Incentives

for

Conservation

An Oregon Biodiversity Partnership Report

Compiled by
Defenders of Wildlife
West Coast Office
1637 Laurel Street
Lake Oswego, Oregon 97034
503.697.3222

INCENTIVES

FOR

CONSERVATION

For additional copies of this document or other Defenders' publications, contact:

DEFENDERS OF WILDLIFE
West Coast Office
1637 Laurel Street
Lake Oswego, Oregon 97034
503.697.3222, 503.697.3268 fax
www.biodiversitypartners.org

EXECUTIVE SUMMARY

On April 19, 1999, Defenders of Wildlife and 34 other agencies and organizations co-sponsored Oregon's first Conservation Incentives Summit. The idea for the Summit grew out of a recommendation that the Governor's Tax Review Policy Advisory Committee made to Governor Kitzhaber the previous year. As a long-time supporter of conservation incentives, the Governor enthusiastically endorsed the idea, and the Governor's Watershed Enhancement Board provided financial support.

The purpose of the summit was twofold: 1) To examine specific incentive options that can be implemented to help private landowners and state agencies improve their stewardship of the land and its natural resources (some were existing incentives that were examined from the standpoint of how to improve them); 2) To examine new systems, or frameworks, for implementing incentive programs more effectively over time.

Like the summit, this report is divided into two main sections — *Promising Incentive Programs* and *Promising Incentive Frameworks.* Each section provides a summary of speaker presentations, revised summaries of the draft workbook, summaries of breakout discussions, and a contact person for each individual option or groups of options. Where an update is available, it is included for each section. While some of the breakout sessions succeeded in addressing suggestions for solutions, the sessions were mostly useful in helping participants sort out for themselves which incentive options seemed to be the most viable.

Overview

Prior to attending the summit, each participant received a "workbook" that summarized specific incentives and incentive frameworks. Participants were encouraged to familiarize themselves with the workbook in advance of the summit so that they could contribute meaningfully to breakout group discussions during the summit. The workbook was compiled with the assistance of a planning team, and all sponsors were invited to submit ideas to the workbook.

The summit began with a common understanding of some definitions and assumptions. For the purpose of the summit, a conservation incentive was defined as any action designed to encourage the effective implementation of policies that recognize interrelationships between environmental issues *and* human needs. Additionally, effective incentive programs should:

- Meet conservation and human needs in a cost-effective way.
- Be flexible and easy to understand and administer.
- Be acceptable to a wide segment of society.
- Encourage people to begin making improvements in resource management.
- Recognize progress, even if perfection is not reached.

As for assumptions, the sponsors listed the following:

- The managed landscape can support important elements of biodiversity while at the same time, meet human needs.
- Incentives and regulations go hand in hand. Regulations serve to identify an expected level of stewardship, while incentives can be useful in promoting additional care of certain public values on resource lands.
- Sufficient information is currently available about biodiversity management to take action on the ground, even though data gaps may exist. In the absence of conclusive data, it is far more prudent to be proactive than to do nothing at all.
- Most landowners want to do the right thing for conservation, and will do so *given the correct circumstances*. The challenge is to provide favorable circumstances for the broadest range of citizens.
- Financial resources to provide incentives will be limited as agency budgets continue to decline. Effective incentive programs, therefore, are those that do not require massive increases in agency budgets.

Following individual presentations, the large group of 100 broke into four smaller groups to discuss specific incentive options and frameworks in greater detail. The breakout groups were notable mainly for their candid discussions and the ability of participants to indicate their preferences. In the end, participants were intrigued by all four frameworks and by the following six incentive options:

- Watershed restoration fund
- Effluent trading in watersheds
- Conservation easements and land and water trusts
- Private lands stewardship (SB 791)
- USDA incentive programs
- Voluntary timber trust

Questionnaire

At the end of the day, facilitators asked participants to complete a brief questionnaire, which asked the following three questions: 1) what do you think needs to happen next? 2) what issues are you most interested in? 3) are you willing to participate in the next steps? Forty-nine of the 100 summit participants completed the questionnaire. Nearly everyone who completed it indicated an interest in staying involved. Below is a summary of the first two questions:

Next steps

- Desire for follow up information, especially from breakout sessions
- Need for broader communication, more diverse players
- Narrow the information, identify, prioritize, and pursue achievable options
- Establish working groups to address prioritized issues from the summit
- Conduct pilot projects and evaluate
- Some kind of facilitated follow up with summit participants

Issues of particular interest

- Improving delivery systems/bottom-up approaches
- Forestry incentives
- Performance-based measures
- Green taxes
- Geographic strategies

Maintaining Momentum

The summit sponsors are hopeful that the level of enthusiasm evident during the breakout sessions will be harnessed into collaborative efforts to develop or enhance particular options or frameworks.

The Biodiversity Partnership has agreed to facilitate those efforts. The partnership is an outgrowth of the Oregon Biodiversity Project, a collaborative effort to develop a statewide biodiversity conservation strategy. The partnership serves as an umbrella for cooperative efforts to implement the Oregon Biodiversity Project's conservation strategy. An executive committee — currently composed of Defenders of Wildlife, The Nature Conservancy of Oregon, and the Oregon Natural Heritage Program — offers diverse interests a forum for dialogue concerning strategic and cooperative approaches to conservation. Currently, the partnership focuses on three general areas:

1. ***Biodiversity policy***: Identification of policy issues and options that support or hinder implementation of conservation strategies. (The partnership does not take formal positions on policy issues or otherwise attempt to represent the collective views of its partners. Individual partners are free to pursue their own advocacy efforts, either individually or in collaboration with other partners.)
2. ***Conservation actions***: On-the-ground projects to protect or restore habitats and ecological processes.
3. ***Information management***: Development of new strategies to improve monitoring and information management.

Priority activities related to these three areas are undertaken by the partnership's membership, which includes government agencies, conservation and industry organizations, private foundations, academic institutions, corporations, and individuals. Members are free to choose the level of involvement that best suits their individual needs. They may, for instance, choose to participate in a particular activity through ad hoc work groups or through more formal partnerships among members. They may also choose not to be engaged in that particular project. Members are, however, expected to contribute to the partnership in some fashion during the course of a year. Some members provide financial or in-kind support; others contribute through their active participation in the partnership's activities.

Incentives are a major focus of the Biodiversity Partnership. The partnership will facilitate cooperative partnerships stemming from the summit and monitor the progress of partners' incentive activities. If your agency or organization is interested in developing a particular incentive option or framework, you are encouraged to get in touch with the appropriate contact person listed in the document. Contacts have agreed to initiate further discussion if the level of interest among others is deemed to be sufficiently high. Thereafter, groups will need to decide on their own facilitation and course of action. The partnership will track the progress of these groups, and will periodically issue a brief status report for each. A partnership web site (www.biodversitypartners.com) is scheduled to be in place later this year. For more information about the Biodiversity Partnership, call Bruce Taylor, 503.697.3222.

Six Promising Incentive Programs

Participants identified six incentive programs as promising. Each is described below in no particular order. Any new information that may have developed since the summit is also reported. If you are interested in pursuing any option further, we encourage you to get in touch with the contact listed at the end of each summary. Contacts have agreed to initiate further discussion if the level of interest is deemed to be sufficiently high.

1. PRIVATE LANDS STEWARDSHIP

Description. State legislation enacted in 1997 (SB 791) allows qualifying agricultural landowners to retain favorable tax treatment while managing their property for wildlife and habitat under a plan approved by the Oregon Department of Fish and Wildlife (ODFW).

The law allows a county to approve wildlife habitat conservation and management plans in areas zoned for exclusive farm use or mixed farm and forest use; and land managed under an approved conservation plan to be assessed at its farm use value for tax purposes. The law prohibits the: approval of a plan on private property where 51 percent or more of the land is composed of Class I (prime) or Class II (unique) soils; and establishment of a dwelling in conjunction with a plan on lands composed primarily of Class I or Class II soils. (A county may, however, approve a dwelling on other land subject to the plan. In general, there is no limit to the amount of property that can be converted to wildlife habitat. However, if a dwelling exists on the property, then an acre around that dwelling must remain "unconverted.")

Participation in the program is strictly voluntary. Landowners who indicate a willingness to participate must work with a "cooperating agency" to develop a wildlife habitat conservation and management plan that conforms to criteria specified in OAR 635-430. (Cooperating agencies include agencies or organizations with individuals possessing a degree or certification from an accredited institution for work in preserving, enhancing, or improving habitat for native wildlife.)

Once ODFW approves the plan and the landowner begins to implement it, the landowner may apply to the local county assessor for open space tax assessment. However, if agriculture/forestry activities on the property continue to predominate, then the landowner may simply retain the original farm use deferral. If, on the other hand, wildlife habitat now predominates on the property, the landowner will need to apply for open space tax assessment to receive the same tax benefits that existed prior to the land's conversion to wildlife habitat. The law requires ODFW to review individual plans every two years and to monitor periodically for compliance. Failure to comply may result in withdrawal of the land from open space use classification.

The program has tremendous potential to restore habitat on private lands, but has been hindered by two factors — ODFW's lack of resources to promote the program, and misunderstanding on the part of some county assessors.

Implementation Options. Improved implementation of this program could be examined with an eye toward using it to target lands that have been identified as high priority in basin-wide or watershed-level plans. It could also be used to target private property owners who are not exclusively dependent on farm income. At a minimum, more technical support is needed along with improved outreach to local government and property owners. It has also been suggested that this program be expanded to include stakeholders within the Urban Growth Boundary. Here, the statute's definition of "qualified private property owners" would be expanded to include those areas within the Urban Growth Boundary that local government has identified as significant Goal 5 resources or as regionally significant natural areas.

Update. In May, Defenders organized a planning meeting with various stakeholders to discuss initial steps for advancing the program. The group decided to use a pilot approach, continuing to build on the gains in Polk County and launching a new start-up in Clackamas County. Defenders in the process of raising funds and establishing institutional connections. David Evans and Associates, a Portland consulting firm, will offer GIS support and will work with ODFW in establishing a management plan template.

Contacts. Wendy Hudson, Defenders of Wildlife, 1637 Laurel St., Lake Oswego, OR 97034 (503.697.3222).

2. USDA INCENTIVE PROGRAMS

Description. The USDA has numerous programs available to Oregon property owners interested in conservation and restoration. The Farm Service Agency and the Natural Resources Conservation Service both administer agriculture incentive programs. An example is the Conservation Reserve Enhancement Program. Under this program, up to 100,000 acres of riparian habitat on agricultural lands statewide have been targeted for restoration over the next three to five years. Farmers and ranchers who agree to participate are paid for removing their land from production and planting the land to grass, shrubs, and trees. Although a number of property owners are already taking advantage of the program, barriers remain.

Implementation Options. To advance Conservation Reserve Enhancement Program and similar USDA programs, the state could initiate several actions to improve their administration. More technical support is needed to help property owners develop land management plans and restoration projects. Statewide and regional restoration teams could be established to: develop and implement education programs; assist with watershed analysis and planning for restoration, including public participation; assist with the design and construction of restoration projects on the ground; and develop "recognition" programs for cooperating landowners and corporate and business sponsors, using signs, awards, field tours, and other measures. OSU Extension Service could head up the education efforts. Technical assistance leadership could be shared by the Oregon Department of Fish and Wildlife, Division of State Lands, and federal partners, such as the U.S. Fish and Wildlife Service, Natural Resources Conservation Service, and local Soil and Water Conservation Districts. Technical assistance teams could be multidisciplinary and include individuals with broad expertise.

More flexibility is desired by some property owners to permit innovative management of agricultural systems in which some commercial use is permitted. Additional state matching funds may be needed. It might be possible for Oregon to receive USDA funds in a block grant and award them on a priority basis to property owners whose management plans conform to an approved watershed plan. Possible mechanisms to provide this flexibility include expansion of the "Oregon Option" and special designation under the federal National Performance Review. Tillamook County, for example, has formed a "Performance Partnership" — integrating federal, state, and local efforts — to achieve specific restoration goals. It has also been suggested that some USDA programs could be expanded to include urban areas where citizens seek to implement restoration and conservation projects.

Update. Following the Incentives Summit, partners in the Oregon Wetlands Joint Venture met with Natural Resources Conservation Service officials to explore options for expediting implementation of the Wetlands Reserve Program. Oregon's funding allocation under the program had been cut by half in 1999 as a result of administrative problems. To address the problems, the Oregon Department of Fish and Wildlife and the Governor's Watershed Enhancement Board agreed to provide $40,000 to hire a person to assist with contracting, appraisals, surveys, and other administrative activities related to the Wetlands Reserve Program. The new position will be contracted through Ducks Unlimited, with hiring expected to be completed in July 1999. Joint Venture partners and NRCS state office staff also collaborated in setting up a two-day tour of Oregon projects for the Wetlands Reserve Program's national program manager in early June. As a result of these efforts, national program officials say they hope to be able to increase Oregon's share of Wetlands Reserve Program funding to $3-5 million in FY 2000.

Contacts. Bruce Taylor, Oregon Wetland Joint Venture, 1637 Laurel St., Lake Oswego, OR 97034 (503.697.3889)

3. VOLUNTARY TIMBER TRUST

Description. A need exists to encourage longer timber rotations on private property. Property owners need a sure source of revenue and the financial means to care for the land during their tenure. Although the Oregon Forest Practices Act ensures the establishment of stands after harvest, a voluntary timber trust could help fund land stewardship needs throughout the life of the forest stand.

Implementation Options. In 1996, the Oregon Forest Incentives Group recommended that the Board of Forestry consider working to implement a voluntary trust in Oregon or the US, similar to a mandatory system operating in Norway known as the Norwegian trust.

Under this system, a percentage of the gross value of a timber sale is put into an account (before taxes) to care for the land. If the land is sold, the account to care for the land goes to the new owner. The percentage of the gross receipts deposited depends on what the landowner already has in his/her account and the needs of the land. After review of these items, a county forester will recommend an amount to be withheld for the land. In general, the landowner has to put at least eight percent and no more than 25 percent of the gross receipts into the account. Account monies may only be used for approved activities, such as paying for the costs of planting trees, road maintenance, replacing culverts, pre-commercial thinning, etc. These activities serve to enhance both private and public values on forestland in Norway.

At the Conservation Incentives Summit participants expressed interest in this idea. A suggestion for improvement to the concept articulated at the summit was to allow a landowner to initially put income from any source into the account. This would allow all private forestland owners, regardless of current opportunities for harvest, to establish an account to care for the existing and foreseeable needs of their forestland.

Update.

Contacts. Joe Misek, Oregon Department of Forestry, 2600 State St., Salem, OR 97310 (503.945.7414).

4. WATERSHED RESTORATION FUND

Description. A watershed restoration fund would give Oregon a substantial revenue source to invest in privately owned lands and watersheds statewide. Oregon Plan funding is currently tenuous, with Measure 66 funds serving as the primary source. At best, Measure 66 will provide $40 million per biennium for watersheds, but the recent filing of an initiative to ban video poker will put pressure on this source of revenue, as well. The backlog of non-passable (to fish) stream crossing culverts and unscreened irrigation ditches statewide is in the hundreds of millions of dollars. The establishment of an additional source of state revenue to Oregon Plan implementation is essential to achieve clean water, restore salmon, and protect Oregon's most important places. A broad-based tax of non-general fund origin is the best means of creating the necessary revenue for watershed restoration. A combination of a timber harvest tax, fertilizer and pesticide excise tax, and sewer and septic tank hookup fee would be appropriate as the various activities cover a range of sectors affecting watershed health. A minimum of $35 million per biennium should be generated to be meaningful. The specific allocation among sectors is negotiable.

Implementation Options. The Legislature (or secondarily, the Governor) could convene an interim task force to develop a specific proposal within the framework of the minimum $35 million revenue generation per biennium and within a set of principles that includes equity among sectors.

Contact. Geoff Pampush, Oregon Trout, 117 SW Front Ave., Portland, OR 97204 (503.222.9091)

5. EFFLUENT TRADING IN WATERSHEDS

Description. This practice of trading among certain classes of effluent discharges is one method that can be used to achieve economic efficiencies while meeting water quality standards and water use goals. Effluent trading, sometimes called pollution trading, is being used in several watersheds across the U.S. Trading allows regulated sources to achieve pollution reductions by substituting cost-effective and enforceable mixes of controls on other discharge sources within the watershed. To take advantage of trading, a regulated point source must be in compliance, and remain in compliance, with applicable technology-based limits. The range of trades that are feasible includes trading among outfalls within a plant, among point sources (industrial, municipal), between point and nonpoint sources, and among nonpoint sources.

Implementation Options. This could be employed in water quality-limited water bodies in Oregon. The net effect of effluent trading can result in a greater amount of pollution being removed from water bodies for the same amount of money, or an equal amount of pollution removal for less money. These trades can be difficult to arrange, because often the funding to pay for the trades is raised in one jurisdiction, and spent in another; however, the benefits to the watershed as a whole must be considered. An organization with a watershed-wide focus could serve as the "broker" for effluent trading.

Contact. Bob Doppelt, Center for Watershed and Community Health, P.O. Box 10933, Eugene, OR 97440 (541.744.7072).

6. CONSERVATION EASEMENTS AND LAND AND WATER TRUSTS

Description. A conservation easement (or conservation restriction) is a legal agreement between a landowner and a land trust or government agency that permanently limits uses of the land to protect conservation values. It allows property owners to continue to own and use their land and to sell it or pass it on to heirs. When property owners donate a conservation easement to a land trust, they give up some of the rights associated with the land. For example, they might give up the right to build additional structures, while retaining the right to grow crops. Future owners also will be bound by the easement's terms. The land trust is responsible for making sure the easement's terms are followed.

Conservation easements offer great flexibility. An easement on property containing rare wildlife habitat might prohibit any development, for example, while one on a farm might allow continued farming and the building of additional agricultural structures. An easement may apply to just a portion of the property, and need not require public access. A landowner sometimes sells a conservation easement, but usually easements are donated. If the donation benefits the public by permanently protecting important conservation resources, and meets other federal tax code requirements, it can qualify as a tax-deductible charitable donation. The amount of the donation is the difference between the land's value with the easement and its value without the easement. Perhaps most important, a conservation easement can be essential for passing land on to the next generation. By removing the land's development potential, the easement lowers its market value, which in turn lowers estate tax. Whether the easement is donated during life or by means of a will, it can make a critical difference in the heirs' ability to keep the land intact.

Land trusts are nonprofit, voluntary organizations that work hand-in-hand with landowners. They use a variety of tools, such as conservation easements that permanently restrict uses of the land, land donations and purchases, and strategic estate planning to protect open spaces. Local, regional, and national land trusts have protected large amounts of land in the last 20 years. Oregon has ten land trusts that help protect land throughout the state. They work to protect farm, ranch and forestlands, scenic views, river corridors, and native plant and animal species. They work in partnership with local property owners and agencies to conserve important open space lands. The Nature Conservancy of Oregon and the Trust for Public Land are two national organizations with offices in Oregon that also work to protect open spaces.

Water trusts are similarly modeled after land trusts. In 1987 Oregon law was changed to allow instream water rights for the first time. Previously, any water flowing in a stream was considered

available for "appropriation," i.e., to be diverted out of the stream for agricultural, municipal, or other uses. Neither rivers nor fish had a legal "right" to any water, and much of our surface water supplies had already been appropriated. Now it is possible to convert some of these out-of-stream consumptive water rights to instream use, to provide public benefits of enhanced stream flow, improved aquatic habitat and water quality, and recreational opportunities. Oregon's Instream Water Rights Law and related Conserved Water Program provide multiple opportunities for landowners to help return some water to streams to meet environmental needs. Further, they can be used in conjunction with other land management tools, such as conservation easements.

Surface water rights are defined by the amount of water, as well as by the place, timing, and nature of use (e.g., a particular parcel of pastureland may be flooded once in the spring and again in the summer for two cuttings of hay.) In Oregon, an owner of land with an appurtenant water right may donate or sell all or a part of their water right to Oregon Water Trust for transfer to instream use. Agreements may be temporary through a donated or compensated lease, or permanent through a donation or sale, both of which confer tax advantages. If a landowner wishes to improve water use efficiency, the trust can assist with planning and possibly funding a conserved water project in exchange for all or some of the saved water being transferred to instream use. Benefits to landowners of working with the trust include protecting water rights from forfeiture during periods of non-withdrawal, providing an infusion of cash to help meet other property management goals, and assisting with project costs, such as irrigation system improvements that help conserve water.

Implementation Options. Options for implementation include improving awareness about these important tools. In addition, some landowners may not be able to afford the endowment that is usually required to oversee monitoring costs on lands covered by conservation easements. Increasing public awareness of conservation easements and providing a source of funds to cover endowments would help improve the use of this conservation incentive.

Update.

Contacts. Conservation Easements and Land Trusts: Karlene McCabe, Greenbelt Land Trust, Box 1721, Corvallis, OR 97339 (541.752.9609). Water Trusts: Cheyenne Chapman, Oregon Water Trust, 111 SW Front Ave., Ste. 404, Portland, OR 97204 (503.226.9055).

Four Promising Incentive Frameworks

Participants identified all four incentive frameworks — systematic approaches to implementing incentives — as promising. A brief synopsis of each is provided below. Any new information that may have developed since the summit is also reported. If you are interested in pursuing any framework further, we encourage you to get in touch with the contact listed at the end of each summary. Contacts have agreed to initiate further discussion if the level of interest is deemed to be sufficiently high.

1. A GEOGRAPHIC FRAMEWORK

State Resource Management Option

Description: Many property owners, industry groups, local governments, and states have a strong preference for resource management programs to be guided more by states than the by federal government. For example, the Oregon Plan presents a state alternative to federal control of salmon restoration efforts throughout much of the state. Many federal environmental laws, such as the Clean Water Act, already provide opportunities for state management of specific programs. However, there are no specific mechanisms to allow states to address endangered species and associated habitat issues through integrated conservation planning.

Implementation option(s). There are, however, several programs that might be used to help Oregon gain more flexibility to implement actions to recover endangered species. Under Vice President Gore's National Performance Review Program, a certain degree of flexibility might be applied to implementation of federal regulations and allocation of dedicated funding in specially designated areas. Participants take responsibility for accomplishing goals, but they are allowed flexibility to meet them in the most efficient and cost-effective manner possible. A similar program is the "Oregon Option," used by the state to gain more control from the federal government in administering social service programs.

Under this "option," Oregon could develop a comprehensive conservation plan that addresses endangered species, wildlife habitat needs, water quality, conservation, flood management, municipal energy, and related natural resource issues. In return, federal agencies might defer to Oregon to manage some activities, like prioritizing incentive programs consistent with the conservation plan. For other activities, federal agencies could coordinate investments and regulatory programs with state and private efforts in accordance with the plan. In any case, the probability of success would probably be enhanced with an effective process up front in which federal, state, local, and private interests work together to define goals and action steps.

Regional Conservation Plans

Description: For many issues, an appropriate scale for developing ecological assessments and management strategies is at the basin or ecoregional level. Although the boundaries of these planning units are subject to debate, many resource managers agree that looking at landscapes larger than watersheds may increase management options, provide important context for local decisions, and encourage the application of ecosystem management principles.

Implementation option(s). An example of a basin-wide strategy development process is the Willamette River Basin Initiative. The Initiative seeks to develop a strategy that serves as the Willamette portion of the Oregon Plan, the recovery plan for endangered fish, and may be used to help focus local land use decisions and actions taken by private property owners and federal agencies. Watershed councils will oversee detailed assessments and associated restoration efforts consistent with the basin-wide strategy.

The "incentive" in this example would be improved clarity in overall goals and expectations of property owners to create a more predictable business environment. If desired, a regional strategy could be presented as a multi-species, multi-property owner "habitat conservation plan," under the Endangered Species Act. Participating property owners could apply for incidental take permits in return for a commitment to do their part in implementing the plan. If successful, this process could also save money and help focus investments (including a wide variety of incentive benefits) to recipients in a more strategic manner.

New Designation for Conservation Lands

Description: The Oregon Biodiversity Project identified 42 "conservation opportunity areas" statewide. These areas have been determined to be ecologically significant and characterized by a willingness on the part of the property owners to address conservation issues. These lands are a mixture of public and private ownerships and are used for a variety of purposes. The new designation could be applied to any area meeting similar criteria.

Implementation option(s). Under this scenario, designation would be voluntary. Management in the area would emphasize management for conservation values, and if necessary, the restoration of the area's ecological integrity. Private property owners (and homeowners, in the case of urban greenspaces) would qualify for a broad range of incentives if they participate in the development of the conservation plan and implement relevant actions on their lands. Although commercial activities could take place within the conservation areas, management activities would need to be sustainable economically and ecologically over time. The conservation areas could then become demonstration sites for sustainable development, as well as provide examples of best management practices.

Update.

Contact. Sara Vickerman, Defenders of Wildlife, 1637 Laurel St., Lake Oswego, OR 97034 (503.697.3222).

2. PERFORMANCE-BASED PROGRAMS

Performance-based Environmental Management

Description. Performance-based approaches to environmental management seek to involve all economic sectors causing significant environmental degradation in comprehensive and integrated efforts to resolve problems and prevent new ones from occurring.

Oregon's approach to protecting and maintaining its environment, while consisting of effective individual programs, lacks cohesiveness, coordination, clear goals and an overarching mission. It is crisis driven, which leads to inefficient use of public and private resources and dramatic responses that can disrupt communities. Environmental problems may be temporarily solved in one sphere but inadvertently pushed into another. The current regulatory system often requires business to gather information and operate in a manner that may not constitute the highest and most efficient use of resources. Strategies to maintain and enhance social and economic well-being are not coordinated with environmental policies.

Implementation *Options*. A multi-stakeholder group — consisting of representatives from Oregon industry, conservation, science, religion, government, and higher education — has introduced an Environmental Stewardship Plan bill in the House Agriculture and Natural Resources Committee (HB 3135). The plan seeks to establish a new state goal of sustainable development and a coordinated statewide plan to implement the goal. It would require state agencies to adopt clear long-term goals, as well as measurable objectives and benchmarks for the environment. Goals will be articulated in a State of the Environment Report. The Stewardship Plan would also require agencies to develop performance (results) based regulatory tracks to achieve the goals. This means companies, economic sectors, communities, and agencies would be held accountable for achieving the goals, but would have the freedom to choose how to accomplish them. Feedback systems — based on goal setting, on-going measurement, and incentives — would ensure that participants work constructively and would allow agencies to dispense with constant micro-management. This would build upon, and not replace, existing regulatory or successful voluntary approaches, such as the Oregon Plan for salmon and watersheds.

Update.

Contact. Bob Doppelt, Center for Watershed and Community Health, P.O. Box 10933, Eugene, OR 97440 (541.744.7072).

Stewardship Certification

Description. Stewardship certification is a means of sanctioning, or certifying, the land management operations of various property owners according to established criteria. Some have proposed it as a way to provide marketplace advantages, recognition and other benefits to companies and property owners who apply best management practices. The concept of stewardship certification offers significant potential as an important tool for conservation. It is applicable to many different sectors and activities; it can be implemented without new legislation and without the infusion of major public funding; it is voluntary; and, it recognizes good stewardship.

Major concerns include the complexity of certification systems, widespread confusion about labeling and what it means, difficulty in setting standards and awarding benefits, expense of implementation, and the need for extensive training and education of consumers and product providers. The success of certification programs may depend on the ability of consumers to identify certified products and determine what labels really mean. The proliferation of programs may overwhelm the public and lead to widespread skepticism of what may be perceived as yet another meaningless advertising ploy.

Implementation *Options*. Although a number of certification efforts are already under way, an umbrella program with a broader focus than existing ones could address a larger group of participants, enhance the overall credibility of programs and bring order to an oftentimes confusing situation.

Certification "teams" could be composed of technical experts, affected industry representatives, resource agency staff and conservationists. Final approval could rest with the state or a neutral third party. All property owners would be eligible, certified by category. Certification fees could help support the program, but they should not be so expensive as to discourage participation.

Public agencies could be eligible for certification. While the market benefits may not be as clear for agencies as for private companies, certification would allow governments to set an example of good stewardship for all managers, test the application of standards and facilitate the training of certifying organizations and land managers. Several categories of certification may be required for lands with different uses. Stewardship certification should be undertaken in the context of other activities and linked to planning at several scales. Steps could be established to allow credit for initiating improved stewardship programs that have not yet met the highest standards. As management changes are implemented, additional credit could be awarded to encourage continued improvement. Adaptive management techniques could be required for certification to accommodate improvements in management techniques over time. Flexibility will be needed, especially in the early stages as programs are established.

Certified companies could use certified status to promote their products and services through special labeling and additional information to consumers. Certified property owners could be eligible for other incentive programs. Certification could lead to alternative compliance benefits or expedited permitting. Tax and subsidy benefits could also be linked to certification.

Update.

Contact. Sara Vickerman, Defenders of Wildlife, 1637 Laurel St., Lake Oswego, OR 97034 (503.697.3222).

Stewardship Agreements

Description: Stewardship agreements can be used to help businesses, property owners, and potentially the public to improve performance in meeting environmental goals. At the same time, they can reduce the constraints and expenses associated with narrowly prescriptive and inefficient regulations. The concept offers significant potential as a tool for conservation and generally improving management.

Implementation *Options*. The Oregon Department of Forestry already has the authority to enter into agreements with forest property owners. This concept could be expanded to address the needs of different social and economic sectors that could enter into agreements with state or local government to achieve specified environmental goals. A menu of incentive options could be offered in the context of the agreements. The greater the public benefits provided under the terms of the agreement, the greater the incentives. Companies whose products have been "certified" by third parties could be granted expedited agreements by agencies, based on compliance with certification requirements.

Update.

Contact. Sara Vickerman, Defenders of Wildlife, 1637 Laurel St., Lake Oswego, OR 97034 (503.697.3222).

3. GREEN TAXES AND ECONOMIC INCENTIVES

Green Tax Shift

Description. Green taxes are broadly defined to refer to "a host of tools and economic incentives designed to correct market imperfections and 'hardwire' environmental protection into the economy." Basic economic theory tells us that we will get "excess" pollution and resource degradation as long as the costs of those impacts is not reflected in prices and economic decisions. Green taxes would build these costs into prices; the revenue raised could be returned to taxpayers or used to reduce other taxes. Shifting taxes from goods to "bads" would encourage pollution prevention and stewardship as a way to reduce tax burdens. Oregon's Bottle Bill shows that even a small price incentive — a nickel — can have a big impact on behavior. The challenge is to create similar economic incentives that "hardwire" environmental improvement throughout our economy.

Implementation Options. Oregon could implement any number of environmental or resource taxes, including taxes on pesticides and fertilizers; toxic air and water pollution; air pollution from cars; carbon dioxide and other greenhouse gases; water withdrawals; or other major activities with negative environmental impacts. Revenues raised could be rebated to Oregon residents and businesses through an "environmental kicker" on a per-capita or per-employee basis, or used to offset cuts in income or payroll taxes. Some revenues could fund programs that offset the damage done by pollution to the

environment, public health, and communities. Representative Bill Witt and the Oregon Environmental Council have introduced HB 2473 to create a broad-based advisory committee to study these options further.

Variable (performance based) Permit Fees

Description. The Department of Environmental Quality charges fees for water pollution permits it issues under the National Pollution Discharge Elimination System (NPDES) but these fees are only based on the type of facility and complexity of the permit. The fees are not based directly on the volume or environmental impact of the permitted discharge. Therefore, permit holders that reduce their pollution discharges still pay the same fee, and have no economic incentive to prevent pollution.

Implementation *Options*. The Department of Environmental Quality could change its method for calculating NPDES permit fees to raise the same total amount of revenue, but base these fees on the actual volume of pollution discharged and its environmental impacts. HB 3101, sponsored by Rep. Prozanski and the Oregon Environmental Council, would direct the department to make this change, in consultation with a broad-based advisory committee. Facilities would pay based on their maximum permitted discharge levels unless they can demonstrate lower actual emissions, which would create an additional benefit: far better data about what is actually being discharged into Oregon's waters. Facilities that demonstrate a reduction in discharges, a reduction in category pollutants, or that make use of "reuse systems" for storm and wastewater discharges would also save money — a powerful incentive.

Update.

Contact. Jeff Allen, Oregon Environmental Council, 520 SW 6th Ave., Ste. 940, Portland, OR 97204, 503.222.1963.

IMPROVING DELIVERY SYSTEMS

Today, farming and extension services are being shaped by changing public policy objectives, pressure on government funding, steadily rising incomes for many families, increased emphasis on safe and wholesome food, and interest in sustainable practices. Traditionally, extension agents and specialists have played an important and useful role in digesting research results, as well as in collecting information from successful farmers for the purpose of passing the information along to other farmers. This traditional extension role may be more difficult to play in the future as industrialized agriculture has the management resources to tap into research directly and even to influence research direction and to conduct its own research. Equally important, is the fact that private industry will most likely consider key information proprietary.

Research by public institutions will continue to be of interest. In particular, land grant programs that bring research resources to bear on issues of economically competitive "sustainable" and "organic" food production will provide valuable service to agriculture/food processing operations. Research,

however, will be more complex and sophisticated, and more "consumer driven." Information will play an increasingly important role in maintaining a competitive and profitable sustainable agriculture/food processing operation. The range of information needed will span market intelligence, production and processing technology, information dissemination, and financial management.

To be effective, extension services will increasingly need to readjust their operations to meet public goals and the needs of a rapidly transforming agriculture. Specifically, extension services can act as "brokers" of information, knowledge, and services. Extension must continue to educate landowners about existing programs, opportunities, and best management practices.

Extension and Education Programs

Description. In the 1911, the Extension Service was formed in Oregon as part of the then Oregon Agricultural College. The purpose was to make knowledge available to those not able to attend the land grant institution. Today, with offices in all 36 counties, the Extension Service is the off-campus educational arm of Oregon State University. County agents and more than 22,000 volunteers around the state help citizens apply scientific knowledge at work and at home. They provide Oregon communities with informal educational information and programs, and they carry the research and information needs of those communities back to the campus. Extension programs cover agriculture; family development and resource management; nutrition, diet, and health; 4-H youth development; forestry; ocean and coastal resources; and energy conservation. Funds to operate the OSU Extension Service come from federal, state, and county governments.

From the perspective of Stahlbush Island Farms, a sustainable agriculture and food processing operation near Corvallis, agricultural outreach can be outdated. Traditionally, extension agents and specialists have played an important and useful role in digesting research results, as well as in collecting information from successful farmers for the purpose of passing the information along to other farmers. This traditional extension role may be more difficult to play in the future as industrialized agriculture has the management resources to tap into research directly and even to influence research direction and to conduct its own research. Equally important, is the fact that private industry will most likely consider key information proprietary. In a competitive, management and technology intensive market, private industry may not allow proprietary information to be passed on to others, as it has been in the past.

Implementation option(s). Research by public institutions will continue to be of interest. In particular, land grant programs that bring research resources to bear on issues of economically competitive "sustainable" and "organic" food production will provide valuable service to agriculture/food processing operations. Research, however, will be more complex and sophisticated, and more "consumer driven." Information will play an increasingly important role in maintaining a competitive and profitable sustainable agriculture/food processing operation. The range of information needed will span market intelligence, production and processing technology, information dissemination, and financial management.

To be effective, extension services will increasingly need to readjust their operations to meet public goals and the needs of a rapidly transforming agriculture. Changing public policy objectives, pressure on government funding, steadily rising incomes for many families, increased emphasis on safe and

wholesome food, and interest in sustainable practices are shaping farming and extension related to agriculture in America.

"One-stop Shopping" for Financial Assistance Programs

Description. Currently each state and federal agency with incentive programs has its own system for delivering its programs, which creates unnecessary duplication of effort among agencies and confusion among the public. Restructuring existing financial assistance programs could potentially provide more benefits than adding new programs to an often confusing array of existing incentive programs.

Implementation option(s). Form a joint state/federal partnership to provide "one-stop shopping." Citizens could go to a single office for information and assistance. Federal and state incentive programs would coordinate their efforts and delivery systems, and would work with Soil and Water Conservation Districts, watershed councils, and other appropriate groups to define issues and concerns. The approval process for public requests for assistance would be coordinated to best meet local resource concerns. In terms of implementation, the state would set policy and local government would approve projects. Local government would be either a single county or a blend of adjoining counties. A local committee — composed of Soil and Water Conservation Districts, watershed councils, Farm Service agencies, and natural resource agencies — would review projects for approval. Each state and federal incentive program would have a local funding allocation.

Update.

Contact.

APPENDICES

PRESENTATIONS

Three speakers helped set the stage for the morning breakout discussions by addressing the issue of conservation incentives from three different sectors — agriculture, forestlands, and urban areas. In particular, each speaker was asked to provide their personal perspective relative to their sector on incentives and disincentives to investments in conservation, as well as key elements or characteristics of successful incentive programs. A brief synopsis of each is provided below.

Agriculture
Bill Boggess, Oregon State University

Market -based incentives rely on price signals to affect economic decisions by producers and consumers. Market -based incentives:

- Are generally easier to implement than standards or other regulations.
- Can reduce government costs, either by eliminating the need for subsidies or by raising revenues through taxes or fees.
- Allow private decision-makers greater flexibility, which generally reduces costs and encourages socially desirable practices (they encourage citizens to do the "right thing").

Examples of market -based incentives include green taxes, tradable quotas and permits, tax credits, purchase of development rights, conservation payments, deposit/refund schemes.

Effective market-based incentives:

- Reflect the full cost of goods and services in market prices, including externalities (the costs associated with environmental impacts resulting from the production of goods and services) and user costs, thus making the case for green taxes.
- Reflect the full benefits and characteristics of goods, thus making the case for complete labeling, market information, consumer education, etc.
- Recognize the importance of flexibility in environmental policies ("one size does not fit all"), thus making the case for performance-based taxes or marketable permit approaches.
- Promote innovation in product and process design, thus making the case for performance-based taxes or tradable permit approaches.
- Address issues of equity and fairness
- Minimize transaction costs

In agriculture, a promising incentive program is the USDA Conservation Reserve Enhancement Program. Under this program, up to 100,000 acres of riparian habitat on agricultural lands statewide have been targeted for restoration over the next three to five years. As currently designed, the program has some technical shortcomings, which can probably be remedied. More flexibility is needed in planting strategies and goal setting, more holistic planning in the context of watersheds, better educational outreach, greater collaboration, and consideration of urban areas in the program.

Forestlands
Ann Hanus, Oregon Department of Forestry

Disincentives in forestry include:

- Long-term nature of forestry investments (will forest landowners who plant today be able to harvest and recoup their investment in their lifetime?)
- Different goals for different landowners ("one size does not fit all"). Small woodland owners, for example, lack access to capital, liquid assets, and technical assistance. In addition, they can be crippled by regulations and by inheritance and capital gains taxes. By the same token, large industrial forest landowners are concerned about the short- and long-term returns for stockholders, as well as tax and regulatory burdens.

Some key elements and characteristics of successful incentive programs include:

- A variety of tools to reflect diverse landowner needs and different public goals.
- Clear, realistic goals.
- Knowledge of what to do and where.
- Necessary financial and political support.
- Minimal red tape.
- An evaluation component with the flexibility to adjust.

In forestry, successful incentive programs include the:

- *Forest Resource Trust*: A tree-planting program with up to 100 percent financing for converting under-productive forestland into productive forestland.
- *Stewardship Agreements*: Landowners enter into a stewardship agreement where they develop a management plant and agree to meet and exceed the requirements of the Forest Practices Act in their operations in exchange for streamlined administrative processes (the department is currently looking to enhance this program with additional incentives).
- *Recognition*: the Oregon Board of Forestry and the Oregon Fish and Wildlife Commission have teamed up to provide joint stewardship awards to individuals who demonstrate stewardship of fish and wildlife habitat as part of their regular forest management practices.

Urban Areas
Rosemary Furfey, Metro

Urban area challenges are similar to agriculture and forestland challenges, but in many ways, they are also very different. For example, urban areas have:

- A disproportionately large number of landowners.
- A culturally and socio-economically diverse population.
- Extensive areas with impervious surfaces.
- Loss of habitat inside the Urban Growth Boundary.
- Less of a focus on the land.

An example of a successful urban incentive program includes the Bureau of Environmental Service's Downspout Disconnect Program where the 7,200 households that currently participate have removed 110 million gallons of roof runoff per year. Challenges include reaching even more participants, including renters.

Metro has found that many issues are linked to community pride and neighborhood livability. Once people understand the issues, many will adjust without necessarily the carrot of incentives. Metro would like to:

- Expand the rural tax credit programs to inside the Urban Growth Boundary.
- Share materials among cities
- Develop technology to help Metro expand the number of participants
- Increase partnerships
- Do a better job of making various issues more relevant in the busy lives of urban dwellers
- Determine how incentives can support regulatory programs

GREEN TAXES AND ECONOMIC INCENTIVES
Jeff Allen, Oregon Environmental Council

Green taxes are broadly defined to refer to "a host of tools and economic incentives designed to correct market imperfections and 'hardwire' environmental protection into the economy." Four green tax proposals were examined:

1. Reducing environmentally destructive subsidies: Oregon's Pollution Control Tax Credit pays industry about $18 million a biennium, mostly to comply with federal environmental laws.

2. Internalizing externalities: Smog, the classic example of an externality, is estimated to cause over $200 million a year in damage to public health and the environment. Pesticides are another serious externality. Fifty different pesticides have been detected in the Willamette watershed alone and one-third of the wells tested in the valley showed pesticide contamination. Efforts to track pesticide use statewide are under way.

3. Peak pricing: Peak pricing is an attempt to create market efficiencies by shifting costs to the greatest users and away from average pricing. Peak pricing can, for example, be applied in the areas of transportation and water use. Under the National Pollution Discharge Elimination System, industry discharge permit fees are based on the type of facility, rather than the actual discharge or environmental impact of the facility.

4. Tax shifting: Tax shifting attempts to shift the tax burden away from traditional areas (wages, salaries, property) to undesirable outcomes, such as pollution and resource degradation. Traditional taxes distort and stunt the economy, imposing what economists call a "deadweight loss."

PERFORMANCE-BASED PROGRAMS
Paul Risser, Oregon State University

Performance-based approaches to environmental management seek to involve all economic sectors causing significant environmental degradation in comprehensive and integrated efforts to resolve problems and prevent new ones from occurring.

At the core of performance-based systems is a shift in how control is viewed in policy implementation. Market efficiencies can be achieved in terms of:

- Outcomes rather than processes
- Cost effectiveness
- Increased flexibility and innovation

- Predictability in regulations; reduced government oversight and micro-management
- Shared responsibilities; improved collaboration

Environmental stewardship legislation seeks to require state agencies to adopt clear long-term goals and measurable objectives (benchmarks), as well as to develop performance, or results-based, approaches. Government and economic sectors would be held accountable for achieving the goals, but would have the freedom to choose how to accomplish them. Feedback systems would be included.

Challenges include:
- Policy integration among agencies; minimizing bureaucracy
- Identifying and addressing the most urgent problems first; coordination
- Broaden to all economic sectors
- Adequate investments
- Setting goals
- Measures of accountability

State of the Environment Report will:
- Prioritize resources and systems
- Establish healthy system goals and indicators
- Identify status, trends, and greatest risks
- Specify the information required for continual assessment

A GEOGRAPHIC FRAMEWORK
Sara Vickerman, Defenders of Wildlife

A geographic framework is an essential complement to the Oregon Plan. It would facilitate better integration of a variety of individual actions across the landscape. Five strategic approaches, from the state level down to the individual landowner, comprise this framework:

1. State management option: A collaborative statewide conservation plan with incentives built in that would address the full range of Oregon's ecosystems within the context of human activities. Advantages would be fewer environmental crises, improved integration of conservation efforts, and regulatory certainty. An "Oregon Option" for the Clean Water and Endangered Species acts, similar to the one for health and social services, could be established.

2. Regional conservation plans: These would be consistent with the statewide plan, but include more specificity. The Willamette Restoration Strategy, currently under development, is an example. Regional plans could be put before the federal government as formal Habitat Conservation Plans, addressing multiple species and jurisdictions.

3. Special designations for conservation areas: Areas with exceptional ecological, cultural, historical, and other values should be awarded a special designation and brought under a new kind of management. The designations would have the following attributes:
    - Voluntary landowner participation
    - Mixed public and private lands of substantial size

- Consistency with regional/state plans
- Commitment to sustainable economic activities
- Demonstration of best management practices
- Priority areas for conservation incentives; a menu of options

4. Watershed assessments and action plans: Important components in regional planning, watershed councils provide the primary link to individual landowners and help facilitate community-based conservation. As the process evolves, additional consideration could be given to:
   - Expanding the scope of the plans beyond water quality and fish to include terrestrial habitats and biodiversity concerns
   - Developing more specific goals and objectives
   - Aligning with regional and statewide planning
   - Maintaining consistency with local land use plans and economic development

5. Stewardship agreements: Government can contract with individuals to undertake conservation actions in return for incentives of any kind. Ideally, such agreements would:
   - Identify levels of conservation above minimum requirements
   - Encourage or require consistency with larger plans (watershed or regional)
   - Provide a menu of benefits from tax relief to direct financial assistance
   - Offer preferential treatment in government purchasing

Most incentive programs are offered to any qualifying applicant meeting eligibility requirements. The advantage of this approach is that it is seen as fair, it rewards people for positive actions, and it may set an important example for others to follow. However, on the down side, participation may be spotty, resulting in "random acts of kindness" across the landscape. Although these programs produce site-specific ecological benefits, they may not address broader scale issues and may not, in the long run, achieve the desired results. One example of the need for conservation actions to be undertaken in a coordinated fashion involves riparian restoration activities. To restore hydrologic function, create suitable fish habitat, and improve water quality, a significant percentage of adjoining property owners need to participate in coordinated restoration efforts.

In addition to making incentives available to anyone who qualifies, it might make sense to begin structuring programs to encourage more coordinated actions. Several strategies are offered below that describe how such coordination might occur. The examples begin at the broad state scale and "step down" to regional, subregional, and individual property owner levels. Regardless of the implementation scale, the management activities below need clear goals, reliable funding, effective monitoring, and scientific oversight.

IMPROVING DELIVERY SYSTEMS

Bill Chambers, Stahlbush Island Farms

Today, farming and extension services are being shaped by changing public policy objectives, pressure on government funding, steadily rising incomes for many families, increased emphasis on safe and wholesome food, and interest in sustainable practices. Traditionally, extension agents and specialists have played an important and useful role in digesting research results, as well as in collecting information from successful farmers for the purpose of passing the information along to other farmers. This traditional extension role may be more difficult to play in the future as industrialized agriculture has the management resources to tap into research

directly and even to influence research direction and to conduct its own research. Equally important, is the fact that private industry will most likely consider key information proprietary.

Research by public institutions will continue to be of interest. In particular, land grant programs that bring research resources to bear on issues of economically competitive “sustainable” and “organic” food production will provide valuable service to agriculture/food processing operations. Research, however, will be more complex and sophisticated, and more “consumer driven.” Information will play an increasingly important role in maintaining a competitive and profitable sustainable agriculture/food processing operation. The range of information needed will span market intelligence, production and processing technology, information dissemination, and financial management.

To be effective, extension services will increasingly need to readjust their operations to meet public goals and the needs of a rapidly transforming agriculture. Specifically, extension services can act as “brokers” of information, knowledge, and services. Extension must continue to educate landowners about existing programs, opportunities, and best management practices.

OTHER INCENTIVE PROGRAMS

This section provides summaries of other incentive programs that were discussed by participants at the summit, but which did not necessarily spark a great deal of interest. This does not imply, however, that these programs are without merit. Rather, it sends a message that these programs could perhaps benefit from some adjustments. If you are interested in any of these programs, we encourage you to get in touch with the contact person listed at the end of each summary.

Community Forestry and Agriculture Bonds

Description. Oregonians want to conserve private working forests and farmland in perpetuity and increase management for multiple benefits. To date, tools available for doing so have been limited to governmental regulation. Regulation establishes difficult and often controversial tradeoffs, or outright acquisition, which often requires financial resources that a public-benefit entity is unable to acquire. Community forestry and agriculture bonds are a new financial tool developed by US Forest Capital that conserves working forests and agricultural lands while respecting property rights and communities' economic well being.

These tax-exempt revenue bonds can raise billions of dollars from *private capital markets* for conservation acquisitions. More specifically, a non-profit forestry company may use the cash generated from bond sales to purchase forestlands from a willing seller. To qualify as a non-profit for these purposes, a permanent conservation easement must be placed on the property and a management plan that *exceeds* state and federal environmental law must be implemented. Timber harvest would be undertaken to pay back the bonds and supply either the sellers or other mills. However, more conservation could take place because of the financial flexibility created by: the non-profit nature of the organization; the lower cost of capital; and, the diverse make up of the board of directors. When the bonds are paid off, the 501(c)(3) retains ownership of the forestlands.

Implementation Options. A legislative clarification of the Internal Revenue Code is needed to implement this tool. Congresswoman Jennifer Dunn (R-WA) and Congressman John Tanner (D-TN) introduced the Community Forestry and Agriculture Conservation Act, H.R. 4301 in 1998 and are planning to re-introduce the bill this April. The state executive and legislative branches should support this legislation and interested private parties could consider forming an Oregon-based non-profit that would take advantage of community forestry and agriculture bonds once they are approved.

Update.

Contacts. Tom Tuchmann, U.S. Forest Capital, 520 Yamhill St., Ste. 422, Portland, OR 97204 (503.220.8103).

Public Benefits Rating System

Description. The Public Benefits Rating System is being used in two Washington state counties to preserve open space on private lands. It provides a tax reduction if the land contains one of more "open space resources." Examples of "High Priority Resources" that receive the highest rating, and therefore, the greatest tax reduction include aquifer protection areas, shorelines, active recreation areas, significant habitat for salmon, trail linkages, active farmland, and designated historic sites. "Medium Priority Resources" include certain native plant sites, geological features, and buffer zones to public lands. "Low Priority Resources" include buffers to existing historical and archaeological sites. For each property, the priority resources are scored on a point system. Bonus points are given for qualified restoration activities such as habitat for anadromous fish. The points for all eligible open space resources are combined for a cumulative score, which is used to determine the appropriate level of tax reduction. The more points accumulated on a parcel, the higher the reduction. Reductions range from 50 to 90 percent. Portions of property not eligible under these definitions are still valued at "highest and best use" property appraisals. The PBRS is funded by general county revenues.

Implementation Options. Establish the Public Benefits Rating System throughout Oregon through county ordinance. These programs would encourage conservation of sensitive lands in those counties adopting the system.

Update.

Contacts. Craig Harper, URS Greiner Woodward Clyde, 111 SW Columbia Ave., Ste. 990, Portland, OR 97201 (503.948.7287).

Riparian Areas Stewardship

Description. As currently written, Oregon's riparian tax incentive law (SB 774) offers property owners a property tax exemption for designated riparian lands. Although the statute is sound in concept, very little riparian habitat has been restored under this incentive. It seems that both the financial benefits to property owners and the conservation benefits to the state are marginal. Tax barriers and disincentives also often discourage restoration opportunities. Many riparian and wetland restoration opportunities are on farmland zoned for exclusive farm use (EFU). Oregon law provides for lower use-value tax assessment for EFU lands. However, if farmers convert farmland to wetlands or wildlife habitat, they may lose preferential tax treatment. This restrictive definition of farm use limits the use of property tax breaks for land subject to restoration and conservation in Oregon.

Implementation Options. Revisions to SB 774 have been proposed. For example, allowing property owners to receive a credit against income tax for investments in land restoration might work better than a property tax exemption. Also, limitations on the number of miles restored per county could be removed, and property owners within urban growth boundaries could be eligible for benefits. Assistance to the Oregon Department of Fish and Wildlife (ODFW) to promote the program would help. It has also been suggested that this program be expanded to include stakeholders within the Urban Growth Boundary. In addition, the definition of "farm use" in ORS 215.203 should be revised to include conservation practices like protection and restoration. This will allow EFU differential tax assessment for restored and conserved lands on farms in Oregon.

Contacts. Wendy Hudson, Defenders of Wildlife, 1637 Laurel St., Lake Oswego, OR 97034 (503.697.3222).

Federal Tax Incentives for Endangered Species

Description. The Endangered Species Act is lacking in positive incentives for private landowners to conserve endangered and threatened species voluntarily. An essential first step is to redress the costs of conservation for individual property owners, which presents a barrier to better conservation on private lands. In short, what is needed is assistance to property owners to help them do the right thing.

Implementation Options. The national office of Defenders of Wildlife has identified a package of financial incentives for property owners, which is designed to have a positive impact on biodiversity and on the implementation of the Endangered Species Act. Examples include an estate tax deferral, additional deduction for state and local property taxes, tax credit for costs of conservation actions, and 50 percent exclusion of capital gains on sales of property to conservation buyers. Where there is no transfer of an interest in real property (e.g., fee simple or conservation easement), the tax credit would only apply if the property owner enters into an endangered species conservation agreement with the Secretary of Interior (and/or Commerce). The agreement would bind the owner either to take affirmative actions for the species, or to forgo harmful actions that would otherwise be legal. Under this approach, property owners would not be paid to abide by the law, but would instead have the costs of affirmative conservation offset.

Congressman George Miller has introduced a bill entitled the Endangered Species Recovery Act of 1999 (H.R. 960) that would provide three endangered species targeted tax incentives (deferral of estate taxes, enhanced deduction for state and local property taxes and a deduction for costs associated with conservation activities). An alternative approach is to have these or similar provisions included in any broader tax relief legislation that may become law this Congress.

Update.

Contacts. Mike Senatore, Defenders of Wildlife, 1101 14th St. NW, Ste. 1400, Washington, DC 20005 (202.692.9400).

Forest Management Incentive Programs: Tiered Tax Structure

Description. Tax rate differentials could be implemented that reward property owners for practices that enhance watershed health above current levels required by law. A menu of priority eligible activities could be developed, with a graduated incentive structure for increased contributions to watershed health. Examples might include:

- priority project work locally determined as eligible
- third-party certification (smaller land owners)
- active stewardship plan agreements (exceeding regulatory requirements)
- participation in a voluntary program similar to the voluntary timber trust (see next option)
- landowner establishment of an account where money would be set aside to be used only to care for

the land into the future. The account would move with the land.

Implementation Options. These actions could be linked with other property owner stewardship actions already tied to the income tax system (under-productive forestland tax credit, riparian tax credit) to provide a menu of activities for which variable tax rates or tax credits are employed. New concepts like the stewardship plan agreements need to mature (still in development stage) to determine value and interest level.

Update.

Contacts. Tom Tuchmann, U.S. Forest Capital, 520 Yamhill St., Ste. 422, Portland, OR 97204 (503.220.8103).

BREAKOUT DISCUSSION SUMMARIES

Conservation Easements

Issues

- Too complicated
- Too much emphasis on taxes
- Unequal treatment of landowners
- Difficult to communicate
- Challenging to have landowners develop long-term goals
- Regional acquisition with many landowners
- Rural communities perceive that easements do not contribute to the tax base
- Perception is they're only a tool for rural areas
- Public agencies' inconsistent funding and timing

Needs/Ideas

- How much conservation is needed to meet a "goal"?
- How to fund easements? Cost-share programs, bond easements, link to the Endangered Species Program
- "Rollover" easements — flexible for landowners, but accountability is a challenge
- Quantifying benefits and results is critical
- Benefits — avoiding cost
- Local policies and programs can become disincentives to existing easements (floodplain easements)
- Use of in-stream water rights in conjunction with easements
- Valuation of conservation easements in undefined markets
- Incentives for engaging landowners
- Funding — Measure 66 — fund cash up front instead of a tax break
- Conduct analysis of benefits/costs of full fee vs. easements, landowner vs. public, rural vs. urban
- Must have the political will up front

Watershed Restoration Fund

General Comments/Potential:

- Measure 66 money so far not being used for projects.
- Proposal to supplement funding with fee to generate $35million distributed across sectors.
- Container tax.
- Windfall profits tax within urban growth boundaries; money stays in area generated.

Issues

- People don't like high taxes/politically charged.
- Needs to be presented in terms of an investment.
- Promote voluntary action vis-a-vis "spirit" of watershed councils.
- This is an investment. 303(d) fund.
- Address "extinction of experience."
- Fragmentation of projects — Regional planning incentives are needed to promote consistency and standards.
- How do we sell it? Define benefits?

- Salmon is too small of a base.
- Leverage other resources.

Recommendations
- Form committee with multi-sector reps (agriculture; urban, especially residential; forestry; legislature; corporate interests; households) involved in the committee.
- Generate money
- Spend money
- Communicate message
- Pilot ideas before committing to a specific strategy.
- Identify what are people willing to pay?

Effluent Trading in Watersheds

General Comments
- Good idea; technically challenging.
- Different types of pollutants require different strategies.
- May be useful for leveraging other incentives.
- Technical and policy barrier:
- Defining area for trading.
- Types of releases
- Regulatory inertia.
- Fewer to trade — fewer opportunities; homogeneity essential.
- Non-profits are buying up credits in some areas.

Changes/Suggestions
- Improve regulatory environment.
- Establish framework at watershed scale to pilot first.
- Lots of pilot and other projects to look at: Idaho, Association of Clean Water Agencies; learn from others.
- Trade out urban areas for other land uses; where should money be appropriated?
- Need local government incentives to build conservation into development futures (Goal 5 incentives).
- Incentives at federal and state level; surcharge for environmental performance.
- Watershed framework — tie to performance and block grant awards. All tied to environmental performance.
- Allow waivers for certain standards (those that codify harmful practices).
- Local governments are hurting for money.
- Need to show success; do a pilot.
- Explore a wider application in order to extend local moeny and identify roadblocks to success.

Public Benefits Rating System

General
- Adds incentive for local property owners (Tualatin)
- Funding — how to engage counties
- Need more data — Is the system data- or values-driven?
- Is it a complex regulation?
- Why not do it at state level for funding?
- State plan could be tied to income tax
- Could shift costs rural/urban
- Could develop regulatory system keyed to goals

- How does this tie to Goal 5? This could be a "thou shalt"
- City/county disconnects
- How is it implemented — easement, contract, etc.
- How does this relate to the Endangered Species Act?

Summary
- How to create categories
- Decision making qualifications of property
- Funding
- Advisability of state program

Riparian Area Stewardship (SB 774)

Limitations
- Exclusive Evolutionarily Significant Units — Could expand to more heavily taxed properties
- Not applicable to the Urban Growth Boundary — Counties don't want to give up revenue
- County limits on the amount of acreage that can be involved

Suggestions
- Do output-based measurements of effectiveness
- Lack of belief in green technology—education and research quantify avoidable capital costs in urban areas.
- Implications for Endangered Species Act protections for having a system
- Link incentive to a program
- Coordinate with Conservation Reserve Enhancement Program

Private Lands Stewardship (SB 791)

Obstacles
- Property tax weight — especially small counties who need commitment to invest in future most adopt
- Hard to educate/get word out
- Large amount of land excluded
- No savings on program for landowner, and may be costs

Improvements
- Oregon Department of Fish and Wildlife package describing incentives to watershed councils — staff support and education — use councils
- Fund new Oregon Department of Fish and Wildlife positions
- How to deal with rural funding issues
- Urban — these are the properties being pressured by development
- Regulatory scheme must produce efficient results
- Bring in private sector support — bring in as allies/advocates also tax lawyers/accountants, etc.
- Explore minimizing exclusions — political headwinds
- Expand to the Urban Growth Boundary
- Can we target "martini farms" (hobby farms)?

Federal Tax Incentives for Endangered Species

Issues
- Incentives politically viable, but funding issues are a problem.
- Current proposals — do something or refrain in return for tax break.

- Incentives large watershed land owners work with watershed groups.
- Defenders of Wildlife needs to be "clear" on qualifying properties and on what constitutes a "take"—should act more proactively — regulatory certainty.
- Scale issues — large owners are easier to deal with, but small have fewer incentives.
- Also look at disincentives to the Endangered Species Act — so front-load the incentives.
- No, a rear-loaded incentive system.
- Need better science on incentives.
- Examine the Canadian system.
- What of more wholesale tax reform? What of linkage to current education tax reform?

USDA Incentive Programs

What we are we trying to resolve?

- Fish
- Water, watershed health
- Soil, air
- Economic values, land ownership rights
- How to do these things without adversely affecting private property rights

Comments about Natural Resources Conservation Service (NRCS) planning

- Agency doesn't have enough resources to get plans done.
- Works without landowners to develop a plan, which must be in place for landowners to avail themselves of the other programs. (Doesn't have to be NRCS-prepared, but must meet their standards.)
- Look at generalized suggestion to see what the landowner can do with help from advisors
- Need up-front assessments at watershed level with landowners involved. They get to decide what they want to do. Allows agencies to better understand needs and match tools.
- Tie to plan is a barrier
  - Do they have enough technical assistance?
  - Is there an agreement on quality criteria and goals?
  - Are the strings flexible enough, especially given national goals?
- Key landowners can serve as program models
- Private landowner participation or lack thereof
- Mistrust, especially of federal government. Need to find ways to build trust.
- Difference between needs of different farms.
- Random delivery—could the agency be more strategic?
- Other problems: Flexibility, strings, fear of regulation to follow, landowner turnover, marketing, paperwork

Comments about Conservation Reserve Enhancement Program (CREP))

- Up-front issues/regulations.
- Assumption that cattle are bad.
- Requirement for non-use is a big impediment.
- Information provided can be used against landowner later.
- People in government have to figure out what will work for operators. Need to go to them.
- Listen to landowner ideas instead of making everybody come out to approve
- If take money, dance to their tune. So have developed own program. No government people there unless invited. Cattleman's Association "The West Program."
- May need to allow lots of ideas, tools, and diffusion — not be so concerned about targets, results, etc.
- Measure of success should be what people do — for them. Can also measure success at watershed level.
- Reluctance to share information is very disturbing.
- Forest plans are exempt from Freedom of Information Act
- We have mixed incentives with regulations to the point where landowners don't want to be involved.

- Address problem straight up — e.g. the 96 federal budget allowed private plans but didn't give money
- Could cattlemen become an ally in finding technical assistance and paying for it?
- Liability issues. There are no guarantees.
- More technical assistance/money.

Solutions
- Expand circle of interests involved in marketing and delivery of the programs
- Transfer effective USDA programs to non-agriculture lands
- Recognize people who are doing the program — hunting rights, leasing rights.
- Clear ecological benefits.
- Have agencies, private sector ask locals what they want to see done. Ask the private landowner
- Ask locals what they need, what goals are in a program. More local flexibility.
- Tailor incentives to local needs.
- Put emphasis on learning and sharing, rather than on participation. Encourage experimentation.
- The day benefits outweigh the perceived cost is the day it will happen.
- One-stop shopping.
- Don't inhibit other uses of the land.
- Education/communication
- Protect good faith. Work in cooperation from the ground up. Talk to neighbors — What is the problem? What solutions do you see?
- Need more staff who are qualified to put tools on ground.
- Long-term funding, not quantitative quotas.
- Specific and clear goals.
- Funds for monitoring up-front.
- Do under-management and over-management to judge.
- Review process to make the program more effective.

Voluntary Timber Trust

General Comments:
- Can promote sustainable forestry.
- Description in summary needs to be broadened to include more facets of the program (e.g. fish habitat or other uses/actions).
- What happens if the land is converted (build incentive so it doesn't convert).
- Play with how to benefit forestry and public in order for this to be politically viable — and industrial and non-industrial owners.
- Need a strong educational mechanism to connect with landowners who don't have access to Extension and other existing programs.
- Connect public values (and money) shared by rural/urban dwellers — clean air, clean water.
- Need a strategy for bringing the "no" landowners and environmentalists to join the "yes."

Considerations for Next Steps
- State or federal level? (probably federal)
- Requires a legislative fix.
- Need for a broad spectrum of representatives engaged in a dialogue.
- Change description to include stewardship.
- Can non-profits help with setting this up?
- Dialogue should continue on this.

Forest Management Incentives

What do you like/not like?

- Continue to explore voluntary timber trust and recognizing landowners who do good stewardship.
- Tiered tax structure — may not get adequate bang for the buck.

Are there alternatives?

- Incentives through estate planning should be considered.
- Recognize individual accomplishments — pride as an incentive instead of money.
- Strategy for changing "no" people to "yes."

What changes do you suggest?

More detail in description of Norway program — focus on stewardship, not just sustainable forestry.

What action do you recommend?

Continued dialogue on voluntary timber trust with a broad spectrum of interests and voices represented.

Tiered Tax Structure

General

- Idea may have some merit, primarily for those who are less inclined to engage in stewardship activities. However, may benefit the large company or owner since smaller owners may never hear about benefits. Not a lot of energy for this program.
- How do you remove subjectivity?
- Does it apply to income or property taxes? Estate?

Suggestions

- Recognize individual accomplishments over monetary incentives (self pride and public pride).
- High value placed on recognizing good stewardship — need to maximize efficiencies and consider how to involve small woodland owners as well as larger corporations.
- Look for opportunities to engage estate taxes in any program.
- Provide deferred taxes for good management — pull deferral on bad behavior.

Green Taxes and Economic Incentives

What do You Think?

- Places too much burden on private landowners, especially on agriculture.
- Devil is in the details.
- Some research has been done in Europe.
- Puts some responsibility on consumers like urban dwellers.
- May change behavior — change practices, rather than people.

Action Steps

- Education. Polling and focus groups.
- Name the concept. For example, is it a "pollution tax" or "equalized corporate income"?
- Up-front conversation about where the money goes.
- How would this relate to regulatory and management practices — this as a carrot to regulatory sticks.
- Money for campaign, lobby, etc.
- Benefits/costs.
- 4-10 year outreach before a proposal.
- Oregonians would have to visualize where they are going and not going. Change is fearful.
- How are green taxes integrated?
- Where is the self interest?
- Assemble a coalition.

- Not enough attention to the "Oregon Ethic." Example of the bottle bill.
- Growth patterns overwhelm collective culture — no common judgment about what is destructive.
- "Dysfunctional" politics of leadership (media, etc.).
- Disconnect with broader social issues.
- Less emphasis on responsibilities rather than rights.

Obstacles
- Difficult to separate "good" from "bad" in categories.
- Some institutions have a vested interest in advocacy by categorization and generalization.
- Structural resistance from government and other institutions.
- This may be too ambitious — bottle bill as small step — do smaller steps.
- Just the opposite (to statement above) — too many pilots are not generalizable.

Problems with Green Taxes
- Targeted at "my" industry.
- Equity.
- Money will leave.
- No social engineering.
- Won't be revenue neutral.
- "Broader" concerns.
- ➢ Need board package to spread costs.
- ➢ Revenue-targeted to industries.
- ➢ Badly designed are regressive; well designed are not.
- ➢ Could provide compensation for industries.
- ➢ Every tax changes behavior.
- ➢ Green kicker as a possible solution.
- Regulatory overkill.
- Complexity.

Performance-based Programs

What do You Like?
- Outcome-based instead of process-focused.
- Providing scientific framework at outset.
- Seems to meet principles established in a.m.
- Will need good monitoring built in.
- Ability to make adjustments after reach milestones (5, 10 years, etc.)
- Is attractive to businesses (especially if voluntary).

Obstacles/Cautions
- Leads to conflicts, confusion, and stumbling blocks.
- Will need strong agency coordination (collaboration and integration).
- Be careful that milestones don't lead to more regulations — allow for real flexibility.
- Getting public involved and premiums.
- Certification needs flexibility and acknowledgement built in.
- Will require a big culture change for agencies and organizations, and for society in general.

Stewardship Agreements
- Don't see performance standards clearly outlined in the Forest Practices Act.
- Government and individuals need to engage in public education.
- Need to "purchase" from actors who are performing well (i.e., can't do a performance-based approach and then pick the low bidder who isn't performing).
- What should be the overarching goal?

- Take care that the smaller steps between grand milestones don't become even more repressive regulations than currently exist.

Geographic Strategies

Greatest Potential:
- Need state guidance on goals and objectives. (Use Oregon benchmark process.)
- Conservation. Special designation plans linked to land use laws.
- Need to guide "crisis" planning (Endangered Species Act).
- Addresses needs and issues at all levels.
- State policy set on the basis of what's working at local level.

Action Steps
- Use sound science data.
- Centralized data center.
- Monitor success; modify programs based on monitoring data.
- Establish a collaborative process
- Define incentives to participate. (What are the advantages to having a site identified?)
- Consistency vs. flexibility
- Need established flow up.
- Resources directed toward coordination, especially of planning and implementation.
- Leadership (local).

Key Players
- Incorporate natural resource agencies into ongoing community efforts (solutions teams).
- Stay focused on goals.
- Corporate sponsors.
- Economy/environment — players working together.
- Initial conversations require all players.
- Universities/students
- Schools/natural resource historians
- Federal/local interests contribute to state goal-setting process. Need to be broader in perspective.
- Oregon benchmarks are a good model (the idea).
- Tourism industry.

Legislative Changes
- Incentives-based, coordinated approach needs legislation.
- Need to help legislature know/recognize need for coordinated approach/technical assistance.

Funding
- Federal Land and Water Conservation Fund/other legislative money.
- Diversify funding/revenue base.
- Water delivery tax (across the board).
- Reallocation of existing funds.
- Carbon sequestering credits.
- Education (action step).
- States charge for services.
- Special assessment districts.
- Green tax directed to this effort.

Improving Delivery Systems

General Comments

- New tools don't fit old delivery systems.
- 45 Soil and Water Conservation Districts organized to help landowners and citizens to deliver conservation — doing that well requires confidence, commitment, enthusiasm – and "being modern"
- Need to consolidate complex management regime.
- Existence stops short of key questions.
- Many agencies/organizations share common interests and should be linked.

Extension Service *¾ General Reaction*

- Informal support system across agencies.
- People need to meet regularly to compare clients, problems, etc.
- Local coordination.
- Need a distribution system — Extension can be distributor. You communicate with an expert. Extension synthesizes and contacts landowner. Extension is the "salesman."
- Traditional roles (education, technical assistance) still essential:

Extension Service ¾ Issues/ Challenges

- Does role vis-a-vis production message need to change?
- Extension agent used to be a general source of knowledge, now there are many others.
- Key message used to be about production; now about agriculture and society.
- Trust issues; Extension's protection of good faith efforts.
- Rebuilding faith: A single agency can't do that, but some individuals can.
- Overall like the concept, but difficult to make a change quickly enough to address pressing needs.
- Extension agents are great allies of small woodland owner.
- Faculty is shifting to combine production with environmentally sound practices.

One-Stop Shopping

- Would be nice to go back to the days when Extension could provide the broad array of information, but today must work together at agency and watershed level. To put it all at Extension may not work. Policy, politics, science of each agency hard for one to do. It's the collective genius — a more holistic approach. More complex. Don't confuse landowner.
- Won't ever happen! Don't need one-stop shopping, but do need a place to get assistance.
- Goal should be how to minimize hassle factor for landowners.
- What does the customer want? Some want one thing, some another. Maybe need to experiment with revamping both.
- Reasonable for Extension to integrate programs. Not a matter of turning Extension into the agent for all programs, but of having the ability to let landowners know what are the policy implications.
- Synthesize. Integrate. Adult education — designing products for adults.
- Agents are overwhelmed. Small landowner workshops. Call on experts not in Extension, but on experts in their fields. Partnerships.
- Each basin has very different faculty.
- A lot of value can be added — depends on what people are willing to fund.
- You need someone who can communicate and has a stake in the community.
- Apply new technology to original Extension principles of access to information (the Web).
- Information is not enough. It needs to be someone's job.
- A system that allows whoever is in the best position to help to do so.
- One person needs to know about all these programs. Be landowner-friendly.
- Can we make a system that has all funding sources fairly easy for people to work with? Tillamook example.

LIST OF PARTICIPANTS