

Governor Kitzhaber testimony before the Board of Forestry

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I. Introduction

Thank you for this opportunity to speak with you today. It comes at an important time. While there is chaos in our nation – Oregon remains an island of sanity; a place where we can still bring our problems and differences to a common table and seek win/win solutions.

In the past legislative session – and confronted with a larger per capita budget deficit than either California or Washington – we balanced our budget with civility and integrity; without tearing our state apart like Wisconsin; or shutting it down like Minnesota.

I would like to apply that same spirit to the management of our forest lands, which remain embroiled in controversy. The vast federal forests of Eastern Oregon continue to need environmentally sound active management to restore their health at a landscape scale. In SW Oregon, the conflict over how the O&C forest lands should be managed has reached a new chapter. All the while, many rural counties and communities across our state face a relentless slide into fiscal insolvency and social disintegration. And earlier today, you engaged in rulemaking on the management of the Elliott state forest – an issue that has also fostered deep and ongoing controversy

So while I am here to speak to the Board of Forestry about Oregon's state forest lands, my overall concern, my hope and my vision, centers on Oregon's forested landscape as a whole; and on creating a path forward that can unify the often competing interests that have divided us in the past.

As you know, I have had a long involvement in forest policy in Oregon, dating back to the two rewrites of the Oregon Forest Practices Act in 1987 and 1991 when I was President of the State Senate; the Eastside Forest Health Project and the Blue Mountain Demonstration Project; the development and implementation of the Oregon Plan for Salmon and Watersheds; and carrying through to the initial development of the management plan for the Tillamook and Clatsop State Forests during my service as Governor from 1995-2003.

Over the years I have witnessed legislative attempts to establish timber primacy on our state forests; as well as ballot measures which attempted to set aside half the landscape for preservation purposes. Both approaches reflect the politically-driven see-saw management of these lands which has colored our past; and both approaches erode trust and diminish our capacity to put in place the kind of sustainable forest policy which can help inform the management debate across Oregon's larger forest landscape.

Given this history it is understandable that your recently revised management plan for the Tillamook and Clatsop State Forests of northwest Oregon is not without controversy, with many on all sides expressing a familiar set of concerns. The environmental community is concerned that the increased harvest level is not sustainable and will jeopardize conservation values; the wood products industry is concerned that any reduction in harvest – particularly given the timber supply problem being

exacerbated by raw log exports -- will jeopardize the viability of our local mill infrastructure and the jobs associated with it; and counties are concerned that any reduction in the harvest level will further erode the already strained financial integrity of local government.

These are variations of the same concerns we are hearing surrounding the Elliott state forest; the current and future management of our O&C lands; and of the much larger federal forest landscape managed by the U.S. Forest Service. It is an old litany. And all of these concerns have merit – certainly when viewed in isolation – but perhaps less so when viewed through a larger lens.

II. Providing a Larger Context

The state forests that are managed by the Oregon’s Board of Forestry represent an opportunity to craft a model for public forest land management. I suggest to you that we have not yet perfected that model. It is a work in progress, and it is part of a much larger picture and should be viewed in that context.

Almost 60% of Oregon’s land base is in federal ownership, almost 18 million acres of which is forest land managed either by the U.S. Forest Service (14.7 million acres) or the Bureau of Land Management (3.2 million acres). This means that of the 30.5 million acres of forest landscape in Oregon, the federal government owns and manages 59% (17.9 million acres); and state owns and manages 3% (871,000 acres); and 38 percent is in private ownership (5.8 million acres in family forest land; and 5.7 million acres in private industrial forest land).

What happens on these federal lands, therefore, plays a significant role in overall public forest land management policy; which, in turn influences what happens on our state and private forest lands. I believe that one of the central flaws in our current effort to develop a rational and balanced policy for managing public forest land in Oregon is that we operate in silos, viewing state lands in isolation from activities on federal and private forest lands. This becomes obvious when we look at forest land ownership in Oregon and the relative contributions that these lands make to annual timber production.

Total Forest Land in Oregon = 30,499,733 acres

<u>Ownership</u>	<u>Percent Land Base</u>	<u>Percent Timber Production</u>
Federal	59%	12%
State	3%	10%
Private (Industrial + non-industrial)	19%	75%

As you can see, the vast majority of annual timber production (75%) comes from private land. And while the fact that private industrial timber lands are producing most of the volume may not be surprising, when viewed in a larger landscape context – and given the current market forces – this is not necessarily a healthy situation; a point I will return to in a moment.

Furthermore, while at a level much less than private industrial lands, our state lands are producing a significant volume of timber when compared to federal lands. The 870,000 acres of state forest land is

producing 10% of annual timber volume; while the 17,900,000 acres of federal forest land are producing only 12%.

These realities on private and state lands have caused some to look to federal public lands as the de facto conservation-base – they perceive these federal lands as the portion of the landscape that produces the habitat needs for fish and wildlife. This attitude towards federal lands increases pressure for harvest on both state and private lands, and it under-recognizes the unique habitat needs on state and private lands as well as the efforts that have been made -- and that could still be made -- by landowners and managers to address this. That is not healthy either.

My point is that our current private, federal and state management framework results in a de facto zoning of Oregon's forest landscape that does not necessarily correlate with species needs, with forest health, or with economic and local community values. The consequence of this condition is the existence of three unsustainable and, in my view, undesirable symptoms:

1. If you are a rural community or a mill located in a landscape dominated by federal land, you are in real trouble -- if you are still in existence today. Federal lands are producing wood products at levels 90% lower than those in 1989. Let me be clear that I am not suggesting that we return to the unsustainable practices and logging levels of the 1980's and early 90's.

But when you see production levels at 400 million board feet today across acreage 21 times larger than our state forest land base -- compared to nearly 5 billion board feet on that same landscape in 1989 -- I submit this is not desirable either. It ignores the legacy of a century of federal forest management policy characterized by active fire suppression, excessive livestock grazing, the removal of over story old growth pine and fir – compounded by an era of staunch resistance to active management by conservation groups.

The legacy of these management practices – particularly in Eastern Oregon –is forests overstocked with stands of younger fir and pine; the loss of older fire-resilient forest structure; a mammoth road system that has disconnected healthy hydrologic function and fragmented habitat; a significant reduction in watershed health; the destruction of habitat for sensitive species; a steep decline in employment for timber dependent communities; and a high risk of catastrophic fire.

Because of these conditions, I do not view calls for increased federal management—such as the April 2011 memo I received from groups including OFIC, AFRC, and a variety of other timber interests—as inconsistent with my conservation or broader social values. Indeed, I believe that reversing this legacy requires environmentally sound active management to restore the health of these federal forests. Active management requires local mill infrastructure and a skilled contractor base; an operational market which rests upon a predictable and sustainable supply of wood and other products of restoration work; and adequate capacity for management within the federal agencies.

Today, through Congressional budget cuts, market downturns and dwindling supply, this local mill infrastructure and Forest Service management capacity has suffered greatly in the federal land dominated parts of Oregon – and, not coincidentally, so have the surrounding communities. Failure to reverse this trend will further jeopardize the health of these vast forest ecosystems; and increase pressure to ramp up the timber volume taken off our state and private lands.

1. If you are a mill, a mill worker, or a secondary market business living in a landscape dominated by private industrial land, you are likely seeing real trouble as well, because so many of the trees being cut on these lands today are being shipped across the Pacific Ocean as raw logs. Despite the continuing weakness of the U.S. housing market, lumber production both in the U.S. and Canada is higher in 2011 than in 2010.[\[1\]](#) Yet Oregon mills face an acute timber supply problem despite the fact that west coast log exporters are projected to send over \$900 million dollars worth of logs overseas this year, compared to only \$42 million just four years ago.

This amounts to nothing more than exporting our natural capital and our jobs. We are at risk of becoming a timber colony for Asia; while undermining our mill infrastructure and their surrounding communities – and, at the same time, further increasing the pressure for harvest on public forest lands.

1. Finally, if you are a forest-dependent species that relies on old-growth habitat, then you are in trouble too. Old-forest habitat is in a deficit condition across Northwest Oregon and other places as well. We've seen the impacts of the spotted owl listing...which is a cautionary tale regarding species recovery, and potential future listings.
 - The US Fish & Wildlife Service recently issued its Spotted Owl Recovery Plan, highlighting actions that are still needed to address habitat and population health for this species.
 - In the National Marine Fisheries Service's recent decision to keep coastal Coho salmon listed under the ESA, it highlighted limiting factors to recovery related to forest management;
 - And, the US Fish & Wildlife Service just issued a "warranted but precluded" decision for the Red Tree Vole, creating a Northwest Oregon Distinct Population Segment for this species and making it a candidate for listing under the ESA.

We don't want to see the listing of another old-growth dependent species. This is Oregon. We can do better, and now is the time to take proactive measures that better allow us to show success stories around species recovery instead of the continued shackles of federal Endangered Species Act listings.

III. Moving Forward

The answer to meeting these challenges is not to expect that the private industrial sector is suddenly going to shift away from a timber production framework as its primary focus. Nor is it to expect that federal land logging will return to the levels of the 1980's and early 90's. That is not what I'm saying. Clearly there are different histories, legal frameworks and standards applicable to private versus state forest management; and state versus federal forest management.

What I am saying, however, is that the three symptoms I just described are just that – symptoms; symptoms of a larger underlying problem: the fact that the status quo in terms of our economic, community and conservation values does not represent a sustainable or, quite frankly, a defensible balance. We are mired in ongoing conflict: timber sale by timber sale; forest by forest – rather than

engaging in a more holistic strategy that can move us toward a collaborative solution that balances our environmental, economic and community values in a sustainable manner.

To achieve this vision, new and innovative approaches are needed across many areas tied to public forest management. This includes diversification of product lines and business models, including ties to community-scale biomass energy. Examples of this can be found in John Day and the partnership between Malheur Lumber and the local hospital and airport; and in the integrated wood product campuses from Wallowa County.

Innovation also includes the expansion and diversification of revenue sources for counties, for the Department, and for the health of forest lands and affected communities. We need to examine responsible ways to increase revenue options, including community forests, carbon sequestration markets, and other market-based approaches that help avoid the conversion of forest lands to non-forest uses.

This also includes expansion of state-forest ownership – and I would like to applaud the Board and the Department’s work on the Gilchrist State Forest and your help in keeping a working forest active in a place that needs working forests. I am also interested in looking at innovative new loan programs, funding partnerships, the use of bonding authorities or the expansion of voter-backed funding in support of conservation-based working landscapes and rural economic development around forest management.

Innovation also includes considering the establishment of a signature research center (like ONAMI and BEST) dedicated to innovation in the use of wood – perhaps a partnership between the Forestry Department at OSU, the School of Architecture at U of O; and the proposed Sustainability Center in Portland.

Finally, we need to support pathways that lead to consensus in management, particularly on the federal landscape. Since my last term as governor-- and my work on the *en libra* principles -- the good work of collaboration has grown significantly across many Oregon regions and communities closely linked with federal forests. In many places, projects have not been appealed or litigated for years. This is a positive trend. Gaining collaborative agreement across diverse constituents on public forest management provides stability, and in a world of increasingly limited funding, the consensus these local forest collaboratives produce represents a sound place to invest. That said, the ecological, social, and economic needs we face today demand restoration work at a larger scale. I will continue to support forest collaboratives – but will also challenge them to advance project work at a pace and scale that is meaningful for forest and community health.

We have an opportunity to break the mold of conflict and polarization by how we choose to move forward on our state forests. I believe you join me in wanting Oregonians and the nation to look at Oregon as a model for public forest management. To do so, two things are required.

First, we must view our state forests not in isolation but rather in the context of the larger forest landscape of which they are a part. This means that in addition to the management policies set forth by the Board of Forestry for state lands; we must aggressively pursue the latitude to engage in environmentally sound active management to restore the health of our federal forest lands; through our Congressional delegation, through the US Forest Service via channels like our Federal Forest Advisory Committee, and through our network of community-based forest collaboratives.

It also means we must develop policies and strategies that will result in logs harvested off private lands being as valuable here in Oregon as they are in Asia. In short we need to be exporting value added products, not our natural capital and our jobs. Both of these efforts will be priorities for my administration.

Second, the management of our state forests must reflect the kind of sustainable forest policy which can help inform the management debate across Oregon's larger forested landscape.

IV. Specific Charge to the Board of Forestry

My specific charge to you today is related to the development of exactly that kind of sustainable forest management policy. This notion of sustainability is why I have supported the application of the "Greatest Permanent Value" rule interpretation that recognizes and respects the wide variety of values that exist on State forest lands, and why I continue to support that approach. I applaud your work on review of that rule—working with your Public Advisory Committee—and support the Department's recommendation that you affirm the rule in the near future.

But we need not get hung up on GPV today -- or in the future; we need not fight about whether to narrow or expand the definition of the term because I believe we can achieve our economic, environmental and community values if we focus on a shared management vision that includes five key elements, some of which you are already working on. As you discuss your 2012 work plan this afternoon, I would like you to consider addressing these five elements in the coming year.

Element 1: Performance Measures

Performance measures define the collective targets for our management of public lands. They are the outcomes against which we measure management success. Begin to strengthen your existing suite of performance measures in a way that clarifies the expected outcomes from state forest -- not just revenues but the full range of values. In the coming year, take the time to refocus on these.

To illustrate the importance of this point, let me cite your recent Forest Management Plan revision around revenue from the Tillamook – which, in my view leads us to the wrong conversation and reinforces the old zero sum conflict that has characterized and constrained forest management policy in the past.

Revenue is certainly an important part of the state forest picture, and it is specifically important to forest counties as well as our forest industry. As I stated earlier, we need to increase the value of logs here, versus shipping them overseas. And we need to ensure county revenues. To be clear, I have no problem deriving revenue from our state forests, so long as the management plan is sound. And if some years produce more revenue than others because of market conditions, then that is a reason to look to diversification and other tools to stabilize revenues rather than a reason for large swings in harvest.

Unlike a stock market investment, however, we manage public forests for a balance of dividends beyond dollars. If hard revenue targets drive management, then this limits the management tools and prescription options available to foresters in attaining the variety of these values across the landscape. If we instead first define our targets around the amount and location of acres that will be our timber production base, what acres involve too much risk due to erosion or other reasons, and what acres are

needed to advance conservation values or public recreation values, then a system will emerge on which we can project stable, predictable revenue outcomes in concert with other outcomes.

Element 2: Strategy

Based upon the increased clarity around performance measures, I encourage you to examine the tenets of structure-based management to consider if they; or other forest management strategies -- or some combination of strategies -- are best suited to deliver on these outcomes. There is still a need to address the issue of restoring diversity within the existing structural conditions across the state forest landscape, especially in the direction of layered and old-complex forest, which is extremely deficit in light of desired ranges. Specifically, I would like you to consider how a land allocation approach -- with both wood emphasis and conservation emphasis -- might help you better address your performance measures while providing a better degree of certainty for all interests. A determination of whether such an approach is superior to current management should rest on the best available science.

Remember, too, that the collaborative and inclusive approach to management that I am encouraging on federal lands should also guide your development of state forest plans.

Element 3: Conservation

Examine and then act upon the authority vested in the Board and Department to establish areas managed primarily for conservation on state forests. Consider ways of establishing and managing these areas that provide certainty and improved habitat and species recovery outcomes, restoration jobs, and other economic benefits such as recreation. These could be areas that protect against undesired risks (such as erosion on steep slopes), recognize special places with high value to the public or to species conservation, and -- while not in an industrial harvest rotation -- these areas might still see active management to restore and enhance conservation values. Be careful to use a scientific basis for determining where and how large such a network of these areas should be so as to ensure landscape-level habitat value and hedge against impacts from disturbances.

I recognize that the Department already provides protection to certain sensitive areas under current management. Your challenge as a board is to provide a visible and durable conservation area commitment in a scientifically meaningful manner ... doing so as an expression of the Board's conservation values in action.

My request that you consider establishing clearly defined conservation areas could compliment the land allocation approach I just mentioned -- and as such would require that we also clearly define timber production areas and grant these areas the same certainty granted to conservation areas.

Element 4: Adaptation

I have heard State Forester Decker refer to acting with humility, and recognizing that as land managers, we don't have all the answers and the state of the science is always evolving. This is an important concept at the heart of adaptive management. In the year ahead, take a close look at your research, monitoring and adaptive management strategies to ensure you have sufficient data and information to inform and evolve your forest management approach into the future. This begins with a realistic identification of the resources and partnerships necessary to implement these strategies.

Element 5: Business Model

Finally, I encourage you to review your financial and business model for operating Oregon's state forest system—within the context of your expected outcomes. For the long-term stability of Oregon counties and other beneficiaries of state forest management, we must find a way to diversify both the revenue portfolio of our counties and of our forest revenue streams as well. Your scheduled consideration of ecosystem services later today is an encouraging first step and I look forward to working with you and with our county partners over the months ahead to address this important issue.

Let me close this afternoon with a few final comments.

First, if we are to develop a landscape approach to the management of forestland in Oregon, the Board will increasingly have to work with both federal and private forest land managers. I will do whatever I can to facilitate that interaction.

Second, in terms of federal land management, I have intentionally focused today on what I see as a need to increase management activity. Even though you as a Board and I as governor do not directly manage these lands, we do have influence. In addition to the work of the Federal Forest Advisory Committee, with which you are familiar, I see one additional pathway in which you as a Board could have a positive effect: the work of forest collaboratives, where diverse voices are working through differences to find common ground for the good of the community and the good of the forest. The collaboratives provide a framework for my call for increased federal management. Currently the State of Oregon provides modest support for these collaboratives, and we need to do more. I've asked members of my team to consider ways to ensure reasonable technical and capacity support for collaboratives working to break the gridlock. We'll need your help—and the assistance and support of the Department of Forestry—to make that work.

As you do this, and as you examine your business model, I ask you to work closely with me, with the Legislature, and with your partners and stakeholders to identify sufficient political and financial resources to deliver on the outcomes.

Third, I realize that work on the above elements will require significant work and lead you to a variety of decision points. But my belief is that by focusing on these key elements, you have within your reach the ability to shape a sustainable approach to managing forests that can be a model for how to simultaneously address environmental, economic and community values. An approach that is financially sustainable, politically sustainable, and environmentally sustainable, and that can inform future state forest management plans; as well as management on Oregon's larger forested landscape.

Finally, let me thank you for your service to this Board, to our forests, to our state and to our common future.