

Forest Development Program (FDP) 2021 Legislative Report

Prepared by the North Carolina Forest Service

Executive Summary

The Forest Development Program (FDP) continues to be a successful program that assists North Carolina woodland owners who are interested in receiving financial cost-share assistance for site preparation, tree planting, prescribed burning, and forest stand improvements on their woodlands. This program directly and efficiently results in a wide range of economic and environmental benefits for landowners, North Carolina's citizens and the many natural resources that rely on our woodland habitats.

Demand for FDP funds by North Carolina landowners continues to be significantly greater than available funding. This has been especially true since the suspension of legislatively-appropriated funding and the sole reliance on North Carolina forest industry assessments.

Because of this continued high demand for financial assistance from woodland owners, the North Carolina Forest Service (NCFS) implemented changes to the program funding methodology following buy-in from our forestry stakeholders. This included the approval of an amendment to the Section .0700 of the Forest Development Program Administrative Code.

In FY 2018-19, the FDP allocated funding for 1,468 new statewide practices on 60,791 acres for a total of \$2,840,218 in cost-share dollars encumbered for private North Carolina landowners.

In FY 2018-19, the FDP financially assisted landowners in completing 1,036 forest management practices statewide. Accomplishments included 4,456 acres of completed forest stand improvement; 19,029 acres of site preparation; **and 17,213 acres of tree planting involving approximately 10.48 million tree seedlings planted.** \$1,716,591 in FDP cost-share dollars were reimbursed to private landowners. North Carolina landowners paid the remaining \$4,636,778 of costs to implement these forestry practices.

In FY 2019-20, the FDP allocated funding for 1,110 new statewide practices on 47,817 acres for a total of \$2,212,070 in cost-share dollars encumbered for private North Carolina landowners.

In FY 2019-20, the FDP financially assisted landowners in completing 971 forest management projects statewide. Accomplishments included 3,426 acres of forest stand improvement; 14,489 acres of site preparation; **and 21,286 acres of tree planting involving approximately 12.98 million tree seedlings planted.** \$1,662,714.02 in FDP cost-share dollars reimbursed to private landowners. North Carolina landowners paid the remaining \$4,382,608 of costs to implement these forestry practices.



FDP Program Overview

The FDP was created in 1977 by forest industry and legislative action in response to a lack of reforestation on harvested tracts of forestland owned by private, non-industrial landowners. North Carolina's forest industry continues to be a proactive, positive stakeholder in this partnership with state government and private landowners.

The FDP is a reforestation, afforestation and forest stand improvement cost-sharing program administered by the NCFE. The purpose of the program is to encourage commercial production of the timber resource to ensure future timber supply needs are met while providing environmental enhancement to the State's forest resources.

The FDP typically reimburses landowners for 40% to 60% of the forestry practice's cost, with most reimbursements being at the 40% level. All the FDP's allowable practices have a maximum reimbursable dollar amount that a landowner may receive.

In 2009, a Legislative Continuation Review Report on the FDP was prepared that includes comprehensive information and details. The full report can be accessed at the bottom of the following FDP Program website:

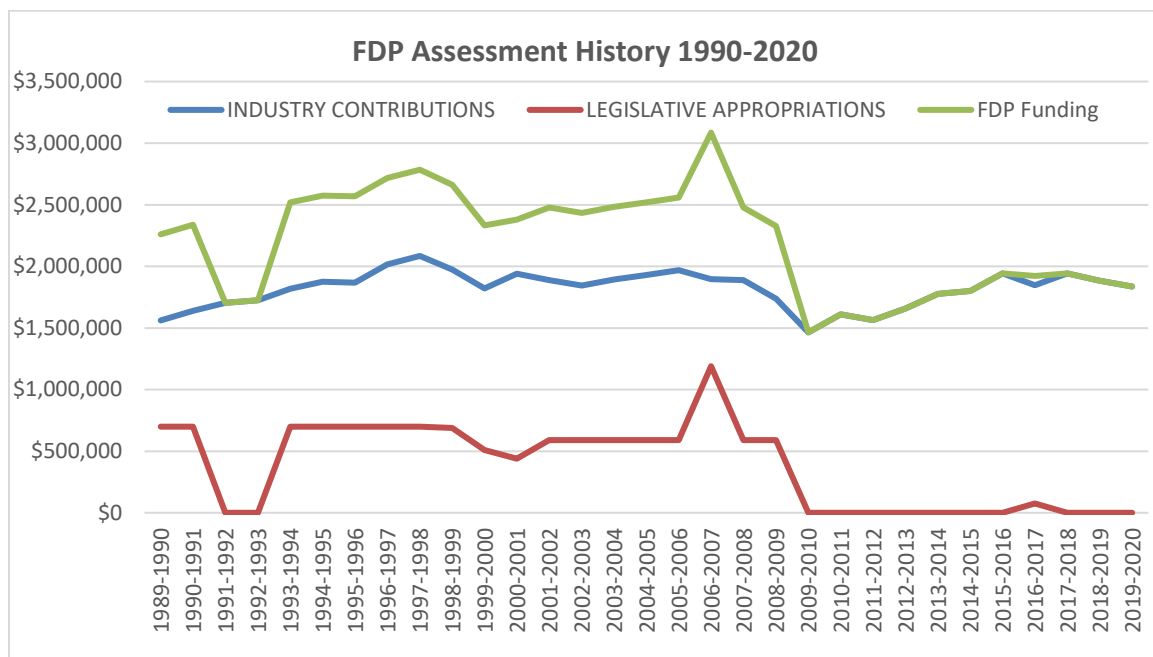
http://www.ncforestservice.gov/Managing_your_forest/fdp.htm

FDP Program Funding

Since 2009, no State-appropriated dollars have been allocated for FDP funding, except for a \$75,000 non-recurring contribution awarded in 2016 (Figure 1). Prior to 2009, the FDP received funding from both legislative appropriations and an assessment on primary forest products processed by North Carolina's forest industry. Previously, the historical contributions from legislative appropriations averaged approximately \$600,000.

Annual forest industry contributions to the FDP have ranged from \$1.3 to \$2.1 million dollars. Forest industry contributed \$1.88 million dollars to the FDP in FY 2018-19 and \$1.84 million dollars in FY 2019-20. Forest assessment rates on primary forest products processed in North Carolina have been unchanged since 1977.

There are approximately 201 primary wood processing mills accounting for production in the State. In 2018, the majority of production involved three categories: sawlogs accounted for 42.87% of the statewide total roundwood production; pulpwood accounted for 32.24% of the production; and bioenergy/fuelwood accounted for 12.68% (USDA Forest Service. 2020. Timber Product Output & Use for North Carolina, 2018)

Figure 1: FDP Program Funding by Year and Contribution Source 1990-2020

Note: FDP Funding Assessment History started in 1978. This figure only represents the last 30 years.

FDP Program and Funding Challenges

The need for additional FDP funding by North Carolina landowners continues to be greater than available funding. Between 2010 and 2016, the program experienced a waiting list of between 300 to 600 landowner projects requesting on average \$1.7 million dollars in additional funding that were not available.

In FY 2016-17, an agency decision was made to fund all the projects on the waiting list and suspend the practice of creating any future waiting lists. This has resulted in shorter project timelines from start to finish and more timely decision making by landowners to conduct forest practices without waiting for limited cost-share if they have the financial means.

In FY 2019-20, this unfunded demand for financial assistance by woodland owners was documented at \$1.48 million dollars in additional funding needed to fund all applications submitted to the program. These unfunded FDP applications were returned to the woodland owner applicants.

Because of this great demand for limited program funding, the FDP implemented several programmatic changes during this report period to improve program delivery and business efficiencies. In February 2019, Section .0700 of the Forest Development Program administrative code was amended to facilitate improved administration of the program. Then NCFS no longer funds FDP applications on a “first come, first serve” basis”. The program now utilizes established enrollment periods with agency designated funding for specific funding sources by geographical regions and areas, similar to the administration of other Federal cost-share programs.

The current FDP system of allocating funding provides the opportunity for many landowners across the state to potentially receive program funding within the coastal plain, piedmont, and mountain regions of North Carolina. This system of making program funding available within 13

geographical funding areas or NCFS Districts is an equitable method to provide funding opportunities for all types of landowners requesting funding. The challenge is there is not enough program funding to fund all applications that are submitted annually.

Ensuring that FDP program funding for afforestation and reforestation is dispersed across several areas of the state also helps to ensure a sustainable forest resource supply is available to support the forest product companies located across North Carolina. The forestry sector was North Carolina's top employer among manufacturing sectors in 2018.

A 2017 North Carolina State University research paper determined that spending under the FDP program leverages about twice as much in value-added output and three times as much in industrial output. Every dollar expended through the FDP contributes 1.4 to 2 times as much to the regional economies where FDP forestry projects occur.

Since the last 2019 Legislative report, a few other programmatic changes now include a 5-Acre minimum project requirement along with a \$10,000 maximum annual reimbursement payment cap per landowner applied at the time that funding is awarded.

FDP Accomplishments

Each fiscal year the FDP allocates funding for new projects and simultaneously pays out cost-share reimbursements to landowners for previously funded, completed projects. Landowners are required to pay for all work "on the front end", then submit documentation to the North Carolina Forest Service for reimbursement.

FY 2018-19:

In FY 2018-19, the FDP allocated funding for 1,468 new statewide practices on 60,791 acres for a total of \$2,840,218 in cost-share dollars encumbered for private North Carolina landowners.

In FY 2018-19, the FDP completed 1,036 forest management practices statewide, resulting in the establishment and improvement of 40,738 acres of North Carolina woodlands and \$1,716,591 in cost-share dollars reimbursed to private landowners. (Table 3). The total landowner portion of these costs for implementing forestry practices during this same year was \$4,636,778.

4,456 acres of forest stand improvement was completed in FY 2018-19, while 19,029 acres of site preparation and 17,213 acres of tree planting was accomplished. Of the \$1,716,591 FDP reimbursement paid to landowners, approximately 52% (\$884,133) was for site preparation practices, 41% (\$710,855) was for tree planting practices, and 7% (\$121,614) was for forest stand improvement practices (Figures 2 and 3). These FDP program dollars resulted in approximately 10.48 million tree seedlings planted on 17,213 acres.

Table 3: FY 2018-19 FDP Program Totals by Forestry District and Geographic Region

Region ¹	District	District Location	FDP (# Practices)	FDP (Acres)	FDP (Dollars)
1	4	New Bern	71	2,557	\$117,897.59
1	7	Elizabeth City	84	4,479	\$160,757.74
1	8	Whiteville	79	2,920	\$129,428.02
1	13	Fairfield	21	768	\$34,717.94
2	3	Rockingham	241	10,318	\$445,776.08
2	5	Rocky Mount	137	7,378	\$291,934.37
2	6	Fayetteville	128	3,926	\$182,623.70
2	10	Lexington	46	1,107	\$43,326.00
2	11	Hillsborough	94	4,121	\$166,682.37
3	1	Asheville	5	37	2,555.00
3	2	Lenoir	17	449	\$20,354.22
3	9	Sylva	3	33	\$1,399.46
3	12	Mount Holly	110	2,645	\$119,138.52
Statewide			1,036	40,738	\$1,716,591.00

¹ Region 1 – Coastal Plain; Region 2 – Piedmont; Region 3 – Mountains

FY 2019-20:

In FY 2019-20, the FDP allocated funding for 1,110 new statewide practices on 47,817 acres for a total of \$2,212,070 in cost-share dollars encumbered for private North Carolina landowners.

In FY 2019-20, the FDP completed 971 forest management projects statewide resulting in the establishment and improvement of 39,281 acres of North Carolina woodlands and \$1,662,714.02 cost-share dollars reimbursed to private landowners. (Table 4). The total landowner portion of these costs for implementing forestry practices during this same year was \$4,382,608.

3,426 acres of forest stand improvement was completed in FY 2019-20, while 14,489 acres of site preparation and 21,286 acres of tree planting was accomplished. Of the \$1,662,714 FDP reimbursement paid to landowners, approximately 40% (\$666,283) was for site preparation practices, 54% (\$899,780) was for tree planting practices, and 6% (\$96,651) was for forest stand improvement practices (Figures 2 and 3). These FDP program dollars resulted in approximately 12.98 million tree seedlings planted on 21,286 acres.

Table 4: FY 2019-20 FDP Program Totals by Forestry District and Geographic Region

Region ¹	District	District Location	FDP (# Practices)	FDP (Acres)	FDP (Dollars)
1	4	New Bern	56	1,882	\$84,886.64
1	7	Elizabeth City	120	5,931	\$218,865.83
1	8	Whiteville	82	2,876	\$143,722.64
1	13	Fairfield	8	335	\$15,476.00
2	3	Rockingham	221	8,644	\$368,723.14
2	5	Rocky Mount	128	6,443	\$252,574.66
2	6	Fayetteville	146	5,093	\$241,923.68
2	10	Lexington	49	1,453	\$59,528.00
2	11	Hillsborough	78	4,136	\$162,226.38
3	1	Asheville	15	257	\$12,422.00
3	2	Lenoir	24	406	\$18,930.40
3	9	Sylva	0	0	\$0
3	12	Mount Holly	44	1,825	\$83,434.66
Statewide			971	39,281	\$1,662,714.02

¹ Region 1 – Coastal Plain; Region 2 – Piedmont; Region 3 - Mountains

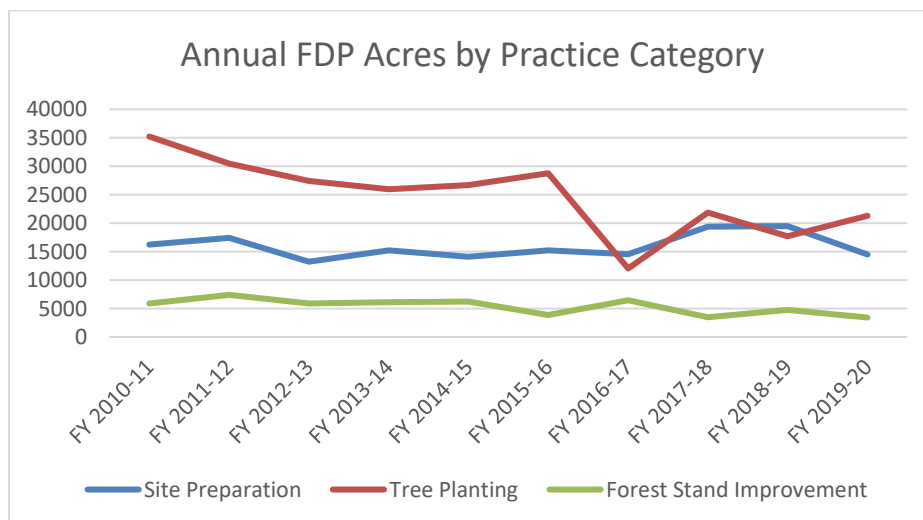
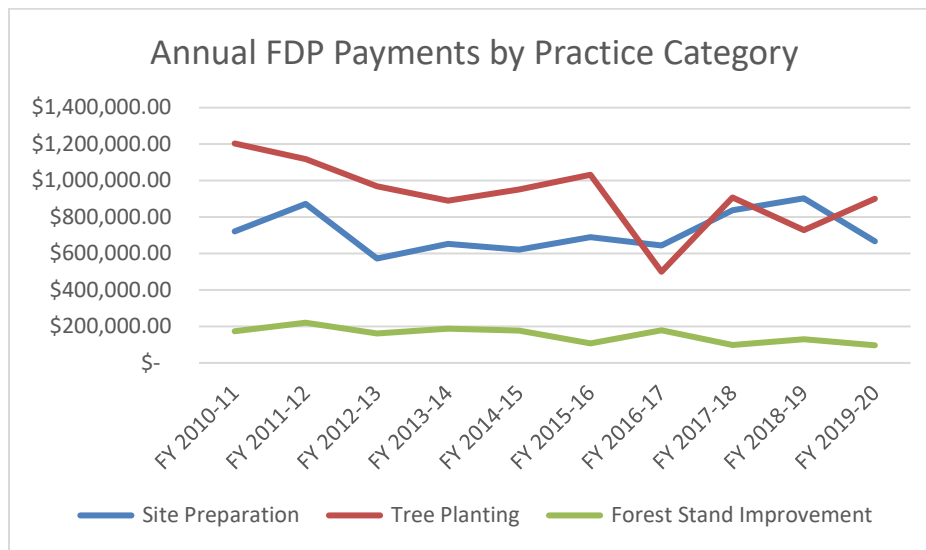
Figure 2: Annual FDP Acres by Practice Category FY 2011-2020

Figure 3: Annual FDP Payments by Practice Category FY 2011-2020**FDP Accomplishments by Ownership**

The FDP is authorized to provide costshare funding to various types of ownerships. These may include private individuals, private land held jointly with others, corporations, and various associations. The vast majority of FDP funding is allocated to private, non-industrial landowners or family forest landowners (Table 5).

Most of North Carolina's woodlands, as well as the FDP Program's funded applicants, are owned by private landowners with relatively small acreage. FDP financial assistance for covering a portion of the high, upfront costs of forest management is vital to serving the needs of this landowner demographic.

Table 5: Ownership Types Funded by the FDP Program by Fiscal Year

Year	Individuals	Corporations	Associations	Joint	Total
2018-2019	874	79	246	269	1,468
2019-2020	592	63	242	213	1,110

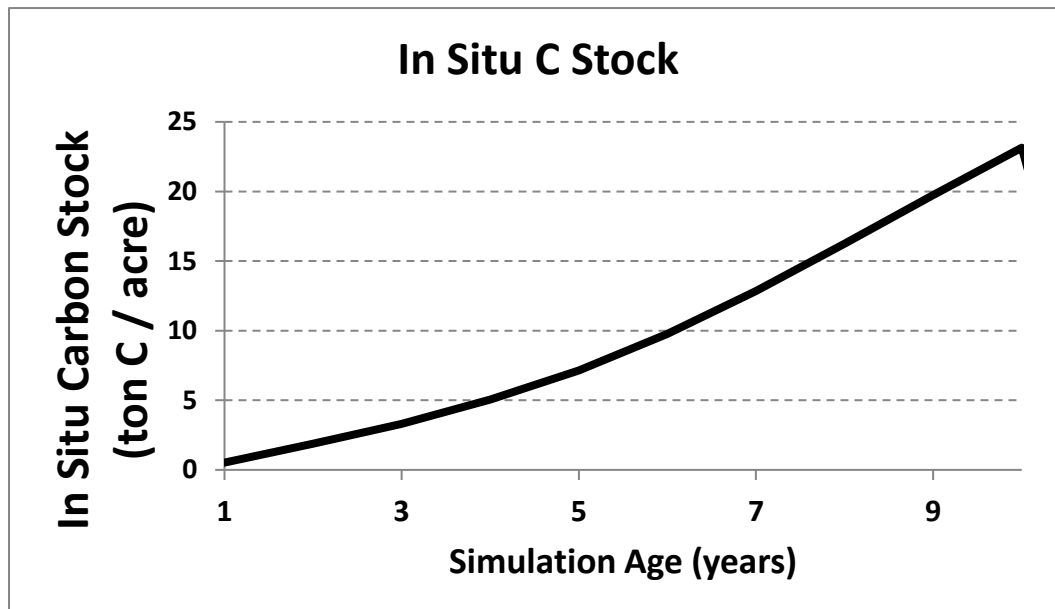
Environmental Benefits of FDP

Between FY 2018-2020, the FDP financially assisted North Carolina landowners with planting trees on 38,499 acres, resulting in approximately 23,468,939 tree seedlings being planted. These tree species included loblolly pine, longleaf pine, shortleaf pine, white pine, and other hardwoods or wetland species.

The FDP requires a 10-year forest stand maintenance agreement for them to remain eligible to retain the reimbursement payment from the program. Using a carbon growth and yield simulator with typical tree planting assumptions for southern yellow pine, it is projected that each acre planted in trees with FDP funding could result in approximately 23.1 tons of carbon/acre sequestered (Figure 4).

Over a 10-year period, these last 2 fiscal years of FDP tree planting accomplishments has the potential to sequester approximately 899,327 tons of carbon along with providing benefits to protect water quality and enhance wildlife habitat.

Figure 4: Loblolly Pine In-Situ Carbon Stock per acre projected over 10-year FDP enrollment requirement.



Source: University of Florida - Growth, Yield, and Carbon Balance Models for Southern Pine Stands

Economic Importance of Forestry in North Carolina

A well-funded Forest Development Program is important for ensuring the sustainability of our State's forest resources and maintaining healthy forest supplies for the forest products industry.

North Carolina forests accounted for a total of 832,522 thousand cubic feet (MCF) of timber products while the forest products industry produced a total of 810,608 MCF within the State in 2018.

The North Carolina State University Extension publication "Economic Contribution of the Forest Sector in North Carolina – 2018" highlights the economic importance of the forestry sector to the State of North Carolina. Data was provided by North Carolina State University Extension Forestry staff utilizing IMPLAN software.

- North Carolina has approximately 18.1 million acres of timberland covering about 58% of the state's land total, which supports a vibrant forest product industry within North Carolina
- The forest sector is a major contributor to North Carolina's economy, contributing \$33.6 billion in industry output and supporting about 150,400 jobs with a payroll of \$8.3 billion
- The forest sector in North Carolina contributed about \$274.2 million to state and local taxes and \$850.4 million to federal taxes
- Primary solid wood mills directly generated about \$35.7 million in state and local taxes and more than \$100 million in federal taxes
- On average, every dollar generated in the forestry sector contributed an additional 61 cents to the rest of the North Carolina economy.

Summary

The Forest Development Program continues to successfully assist North Carolina landowners who are interested in receiving cost-share reimbursements that help to lessen the high upfront costs to conduct certain forestry practices. These include site preparation, tree planting, prescribed burning, and forest stand improvement treatments on their land.

Additional FDP funding is needed to meet the current demand from landowner's requesting additional financial assistance to improve their woodlands. FDP Program Administrators estimate this unmet funding amount to range between \$1.5 and \$2 million annually. This would help to ensure that North Carolina's woodlands continue to provide the many economic, environmental and social benefits that result from practicing sound forest management.

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