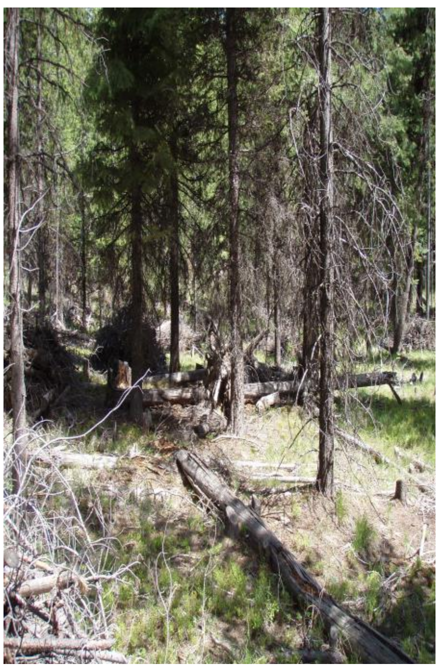
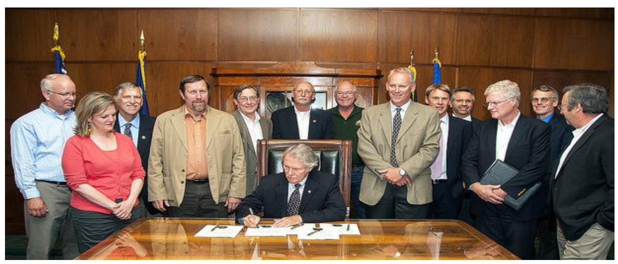
SB 357 REPORT TO THE LEGISLATURE

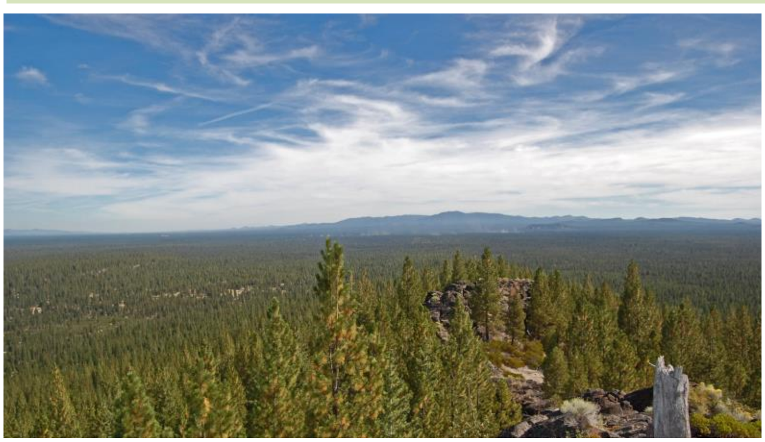
Federal Forest Management

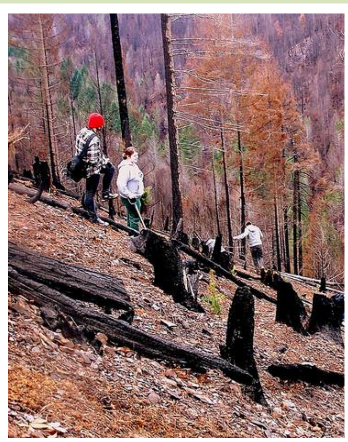
OREGON DEPARTMENT OF FORESTRY

May 2014









This report was drafted on behalf of the SB 357 Workgroup. A sincere thank you is owed to the members of the Workgroup and others for their time, energy, and vision.

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SB 357 REPORT TO THE LEGISLATURE
DRAFTED BY THE SB 357 WORKGROUP
PRESENTED BY THE OREGON DEPARTMENT OF FORESTRY
MAY 2014

To the Members of the Senate Rural Communities and Economic Development Committee:

The SB 357 Workgroup is pleased to present concepts and considerations resulting from the direction spelled out for us in SB 357. Our diverse workgroup met four times—with appreciated participation from Chair Roblan and Vice Chair Baertschiger—through the winter and spring of 2014 to brainstorm methods and mechanisms for the State of Oregon to continue as an active leader in working with the federal government to increase the pace and scale of federal forest restoration.

Increased management, done right, is the key to achieving the public goods of wildfire resilience; community safety; healthy forest habitat and associated wildlife, clean air and water; recreation and natural beauty; and a vital forest products sector and related jobs. Currently, these values are at risk, and the undesirable symptoms are evident in the ecological, social, and economic conditions associated with federal forests and adjacent rural communities. Changing this status quo and achieving the above public values is one of the most pressing forestry issues of our time. It also costs money. SB 357 recognizes this by requesting ways to diversify and improve revenue sources, which remains centrally important if Oregon is to meaningfully address the nature and scope of the management actions and jobs needed to achieve these objectives.

With nearly sixty percent of Oregon's 30 million forested acres held by the federal government, the urgency of this work is clear, and a number of efforts are already underway. The 2013 *Dry Side Forest Health Budget Package* advanced by the Legislature, for instance, has gained national and regional attention—and real results on the ground—by strategically investing $2.88 million of state resources to support collaboratively-driven increases in federal forest management and by leveraging additional federal resources into Oregon to accomplish this work. But the 2013 legislative investment will expire at the end of the 2013-15 biennium, and the timeline, scope, and substantive outcome of possible congressional action on federal management reform are elusive and controlled by forces and variables beyond the state's grasp.

SB 357 and this report, therefore, relate to the fundamental question of what leadership actions Oregon can take at the state-level that (a) are relatively within its ability to control, and (b) will have long-term, pragmatic effects in advancing the pace and scale of federal forest management.

This report is organized into three chapters based on the three directives in Section 1 of SB 357. The first outlines revenue sources and possible payback options; the second discusses relevant revolving loan fund specifics; and the third highlights opportunities for efficiencies and cost savings. The Workgroup completed this report at the direction of SB 357, which tasked the Department of Forestry to convene an advisory group to draft recommendations for increasing federal forest management projects, creating and diversifying revenue sources, opportunities for efficiencies, and roles of relevant agencies.

The 2012 *National Forest Health Restoration Economic Assessment* found that accelerating annual federal forest management would have significant forest health benefits, create jobs, and generate state tax revenue. The SB 357 Workgroup presents this report as messengers of action, with concepts that provide a canvas for Oregon's next leadership steps in advancing healthy forests, and safe, economically viable rural communities.

Thank you for your review.

Sincerely,

Doug Decker	Brett Brownscombe
Oregon State Forester	Governor Kitzhaber's Natural Resource Policy Advisor

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CHAPTER 1

LIST OF CONCEPTS

SB 357 Potential Revenue Sources Analysis

SB 357 Section 1(1) requests, ***"The identification of potential approaches to diversifying revenue sources and improving the level of revenue available to increase the pace and scale of federal forest management."*** This chapter is responsive to this provision.

List of Concepts

The SB 357 Workgroup developed a list of proposed concepts aiming to generate revenue to be directed towards improving the health of federal forests in Oregon. These options fit into one of three "buckets" for further refinement, and express the urgent call-to-action for increasing investment in federal forest management.

Because of current conditions on-the-ground, the types of management needed to address forest health outcomes across the social, economic, and ecological spectrum frequently have higher costs across a unit of project acreage than the revenue that may be generated from commodities produced from that unit. For example, actively removing trees under a landscape-scale strategy is one such management need, and increased wood product benefits certainly flow from this work. But, not all trees carry value as sawlogs, and treatment of those that do not is important because they are often most associated with the greatest threat of uncharacteristic, catastrophic wildfire. On top of this, other management costs exist related to needs and concerns such as road and bridge systems, water quality, fish passage, or invasive weed treatment, all of which involve job-producing work. Therefore, while the ability to secure and repay management costs with revenue from timber is certainly helpful, it isn't a silver bullet because it doesn't cover the full tab of forest health management needs.

For the purposes of this report, we use the term "payback" to mean the deposit of dollars in the direct sense to reimburse a debt created in a particular budget account. However, the cost of management actions should also be viewed in the context of the jobs, forest products, tax revenue, and ecosystem health benefits they create, as well as the costs that proactive actions can avoid related to wildfire, public health impacts, business closures, and social support payments. In this context, the costs of advance action are viewed relative to the costs of the status quo and reacting to consequences. Thus, some of the mechanisms included in this report could generate indirect "payback" to the State in the terms of jobs, economic improvement, forest health, and avoided costs.

It is important to highlight that under current federal law, state investments in management on federal forest lands cannot be repaid (in the direct, dollar-for-dollar sense) from timber revenue generated during project implementation. Under the law, timber revenue is considered a federal asset and Congress must give specific authorization for the use of all federal funds, whether the funds are appropriated directly or generated from business operations. This derives from the legislative branch's *power of the purse.* As discussed in this chapter, under Stewardship Authority, Congress has given federal land management agencies more discretion in the use of timber revenue, but the authority is limited to implementing restoration activities. **Without specific authority from Congress, neither the U.S. Forest Service nor the Bureau of Land Management can repay state investments directly.**

The SB 357 Workgroup developed a list of concepts knowing that additional conversations and development would need to occur, including political factors. That said, instead of becoming high-centered on any one concept, the Workgroup distilled a list of potentially actionable ideas for submission to the Oregon Legislature for further consideration. These concepts follow, organized into three bins:

1. **Bonding mechanisms (debt and repayment transactions)**
    - State bonding authority, assuming a repayment source is identified
    - Municipal bonds for fuel reduction projects

2. **Revenue-generating mechanisms**
    - Residential property or water bill assessment
    - Fire-related insurance assessment* *(state-generated source)*
    - Retail tax on outdoor gear or other products tied to forest health* *(state-generated source)*
    - Philanthropic investments *(private sector source)*
    - Share savings in federal fire suppression costs *(federal-generated source)*

3. **Accruement of benefits and potential cost savings**
    - Utilize the stewardship authority to increase the pace of restoration, create jobs and support local economies
    - Increase the value of small diameter wood

1. Bonding Mechanisms
(debt & repayment transactions)

Table 1

	STATE BONDING AUTHORITY
CONCEPT SUMMARY & RATIONALE	State bonding authority could be used in combination with other revenue producing concepts to provide an initial lump sum of funds for capital projects. Bonding is a mechanism that can be used in conjunction with an identified stream of revenue over time. The new revenue sources discussed in this report would be used to repay a bond issuance or other form of borrowing. At the basic level, for any bonding concept that is not intended to be repaid with lottery revenues or general fund dollars to be successful, a revenue stream to pay back the bonds must be identified.
MECHANISMS	Three types of bonding options exist: (1) lottery bonds, (2) general obligation bonds (self-supporting or repaid with general fund appropriation) or (3) forest revenue bonds. Lottery bonds would be repaid with state lottery revenues, so do not require a new revenue source for repayment. Lottery bond proceeds could be used as seed money to fund concepts that meet lottery bond criteria (e.g., job creation, parks, fish and wildlife protection and restoration). General obligation ("GO") bonds may be repaid with General Fund appropriations (if the legislature approves) or with a new or existing revenue stream. Repayment is backed by the full faith and credit of the State of Oregon, so the interest rate is low. The bond proceeds could be used to create a capital asset that would generate revenue to repay the bonds. A new fee or tax also could be used to repay the bonds. The constitution authorizes GO bonds for real or personal property projects that are owned or operated by the State of Oregon, for forest rehabilitation, reforestation, land and acquisition, or management and development of lands. Forest revenue bonds require a stream of revenues to repay them. The interest rate is higher than GO bonds. A new or existing revenue stream may be pledged to repay the bonds. The ability to sell the bonds at a good interest rate will depend on the strength of the revenues pledged to repay them. A tax with enforcement mechanisms is probably more creditworthy than a voluntary fee with no track record. There is current authority to issue revenue bonds for specific purposes with specified moneys in the State Forestry Account pledged to repayment. Within the context of SB 357's objectives on revenue sources, options may exist to: • Use lottery bonds, if the legislature authorizes, for an asset or program that fits lottery criteria • Use GO bonds to create a revenue generating asset or obtain a lump-sum for reforestation etc., repaid with General Fund appropriations or a new or existing revenue stream • Use a new revenue source identified through this SB 357 workgroup effort as a repayment source for revenue bonds or self-supporting GO bonds
OVERALL FUNDING IMPACT	Dependent on ability of the revenue source to pay off bonds or willingness of legislature to use lottery or general fund revenues.

STATE BONDING AUTHORITY

PROS

- Bonds are a financial tool allowing a larger initial, up-front pot of startup funding to be created.
- Funding would be available when needed and more stable over time.
- If a new revenue stream is created as part of the SB 357 conversation, then one can bond against it in order to create a large block of up-front funds to accomplish related needs (e.g., to advance management project work on-the-ground, capital infrastructure development/construction, etc.).

CONS

- Bonding requires someone to administer spending and debt service payment.
- Difficult or unlikely to bond against potential cost savings (i.e., reduction in firefighting costs) – actual money generated has to be used as bond repayment source.
- Bond proceeds must be used for allowable purposes, which may not include ongoing operational expenses (like salaries) – may need ORS or constitutional change if project doesn't fit current authority.

NECESSARY ACTIONS TO IMPLEMENT

- Identify revenue source to bond against
- Research legalities and plausibility

FURTHER QUESTIONS & NEXT STEPS

- Use of lottery bonds vs. general obligation bonds
- If bonding, then what specific items should advance in association with the bonding approach—e.g., tie bonding to:
    - Development of a new revenue stream, where bonding can front-load the investment to address specific "obstacles" such as gaps in planning funds or cover other elements tied to advancing management projects on-the-ground;
    - Development of new business capital infrastructure that can help add market value/move small diameter marginally commercial material out of forest

Table 2

	MUNICIPAL BONDS FOR FUEL REDUCTION PROJECTS
CONCEPT SUMMARY & RATIONALE	Many rural communities are located in high fire hazard areas and in danger from wildfires originating on nearby national forest lands. Some municipal governments (e.g., Flagstaff, Arizona) in other parts of the country, facing similar risks, have issued municipal bonds to fund fuel reduction projects on adjacent federal lands. Oregon's communities at high wildfire risk could be encouraged to take a similar approach.
MECHANISMS	Counties would be encouraged to enact local option levies for fuel reduction treatments on adjacent federal forestland. Cash flow from increased property taxes could be bonded against. The bond fund would be used to pay for specific treatments that reduce the risk of wildfire to communities or protect a viewshed.
OVERALL FUNDING IMPACT	Dependent on individual proposals at the discretion of local governments
PROS	• Direct connection between a specific risk and a potential solution • Creates locally driven solutions for specific problems • No additional authority is needed. Local governments
CONS	• Local option levies are difficult to pass; there is a high level of resistance to increases in property taxes. Therefore, this option is less likely to be used.
FURTHER QUESTIONS & NEXT STEPS	• Conduct research on specific needs for fuel reduction treatments on lands adjacent to at-risk communities and craft specific proposals • Local voter approval • Identify information sources, state programs or other options the state could use to assist local governments to identify sources of risk and develop alternatives to address the risk.

2. Revenue-generating mechanisms

Table 3

	RESIDENTIAL PROPERTY OR WATER BILL ASSESSMENT
CONCEPT SUMMARY & RATIONALE	Residential property owners—especially those living in or adjacent to forest land—benefit from healthy forests and wildfire protection. Conversely, these owners are negatively impacted by forests at risk of uncharacteristic wildfire and other characteristics of poor forest health. ODF research has demonstrated that fires escaping initial attack in the wildland urban interface (WUI) are 48.3% more expensive to fight than fires in less populated areas. There are 3.5 million acres and 240,000 residences in the WUI. An assessment on certain properties could pay towards improving forest health and decreasing risks to relevant values associated with residential property owners (i.e., safe home/community, healthy habitat that supports quality of life, real estate values, local economic health, etc.). This concept could create multiple levels of assessment rates based on proximity to forest lands, levels of forest fragmentation and development, with the resulting funds dedicated to forest management and fuels reduction. Similarly, the drinking water for many municipal systems originates on federal forestlands. Forests naturally filter the water that most Oregonians drink. Clean drinking water comes from healthy watersheds and poor forest health/uncharacteristic wildfire risk is a direct threat to water quality in many areas, as demonstrated by some recent fires (e.g., 2012 Dollar Fire/Bull Run, 2013 Dalles Watershed). Currently, housing units in areas dependent upon water from a forested watershed do not pay for protection, maintenance, or restoration of healthy watershed conditions associated with providing this water. A surcharge on certain municipal water bills and/or residential well bills would advance restoration and management work tied to the provision of clean water. Some municipalities around the country have a adopted a similar approach (e.g., Denver).
MECHANISMS	**Residential Property Assessment:** there are two potential funding options: 1) All homeowners within designated areas (i.e., WUI or the entire state) would pay an improved lot surcharge, or 2) the same residential landowners would be required to purchase a newly created WUI insurance policy, similar to how homeowners in flood plains are required to purchase flood insurance. **Residential Water Bill Surcharge:** Oregon households that derive river water from a forested watershed would be assessed a surcharge on municipal water bills, or on residential wells if applicable.
OVERALL FUNDING IMPACT	**Residential Property Assessment:** dependent on rate and fee structure. With 3.5 million acres of WUI, a flat $5 per acre per year fee would raise $17.5 million or more per year. A sliding scale fee structure based on housing density/proximity to federal lands could also be created. **Residential Water Bill Surcharge:** unknown due to unknown number of municipal water users. Oregon Census info for 2000 estimates 1.33MM households; not all would be municipal water users.

RESIDENTIAL PROPERTY OR WATER BILL ASSESSMENT

PROS

- Funding mechanism tied directly to natural resources rather than general government purposes.
- Good nexus between payers of the assessment and its purpose/benefits produced. Connects payers to the benefits derived from healthy forests.
- Mechanism could be structured to recognize that WUI lands can be more difficult and expensive to protect – higher risk areas pay higher rates.

CONS

- Legal question as to whether these fees could apply only within designated WUI zone or to all lands statewide, with specific rates for different zones.
- Forest landowners already pay several assessments for fire protection including a per-acre forest patrol assessment (on all forestland), an improved lot surcharge, and in some cases additional taxes supporting local structural fire departments. A new assessment should recognize/reflect this.
- Challenges in collecting the monies from individual municipal water districts.
- Many Portlanders (largest municipality tied to forest-dependent water use) would likely not support increases to water rates on top of recent rate hikes.

FURTHER QUESTIONS & NEXT STEPS

- Data discovery – quantifying the amount of land/municipal water users affected, identifying possible rates and potential revenue levels
- Legislative action

Table 4

	FIRE-RELATED INSURANCE ASSESSMENT
CONCEPT SUMMARY & RATIONALE	Oregonians benefit from healthy forests and wildfire protection in a number of ways. Many of Oregon's cities are in areas historically susceptible to wildfires and related impacts (i.e., smoke). Oregonians also benefit from natural beauty, clean air and water, carbon sequestration, fish and wildlife habitat, economic contributions and other forest values that enhance the quality of life. Similarly, Oregonians suffer through the loss or reduction in these values due to fire impacts. This includes public health impacts from smoke, business closures or lost revenue, habitat impacts, and decreased recreational opportunities. Based on this, under current law, all residents – either through fire patrol assessments or general fund appropriations – share in paying direct and indirect costs of wildfire suppression. An assessment on certain types of insurance—such as fire, homeowner's and non-liability commercial building insurance, or business interruption—would widely share the costs of restoring and maintaining the resilience of Oregon's forests and protecting the benefits associated with them. This type of approach has been adopted in New Mexico. As forests are treated and become more fire resilient, homeowners and/or businesses in high fire hazard areas would receive benefits through reduced premiums tied to improved protection, and general fund expenditures for wildfire suppression would be reduced as suppression needs/costs decline. These and other Oregonians would also benefit though improvements in air and water quality, habitat, scenic values, economic resilience and other quality of life values. Finally, all Oregonians would profit from decreasing the risk that unnaturally large and intense fires pose to the forests and their many benefits that make Oregon famous.
MECHANISMS	Create a surcharge on insurance lines such as fire, home or non-liability commercial insurance, or business interruption policies and collect the funds through the same mechanism currently used to fund the State Fire Marshall's office, but instead direct these surcharge funds to a program tied to federal forest management work.
OVERALL FUNDING IMPACT	A 5% assessment on fire, homeowner and non-liability commercial insurance would produce $40 million annually. A 6.6% assessment on the same set of policies would produce $50 million annually. In Oregon, the average 2010 premium for the most common homeowners' coverage was $535 per year. Based on a $535 annual premium per policy, the 5% assessment translates to about $27 per year per policy and the 6.6% assessment would be about $35 per year per policy.
PROS	• Connects all residents, urban and rural, to "purchasing" the benefits received from work to restore forest health • Reduction in insurance premiums over time for high fire risk areas based on performance/improved resilience • Reduced general fund costs over time tied to expected reductions in fire suppression costs

	FIRE-RELATED INSURANCE ASSESSMENT
	• Steady, predictable source of funding would support the magnitude of forest management actions necessary to meaningfully reduce wildfire risk • Mechanism for collection already exists
CONS	• Urban/residents outside of forested areas may argue the surcharge is too attenuated (that they would not reap benefits from the fee they'd pay)
FURTHER QUESTIONS & NEXT STEPS	• Legislative action required • Need to ensure protection of Fire Marshall funding • Would insurance premiums and general fund costs really decline over time? • Would the funds be limited to fire resilience/fire risk reduction work (as opposed to management activities motivated by different reasons)?

Table 5

	RETAIL TAX ON OUTDOOR GEAR OR OTHER PRODUCTS TIED TO FOREST HEALTH
CONCEPT SUMMARY & RATIONALE	Federal forests are used by a large number of individuals for a variety of recreational purposes, and many different kinds of specialized recreational gear is sold to Oregonians. Urban consumers are often heavy contributors to this group of forest users, and even consumers who buy certain gear but rarely use it while recreating on federal forest lands still benefit from healthy forests through enhanced natural beauty, increased quality of life, or other "existence values." Forest health, ecological resilience, fish and wildlife habitat, clean water, scenic beauty, recreation and other values that drive this retail market can be enhanced through forest management efforts. On the other hand, unhealthy habitat or negative pressures on forest health can adversely impact those values, and therefore those consumers. Similarly, other forest-health dependent products are also consumed by a wide variety of urban and rural consumers. And the existence of poor forest health puts related values at risk. For example, relative to many other countries, wood grown in Oregon—whether on public, state, or private lands—is managed and harvested in a highly sustainable manner. Consumers use wood in a variety of daily pursuits and value sustainably produced wood products. Poor federal forest health poses a risk to sustainable wood production on public land (as well as certain private lands where wildfire may move from public to private boundaries). California has recognized this and implemented a 1% tax (AB 1492[1]) on retail sales of lumber to provide additional funding to the California Board of Forestry and Fire Protection within the Department of Forestry and Fire Protection (CAL FIRE). A tax on the consumer base tied to outdoor gear or other products tied to forest health could be used to enhance federal forest health and related management work.
MECHANISMS	A tax would be collected by retail outlets selling the specified forest-health related products (e.g., outdoor clothing, tents, camp stoves, hiking boots, lumber, etc.) similar to the way Pittman-Robertson funds are collected on firearms and ammunition or Dingell-Johnson funds are collected on fishing gear. Revenue from the tax would then be routed to the proper state agency where it could be invested in proactive federal forest health work.
OVERALL FUNDING IMPACT	Depends on the number of items taxed and the size of the tax.
PROS	• A broad range of products related to forest health could be specified and included in the tax. The potential revenue from this option is large and consumer impacts can be dispersed. • Retailers can cover the cost of such tax through relatively small raises in price based on the dispersed nature across many products. • The "value proposition" and nexus between the payer of the tax and the service provided (e.g., forest health work) is strong.

[1] http://www.leginfo.ca.gov/pub/11-12/bill/asm/ab_1451-1500/ab_1492_bill_20120911_chaptered.html

	RETAIL TAX ON OUTDOOR GEAR OR OTHER PRODUCTS TIED TO FOREST HEALTH
	• Connects urban populations that benefit from non-timber related value tied to healthy forests to the restoration and maintenance of those values.
CONS	• Requires the development of a new tax infrastructure and associated agency administrative mechanisms.
FURTHER QUESTIONS & NEXT STEPS	• Legislative action required • Agency administration (routing of money) needs to be developed, including defining the roles of the Dept. of Revenue, ODF and federal agencies. • Any obstacles to the state imposing a tax on retailers in Oregon who also operation nationally/in other states.

Table 6

	PHILANTHROPIC INVESTMENTS
CONCEPT SUMMARY & RATIONALE	In addition to wood products, jobs, and non-traditional forest products, Oregon's federal forests provide significant benefits and opportunities not captured in traditional markets. Scenic beauty, access to recreation, non-game fish and wildlife, high quality air and waterways, and other forest values are often cited as reasons for why people move to Oregon, locate a business, and stay in the state. The vitality of rural communities is also significantly tied to federal forests in terms of jobs, wood products, associated industry, and hunting and fishing, but also from other amenities as well. The state, or an existing or newly created non-profit entity, could partner with public and private entities to fund forest health work and increased restoration treatments on federal land.
MECHANISMS	• A fund based on contributions from corporations, foundations, and other major players who are invested in the values provided by Oregon's federal forests. • Could be developed as a partnership with the U.S. Forest Service or a larger umbrella entity. • Private sector contributions, or those from other public entities, could supplement or condition the state's advancement of another revenue concept. • Treatments that enhance specific values (e.g., fuel reduction treatments adjacent to urban areas, protection of viewsheds) might attract investments from urban and other populations.
OVERALL FUNDING IMPACT	Unknown
PROS	• Creates a voluntary funding option • Can better coordinate and leverage existing corporate or foundation resources behind a common purpose • Contributors could target their dollars towards specific types of work, regions, etc.
CONS	• May be difficult to attract public/private contributions for federal land management • Costs associated and possibly difficult to administer such a partnership
FURTHER QUESTIONS & NEXT STEPS	• Identify parties that might be interested in the project and scope possible options and design program.

Table 7

	CAPTURE/SHARE SAVINGS IN FIRE SUPPRESSION COSTS
CONCEPT SUMMARY & RATIONALE	Many forests are incredibly dense and at risk of stand replacement fires. Reducing fuels over large areas could help reduce federal fire-suppression costs over time, protect lives and property, and reduce public health and other economic impacts from smoke. A Cost Savings Agreement with the federal government related to fire risk reduction work could be developed to generate and deploy savings in federal fire suppression costs. This concept works theoretically as a general incentive structure – improved management should equal decreased fire risk. Through an agreement with federal agencies, fire suppression cost savings—modeled and calculated over time—would be dedicated to a revenue stream to repay state investments in fire risk reduction / restoration projects.
MECHANISMS	Federal/state agreement (i.e., Cost Savings Agreement). The State of Oregon would pay for planning/pre-implementation costs of restoration projects intended to reduce fire risk, followed by the federal government's reimbursement based on fire suppression cost savings as detailed in the initial agreement. The amount of federal funds would be calculated based on management baselines and fire suppression trends over time. *Example:* A state/federal agreement is developed on a management approach for a pilot project landscape in fire-associated forests. The management strategy could be modeled to predict reduced fire risk and fire suppression savings. The state would fund all, or a portion, of the pre-implementation and/or management activities, and be repaid based on the monetization of the value in transitioning acres from Fire Regime Condition Class 3 to 2.
OVERALL FUNDING IMPACT	Additional analysis is needed before a funding impact could be developed. There is, in theory, a fire suppression cost savings related to fuel reduction treatments (i.e., the assumption is that less intense fires are less costly to control), however very large areas need to be treated before fire intensity is reduced, and it would be very difficult to establish a value on a per acre treated basis.
PROS	• Incentive system encourages improved management and more sustainable approach to fire management across a range of partnerships (i.e., better to invest in treating underlying causes of ill-health than paying magnitudes more in continuing to treat symptoms). • An agreement establishes a pilot program and reliable source of revenue for which the state could bond against. • Would put Oregon in a leadership position and establish a one-of-a-kind pilot in the nation.
CONS	• Significant questions (see below) over whether mechanism is feasible under current law.

	CAPTURE/SHARE SAVINGS IN FIRE SUPPRESSION COSTS
	• Complex funding structure and partner discussions to get to an actual agreement and transaction (i.e., potentially a long extended timeline). Development of the agreement would likely include Washington offices of the USFS and BLM. • There often is not a clear, linear relationship between pre-fire acres treated and fire suppression costs, particularly in a given time horizon. First, social pressure or other factors may cause fire suppression to occur despite fire-risk reduction / advance treatments having been done, thereby eliminating cost savings. Second, fire events happen in waves that are not aligned with fiscal year time horizons. • Agency budget structure for fire suppression is national in scope and cost savings in one state or region are typically reprogrammed to other suppression priorities rather than attributed as cost reductions for a particular Region.
FURTHER QUESTIONS & NEXT STEPS	• Look at current agreements/policy structure and assess feasibility (The state will need help from USFS to do this). • Identify funding structure. • Identify baseline fire suppression costs in Oregon and method to model and predict fire cost savings. • Clearly define roles and draft agreement.

3. Accruement of benefits and potential cost savings

Table 8

	USING STEWARDSHIP AUTHORITY TO INCREASE THE PACE OF RESTORATION, CREATE JOBS & SUPPORT LOCAL ECONOMIES
CONCEPT SUMMARY & RATIONALE	Using the one of the available mechanisms under the federal Stewardship Authority, the State of Oregon would pay for all or a portion of project planning and pre-implementation costs (e.g., data collection / surveys, NEPA analysis, unit layout, timber cruising and marking, etc.) on federal forest management projects. These planning and related up-front costs are the primary bottleneck to increasing pace and scale of management work. Under current federal law, payback of state investment is limited to indirect terms (i.e., project-generated jobs, economic improvement, tax revenues tied to jobs and products, forest health benefits, and avoided costs).
MECHANISMS	**Stewardship Contracts, Stewardship Agreements, and the Wyden Authority** The 2014 Farm Bill permanently authorized the Stewardship Authority, which allows the Forest Service to trade goods (e.g., timber revenue) for services (e.g. prescribed burning to reduce fuel loads). A unique feature of the Authority allows the U.S. Forest Service (USFS) to repurpose "retained receipts" generated from the sale of timber/goods towards management actions/services that are cost drivers on the same or another project. However, without a change in current federal law, retained receipts cannot be retained by the contractor and cannot be used by USFS for planning or pre-implementation activities. ***Stewardship contracts*** are primarily used with for-profit entities. The law allows the net revenues generated by commercial wood value to be used as retained receipts to fund additional restoration activities on federal lands. Although the majority of stewardship contracts are awarded on a competitive bid basis, the Regional Forester does have discretion to award a sole source stewardship contract. Oregon could use state dollars and enter into a stewardship contract under this exception, acting as a "general contractor" and subcontracting the restoration activities (logging, prescribed burning, fish habitat etc). But, without Congressional action on the applicability of retained receipts, any net revenue remaining after completion of the contract activities would revert to USFS, and could not be used to pay back any state investment in planning/pre-implementation costs. If federal law was amended to allow the state to retain receipts—or if USFS had the authority to share such receipts with a cost-share partner/investor—then Oregon could fund planning/pre-implementation costs and be reimbursed from timber revenue from that project work. This could effectively create a revolving loan fund through which planning/pre-implementation activities could be funded for subsequent projects. Another federal law amendment could authorize the USFS to use retained receipts for its own planning/pre-implementation work. This would not address the State's ability to create a revolving fund but could assist in the agency's ability to create such a mechanism. ***Stewardship agreements*** are executed with non-profit organizations or divisions of government. Typically, the agreement holder brings a "match" to the project (commonly 20%). Examples in Oregon include the Rocky Mountain Elk Foundation and The Nature Conservancy. The State of Montana is currently developing a stewardship agreement with USFS.

Stewardship agreements are more typical for projects where the cost of services is greater than the value of the goods removed, hence the match component. This situation is common on dry-side federal forests in Oregon given current conditions. Accordingly, the standard practice does not include retained receipts and thus stewardship agreements are not a viable mechanism to repay any state investment. However, as compared to stewardship contracts, in general agreements offer more flexibility for USFS to enter into partnerships, and can be tailored more easily.

Mechanically, the state "general contractor" role would be similar under a stewardship agreement. An example structure could be:

- The State of Oregon would take on responsibility for specific planning/pre-implementation activities as defined in the stewardship agreement. Capacity would be needed to ensure federal standards and quality are met.
- The State of Oregon would finance a portion of the planning/pre-implementation work required by federal law to execute a management action.
- The State of Oregon would subcontract work to private sector, and/or state employees could play a direct role.

If the State of Oregon would consider indirect payback terms (such as jobs, economic improvement, forest health benefits, and avoided costs), more specific details could be decided upon in a stewardship agreement. Initial discussions in the context of this report with the USFS Regional Office suggest interest in exploring innovative agreements to increase the pace and scale of restoration.

While not offering a direct payback to the State Treasury, the ***Wyden Authority*** allows retained receipts generated from projects on federal land to be applied on state and/or private lands for activities that contribute to restoration. The Wyden Authority has been used to fund stream restoration work on downstream private lands from timber harvests on the Siuslaw National Forest and the Mount Hood National Forest.

Funds remain in USFS accounts, and are used to contract work. However, this does not necessarily increase the total funds available for increased active management since revenue is applied on non-federal lands. On the positive side, use of the Wyden Authority may offset other state funds used to support this work and, in the context of all-lands restoration, increase the amount of work on state and/or private lands.

OVERALL FUNDING IMPACT

Unknown

PROS

Stewardship Contracts

- Recognizes timber harvest and restoration work can be mutually compatible, and provides a functional mechanism (assuming initial upfront revenue/capital exists) to kick-start increased pace of restoration work.

Stewardship Agreements

- No additional legislation is needed at the state or federal level for a government-to-government stewardship agreement.
- Approach can be paired with, or enhanced by, use of other authorities, such as the Good Neighbor Authority in which ODF conducts surveys and/or unit layout work on federal land.

Wyden Authority
- While not a direct payback to the Treasury, the Wyden Authority provides an increased pool of funds to implement restoration work on state and/or private lands. This would offset other state funds used to support this work or increase the amount of work completed by leveraging federal funds to the current state investment.
- Helps to increase forest and watershed health holistically across all ownerships.

CONS

In General
- Absent Congressional action, there is no direct return on investment for the State Treasury.
- Perception of the state or local government "competing with" the private sector. This may be addressed technically with issuing subcontracts through an RFP process. There may also be a model which does not put the state in a general contractor role for timber harvests and service contract work.

Stewardship Contracts
- Requires Congressional action to change the range of uses for retained receipts.
- Increased administrative role and potential costs for the state (likely ODF) in the general contractor role. The state would be responsible for project oversight and coordinating with the U.S. Forest Service to ensure subcontractors meet federal quality standards.

Stewardship Agreements
- Increased administrative role and potential costs for the state (likely ODF) in the general contractor role. The state would be responsible for project oversight and coordinating with USFS to ensure subcontractors meet federal quality standards.

Wyden Authority
- Unknown cost savings to the state or additional value in completed restoration action on state and/or private land.
- The state will have to accept some risk in this approach, including the direction of the decision and time delays in project implementation from any appeals and/or litigation; and the potential that costs of attaining management objectives ("services") are greater than revenue potential ("goods").

NECESSARY ACTIONS TO IMPLEMENT

In General
- Identification of a source of state funds to pay for planning/pre-implementation activities. Without the ability to create a revolving loan fund (e.g. payback to Oregon from retained receipts), the source of funds would need to input funds on an annual basis to maintain the program of work.
- Create program administration and management structure at state/local levels

Stewardship Contracts
- Federal legislation would be required to allow the state to capture revenue from stewardship contracts as a form of repayment on state investments.

	USING STEWARDSHIP AUTHORITY TO INCREASE THE PACE OF RESTORATION, CREATE JOBS & SUPPORT LOCAL ECONOMIES
	Stewardship Agreements • Exploration of an innovative partnership and formal agreement between the state and USFS.
FURTHER QUESTIONS & NEXT STEPS	• Need to identify possible state or local sources to capitalize up-front management work.

Table 9

	INCREASING VALUE OF SMALL DIAMETER WOOD
CONCEPT SUMMARY & RATIONALE	Fire suppression and past management have created conditions where forest stands today are densely stocked with smaller diameter trees, compared to historic conditions. The size and species of these trees make them less resilient to fire than their larger counterparts, and they often function as "ladder" or ground fuels that contribute significantly to the spread and intensity of wildfires. Removal of these trees is a top priority for fire risk reduction work. Because these trees generally lack commercial value as saw timber, their removal drives up management costs for a given project and places increased demands on either (a) covering those costs through harvesting other larger trees or appropriated funds or (b) reducing the amount small diameter trees removed in order to keep project costs positive or neutral. If smaller diameter trees had increased commercial value, this would change market dynamics such that their removal from over-crowded, fire prone forests would be more feasible. This would improve forest health and fire resilience while also producing jobs and forest products.
MECHANISMS	The state could use a number of mechanisms to increase small diameter wood value/usability: • Tax credits for construction of infrastructure that uses small wood (e.g., woody biomass heat, posts/poles) • Renewable energy production standards/credits • Transportation tax credit for small diameter material (access to chip or pulp markets)
OVERALL FUNDING IMPACT	Unknown
PROS	• Targets state assistance at the main source of increased fire risk and associated public concerns over wildfire impacts. • If focused on start-up incentives, it could create a pay-back source and market mechanism for improving forest health/fire resilience rather than relying upon taxes, surcharges, subsidies or non-market mechanisms. • Concept could be paired with others such as bonding.
CONS	• May rely upon a subsidy depending how structured, and thus the payback would be indirect. • Biomass is very low value material, and in most cases the market value alone does not pay for its removal. Since 2000, Oregon has spent about $114 million, the bulk of which has been through tax credits, to support the biomass industry. This money has gone to support a variety of interests including forest residual collection and transportation, combined heat and power development, equipment (trucks, grapples, chippers), efficiency upgrades (mill production equipment), kiln androcess heat development, pellet production, and feasibility studies.
NECESSARY ACTIONS TO IMPLEMENT	Possible legislative action, or other administrative avenues may be effective.

CHAPTER 2

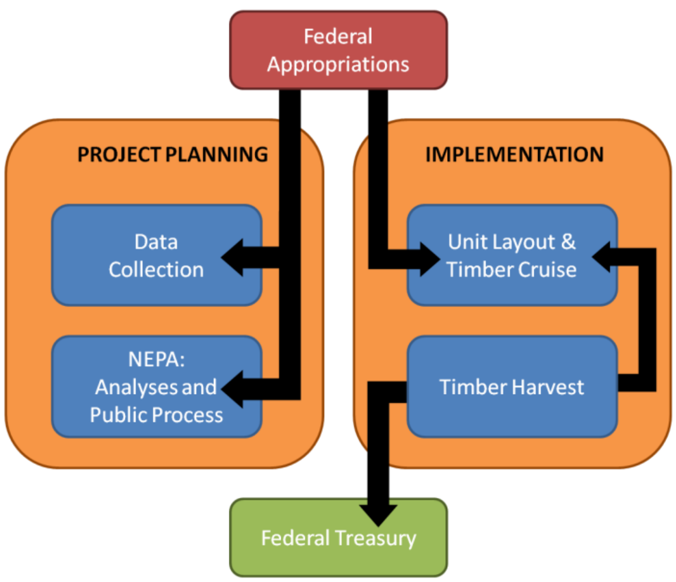
REVOLVING LOAN FUND

SB 357 Revolving Loan Fund

Section 1(3) of SB 357 speaks to ***"An evaluation of the potential use of a revolving loan fund or other mechanisms that could provide a return on investment to state and local governments or other entities interested in providing loans or other financial support for increasing federal forest management projects."*** This chapter of the SB 357 report addresses this provision.

Forest management projects on federal lands create local jobs, state income tax revenues, and many other positive economic benefits.[2] As shown in Figure 1, federal appropriations trigger on-the-ground implementation by providing funds to the U.S. Forest Service or Bureau of Land Management to conduct project-level planning activities (e.g., data collection / field surveys, environmental analysis and documentation) and pre-sale activities (e.g., delineating sale boundaries and other actions necessary to contract a timber sale). Revenue from timber harvests is returned to the federal treasury with some portion maintained to fund activities necessary to close out a harvest unit (e.g., slash management, road maintenance). However, under current law, no timber revenue is allowed to fund planning or pre-sale activities for subsequent projects. In other words, the federal "business model" is not a closed loop requiring that federal agencies operate within the budget received from Congress to create a "pipeline" of work. The amount of funding available for planning (and planning costs) is a significant bottleneck on the ability to increase the pace and scale of federal forest management on-the-ground.

Figure 1: Traditional Timber Sale Contact Model



[2] National Forest Health Restoration: An Economic Assessment of Forest Restoration on Oregon's Eastside National Forests. November 26, 2012.

One means to increase the pace and scale of federal forest management is to complete NEPA analyses on more acreage annually. Without additional investments and/or achieved efficiencies in these "upfront costs," federal land management agencies cannot significantly ramp up their forest restoration efforts.

In addition to planning and pre-sale, restoration projects often include a significant component of work that does not generate revenue (e.g., culvert replacement, aspen fencing, and in-stream improvements). In some cases, these activities have proceeded through environmental review under the National Environmental Policy Act (NEPA) and been prioritized by a local collaborative, yet project implementation has been delayed by inadequate Federal appropriations. The amount of work in these types of activities could provide significant job opportunities for Oregonians, in addition to timber harvest.

A state-capitalized revolving loan program has been identified as a potential mechanism to pay for the upfront costs necessary to move both already-planned projects into implementation, and to significantly increase the amount of completed NEPA-ready projects. In theory, the revolving loan fund would be repaid from federal sources of revenue, either appropriations or timber receipts. However, repayment from the subsequent year's appropriations—even if possible— would not increase the total amount of funds available annually for planning and pre-sale activities. Outlays of a revolving loan fund would need to be repaid from timber revenue resulting from a restoration project. In addition to the State, such a loan program could be administered by several entities including local governments or non-governmental organizations.

Current federal law does not allow borrowing

Under current law and budget authorities, federal agencies are prohibited from incurring debt or paying interest on loans. In order for the state to loan funds to USFS or BLM, the agency would need specific borrowing authority.

Borrowing authority is a type of budget authority that permits federal agencies to incur obligations and make payments to liquidate the obligations out of borrowed moneys. Usually the law authorizing borrowing specifies that a federal agency must borrow from the federal treasury, but in a few cases, authorization allows borrowing directly from the public. Laws that authorize borrowing for business-like operations require repayment of the borrowing, with interest, out of business proceeds (i.e., timber revenue in the case of USFS). In rare instances, usually based on an appropriation or authorizing language, a federal agency may use an appropriation to liquidate obligations that were initially incurred against an authority to borrow when the borrowing was not exercised.

Within federal law, borrowing authority can be authorized in two ways:

- Definite borrowing authority allows for a specific amount of borrowing that cannot be exceeded. Authority is recorded at the beginning of the program and carried forward until the authority is rescinded, the authorized amount is completely consumed, or until the program itself is terminated, whichever comes first. This is a no-year account and the authority does not expire, but unused authority must be reapportioned each year.
- Indefinite borrowing authority allows for borrowing at any amount needed to cover obligations incurred. This is normally accounted for through a no-year account and the authority does not expire, but unused authority must be reapportioned each year.

In any case, Congress would have to authorize borrowing authority for USFS in order to actualize the front-end of any revolving loan fund. There have been several pilot programs in recent years to evaluate different business structures within USFS. A component of federal legislation could include a pilot program to authorize definite borrowing authority, specifically limited to allowing the state and federal government to partner to increase the pace and scale of treatments.

County road funds

One source of non-federal funds, offered as a potential funding source for a loan program, are county road funds, or more specifically the interest on those accounts. There are statutory limitations (both state and federal) on the use of county road funds that would need to be addressed before they could be used to accelerate treatments on national forests. Although the current limitations on county road funds are strict, they do permit some restoration activities along county roads within a national forest that could extend the footprint of a project primarily seeded with federal funds.

The overarching limitation on county road funds emanates from the federal authorization which dedicates payments derivative of federal timber receipts to counties to be used for roads and schools.

State law limits the use of county road funds to activities related to the establishment, laying out, opening, surveying, altering, improving, constructing, maintaining, and repairing county-system roads or bridges (ORS 368.705). The Attorney General (41 OAGO270 [1980]) has ruled that federal forest receipts may be expended for bicycle trails, trails, and parking lots that link or are appurtenant to the county road system.

There are three statutory exceptions to ORS 368.705 that have been specifically adopted by the Oregon Legislature to allow particular flexibility to county governments. First, ORS 368.715 provides that the county can expend these funds on other public roads during a disaster if a county road is destroyed or in disrepair due to the disaster; or on private roads if no public road is available due to the disaster. The second exception, adopted in 2007 and amended in 2012 and 2013 (Ch 479, OL 2013), permits use of county road fund receipts by designated counties for defined costs of county law enforcement patrols of county roads. The third exception (ORS 294.050) is related to supplementing and repayment of election accounts. In sum, county road fund revenues may not be used to stimulate forest restoration or harvest activities, unless it is spent on work on the county road system within the national forest (e.g., for fish passage or drainage ditch improvements). In some circumstances, this limited permissible use may prove to be a valuable element in a larger national forest restoration project.

Potential flexibility using Stewardship Authority and Good Neighbor Authority

The Stewardship Contract Authority (16 USC 2104) specifically allows non-federal sources of funds to be used to implement forest management activities. The Authority was initially authorized in 1999 and permanently authorized in the 2014 Farm Bill. The Authority basically allows the USFS and BLM to trade "goods" (i.e. timber revenue) for "services" (i.e. culvert replacement, prescribed burning). In general, the receipts from timber harvest activities are traded to the contractor for performing service work such as stream enhancement or prescribed burning. Under the Authority, revenue from timber receipts cannot be retained and use for planning activities (e.g., NEPA analysis). The Authority includes two mechanisms: (1) stewardship contracts with the private sector and (2) stewardship agreements with not-for-profit and governmental entities, including states and counties.

The stewardship agreement tool has been used significantly by USFS in partnership with non-governmental entities such as the Rocky Mountain Elk Foundation. The State of Montana is currently pursuing a stewardship agreement with USFS Region 1. However, no stewardship agreement to date has been used in a "return on investment" manner. Further exploration is needed to determine, if under current law, return on investment could be considered a "service" in trade for the "good" of an upfront investment by a private or public non-federal entity.

The 2014 Farm Bill also permanently authorized the Good Neighbor Authority (GNA), which allows USFS and BLM to enter into agreements that allow state foresters to perform watershed restoration services on national forests. The language approved in the 2014 Farm Bill allows for a pretty broad implementation of GNA.

Revolving Loan Fund Summary
Under current federal and state laws, there is no ability for the state to seed a revolving loan fund to be paid back with any revenue generated during federal forest management activities. To recoup state investments, one of the following is needed:

- Specific borrowing authority to allow the national forest system to take on debt and repay any portion of the loan.
    - This could be included as a pilot to give USFS definite borrowing authority for a specific region and included as a component of broader legislation.
- Amendments to existing tools, including:
    - *Stewardship Authority:* clarity that state or non-federal investments in project planning and pre-sale activities can be considered as a "service" and thus can be repaid from any retained receipts generated from a project on federal land.
    - *Good Neighbor Authority:* amendment to make explicit the authority to include the use of state funds to apply to "good neighbor" activities carried out by a state forester.

CHAPTER 3

EFFICIENCIES

Identifying Efficiencies & Cost Savings in Federal Forest Management

SB 357 Section 1(2) seeks, ***"The identification of ways to promote efficieincies and cost savings in federal forest planning and management."*** This chapter of the SB 357 report addresses this language.

Significantly increasing work on national forest lands to retain a sustainable forest industry sector and advance other forest health values is receiving urgent attention in Oregon. This work currently includes infrastructure and workforce development, and treating forest lands to improve health, and reduce the growing risks and costs associated with wildfire. Collaborative efforts have shown promise and built trust across stakeholder groups, which has helped re-establish a base for active forest management on these lands.

To implement forest management projects on-the-ground, USFS must undertake and complete three planning phases:

1. **Data Collection:** includes surveys & data collection needed to inform environmental analysis;
2. **Environmental Analysis and Public Process:** as established by the National Environmental Policy Act and subsequent rulemaking; and
3. **Pre-sale Activities**: including activities such as unit layout, timber marking, contracting, etc.

Finding operating efficiencies within the existing legal framework presents a significant challenge and opportunity with respect to increasing the pace and scale of management, including urgent needs related to forest resilience, rural communities, and forest sector viability. This chapter summarizes ideas to promote these efficiencies and cost savings:

Efficiencies within current planning framework
Due to a number of factors, the *amount of completed NEPA is a limiting factor* for increasing the pace and scale of restoration work on federal forest lands. USFS is proverbially living "hand-to-mouth" with funding for vegetation management projects and challenged to get ahead with the environmental analysis and planning necessary to implement additional projects on-the-ground. This is primarily the result of reduced staff capacity due to agency budget reductions (between 2004-2012, aside from reduced planning dollars, USFS lost 25% of its workforce statewide) and an increasing level of detail and attention applied to environmental analysis driven by the perception of what is necessary to withstand legal challenges. In addition, USFS staff are faced with multiple competing priorities, including fire suppression support, budgeting and work planning, ranger district administration, hiring, etc.

With increasing demands and likely flat or declining budgets, USFS must find *efficiencies within the current NEPA framework* to advance restoration and stewardship goals. Potential ideas include:

- **Hiring a highly experienced Identification Team (*ID Team*)** to work across landscapes (possibly multiple forests) to assume more "risky" projects (such as working at a much larger scale). Increased experience allows team members to borrow from past understanding. Such a team would require clear direction and a mandate to innovate from leadership. This model is currently being tested by USFS as part of the eastside restoration strategy, and includes the development of methods, models, and approaches for working at a larger scale.

- **Dedicating and/or hiring one *ID Team* per forest to focus exclusively on NEPA analysis** and shield team members from other competing priorities. To avoid challenges and time lapses associated with project "start up" phases, *ID Teams* should exclusively focus on NEPA analysis and local forest/regional leadership should be mindful of team priorities.

Planning cost and timeframe efficiencies

Current *planning costs and timeframes limit* the significant increased pace of restoration and stewardship on federal forest lands. Anecdotally, *Data Collection* (step one described on the previous page) consumes two-thirds of planning costs. Additionally, current planning areas are too small to support significant improvement in forest resilience to wildfire.

Without legal revisions to survey and data processes, becoming more cost efficient is likely best pursued by using *new technology & tools* to gather quality information to inform NEPA analyses. In fact, even with statutory reform, new technology and tools still likely hold promise around cost savings and efficiency. There is some opportunity, for example, to redesign the status quo approach to data collection. Potential ideas include:

- **Use of LiDAR (Light Detection and Ranging) data and analysis** to gather stand-level information over a larger area than traditional field surveys. LiDAR data is housed within the Department of Geology and Mineral Industries and includes significant coverage for Oregon national forestlands. LiDAR data could be used to replace much of the current approach to collecting stand-level (on-the-ground) data.
- **Reduce field sampling intensity** resulting from improved tools and base information. With increased confidence gained from information such as LiDAR, data imputation allows for more extrapolation, thus increasing efficiency without sacrificing data quality. Initially, this may increase USFS's risk to project objections because of a perceived lack of site-specificity, but is necessary to significantly increase the pace of management and restoration.
- **Institute cultural changes** within USFS, including workforce cross-training and combining field surveys. A broad audit and evaluation of the status quo is likely to highlight specific opportunities. With reduced staff capacity, USFS should look for opportunities to integrate data collection needs that reach across different functions and roles.
- **Invest in and complete forest-wide surveys** rather than project-by-project data collection, particularly for surveys with a five-to-ten year lifespan. An example may include cultural resource surveys that socially identify high priority sites for conservation.
- **Evaluate cost efficiencies using private contractors and/or state employees** to complete field data collection. In addition to providing extra capacity, contracts hold the advantage to focus work to maximize efficiency and avoid other internal priorities.

Ideas for increasing the size of planning areas within existing budgets—and thereby increasing efficiencies by covering more acreage per planning dollar, include:

- **Use a condition-based environmental planning approach** that allows analysis of conditions over a very large geography and "clears" treatments for certain conditions wherever they occur. The status quo conducts environmental analysis on a specific project area and limits treatment planning to a very specific area. Using a condition-based approach, the analysis would describe desired conditions and the appropriate treatments used to achieve these conditions without actually establishing the precise location. This approach would likely require that some site-specific surveys be conducted *after* the NEPA decision and before implementation, rather than prior to the decision.
- **Staged project-level decision-making** to leverage engagement with forest collaboratives to recognize adaptive management and continue to build social license for implementation. The status

quo approach applies a single decision to a single analysis area, generally defined by a particular geography. Staged decisions tier well with a condition-based NEPA analysis.

- **Develop new analysis tools** in partnership with USFS research stations for larger landscapes. Existing analysis tools for issues such as habitat connectivity and conditions hamper USFS from analyzing impacts across very large landscapes, and result in a ceiling when outlining and setting planning areas.

Efficient use of financial resources to fund restoration

In the context of managing to restore forest health, the current business model, and funding for completing treatments is inadequate. A limited number of management activities such as non-commercial thinning, piling and burning, stream restoration and road maintenance/deconstruction can be paid for with timber receipts under the timber sale program. Revenue from timber sales is directed towards clean-up following forest harvest operations and to the federal treasury. Additionally, it is these fund accounts (vegetation management, hazardous fuels) that are tapped when fire suppression causes other program funding to be "borrowed" and diverted for fire suppression purposes.

While increased funding and business model changes are necessary to significantly impact USFS ability to fund and implement restoration work, ideas to increase the pool of funds available within the current federal structure include:

- **Increase the use of stewardship contracts**, which allows USFS to retain timber receipts to fund activities without associated revenue streams in the same project area. This includes the need to reauthorize the stewardship authority, and innovation within, as existing and past models have proven effective. Some models previously used very successfully, are not currently used by the agency because of a lack of specific authority to use the approach (multiple contractors/multiple bidders or MCMB model developed on the Umatilla NF, for example).
- **Initiate public/private funding partnerships**, including state/local governments with federal government, similar to the Governor's *Dry-Side Forest Health Collaboration Funding Package* approved by the Oregon Legislature during in the 2013 Session. Explore other opportunities for public/private funding partnerships, including both the private and non-profit sectors.
- **Completing the job**. Restoration projects that include a commercial timber component are often only partly completed; the timber is sold, receipts are used to complete slash treatments and perhaps non-commercial thinning, but often the remaining work stays incomplete because of a lack of appropriations or other available funding. Stewardship contracting and the use of retained timber sale receipts help reduce some of this backlog, but an agency often searches for funds to "complete the job." This occurs while eastern Oregon forests have hundreds of thousands of acres of thinning and prescribed burning, and miles of stream improvement to complete, but lacking funds. Completing forest restoration will be important to maintain credibility with involved public groups, establish and maintain forest health and resilience, and provide a different type of work for small business contractors.