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State cost-share programs for nonindustrial private forestry investments

Thomas J. Straka

Steven H. Bullard
Stephen F. Austin State University, Arthur Temple College of Forestry and Agriculture, bullardsh@sfasu.edu

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STATE COST-SHARE PROGRAMS FOR NONINDUSTRIAL PRIVATE FORESTRY INVESTMENTS[1]

Thomas J. Straka and Steven H. Bullard[2]

ABSTRACT.--Fourteen states provide cost-share assistance for approved forestry practices. Most programs are intended to increase forest productivity. Funding is typically from state appropriations and/or taxes on primary forest products. Cost-share rates range up to 80 percent, but most programs are at the 50 percent level. All programs require an approved forest management program. Eligible practices are generally reforestation, site preparation, and timber stand improvement.

INTRODUCTION

Forest policy in the United States originates at federal and state levels, and affects both private and public lands. Figure 1 is a simple diagram of U. S. forest policy. It shows cost-share programs as one type of state forest policy affecting nonindustrial private forest (NIPF) investments. We describe state forestry cost-share programs currently operating in the United States. Although many forestry and non-forestry public programs have been restricted in recent years, state cost-share assistance for forestry has increased (Meeks 1982). Of the 14 current state programs, 9 were started in the last 5 years.

The pros and cons of state cost-share programs are well-covered in the literature. Generally, the positive view towards these programs stresses the major impact on long-run timber supplies and the corresponding effect on wood prices. Incentive programs result in more wood being put on the market at any given price. In the long-run, consumers will pay a lower "real" price for wood products (Foster 1982). Other values supplied by incentive programs are water quality, recreation, wildlife, and aesthetics (Custard 1982). Opponents of cost-sharing point out that many NIPF landowners may delay reforestation when incentive money is not readily available (Wishart 1982), or that cost-sharing is being used by people who would have invested in reforestation anyway (Lee 1982).

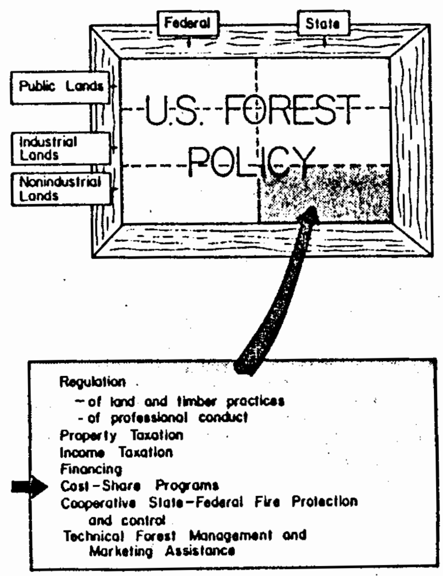

FIGURE 1.--State cost-share assistance — one part of the forest policy picture.

This paper addresses the comparative program features, funding methods, and accomplishments of the state forestry incentives programs. All

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[2]Straka and Bullard are assistant professors of forestry, Mississippi State University, P. O. Drawer FR, Mississippi State, MS 39762.

established programs will be discussed. Besides the established programs, Delaware, Georgia, and Louisiana are considering cost-share programs. Authority has been granted for a cost-share program in Georgia, but the "if and how" of funding is still under consideration (Thompson 1986). Authorization exists for a program in Alaska, but establishment of a program in the near future appears unlikely.

Six southern states have cost-share programs (Alabama, Mississippi, North Carolina, South Carolina, Texas, and Virginia). Florida has a program for cost-sharing of pine seedling costs. Two other states have programs and are in the loblolly pine belt (Maryland and New Jersey). Five remaining states have programs (California, Illinois, Iowa, Minnesota, and Missouri). Figure 2 illustrates the southern concentration of state forestry incentives programs.

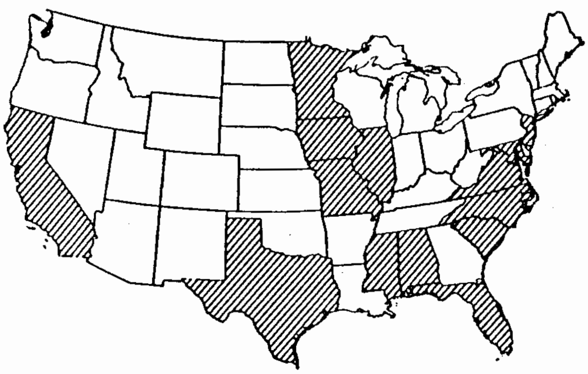

FIGURE 2.--States with state or privately funded forestry cost-share programs.

STRUCTURE OF STATE COST-SHARE PROGRAMS

State forestry incentives or cost-share programs are quite similar in structure. Common characteristics are:

1. Increased future timber supply is the most prevalent purpose of these programs. USDA Forest Service forest survey projections indicating annual cut exceeding growth often sparked initial interest in the programs. The programs are most common in states with a substantial timber economy. Forest industry usually is a strong supporter of the programs.

2. Funding is usually from a severance tax on harvested timber. Often a portion of the funding will be from a tax on primary forest products and a portion from general state appropriations. Forest industries tend to support increased severance taxes to fund cost-share programs. In one state, the industry supported a reforestation program by a self-imposed assessment on harvested wood.

3. All NIPF landowners in the state are commonly eligible for the programs. Occasionally, corporate owners are eligible. Some programs have minimum or maximum acreage ownership requirements.

4. Most programs offer 50 percent cost-sharing. Programs range up to 80 percent cost-sharing. Participation in the federal forestry incentive program precludes state cost-sharing in most states.

5. Forest management plans are required before funding is approved. Usually the State Division of Forestry administers the program.

6. Eligible practices center on tree planting, site preparation, timber stand improvement, and site preparation for natural regeneration.

PROGRAM DESCRIPTIONS

Alabama Resource Conservation Program

The Alabama Resource Conservation Program began in late 1985. Funding is from a trust fund from off-shore oil leases. Cost-sharing is available at the 60 percent level, up to a maximum payment of $3,500 per landowner per year. Eligible practices are tree planting, site preparation for tree planting, timber stand improvement, and site preparation for natural regeneration.

All NIPF landowners in Alabama are eligible for the program. Minimum ownership required for eligibility is 20 acres. The minimum size practice is one acre. A forest management plan approved by the Alabama Forestry Commission is required. All cost-share practices must be maintained for a minimum of 10 years and all practices must be performed under the supervision of a registered forester. Since late 1985, 4,400 acres have been planted under the program and 2,800 acres of timber stand improvement work has been performed (Hyman 1986).

California Forest Improvement Program

The California Forest Improvement Program was designed to complement the federal Forestry Incentives Program and the Agricultural Conservation Program. Cost-sharing is available under the program at the 75 percent level. All NIPF landowners with total state ownership of 5,000 acres or less are eligible. A long-term forest management plan is required, certified by a registered professional forester, and the land must be zoned for uses compatible with forest resource management (California Department of Forestry 1980). Funding is from receipts from timber sales on state-owned forests.

Eligible practices include site preparation, reforestation, stand improvement, land conservation, planning, and fish and wildlife habitat improvements. Land improvements required by the California Forest Practices Act are not eligible for the program. Since July 1, 1980, accomplishments include management plans on 238,207 acres, reforestation on 29,261 acres, precommercial thinning on 15,736 acres, and tree release on 4,493 acres (California Department of Forestry 1986).

Florida Reforestation Incentives Program

All Florida NIPF landowners are eligible for cost-sharing of pine seedling costs. Forest industry provides the funding through the Florida Forestry Association. The minimum ownership requirement is 10 acres, with at least 5 acres of pine to qualify. The Florida Division of Forestry administers the program.

Illinois Forestry Development Act

Illinois's forestry incentive program was established in 1983. It is funded through a 4 percent harvest fee tax. All private landowners, including corporate owners, are eligible for the program. A minimum of 5 acres is required. Eligible practices are tree planting, site preparation, timber stand improvement, fencing, and site preparation for natural regeneration. The cost-share rate is 60 percent, up to maximum amounts for the various practices. On July 1, 1987, the cost-share rate will be increased to 80 percent. The program may be used in conjunction with the Agricultural Conservation Program, the Conservation Reserve Program, and the federal Forestry Incentives Program.

Beginning with the 1987 planting season, landowners with an approved forest regeneration plan will be provided seedlings at no cost. The program is administered by the Illinois Department of Conservation, Division of Forest Resources. A forest management plan approved by the Division is required for funding. An approved forest management plan also allows forest land to be valued at one-sixth of agricultural land. Since inception, the program has provided for 784 forest management plans on 41,299 acres. Approximately $167,000 has been paid in cost-shares to date (Schmoker 1986).

Iowa's Woodland Fencing Program

Iowa established a cost-share program in 1985 under the Department of Soil Conservation. The main eligible practice is fencing on forested land showing a soil loss due to grazing. The current state general appropriation for the program is $10,000. The cost-share percent can be up to 50 percent. All private landowners are eligible for the program (Ritter 1986).

Maryland Woodlands Incentives Program

Maryland's forestry cost-share program began on July 1, 1986. Agricultural land is given preferential property tax treatment in Maryland. If agricultural land that is 100 percent wooded is transferred to another use valuation, the transfer is subject to a 4-5 percent transfer tax. Funding for the program is from this land transfer tax.

All NIPF landowners are eligible, as well as non-forest industry corporate owners. Acreage limitations are identical to the federal forestry incentives program. Cost-sharing will be at the 50 percent level. Funding is expected to be about $150,000 this year; the ceiling is $200,000 per year. Eligible practices are reforestation and timber stand improvement. A forest management plan prepared by a registered forester and approved by the Forest, Park and Wildlife Service is required for participation (Clark 1986).

Minnesota Forestry Incentives Program

Minnesota now has a state-wide forestry incentives program. Initially a pilot program was tested in a seven-county area. Current funding is $50,000 per year from general appropriations. Four practices are eligible: logging roads, woodlands fencing, firebreaks, and pocket gopher control. Cost-sharing is at the 65 percent level, except for 50 percent cost-sharing for road construction. The eligible practices intentionally do not compete with the federal forestry incentives program. Forest management plans are required. The program is administered by the Department of Natural Resources, Division of Forestry (Kroll 1986).

Mississippi's Forest Resource Development Program

The Forest Resource Development Program became effective in Mississippi in 1974. Its purpose is to increase timber production (Gaddis 1976). A timber severance tax funds the program. All NIPF landowners are eligible for the program, up to a maximum of $10,000 per owner per year. The cost-share rate is 50 percent. The Mississippi Forestry Commission prepares a management plan that includes the practices and must approve the completed work (Mississippi Forestry Commission 1986).

Eligible forest practices are tree planting, direct seeding, site preparation, timber stand improvement, and silvicultural burning. Acres on which federal cost-shares have been obtained are not eligible. Since 1975 program accomplishments are 299,696 acres planted or seeded, and 55,159 acres released (Colvin 1986).

Missouri Soil and Water Conservation Program

Missouri recently initiated a cost-share program funded by a 1/10 percent sales tax. Its purpose is to encourage the conversion of marginal forest industry, to propose a state reforestation program. The program was approved by the General Assembly in 1970. Half of the program's budget is derived from a forest products severance tax and half from general tax revenues (Garner 1981). The program is administered by the Virginia Division of Forestry, acting through an advisory committee.

All NIPF landowners in Virginia are eligible, but no more than 500 acres per landowner per year is allowed to receive cost-sharing. Acres receiving federal financial assistance for timber growing are not eligible for state cost-sharing. Cost-sharing is available for site preparation, tree planting, and pine release (Custard 1980). A management plan approved by the Division of Forestry is required for cost-sharing.

Cost-sharing is available at the 50 percent level, up to a maximum of $60 per acre. Since 1972, nearly one-quarter million acres have been replanted under the program. This represents nearly one-third of reforestation on NIPF land in Virginia during the period. Seedling release was performed on 123,258 acres from 1972 to date. Flick and Horton (1981) found Virginia's program to have a benefit-cost ratio of about 3.5 at a 6 percent interest rate.

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soils to woodland and to protect existing woodland from excessive erosion due to livestock grazing. Eligible practices are tree planting and fencing. The maximum cost-share rate is 75 percent (Christoff 1986).

New Jersey's Farmland Preservation Program

One unique program was designed to retain agricultural lands. The State of New Jersey has approved a farmland preservation program that includes cost-sharing for forest management practices. It operates through county-level agricultural development boards that define eligibility criteria for cost-sharing. Most of the 19 allowed practices relate to soil conservation; three of the practices involve forestry.

Plantation establishment, timber stand improvement, and site preparation for natural regeneration are eligible practices. All practices must be maintained for a minimum of 8 years to remain eligible. The New Jersey Bureau of Forest Management sets the specifications used to define eligible forest management practices. Cost-sharing can cover up to 50 percent of costs. For less than 25 acres, the maximum application amount is $25,000. For over 25 acres, the maximum rate is $60 per acre up to $50,000. The program is funded through a state bond fund.

The program started accepting applications in January 1986. Over 60 percent of the applications to date have been for irrigation systems. Thus far, no applications have been received for forestry practices. As the program becomes better known, forestry applications are expected (Shinder 1986).

North Carolina's Forest Development Program

North Carolina's incentives program was authorized in 1977. All private individuals, groups, or corporations are eligible, if they own land suitable for growing commercial timber. The program objectives are assurance of forest productivity and environmental protection. A forest management plan approved by the Division of Forest Resources is required for participation in the program. Eligible practices are tree planting or seeding, regeneration practices for site preparation, silvicultural clear-cutting, and timber stand improvement. A maximum of 100 acres per landowner are eligible each year (North Carolina Department of Natural Resources and Community Development 1978).

The cost-share rate is 40 percent. State cost-sharing is not allowed on lands that have received federal cost-sharing. Funding is from an appropriation by the Legislature and an assessment on primary forest products. Currently, the program receives about $2 million annually and plants about 20,000-25,000 acres each year (Taylor 1986).

South Carolina's Forest Renewal Program

All NIPF landowners in South Carolina are eligible for the Forest Renewal Program. The policy objective is to encourage improved forest management and to ensure the state's long-run timber supply. It is funded by an assessment on primary forest products. General fund appropriations account for 20 percent of the program's budget and the assessment for the remainder.

Cost-sharing is at the 50 percent rate. There is no maximum ownership acreage requirement, but approved practices may not be completed on more than 100 acres per landowner per year. State cost-sharing funds may not be used on any acreage that has been allowed federal cost-sharing funds. Cost-sharing is allowed for forestry practices necessary to accomplish natural and artificial reforestation, timber stand improvement, and prescribed burning. Approval of a management plan by a Forestry Commission forester is required (South Carolina Forestry Commission 1982).

Since the program was established in 1981, nearly $1.5 million has been paid out in cost-shares. Accomplishments are 1,388 acres of bare land planting, 16,017 of site preparation and planting, 542 acres of timber stand improvements, and 249 acres of hardwood natural regeneration (Gaffney 1986).

Texas Reforestation Foundation

The Texas Reforestation Foundation was created by the Texas Forestry Association in 1981 to meet future wood fiber needs from NIPF lands. It is funded by voluntary contributions from the forest products industry in Texas, as well as several industries in the adjoining states of Louisiana and Arkansas. These companies assess themselves fees per ton of pine or hardwood harvested (Spencer 1981). Cost-sharing is on a 50 percent basis. The program is primarily concerned with reforestation of harvested land. A management plan drafted by a forester is required to make application to the program. The Texas Forest Service provides the technical assistance in determining eligibility, as well as in monitoring the establishment of the practice (Skove 1986).

All NIPF landowners are eligible for cost-sharing, but the funds are reserved for sites larger than 10 acres. Since 1981 over $1.7 million in cost-sharing has funded approximately 38,500 acres of tree planting, 23,000 acres of site preparation, and 5,800 acres of timber stand improvement.

Virginia's Reforestation of Timberlands Program

The "Virginia Plan" was the first state forestry incentives program in the Nation (Dean 1973). Concern over decreasing forest productivity that surfaced after the 1966 Forest Survey caused state forestry leaders, particularly