

April 24, 2013

JOHN A. KITZHABER, MD  
Governor

Doug Decker, Oregon State Forester  
Oregon Department of Forestry  
Oregon Board of Forestry Members  
2600 State Street  
Salem, OR 97310

Dear State Forester Decker and Members of the Board of Forestry:

The Board of Forestry, along with your stakeholders, is currently engaged in two fundamentally important efforts. Fundamental, because this work will shape the future of Oregon's Department of Forestry and the next generation of how the State's public forest lands are managed. The first effort relates to the central and urgent matter of the financial viability of Oregon's state forest program. The second effort relates to the ongoing policy development around conservation outcomes. These parallel efforts cannot easily be separated and as such should result in mutually supportive, interdependent results.

The Greatest Permanent Value (GPV) rule and its underlying social, economic, and environmental tenets must continue to frame Oregon's approach to state forest management. It is obvious and fundamental that the State needs a financial viability model that works within this framework. As a result of the economic downturn, underperformance of the existing Forest Management Plan and other factors, the Forest Development Fund and the financial viability of state forest management is now at a critical crossroads. The Board and Department have responded with significant budget reductions and with harvest level increases, but we all agree these represent stop-gap measures driven by near-term urgency and not long-term solutions. Sustaining those decisions or trying to do more of the same is more likely to undermine the functionality of the Department and strain the bounds of the GPV rule than it is to solve the long-term challenges facing the State's financial viability model. Oregon needs a new, forward-looking business model that addresses ecological, economic, and social sustainability, and a new Forest Management Plan to incorporate that model.

I encourage you to embark this year on a new forest management planning process with the GPV rule at its core, with clear principles including a focus on financial viability and informed, diverse participation, and with sufficient capacity and science to serve the process. The Financial Viability Subcommittee is a great foundation for this effort as it is a collaborative, deliberative, and inclusive forum with a strong base in the report prepared by the Department last year.

As the Board, Department and Subcommittee advance this work, I challenge you to think outside the box and consider the bulleted questions below. I encourage you to look at alternative management strategies and business models that work to the mutual benefit of the financial viability of the Department, Oregon's economy and communities, and the ecological viability of Oregon's state forests.

- **New Business Practices:** How can we better capture market thinking and market timing in support of the Department's financial viability? This includes consideration of ways to increase revenue from timber production through the timing of timber sales, Department administration of log sales, or accessing specialty or niche markets. In addition, how can you minimize costs and long-term risks associated with state forest road systems or other potential liabilities while ensuring their continued relevance for timber, recreation, and other objectives?
- **Additional Revenue:** How can non-timber values be better monetized to diversify revenue and support financial viability, including consideration of potential revenue sources that are either under-developed or undeveloped such as event sponsorships, lease or license fees tied to infrastructure owned by others, ecosystem service markets, non-timber forest products, recreation, or others? Enhanced agency revenues from such sources could also mean enhanced revenues to the taxing districts. In addition, what opportunities exist to develop a public funding source as one mechanism that better expresses the public's contribution to the broad values Oregon's state forests provide while helping to address the Department's non-revenue generating functions?
- **Alternative Management Plans:** How could land exchanges, different ownership models or other management approaches be constructed to enhance the Department's financial viability, timber values, and conservation values? The initial tier of the Board and Department's conservation planning work—now underway via administrative rule—should be carried forward to completion in the next several months as an affirmation of the State's commitment. But important work remains on the scope and durability of longer-term conservation planning across the portions of the state forest land base that lie outside the areas expected to be covered by the tier one conservation area rule. With that additional work in mind, could approaches that allocate land to conservation emphasis areas while increasing wood emphasis in other areas better support financial viability while also better supporting conservation values, or are there other approaches that could better attain these related outcomes than today's status quo?

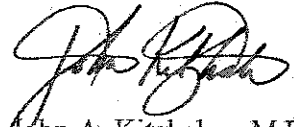
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- **Strategic Partnerships:** Can the enhancement or formation of partnerships improve efficiencies and reduce costs to the Department in carrying out particular components of Oregon's forest management program and related vision? This could include consideration of potential ways to integrate investment across state agencies, as well as approaches that better engage private, non-profit, or other state agency partners.
- **County Considerations:** The relationship between Oregon's state forests and surrounding counties is fundamentally important and must remain so. Operational constraints on timber management, however, as well as conservation values, are not spread equally across the landscape of political or governmental units. Nor are demographic trends equal across this landscape. Within a context of these and other considerations, are there ways to organize or fund state forest management that recognize these realities while improving the stability of revenue provided to each of the relevant counties?

The situation facing the financial viability of Oregon's state forest program concerns me greatly, and the work of the Board's Financial Viability Subcommittee is urgent. There is no easy fix, and that there will be tradeoffs to consider. I am personally committed to engaging with you on this issue and on potential pathways related to the questions above. Where you see potentially positive pathways that may involve legislative concepts or leadership beyond the realm of the Board, I am ready to hear about those pathways and engage with you where I can be helpful.

I sincerely thank you for your time and effort as well as that of the subcommittee and related stakeholders, which is of great service to Oregon at his important time. I hope this letter provides helpful clarification regarding my thinking on the challenging work ahead. Please stay in touch on your progress.

Sincerely,



John A. Kitzhaber, M.D.  
Governor

JAK/BB/sb

