

Forest Development Program (FDP)

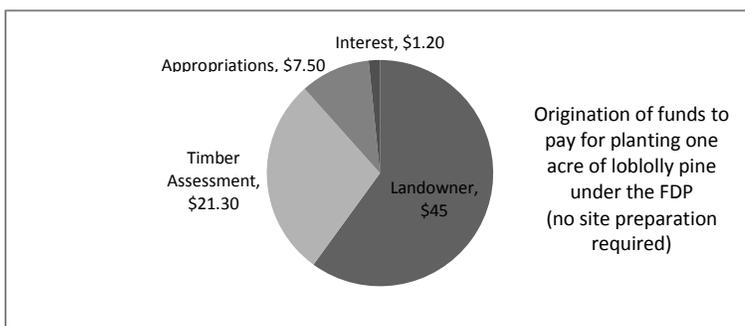
Executive Summary

The 1977 North Carolina General Assembly passed the Forest Development Act (NCGS 113A-176) which established a voluntary cost sharing program to “provide financial assistance to eligible landowners to increase the productivity of the privately-owned forests of the State.” The Primary Forest Product Assessment Act (NCGS 113-189) of 1977 created an assessment on primary forest products processed by North Carolina sawmills and other timber industries. This assessment (typically \$2,000,000/year) along with Legislative appropriations (often \$589,500/year), provides funding for reforestation and forest improvement work cost shared under the Forest Development Program. This partnership to improve reforestation rates and provide for a long term supply of timber is a shared goal and responsibility between the State and forest industry.



The Continuation Review analysis has found evidence that:

- Landowners have planted nearly 1,200,000 acres of forestland under the FDP since 1978. This would cover an area more than twice the size of Wake County, NC. This figure includes 3,057 acres of hardwood/wetland species and 44,601 acres of longleaf pine. A review of North Carolina longleaf planting accomplished under cost share programs from 1997-2006 revealed that 25,000 acres of the 60,000 longleaf pine acres planted were done under the FDP.
- Records of North Carolina’s statewide reforestation accomplishments by small forest landowners between 1999-2008 indicate 75,000 to 100,000 acres are typically planted each year. The FDP has accounted for the planting of 50,000+ of those acres annually. The FDP also maintains a waiting list of fully-qualified but unfunded landowners each year due to a lack of funding. The work on this waiting list averages over \$2,200,000 annually and represents another 25,000+ acres/year that could be reforested. FDP funding should be expanded by \$2,200,000/year to address this need and opportunity.
- The FDP partnership successfully leverages state money with funds from private citizens and timber industry. Landowners usually pay 60% of expenses, and FDP funds typically reimburse the other 40%. Of that 40%, 71% have historically come from assessments paid by timber industry; 25% from appropriations; and 4% from earned interest on the account.
- The FDP is the Division of Forest Resources’ (DFR) “gateway program”. Many forest landowners contact the DFR solely for FDP financial assistance, but ultimately improve their knowledge of water quality protection, wildlife management and other stewardship practices that benefit society.
- The FDP assists forest landowners in carrying out expensive practices such as site preparation prior to tree planting. Landowners don’t always have income from a timber sale to offset expenses if they are planting an agricultural field or carrying out timber stand improvement work. Landowners must often “carry these costs” for 20 years or more before they see financial benefits from their forests. This financial risk is exacerbated by potential timber loss due to wildfire, hurricanes, ice damage, insect and disease, etc.





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- Communication and sharing of information must continue to improve between the DFR and the Department of Revenue. This relates to DFR needing financial information access under GS § 105-259 (b) (“*Secrecy required of officials*”).

- The FDP cost shares prescribed burning and other activities that effectively manage forest vegetation. Managed forests such as those established under the FDP help reduce the risk of devastating wildfire.

- FDP accomplishments help realize the goals of other natural resource groups, state agencies and initiatives. This includes watershed protection; climate change mitigation through carbon sequestration; woody biomass for energy production; and wildlife habitat.
- Nearly all FDP funds are used by citizens who own small forests. Between 1999-2008, the average FDP applicant was funded for just 32 acres of work. There are approximately 469,000 “family” forestland owners in North Carolina that own 61% of the State’s forested acreage. Another 23% of the forests are held by other types of private entities numbering over 56,000¹. The FDP successfully reaches over 1,500 of these forest owners each year, resulting in over 50,000+ acres reforested and improved annually. This partnership is critical where 84% of the forest is held in privately-owned parcels that are often less than 50 acres. FDP reforestation provides the raw material that drives the State’s forest-based industry, which is now the number one manufacturing industry in terms of employment and wages².
- A random survey of 462 landowners who had planted trees with FDP cost share showed that 50% of their acreage would not have been planted if FDP assistance was not available. A discontinuation of the FDP would result in nearly 25,000 fewer acres planted annually. The resulting lost work to businesses specializing in reforestation services is estimated at over \$3,100,000.
- Discontinuation of the FDP would result in a reduction of forest productivity and timber income. This would reduce personal income tax revenue by approximately \$644,000³. FDP appropriations are currently \$589,500, so the discontinuation of the FDP would mean a net loss of \$54,500 for the State.
- The Primary Processor Act specifies that timber assessments shall be suspended if the Legislature fails to make appropriations to the FDP. This emphasizes the partnership aspect of this program between the State and forest industry. If the State discontinues appropriations, legislative action will be required for the FDP to continue. If all State funding to the FDP is eliminated and the timber assessment rate is increased, political pressure from several groups could jeopardize the existence of the FDP program.
- The FDP helps landowners manage their forestland and qualify for a critical present-use value tax break. This financial benefit reduces their personal property tax burden and the pressure to sell the land for development. Discontinuing FDP will make it more difficult to retain our State’s working forests. Over 1,000,000 acres of North Carolina forestland were lost between 1990-2002.



Photo by Chris Evans, River to River CWMA, Bugwood.org

¹ Based on the U.S. Forest Service’s “Family Forest Owners of the U.S., 2006”

² Based on N.C. Employment Security Commission data from 2nd Qtr, 2006

³ Based on a 2009 N.C. Division of Forest Resources economic analysis study