduct various restoration activities to increase forest health on federal forestlands. During the 2021 Legislative Session, the Federal Forest Restoration program, which operates the GNA projects, became a new division within the Department. At the time of the transition, the amount of Other Funds expenditure limitation needed was underestimated by the Department. This change, in addition to increased workload associated with the agreements, has caused the program to need additional Other Funds expenditure limitation. As a note, though this funding comes from the federal government, it is not treated as Federal Funds as ODF is a contractor for the federal agency for the project work being performed. The Department plans to submit a policy package for the 2023-25 biennium to increase Other Funds expenditure limitation based on the expected agreements.

Legal Reference: Increase the Other Funds expenditure limitation established by chapter 605, section 2(4), Oregon Laws 2021, for the Oregon Department of Forestry, Federal Forest Restoration, by \$3.0 million for the 2021-23 biennium.



Oregon

Kate Brown, Governor

Department of Forestry
State Forester's Office
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May 2, 2022

Senator Peter Courtney, Co-Chair
Representative Dan Rayfield, Co-Chair
Joint Emergency Board
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

RE: Oregon Department of Forestry - Federal Funds Limitation Increase Request

Dear Co-Chairs:

Nature of the Emergency/Request

The Oregon Department of Forestry (ODF) respectfully requests an increase of \$3,000,000 in Other Funds limitation to facilitate an increasing workload related to the Federal Forest Restoration (FFR) Program's commercial Good Neighbor Authority (GNA) restoration projects for the 2021-23 biennium.

Agency Action

The Good Neighbor Authority (GNA) was authorized under the 2014 Farm Bill and allows states to enter GNA agreements with federal land management agencies to carry out authorized forest, rangeland, and watershed restoration services on federal land. The GNA (16 U.S.C. 2113a) allows states to act as a trusted agent of the federal government to conduct a wide variety of restoration activities including both commercial and non-commercial thinning and forest health activities. The revenue generated from the commercial forest health treatments can be used to recover ODF's costs of implementing the projects, plan for future restoration work, or for any other authorized restoration service on federal land within the state.

ODF has 31 active GNA agreements covering ten national forests and two Bureau of Land Management (BLM) districts in Oregon. Eleven of the GNA agreements, initiated with eight national forests, involve commercial treatments and have an estimated gross GNA revenue amount of \$19 million for the agreement duration (expires March 2026). The current net GNA revenue balance across all forests and agreements is \$2.5 million and is expected to increase to \$2.75 million by the end of Fiscal Year 2022. Due to the current structure of our GNA agreements, the revenues generated from a national forest can be spent only on work within that national forest.

The increase in the GNA revenue generated and the associated increase in the projects planned to be funded with GNA revenue is the reason for the requested increase of the Other Funds limitation. The additional \$3 million in Other Funds limitation is based on the forecasted spending through the remainder of the biennium.

Specific examples of the current and planned use of these Other Funds are:

- To offset the costs of state personnel preparing and administering the commercial projects or associated non-commercial projects.
- For contractual expenses for NEPA planning surveys, wildlife habitat improvement, prescribed fire, fuels treatments, stream enhancement or other forest health treatments.
- To enter into agreements with partner agencies (eg. ODFW, ODA) or other entities (eg. watershed councils) to conduct post-implementation restoration monitoring work and noxious weed treatments.

Action Requested

The department respectfully requests an increase of \$3,000,000 in Other Funds Limitation to complete the workload related to Good Neighbor Authority projects managed by the Federal Forest Restoration Program for the 2021-23 biennium.

Legislation Affected

SB 5518, Chapter 605, section 4 (4), Oregon Laws 2021

Sincerely,



Cal Mukumoto
Oregon State Forester
(503) 945-7211

c: Jason Miner, Governor's Office
Oregon Board of Forestry
Matt Stayner, Legislative Fiscal Office
Renee Klein, Chief Financial Office