

Forest Development Program (FDP) 2019 Legislative Report

Prepared by: North Carolina Forest Service

Executive Summary

The Forest Development Program (FDP) 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.

These improvements result in a wide array of economic, environmental and social benefits. The FDP is often referred to as a “gateway program”, as landowners utilize the program for financial purposes, but simultaneously learn about water quality protection, forest health and other important forest management benefits.

In FY 2016-17, the FDP allocated funding for 1,422 new statewide practices on 33,253 acres for a total of \$3,025,197 in cost-share dollars encumbered for private North Carolina landowners.

In FY 2016-17, the FDP completed 842 forest management practices statewide, resulting in the establishment and improvement of 33,081 acres of North Carolina woodlands and \$1,324,179 in cost-share dollars reimbursed to private landowners.

In FY 2017-18, the FDP allocated funding for 1,188 new statewide practices on 49,889 acres for a total of \$2,198,717 in cost-share dollars encumbered for private North Carolina landowners.

In FY 2017-18, the FDP completed 1,117 forest management projects statewide resulting in the establishment and improvement of 44,574 acres of North Carolina woodlands and \$1,829,079 cost-share dollars reimbursed to private landowners.

Demand for FDP funds by North Carolina landowners continues to be significantly greater than what is available for funding. This has been especially true since the suspension of appropriated funding and the sole reliance on North Carolina forest industry assessments. The 2009 FDP Continuation Review Report recommended that the program would need an additional \$1.4 million dollars to be fully funded.

A 2017 North Carolina State University research paper determined the FDP program’s \$1.6 million in 2012 landowner cost-share reimbursements resulted in the generation of 76 jobs, \$4.9 million in industrial output and \$3 million in economic value-added output.

Spending under the program leverages about twice as much in value-added output and three times as much in industrial output. Every dollar expended through FDP contributes 1.4 to 2 times as much to the regional economies where FDP forestry projects occur.

FDP Program History

The FDP was created in 1977 by 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 was a proactive 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 North Carolina Forest Service (NCFS). 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 protection to the State's forest resources.

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

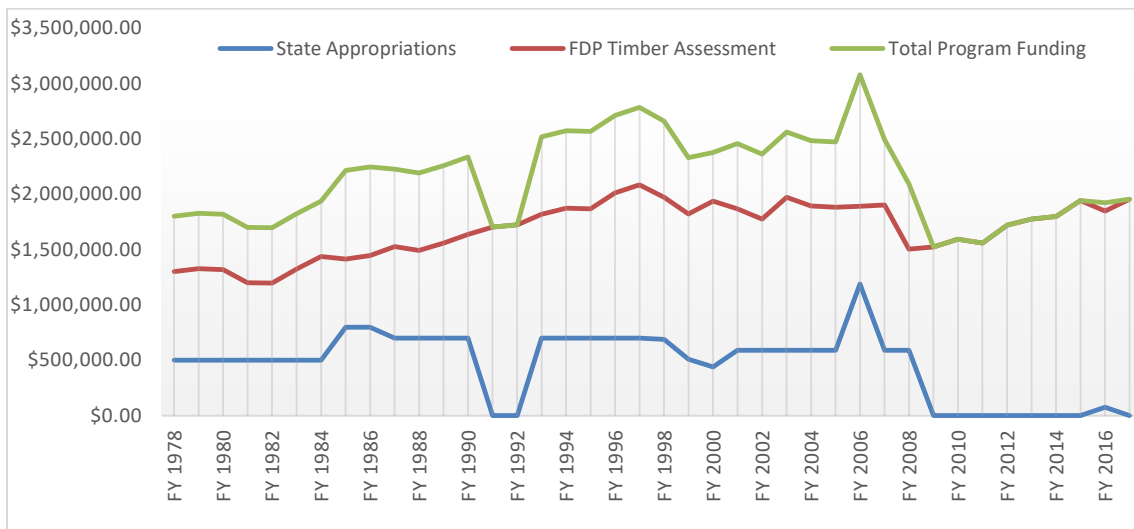
In 2009, a Legislative Continuation Review Report on the FDP was prepared that includes comprehensive information and details. The full report can be accessed at the bottom of the following website: http://www.ncforestservice.gov/Managing_your_forest/fdp.htm

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).

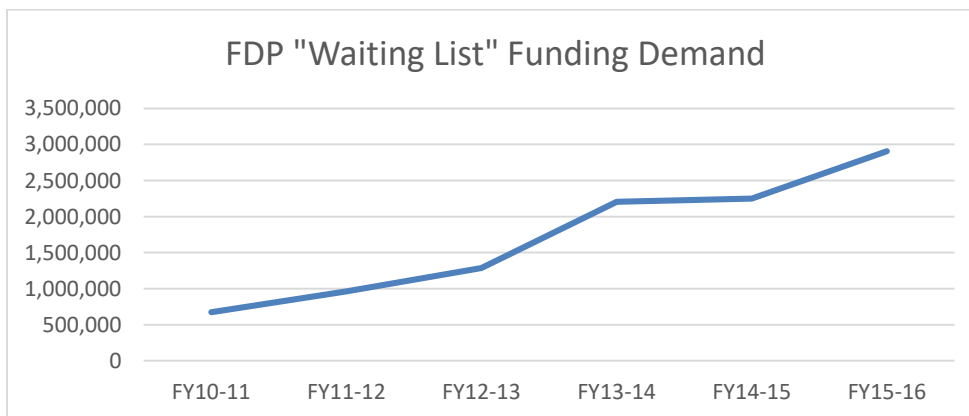
Prior to 2009, the FDP received funding from both legislative appropriations and an assessment on primary forest products processed by North Carolina's forest industry. The FDP has been an effective partnership between the State, forest industry and private landowners.

Annual forest industry contributions to the FDP have ranged from \$1.3 to \$2.1 million dollars. Forest industry contributed \$1.85 million dollars to the FDP in FY 2016-17 and \$1.94 million dollars in FY 2017-18.

Figure 1: FDP Program Funding by Year and Contribution Source 1978-2017**FDP 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 annually due to insufficient funds.

The backlogged funding demand ranged from \$1.5 to \$3.0 million dollars (Figure 2). A 2009 survey of North Carolina forest landowners indicated the lack of FDP cost-share funding could result in as much as half of harvested acres going without reforestation.

Figure 2: FDP Landowner Waiting List for Funding

FDP Accomplishments**FY 2016-17:**

In FY 2016-17, the FDP allocated funding for 1,422 new statewide practices on 33,253 acres for a total of \$3,025,197 in cost-share dollars encumbered for private landowners.

In FY 2016-17, the FDP completed 842 forest management practices statewide resulting in the establishment and improvement of 33,081 acres of North Carolina woodlands and \$1,324,179 in cost-share dollars reimbursed to private landowners. (Table 3).

Table 3: FY 2016-17 FDP Program Totals by Forestry District and Geographic Region

Region ¹	District	District Location	FDP (# Practices)	FDP (Acres)	FDP (Dollars)
1	4	New Bern	52	2,491	\$106,841.02
1	7	Elizabeth City	46	2,276	\$78,269.46
1	8	Whiteville	89	2,463	\$109,352.40
1	13	Fairfield	3	78	\$2,507.60
2	3	Rockingham	264	10,396	\$423,116.83
2	5	Rocky Mount	93	4,587	\$167,727.95
2	6	Fayetteville	132	4,877	\$210,081.77
2	10	Lexington	30	1,545	\$57,270.58
2	11	Hillsborough	57	2,575	\$89,214.67
3	1	Asheville	5	107	\$4,485.44
3	2	Lenoir	14	276	\$12,859.40
3	9	Sylva	0	0	\$0
3	12	Mount Holly	57	1,410	\$62,452.40

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

FY 2017-18:

In FY 2017-2018, the FDP allocated funding for 1,188 new statewide practices on 49,889 acres for a total of \$2,198,717 in cost-share dollars encumbered for private landowners.

In FY 2017-18, the FDP completed 1,117 forest management practices statewide resulting in the establishment and improvement of 44,574 acres of North Carolina woodlands and \$1,829,079 cost-share dollars reimbursed to private landowners. (Table 4).

Table 4: FY 2017-18 FDP Program Totals by Forestry District and Geographic Region

Region ¹	District	District Location	FDP (# Practices)	FDP (Acres)	FDP (Dollars)
1	4	New Bern	48	2,223	\$94,609.01
1	7	Elizabeth City	83	3,636	\$128,075.02
1	8	Whiteville	81	3,723	\$176,149.86
1	13	Fairfield	20	750	\$32,738.80
2	3	Rockingham	369	14,541	\$588,549.51
2	5	Rocky Mount	111	5,467	\$215,752.33
2	6	Fayetteville	169	5,672	\$265,358.21
2	10	Lexington	34	1,554	\$52,541.30
2	11	Hillsborough	86	4,131	\$145,506.24
3	1	Asheville	10	175	\$7,232.00
3	2	Lenoir	21	386	\$18,843.20
3	9	Sylva	0	0	\$0
3	12	Mount Holly	85	2,316	\$103,723.74

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

FDP Eligibility

The FDP is authorized to provide cost-share 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).

The average acreage per FDP application is less than 40 acres in size. Most of North Carolina's woodlands are owned by private landowners with relatively small acreage. FDP 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
2016-2017	608	171	14	202	995
2017-2018	599	77	4	312	992

Economic Contributions of the FDP

A 2017 North Carolina State University paper titled "Analysis of Forest Development Program Impacts on North Carolina's Economy in 2012", prepared by Sadhargha Koesbandana, included highlights of the FDP impacts on the North Carolina economy and are summarized below:

- Based on economic impact analysis using IMPLAN (economic impact software), the combined FDP expenditures in 2012 increased total industry output in the state by about \$12.6 million and total value added by about \$7.6 million.
- Spending under the FDP, leveraged about twice as much in value added and three times as much in industrial output.
- The program generated 133 direct jobs in North Carolina and a total of 197 jobs overall in 2012.
- The contribution of the FDP to the state economy in 2012 allocated \$1.6 million in state spending toward the program and generated 76 jobs, \$4.9 million in industrial output and \$3 million in value added.
- Every dollar expended through FDP contributes 1.4 to 2.0 times as much to the regional economies.

Economic Contributions of Forestry in North Carolina

The North Carolina State University Extension publication “Economic Contribution of the Forest Sector in North Carolina – 2016” 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 18.9 million acres of timberland, which supports a vibrant forest product industry throughout the State.
- The forest sector is a major contributor to North Carolina’s economy, contributing \$32.7 billion in industry output and supporting about 150,000 jobs with a payroll of \$7.8 billion.
- The forest sector in North Carolina contributed about \$894.1 million to State and local taxes and \$878.8 to federal taxes.
- On average, every dollar generated in the forest sector contributed an additional 51 cents to the rest of the North Carolina economy.

Summary

The Forest Development Program (FDP) 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 more effectively service landowner’s forestry needs. This would help to ensure that North Carolina’s woodlands continue to provide the many economic, environmental and social benefits that result from practicing active forest management.

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