

Returns to Forest Trust Lands: Oregon State Forests

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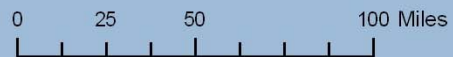
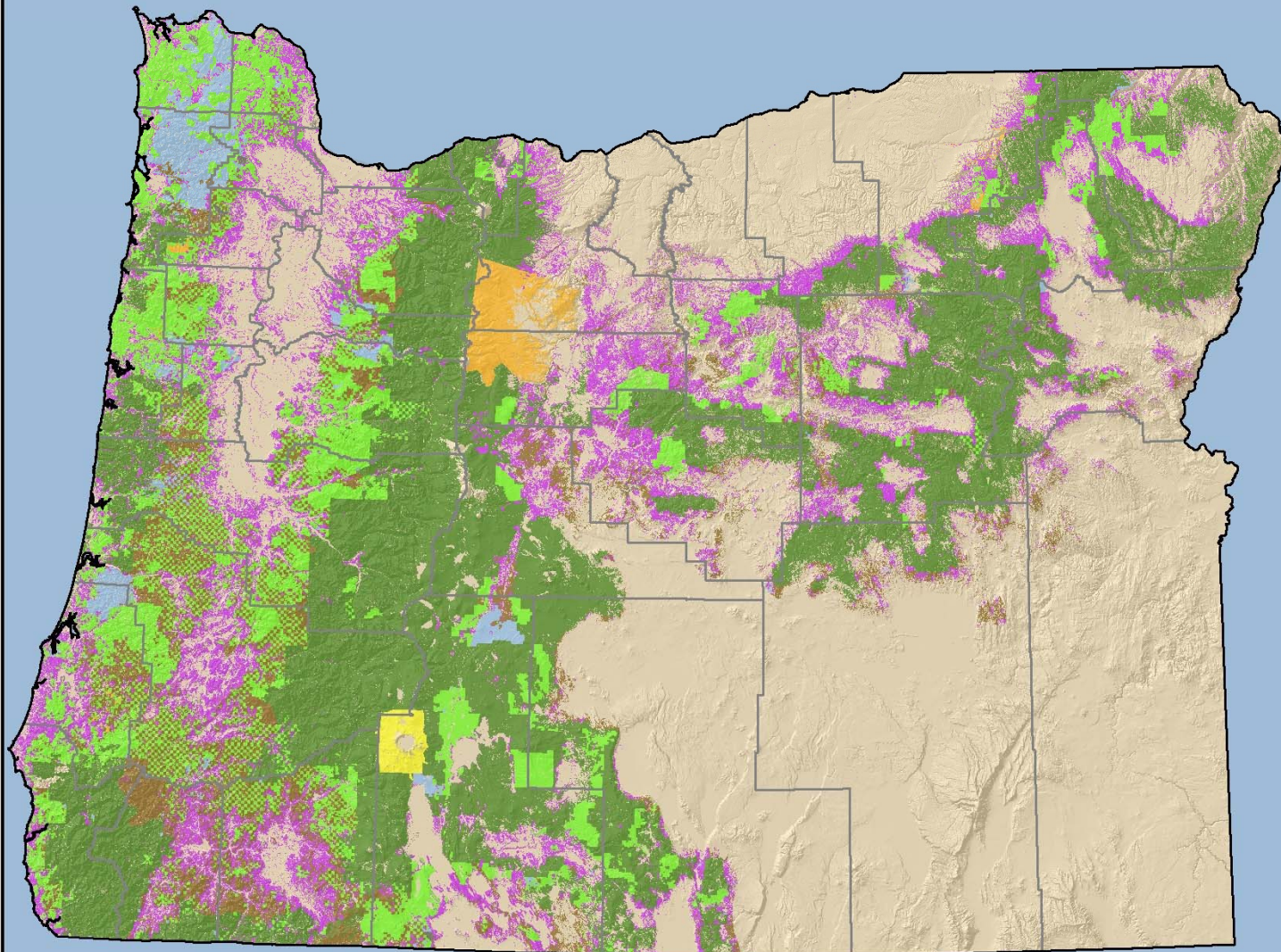


Disclaimer

- Although I work for the Oregon Department of Forestry, I do not work for nor do I represent the Department's State Forest Program
- So what you get are my views
- And my opinion is that is that return on investment is only one of many decision criteria used by the Board of Forestry
- I'll let you figure out where it ranks

Background

- Board of Forestry is decision maker
- Board's Value Statements say that different landowners play different roles
- ODF maps State Forests as multiple-use, not wood production nor reserved, lands
- Board policy is to keep forestland in forest use



Oregon Forestland Ownership

-  Bureau of Land Management
-  National Park
-  Private Industrial
-  Family Forest
-  State
-  Tribal
-  National Forest

Data Source:

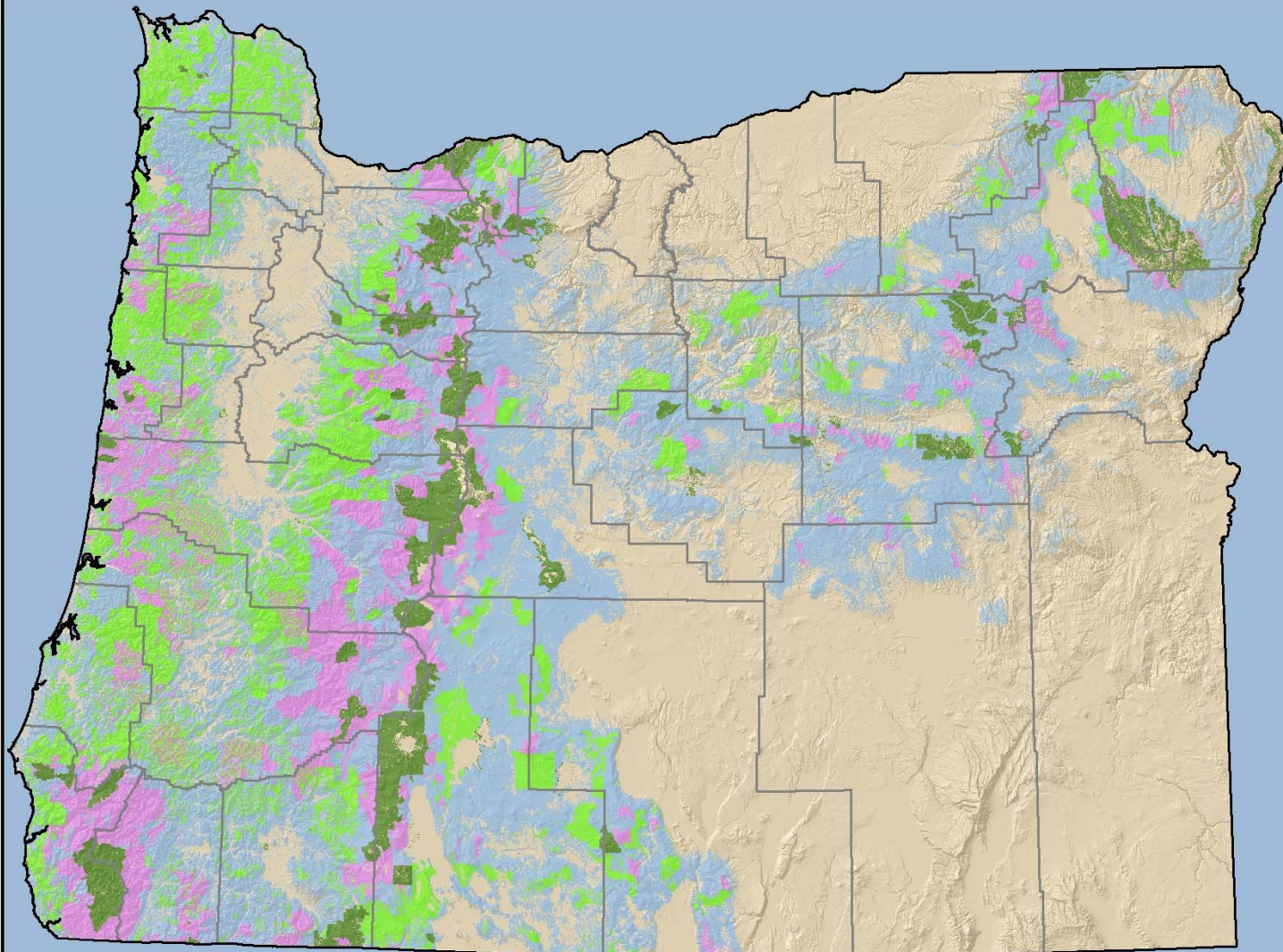
Resources Planning Program
Oregon Department of Forestry







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2600 State Street
Salem, Oregon 97310

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Oregon Forestland Management Classes

-  Reserved
(2,295,178 acres)
-  Administratively Withdrawn
(4,582,761 acres)
-  Multi-Resource
(17,788,498 acres)
-  Wood Production
(5,853,483 acres)

Data Source:
Resources Planning Program
Oregon Department of Forestry

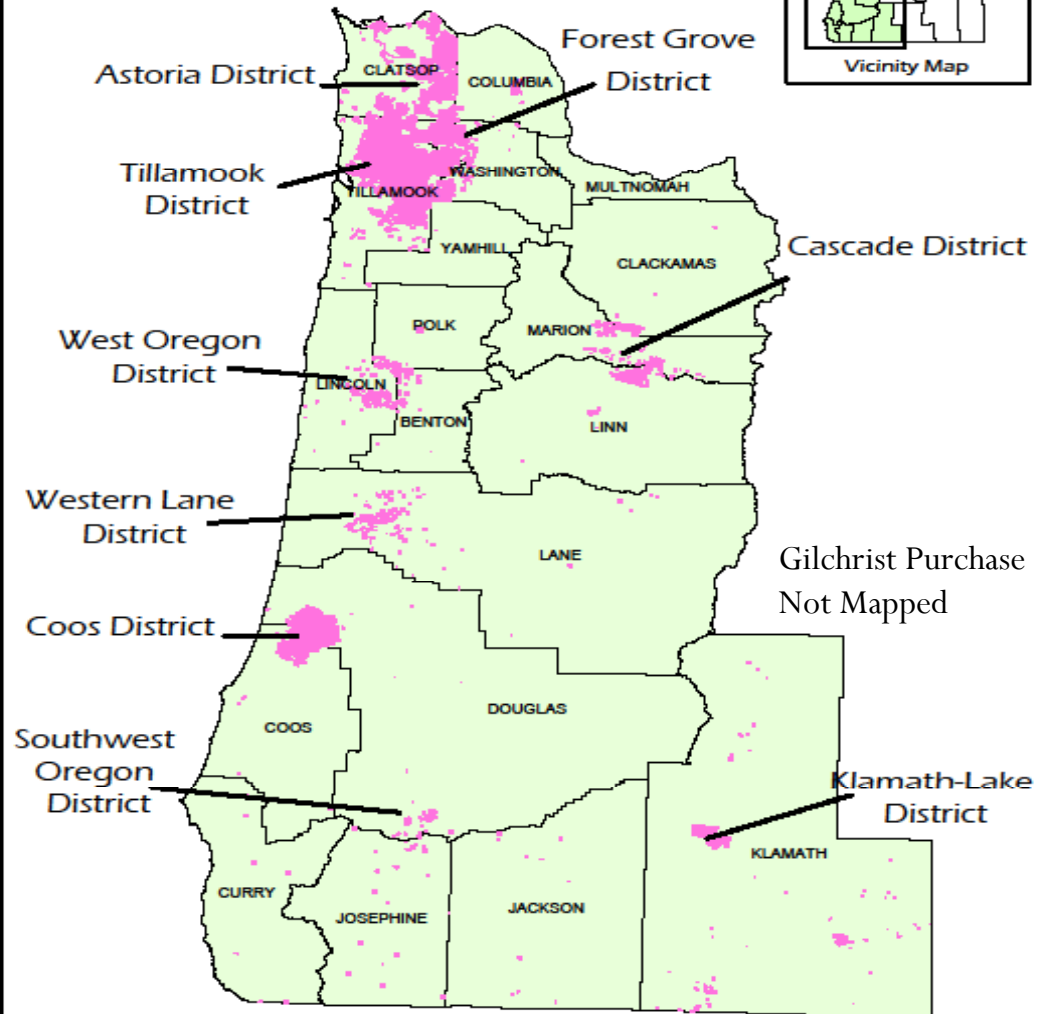
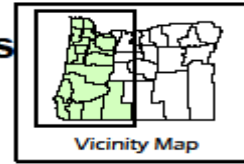
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Oregon Department of Forestry State Forest's Management Districts



Date Printed: 19 June 2003
State Forests Program - CB

Two types of state forestland

- **Board of Forestry Lands (County Trust)** 702,000 acres
- **Common School Lands**
 - 124,000 acres owned by the State Land Board were granted by the federal government at statehood
 - Net revenue goes to the Common School Fund and is used to support education programs throughout Oregon.

Board of Forestry Lands (County Trust)

- 702,000 Acres: 657,000 acres were deeded to the state by counties + recent purchase of 45,000 acres of cutover land in central Oregon
- Two-thirds of the timber revenue from county-deeded lands goes to the counties where timber harvesting occurred

**ODF State Forests Revenue Distribution
1998 through 2007 (in \$millions)**

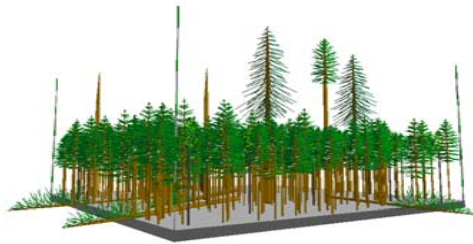
Year	County Share	Net to CSF
1999	\$36.2	\$13.3
2000	\$43.5	\$20.2
2001	\$36.5	\$12.6
2002	\$42.7	\$ 9.4
2003	\$49.8	\$ 4.1
2004	\$47.9	\$10.7
2005	\$48.6	\$14.0
2006	\$58.0	\$ 4.4
2007	\$57.3	\$ 7.2
2008	\$51.2	\$ 4.6
5-yr Average	\$52.6	\$ 8.2
10-yr Average	\$47.2	\$10.0

Management Strategies

- **Revenue and habitat:** The strategies within the plans are designed to create a managed forest that emulates a historic forest. The forests generate timber revenue and develop a diversity of stand structures for a broad range of ecosystems and native fish and wildlife habitats.
- **Performance measures:** Help to evaluate the effectiveness of management strategies, which evolve over time in response to new information and changing public interests and needs
- **Return of Asset Value:** One of the performance measures used

Structure Based Management

Stand Structures Goals & AS,TL,FG Current Condition (from Board of Forestry April 2010)



Closed Single Canopy

Goal: 5-15%

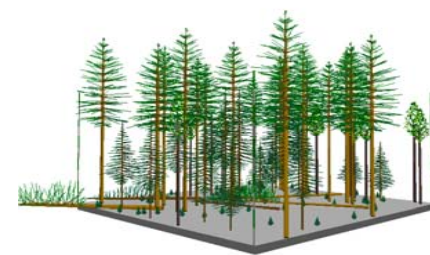
Currently: 67%



Understory

Goal: 30-40%

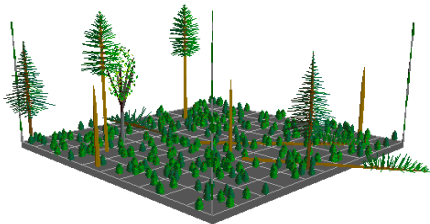
Currently: 21%



Layered

Goal: 15-25%

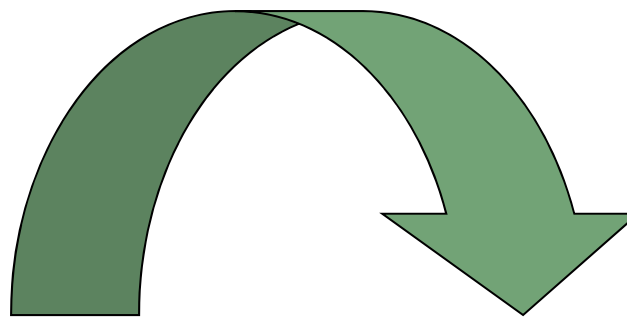
Currently: 5%



Regeneration

Goal: 15-25%

Currently: 5%



Time



Older Forest Structure

Goal: 15-25%

Currently: <1%

Economic, Environmental & Social Performance Measures Developed to Looked at In Concert

- Another performance measure is quantity of habitat by forest management plan, stand structure type, habitat components, and the use of those areas by native fish and wildlife.
- Objective: To maintain and enhance native fish and wildlife habitats
- Example metric: Live tree retention, and downed wood in harvest units

Minimum Net ROAV is an Economic Performance Measure

- Net Return on Asset Value calculated across Board of Forestry and Common School Fund Lands
- Metric -- Annual calculation of ROAV expressed as a percentage (net returns/asset value)

Return on Asset Value Does Not Include a Lot of Stuff

- Value of ecosystem services and many ecosystem products
- Changing value of land

Net Returns

- Nearly all revenues currently derived from timber
- Could incorporate any future revenue such as wind energy, carbon credits, conservation easements

Asset Value

- Net present value of wood emphasis model runs
 - Departure from NDEF
 - Forest Practices Rules & TE Take Avoidance
 - 4.5% Assumed interest rate
 - Historical log price series
- Will be revised this year

Results & Comparisons

- Some Results
 - 2007—2%
 - 2008—1.5%
 - NW State Forests with falldown—1%
- Some Comparisons
 - Oregon Dept. of Revenue study of private forest land owners expected returns—5-6%
 - Oregon public employee pension actuary—7.5%; 8% used by PERS

Toss? Keep? Revise?

- Makes folks uncomfortable; maybe it is doing too good a job at highlighting the costs of nontimber forest benefits
- Maybe it is just goofy because it does not take into account values to future generations, the value of the land. . .
- Maybe revise, but will still have a lot of assumptions

Used?

- Part of calculus presented to Board on performance measures
- The Board increased harvests by 7% in NW Oregon State Forests to increase returns

Probable/Possible Revisions?

- Update inventory, growth and yield data
- Use new wood emphasis run without TE avoidance? Without departure?
- Replace 4.5% with current market rates to discount future costs and revenues. 5.5%?
- Consider only costs that support forest management activities, and not costs for activities related to other forest management plan goals (e.g., recreation and the Tillamook Forest Center)