

Forest Resource Trust Advisory Committee Meeting

Minutes
May 14, 2009

A meeting of the Forest Resource Trust Advisory Committee was held on May 14, 2009, 10 am to 3 pm, at the Oregon Department of Forestry (ODF), 2600 State Street, Salem, Oregon.

Committee members present:

Mike Atkinson	John Breese	Ken Everett
Mike Heath	Jim Johnson	Sara Vickerman

Committee members absent:

Matt Delaney	Rick Fletcher	Mike Haasken
Tom Stoops		

Staff present:

Jim Cathcart	Norm Miller	Linda Price
Lanny Quackenbush	Steve Vaught	Kevin Weeks

Guests present:

Kevin Bergquist, Wells Fargo Bank	Julie Woodward, OFRI
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Agenda Items

1. Call to Order / Introductions / Welcome Attending Public
2. Review / Approval of October 23, 2008 Minutes
3. Private Forest Program Budget Outlook
4. Forest Resource Trust Communications and Marketing Plan
5. Administrative Rule Exception - Criteria for Granting Exception for Projects w/ Reforestation Requirement
6. Fund Raising Strategy Update and Next Steps
7. Forest Establishment Program Update
8. Member Roundtable – Announcements / Information Sharing
9. Next Meeting

Note: The minutes are prepared in chronological order of the agenda even though the agenda items were covered in a different order at the meeting.

1. Introductions

Mike Heath, Interim Chairman, called the meeting to order. The invited guests were introduced and welcomed by the committee.

2. Review / Approval of October 23, 2008 Minutes

The minutes were approved as written.

3. Private Forest Program Budget Outlook

Norm Miller showed a Power Point presentation to the committee concerning budget reduction strategies for the Private Forests Program of the Department. Highlights of this presentation included:

- The effects of 10%, 20% and 30% reductions to General Funds were discussed.
- At each reduction level the PFP will have to change the way we do business.
- Not only is the PFP multi-funded, but individual employees are multi-funded.
- Norm explained that these are reduction strategies, but it remains to be seen what the Legislature decides concerning the Department's 2009-11 budget.
- With the budget reductions, the remaining staff will need to refocus job duties to ensure that responsibilities for funding sources are done (instead of duties formerly funded and performed).
- It is certainly the Department's goal to retain all employees.
- Some of the decision for which positions to cut were due to bumping rights employees have when they are laid off. The least senior employees in some cases will be cut in order to minimize bumping by employees with more seniority.
- Timber harvest levels are down which means funding for the Department's State Forests Program which is funded by timber sales is down. This coming Monday layoff notices are being given to @ 35% of State Forests employees. Some of those employees probably will be bumping into positions in the PFP resulting in loss of experienced Stewardship Foresters.
- There are some opportunities currently, the Department may receive \$4 million Federal funds (TARP), another \$4 million national fire plan funds for fuels reduction and another \$100,000 federal funds to pay for assistance to communities. PFP has applied for \$11 million NOAA stimulus funds (part of the AARA) which are federal stimulus funds. PFP also has applied for @ \$250 million from the USFS for projects.
- It looks like we may have @ \$19 million in State and Private Forestry stimulus projects. 15-18% of this would be for administration by the Stewardship Foresters in the field and in Salem.
- Tomorrow the Legislature will have the May economic forecast and will begin acting on the Department's budget bill. Once they have decided on the Department's budget, we have to put it into place. At that time, the PFP can add details about who will be impacted by reductions and how reductions will impact how we do business.

Questions from the committee and guests included:

- Does the Legislature direct the Department how to spend/reduce? Norm answered that the Legislature approves a budget, the Department has some discretion on how to spend/reduce their budget.
- What types of projects would be funded by the stimulus money? The USFS funds are for SOD projects in Curry County and also forest health issues in Northeast Oregon and also thinning projects in Klamath-Lake area where the goal is to put people to work and to reduce fire danger. For the NOAA funds, fish passage projects would be funded by PFP and OWEB.
- When would the budget reductions take effect? All state agencies have been directed to reduce their existing budgets by a certain amount due to decreased state income tax revenue. Those reductions are in place right now. The new reductions will take effect on July 1, although if the Legislature makes the decision to reduce agency budgets on June 30, agencies can't really implement them on July 1 due to such requirements as giving employees 2 week notice of layoff. Delaying implementation, results in further reductions in staff etc.
- What is the term of the budget reductions? For the 2009-11 biennium. If the economy improves during 2009 and meets January 2010, the Legislature could change the agency budgets and employees may be rehired (unless the positions were cut).
- Will the stimulus funds act as a bridge to keep some employees funded? That is what we are trying to do. One reason for the decision to retain 3 technical experts in Salem is because they are some of our key people who provide training for Stewardship Foresters and to preserve that knowledge base.
- The Department may have problems if it loses Stewardship Foresters and laws are not enforced. It doesn't make sense to lose these employees with more knowledge than other employees in the Department. There will be more violations of the FPA especially on small private lands if there is a reduction in enforcement by stewardship foresters.

4. Forest Resource Trust Communications and Marketing Plan

Jim Cathcart explained that when new rules were adopted recently, a member of the Board of Forestry recommended that a communications and marketing plan be developed for the Trust. Kevin Weeks shared with the committee the plan he has developed. Copies of the plan were distributed at the meeting. Three strategies have been developed for communicating and marketing of Trust programs to the public. The first strategy is to communicate current successes of the Trust's Forest Establishment Program. Kevin hopes to do this in the future by developing a 10-12 page brochure showing before and after photos of a project to tell a success story. It is important to inform Oregonians about the benefits from forestland such as carbon offsets, clean drinking water, etc.

The second strategy is to sell the Trust to potential investors to secure additional funding for Trust programs.

The third strategy is to market brand new Trust programs and secure funding for them.

New Forest Establishment Program brochure has been developed and is on the ODF web site. Brochures were distributed at the meeting. As new Trust programs are developed, new brochures will be made available to help market these programs. New content on the website is being developed for example the Lawrence Martin success story. Copies of this story were distributed at the meeting. Coverage about this project was on television and a link to it is also available on the website. Another example of a success story is the Grundd-Clampitt project which was the first one funded by Klamath Cogeneration funds. More information about that successful project will be available in the near future.

Finally, Kevin will be working with Jim on a report to the 2011 Legislature on Trust programs as required in statute.

On the last page of the marketing plan, Kevin pointed out that there is a timeline for the plan including barriers to success of the plan. Reductions in Private Forests Program and Stewardship Forester positions are other barriers to the plan.

The marketing/communications plan was discussed by the committee.

Comments/questions included:

1. Sarah Vickerman – attracting new revenue is difficult in this economy. She recommends we try to attract existing revenue to the Trust. There are investors with millions of dollars waiting to invest in conservation projects but who need to know the rules of the game and whether and when there will be a return on their investment. ODF will need to convince the investors that it is the agency to deliver these projects, finding and packaging projects is harder than finding funds. Jim Cathcart commented that funds would be targeted to specific types of projects as described in agreements with investors. We'll touch on this topic later in the meeting today. With our new authorities the Trust can accept funds for purposes other than forest establishment. Sarah also said that comingling of funds is also a barrier to getting funds because funds from a private investor cannot be commingled with other funds for example BPA and OWEB projects where if any of their funds are used in a project, those agencies receive any credits even though other funds were used. Most investors don't want to fully fund projects, they want money matches instead and they also want all the credits from the projects which is absurd. Who owns the ecosystem service credits which may exist now or in the future is the big question. Does the owner need to repay funds if ecosystem credits are sold later? Jim said if it is likely a project will have ecosystem asset to sell in the future then the project is not eligible for cost share funds but would be eligible for loan funds. Profits from assets sold in the future would be used to repay the loan. Other benefits are pointed out to owners, but the decision of the desired benefits are left to the owners. If they decide that they want a forest established, that is what the funds are for. The Trust's loan program is the only option for owners who do not have their own funds to cost share or to pay for projects. If we get new funds, Jim plans to apply it to cost share program projects. Ken Everett confirmed what Jim said about if the owners had their own funds, their land would probably be forested. Since they don't have their own funds, the Trust is their only option for forestation of their underproductive lands. The brochure helps to sell the program

to these owners. There has been more interest in the Trust especially in this poor economy. Instead of marketing the Trust to owners at Tree Schools, need to market it to owners who don't already know about forest management of their lands. He has been doing targeted mailings to owners and quite a number of applications and new projects are the result of this marketing. Signage on successful projects is recommended as an additional marketing tool to other owners and investors. Success stories in local papers and TV stations would be good. Jim said we have also tried to let realtors know about the program so that when lands are for sale, they can tell buyers about the opportunities to reforest the land. Master Woodland Managers and Soil & Water Conservation Districts and Watershed Councils are additional sources of educating and marketing the Trust to owners. County assessor staffs would be good to educate also. Clackamas County is aggressively checking on forest deferral properties this year.

2. Kevin showed the TV clip of the Martin project to the committee and said it will also be available on the web site.

5. Administrative Rule Exception - Criteria for Granting Exception for Projects w/ Reforestation Requirement

Jim Cathcart gave some background regarding the exception to the rule and distributed copies of the rule regarding exceptions and also copies of Draft Guidance on this rule for review and discussion. Previous to this rule, projects which had a reforestation obligation under the FPA were not eligible for Trust funds. The obligation exists even if ODF has not enforced reforestation obligation and it passes from one owner to the next. The exception to the rule is to help address the resource condition and its neglect over time. If granted an exception, we could achieve a better resource condition outcome than if the project had been reforested normally. This Guidance is an attempt to come up with criteria for the exceptions. Jim turned the review over to Steve Vaught. Steve asked the Stewardship Foresters to send in examples of actual projects with reforestation obligations. We received three such projects and Salem staff reviewed them and developed these criteria broken into two categories, 8 required criteria and 6 desirable (but not required) criteria to help provide a ranking of projects. He said often times, new owners do not know of reforestation obligations. Jim added that before this Guidance is finalized, we wanted this committee's review and input. There is no need for their approval of the Guidance nor for that of the Board of Forestry. Sarah Vickerman commented on Additional Criteria letter "a" and suggested revised wording to open up the opportunity to include more projects. Sarah suggested changing the word "and" to "and/or". Julie Woodward suggested wording be added to include benefits to public safety such as landslide mitigation. Jim said another criteria will be added to include that. Jim explained the existing rule where Suspension of Reforestation allows Trust funds for projects where there was clearing that resulted in a non money making operation. This exception is not for those situations but is for projects where the current owner is not the owner who did the salvage operation. Jim explained that we won't give emphasis to this rule in marketing the Trust but did decide to mention the exception in the new brochure. Exceptions will come from Stewardship Foresters where enforcement failed and where they meet these criteria for exceptions. Regarding criteria #3, it was suggested that the applicant sign a statement saying that he did not receive documentation regarding the reforestation obligation prior to acquiring the property. Another question is how it will be determined that the owner has a financial need for

assistance. Kevin Bergquist said banks ask for tax statements to determine financial status. It was suggested that the word “can” be changed to “must” in #3. Jim Johnson said as opposed to asking for all tax returns, just have them sign a statement and then audit a small number later. That would speed up the process so the property gets reforested. Criteria #3-7 are all subjective and if the stewardship forester doesn’t recommend the case is eligible for the exception, the request will go nowhere. If they need more information including tax statements to answer #3-7, they can ask for it before recommending the project. The committee agreed with the draft process outlined by Jim and Steve. The revised criteria will be sent with the minutes.

6. Fund Raising Strategy Update and Next Steps

Jim Cathcart summarized what has been done so far to raise new funds for Trust Programs.

Bottom line is that there hasn’t been any success to date.

- Defenders of Wildlife helped Jim with a drill-down exercise in the Conservation Strategy, picking the Yamhill Conservation Opportunity Area and the Sandy COA. For more information about this drill down exercise, please refer to the October 23, 2008 Minutes, page 5. ODF&W’s Program Option Package included funds for implementing the Conservation Strategies. As we all know, none of the State Agencies’ POP’s were included in the Governor’s Recommended Budget and have instead been replaced by a 10% reduction of all agency budgets. This project has been put on the back burner although it is still on the “to do” list.
- Sarah Vickerman asked could funds for the Trust be included in requests for stimulus money? Jim said if it could, we missed it. Since stimulus funds were looking for “shovel ready” projects, Jim doesn’t think the Trust Programs would qualify.
- Stewardship plans – Jim discussed how we have a data base of owners who have stewardship plans that include all practices owners plan to implement. The data base does not include in which areas, specific practices are needed. Need owners to say ahead of time that they are ready and willing to do certain practices.
- Stimulus fund request process happened very quickly. Jim did mention to those who were working on getting those funds, to keep the Trust in mind as a place for those funds.
- Sarah said there may still be opportunities for conservation funding from federal agencies and the closed the Trust is to having projects ready, the better chance there is that the Trust would be looked at favorably to put the funds.
- Kevin Bergquist mentioned Pacific Forest Trust in CA. who finds carbon offsets for businesses. They may have funds for projects here in Oregon. Sarah suggested data entering projects into the Conservation Registry which is a national data base of projects. It is user friendly and quick. Defenders of Wildlife talks to investors and tells them to go that registry when they are in need of projects within particular conservation opportunity areas (COAs). Good projects are hard to find. The registry includes a “project needs” field including funding needs so investors could find Trust Program projects which need funding by doing a nation wide search of the registry. It is a way of marketing the Trust to more investors.

- Jim reported that Yamhill Basin Council's proposal (please refer to Minutes of October 23, 2008 page 4 for more information) was not selected for funding by the Model Watershed Program. This is another lost opportunity for the Trust.
- Sarah asked has Jim contacted OWEB to do a pilot project? Jim said that is still an action item on the "to do" list for Sarah and Jim. Sarah is meeting with OWEB's director today and she will mention this possibility to him.
- Jim summarized that the Trust does not want to create a corner on the market but hopes to market itself as a means to implement on the ground to investors.
- Sarah suggested we contact Wolfgang Ortloff with Equator Environmental, a group of private investors with millions of dollars, emphasizing carbon cap and trade. He could take their funds and give it to the Trust to implement multiple smaller projects which would be lumped together as one bigger project for reporting purposes. He wants large projects that have multiple types of credits associated with them.
- Jim wants to continue with the drill down exercise in the Yamhill COA and get a group of landowners there who are willing to do projects and then enter them as one project in the conservation registry so investors like Wolfgang can be directed there to invest. He thinks this is an achievable step.
- Kevin Bergquist asked if Stewardship Foresters might identify 20 or so projects in their areas that need certain practices and enter those in the registry also. Jim said if we had the information on our data base concerning needs identified in stewardship plans, we wouldn't even need to ask the Stewardship Foresters to identify projects. They did recently identify projects for stimulus fund proposals in a very short timeframe. Jim said we should also enter existing Trust projects in the registry, but we would need to get landowner's permission before doing so. This is a followup action.
- John Breese mentioned he knows of some owners who got stimulus money for projects on the East side

7. Forest Establishment Program Update

- One new project signed up over the summer;
 - 45 acres fell out of the application process, one owner withdrew application and the other was determined not to be underproductive.
 - Five projects applied for are currently under review, containing 133 acres total and
 - Two applications on hold for different reasons.
- Jim will continue to work to interest new members to fill vacancies on the committee. Representatives from ODF&W, OFRI, OSWA and OWEB are needed. Kevin Berquist would be included at that time also. With more member nominees, the BOF would need to approve their appointments.

8. Member Roundtable – Announcements/Information Sharing



9. Next Meeting

The next meeting was scheduled for Thursday, October 29, 2009 was cancelled. No new meetings have been scheduled.

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