

**Forest Resource Trust Advisory Committee**  
**Meeting Minutes**  
**May 15, 2008**  
**Draft**

Members Present:

John Breese, Ken Everett, Mike Heath and Sara Vickerman.

Members absent:

Mike Atkinson, Matt Delaney, Rick Fletcher, Mike Haasken, Jim Johnson and Tom Stoops

ODF staff present:

Jim Cathcart, Linda Price and Kevin Weeks.

Guests present:

None

**Agenda Items**

1. Call to Order / Introductions / Welcome Attending Public
2. Review / Approval of March 6, 2008 Meeting Minutes
3. Update on Draft Administrative Rulemaking – Forest Resource Trust Programs
4. Developing a Fund Raising Strategy for the Forest Resource Trust – Discussion
5. Member Roundtable – Announcements / Information Sharing
6. Next Meeting

**Meeting:**

**1. Call to Order / Introductions / Welcome Attending Public:**

- Mike Heath, Interim Chairman, called to order the meeting of the Forest Resource Trust Advisory Committee at 10 a.m. on May 15, 2008 in the Oregon Department of Forestry's Santiam Room, Building D, 2600 State Street, Salem, Oregon.
- There were no guests or members of the general public present.
- Jim Cathcart reported that Ilene Waldorf has officially resigned from the committee. Her service over the years on this committee as well as other committees has been appreciated.

**2. Review / Approval of March 6, 2008 Meeting Minutes:** The committee tentatively approved the minutes. However it was noted that with few members present, the minutes can still be revised based on comments received from non-attending members.

**3. Update on Draft Administrative Rulemaking – Forest Resource Trust Programs** The draft rules will be presented to the Board of Forestry for their consent to move forward with rulemaking at their meeting on June 4 at 8 A.M... Mike Heath will attend the meeting with Jim Cathcart and Lanny Quackenbush to present the item. Jim is preparing the presentation. Copies of the Rules and the Staff Report were distributed today. Any other committee member who wants to attend to testify in support of the changes is welcome also.

- Sara asked if one minor change could be made to OAR 629-022-0110 (3) (b) Eligible Landowners and Land (page 6 of the Rules handout). After “farm” insert “or conservation”... The issue is that some counties now have the statutory option to effectively zone land for conservation purposes and such land may be deemed ineligible because they are neither farm nor forest.
  - (a) The question is “Does being zoned for farm or forest use exclude lands that are being managed for conservation uses under these laws?” If it does then what language do we need to add to this rule?
  - (b) Jim said he could propose this change at the BOF meeting if Sara sends him more information on zoning in relation to this. The question is whether the county adoption of conservation as a deferred tax land use actually changes the zoning of those lands.
  - (c) Sara will ask Patti Snow for the information and send it to Jim. Sara will also write a note for the BOF saying she supports the work that this committee has done on the rules and request this one minor change to the rule.

#### **4. Developing a Fund Raising Strategy for the Forest Resource Trust – Discussion.**

- **Background of the Trust:** Jim gave some background about the Trust and the authorities that the Trust has to obtain funds.
  - (a) Began in 1993 with Oregon Lottery dollars for the purpose of funding reforestation for timber production on underproducing lands with the Tillamook Forest as its inspiration. \$3 million initially authorized to the Trust.
  - (b) In 1995, the Legislature rescinded unallocated dollars. John Breese was on the committee then and he said they were surprised by this taking back of the funds. The issue was very few sign-ups and higher priority needs for the funds. Few owners were interested in having a mortgage on their property. The 1995

Legislature did give the Forest Resource Trust the option of using a lien on the forest products to secure its financial interest instead of using a mortgage and this did stimulate some interest and 20 projects were funded. However, this activity was not enough to prevent the legislature from rescinding remaining funds.

- (c) Late 1990's Mark Trexler saw forestation projects funded through the Forest Resource Trust's Stand Establishment Program as potential carbon offset sites. The Klamath Cogeneration Project (KCP) was awarded a site certificate based in part on the strength of its carbon offset project portfolio – the first time Oregon awarded a site certificate based on environmental performance in offsetting carbon dioxide emissions. The Forest Resource Trust Stand Establishment Program was part of the KCP carbon offset portfolio.
- (d) In 1999, the Klamath Cogeneration Project was awarded its site certificate – which required \$1.5 million funding to be provided to the Forest Resource Trust Stand Establishment Program. The forecasted total amount of carbon offsets from forestation projects funded through the Stand Establishment Program was calculated by Oregon State University.
- (e) Currently, remaining funds are @ \$390,000 unallocated. Jim Cathcart expects the remaining funds to be allocated in the next 1-2 years. Tom Stoops said previously that KCP wants to keep these funds in the loan program because they like the structure even though few acres are funded.
- (f) The \$1.5 million was supposed to be matched by the City of Klamath Falls and Pacific Power and Marketing. The agreement with The BOF required KCP to donate \$ 4.5 million (3:1 matching funds). The Energy Facility Siting Council required KCP to donate only \$ 3 million (2:1 matching funds). In either case, securing the match was problematic:
  - 1. The allocation of the first \$1.5 million to forestation projects on the ground has not been as successful in terms of the number of years it was first estimated to take and
  - 2. ODF had created an NGO (non governmental organization) “Oregon Forest Foundation” as a fundraising entity to solicit funds for the Forest Resource Trust so funding entities – namely foundations - that can't give to a state agency could donate to the NGO. The Oregon Forest Foundation contacted many foundations trying to secure funds. Nothing came of it and the Oregon Forest Foundation was disbanded in 2000.
- (h) In January of 2007, the BOF adopted final rules that simplified the Stand Establishment Program. The complexity with the revenue sharing agreement was

eliminated, the requirement for recording a lien was dropped (except if there is a breach of contract) and the interest rate was lowered and restructured (as simple).

- (i) Currently the Forest Resource Trust needs more funds. The power plant is under new ownership. In 10 years if KCP does not perform on their portfolio, there are contingencies whereby they would have to contribute an additional \$300,000 to carbon offset projects. It is cheaper for KCP to contribute \$300,000 in contingencies than to raise \$1.5 million. However, there is still the option for pushing KCP to donate the addition \$1.5 million or \$3 million.
- (j) Additionality - To be eligible for funding under the loan program, lands had to be free of reforestation obligation under the FPA. They would not have otherwise been converted to forest, if not for Trust funds or some other funds. Comments on this topic were the following
  - 1. Jim said the agreement with KCP requires ODF to develop a measurement and monitoring plan which still needs to be done. Converting pastureland yields different carbon offsets than converting some other lands. For instance, converting lands affected by Sudden Oak Death (SOD) does not yield as much additional carbon offset credits as pasture conversion.
  - 2. We could get additional funds from KCP and put that money into cost share program (instead of the loan program) but they would still want to retain the carbon offsets. It will be key, how we finish spending the first \$1.5 million.
  - 3. Ken Everett believes there are still many potential lands that are underproductive on the West side.
  - 4. Jim said that with new rules, there will be an exemption process whereby lands with reforestation obligation (under FPA) may qualify for Trust funds. Current rules prohibit these types of lands from Trust funding. Old Christmas tree lands may qualify also.

**Discussion by the committee included:** Jim said this committee needs to answer the questions: What existing strategies or plans are out there that need forest landowners to take action in order to meet the goals of the strategy or plan (e.g., the Oregon Plan for Salmon and Watersheds, The Oregon Conservation Strategy). What are the specific actions (i.e., projects) that need to be done in specific geographic areas to benefit a particular species? What is the funding climate for implementing these actions?

- (a) Current loan structure is labor intensive while the new cost share model is not.

- (b) Next 5 years, loan program will be structured to fund more than reforestation. Opened up to conservation, wildlife, water quality. Cost share mechanism in place also to fund these as well.
- (c) Rich Fletcher sent an e-mail to Jim asking do we want to pursue other types of mitigation dollars. Ecosystem marketplace structure is developing and the concern is that we would want to bundle ecosystem services. The Trust could handle some of these funds.
- (d) Sara said under the Western Climate Initiative there has been discussion about auctioning and trading after auction. The federal government could get funds in a cap and trade system and allocate funds to resource agencies. Cash may be generated. Jim suggested we could position the Forest Resource Trust as a handler for these types of funds. Forestry may not even be eligible for funds at this point, may know by August. Difficult to measure benefits of carbon offsets.
- (e) Jim asked do we want to expand out of the carbon market. He also discussed current funding proposal by ODF for 2009-10 including a proposal for more stewardship foresters. This would benefit the Trust by providing more field people to deliver landowner assistance, but does not provide funds for projects.
- (f) We need to get those funds from outside ODF. Comments on this topic included:
  - 1. Mike Heath suggested that we seek other sources (outside carbon offsets) for instance in Washington County there is a need for clean water and cooling of water. He mentioned Clean Water Services.
  - 2. Sara added that Water Quality Trading is done by the Division of State Lands (DSL). Other communities don't have the technical expertise that Washington County has so they use the Conservation Reserve Enhancement Program (CREP) for funds and supplement them with ratepayer funds to pay landowners for riparian restoration. The program works well.
  - 3. John Breese added that on the East side, junipers reduce water quality or supply which is the opposite of on the West side where trees and vegetation enhance water quality.
  - 4. Sara asked could ODF negotiate on behalf of forestland owners with cities to get ratepayer funds for improvement of water quality.
  - 5. Mike thinks we should not go after more taxes for funding but go after Energy companies who are flush with money.

6. Jim added that in the past he has been contacted by Clean Water Services to have the Trust hold funds and they ended up going the Conservation Reserve Enhancement Program (CREP) route. Other water basins may be interested.
7. Sara said they are not obligated to reduce water temperatures for now, if they are in future we may approach them. A buy and bank system by the Trust may be good to do now so we have those credits available when they are pressured to reduce water temperature. She suggested talking to Bill Gathy, Director and Bobby Cochran of Clean Water Services to find out what the limitations of the CREP are especially for smaller communities. Maybe the Trust could handle this for smaller communities. Willamette Partnership mentioned. Economy of Scale important as opposed to having multiple systems of delivery.
8. Sara said there are numerous programs approved nationwide by Environmental Protection Agency (EPA) and most have never executed a single trade due to complex rules and high risk for investors.
9. Jim asked when does the benefit happen. With CREP projects starting from 0 shade, the water quality benefit of lower stream temperature does not occur right away. Sara said there is a 3:1 ratio in their model to account for this since some projects fail but over time you get some benefit even if not better water quality. Need a better handle on the benefit and at what point the benefit occurs.
10. Sara said should look at which communities or watersheds especially on the East side are more vulnerable to development and target those areas for CREP type projects. The governor is interested in this topic.
11. John mentioned the Shelton Dam project and Deschutes River and Crooked River salmon project which are getting money for salmon and steelhead introduction for mitigation.
12. Sara suggested we need to develop a clear strategy for how to invest their money; it would be easier to find a source of funds with a clear purpose. Define the beneficiaries and how to extract funds from them. Then we can be serious negotiators in the Ecosystem Marketplace. Jim said that is like he said earlier "What do we want the Trust to do?"
13. How do we develop this strategy? Sara said she wants the Forest Resource Trust to be a player in aggressively facilitating ecological restoration that benefits landowners to improve ecosystem services. Landowners want to make money, needs to do good things, program needs to be simple to administer, potential to make a profit, access to multiple markets. Jim said we have the Oregon Conservation strategy in our statute now, so should use the Forest Resource Trust to support that.

14. Does ODF&W or the Wildlife Commission have set of priorities that state the types of practices on specific forestlands to benefit a particular species? Sara said yes they do which means we can be very specific about what you are trying to do and where and what success looks like etc. We need to work with ODF&W to pull this out of the strategy. Jim said we've tried to get them to join this committee but have not had any success. Rod Krahmer is the ODF&W liaison with ODF.

- **Action Items:** Jim said before our next meeting in October, we should do a literature or strategy review to identify what specific actions from forestlands are needed to implement the strategies in specific geographic regions. Research best places to invest on forestland for each opportunity. This is the opportunity portfolio:
  - (a) Carbon Western Climate Initiative
  - (b) Water Quality trading – EPA and Oregon Department of Water Quality
  - (c) Oregon Plan for Salmon and Watersheds
  - (d) Oregon Conservation Strategy
  - (e) Bio Energy (Public and Private)/Fire Mitigation.
- **Recommendations** from this discussion include:
  - (a) Based on this research, we would come back to this committee with geographic areas of the state; evaluate the pressing resource concerns that would benefit from these types of actions on forestland. For instance, in the Northwest, deficiencies of oak woodland habitats, if landowners did these things, it would improve these habitats.
  - (b) Jim would work with ODF&W and Defenders of Wildlife to interpret the Conservation Strategy in that way. What species and habitat types could most benefit from these actions on forestland?
  - (c) Jim hopes to bring back to the committee in October – the three big ones to go after. It is doable.
  - (d) We could carve out more specific areas where we think we have the best chance for success. By having it geographically identified maybe we could make sure one is for Eastern Oregon.

- (e) Sara said Sara O'Brien of Defenders of Wildlife could help Jim with this project. Sarah also suggested Rick Brown to help. Rick has been involved in a Lakeview study for 10 years.
- (f) Mike Heath wants to see us research Bio Fuels on forestland. Bio energy and fire mitigation. Jim said, there are studies of which private lands are involved with this area. For instance in Lakeview, the Forest Resource Trust could compliment the efforts of private landowners to reduce carbon on their lands. Joe Misek of Resource Planning Program is ODF's representative on a Forest Biomass Workgroup. The Oregon Forest Resources Institute is involved with this too.
- (g) Jim said ODF is required to do an assessment for the new Farm Bill called State Forest Assessment. Also for the BOF staff is required to do a forest assessment for the next Forestry Program for Oregon. There are a number of tools in our toolbox including: Forest Legacy Assessment of Need, Stewardship Agreements and Spatial Analysis for the Private Forests Division. These are all chasing after the same thing and he hopes they can be corralled so they don't all do their own thing.

**5. Stand Establishment Program - Jim reported:**

- (a) Contracts awarded to three consultants for landowner outreach in most of the Western Counties (Klamath Cogeneration Funds are targeted for Douglas fir production although high site Ponderosa Pine can qualify also in Eastern Oregon). Consultants do interviews with landowners, qualify sites and develop project plans for Trust projects. Ken Everett's corporation Map, Inc. was awarded the northern Willamette Valley counties and therefore continues to work on Trust projects (under previous contracts). North Coast and Linn and Benton Counties were awarded to Marc Barnes of Integrated Resource Management and the Southern Willamette Valley was awarded once again to Barnes & Associates, Rick Barnes. The good thing about poor timber markets is that consultants have time to work on Forest Resource Trust projects because when markets are good they are too busy.
- (b) In the pipeline – 5 projects signed up to proceed to contract signing and start this summer. One new application recently. Two new active applications with 44 acres, one applicant who wants to expand his current project. Two other applications on hold for various reasons.
- (c) Since our last meeting in March, two other applications were denied for 120 acres, one for delinquent taxes and the other was a third party interest who applied to see if it would qualify before they acquired it. The current owner never gave their permission for the application.
- (d) There are total 32 projects, 983 acres, 249 declared free to grow, the Klamath money 22 of those projects, 602 acres and 77 free to grow certified.



- (e) Jim will schedule more free to grow surveys soon so more acres can be certified free to grow. Surveys are mostly done by ODF seasonal crews for our Insect and Disease unit or by Jim himself. Since this is a contract performance survey, it must be done by ODF.
- **Discussion** concerning the Stand Establishment Program followed:
  - (a) What are costs per acre to get these to free to grow? Jim said costs keep going up but we have not looked at that specifically. Smaller acre projects like these (10-30 acres) are more expensive because there are fixed costs and efficiencies for larger projects.
  - (b) Although larger projects are awarded more points, with Klamath money, we've been signing up virtually any project with the minimum acres. However we have been pushing back on smaller projects, a couple were discouraged whiffle ball projects i.e. they are not 10 contiguous acres but have holes in them and are very hard to manage. Must have 10 contiguous acres and after that can include other acres. The Hegar application we just got is a solid 10 acres or more and will be a good project.
  - (c) Sara asked if we get applications for overgrown Christmas tree or holly farm acres. She sees them in Clackamas County. It would be great to get rid of these types of acres. Holly must be poisoned to get rid of it.
  - (d) Ken asked what is the timeframe for when an application comes in to when it is ready to begin. Jim said it is about six months. Ken said that is a problem because good weather opportunities (for site preparation) are missed.
  - (e) Sara asked since we are getting more applications, are we getting better at processing them? Jim said we have organizational infrastructure issues; the field resource is spread too thin. It depends on the area it is in how fast the stewardship forester can move on it. If the field can't do it or there is a field position vacant, staff in Salem tries to fill in and do them but it is difficult.
  - (f) The sign up period is broken up into two periods now: the fall period is for applications that are received by the fall through end of January; they will be ready to begin site preparation the following summer. There are issues such as title to the property where because the Trust contract includes covenants and restrictions which run with the land, must be worked out. For cost share program, there won't be title issues to deal with.
  - (g) The second period is those received by May 30 and those would start late summer or early fall. ODF is dealing with things like no training coordinator, budget realities, vacancies in the field and in Salem, resources in Salem spread thin.

- (h) Jim's funding is not from Forest Resource Trust funds so he can't devote himself to the Trust. If all the pieces were in place, signups could be done in a couple of months. When you run into issues like delinquent taxes, there are delays.
- (i) Existing funds are all for stand establishment. New funds would be for the new cost share program.
- (j) Linda asked about the consultant contracts awarded for payments up to \$100,000 total. Doesn't that mean that of the \$390,000 funds remaining, \$100,000 is for the consultant contracts? Jim said no because of buffers in the contracts, he does not expect to spend \$100,000 on the consultants.
- (k) Ken asked that stewardship foresters notify him of parcels they know are underproductive and he could follow up on them to see if the owners are interested in the Trust. He has sent letters to owners already when he notices parcels that have potential. Jim will ask Steve Vaught to send an e-mail to the field to let them know which consultants were awarded contracts in their district. Ken also said he will contact the newspaper about visiting Trust projects to get the word out about the program.
- (l) Jim said we should use Kevin Weeks to develop outreach strategy. He will involve Kevin in this. We also have a new GIS person coming in who can help Jim with this. Sara said there are many parcels in Clackamas County that may qualify for the Trust.
- (m) Ken said it is difficult interesting these owners when he knows they are likely to be developed in the near future for nonforest use. He doesn't think they should qualify. John said also some communities have no harvest ordinances now which would disqualify parcels.
- (n) Ken didn't realize overgrown Christmas tree farms would qualify because they already have a forest cover on them. Jim said if it is not a manageable stand it would be considered underproductive and may be considered agricultural land not forestland. Often need to start these stands over.
- (o) Ken will contact Capitol Press and the Oregonian. Kevin and stewardship foresters could join them too.

## 6. Member Roundtable/Announcements

- **Sara announced** she is attending next week a meeting in D.C. National Council on Science and Sustainable Forestry talking about a national sustainable forestry policy. Comments on this topic included:

- (a) Marvin and Jim Brown will be there along with other Oregon representatives.
- (b) This council has been publishing reports for about six years. Marvin is very interested in this topic. He has sent articles to Sara and has tried to interest the Society of American Foresters in this topic.
- (c) Will involve many stakeholders.
- (d) John said on the East side fire protection costs more than income you can make from the trees harvested. Marvin aware of this issue. Development has become the higher and better use for these lands on the East side.
- (e) Sara said you also need to compare Pacific coast states that have Forest Practices laws and Southeastern states that do not. The additionality principle and the carbon payments, anything you do down there is additional because there are no requirements. There is a huge unevenness in conversion rate and regulations. So if there were some sort of national policy...
- (f) The council involves many stakeholders including State Foresters, conservation groups, landowners, academics, philanthropic organizations, and is funded by foundations including the Doris Duke foundation.
- (g) They've done tons of research on monitoring and published lots but finally decided it didn't matter what the science said if the policy didn't work. In order to implement the science, need to adjust the policy.

**6. Next Meeting:** Thursday, October 23, 2008, from 10-3 p.m., here at Salem Headquarters, Bldg. D, Santiam Room. Lunch will be provided. Meeting Adjourned.