

Forest Development Program (FDP)

2025 Legislative Report

Prepared by the N.C. Forest Service

Executive Summary

The Forest Development Program (FDP) continues to be a successful program that assists North Carolina woodland owners interested in receiving financial cost share assistance to reimburse a portion of the expenses associated with site preparation, tree planting, prescribed burning and forest stand improvements on their woodlands. Program funding originates from forest industry and legislative contributions, and then effectively leverages woodland owner payments. This program directly and efficiently results in a wide range of economic and environmental benefits for landowners, North Carolina citizens and the numerous wildlife species that rely on woodland habitats.

In FY22-23, the FDP allocated funding for 801 new statewide practices on 25,495 acres for \$1,667,992 in cost share for North Carolina woodland owners.

The FDP financially assisted landowners in completing 828 forest management practices statewide. Accomplishments included 1,786 acres of forest stand improvement, 13,618 acres of site preparation and 20,331 acres of tree planting involving approximately 9.2 million tree seedlings planted. FDP cost share reimbursed \$1,618,768.98 to private woodland owners. North Carolina landowners paid \$3,003,597.40 of the remaining costs to implement these forestry practices.

In FY23-24, the FDP allocated funding for 1,315 new statewide practices on 57,565 acres for \$2,985,918 in cost share for North Carolina woodland owners.

The FDP financially assisted landowners in completing 774 forest management projects statewide. Accomplishments included 1,719 acres of forest stand improvement, 11,925 acres of site preparation and 17,161 acres of tree planting involving approximately 7.8 million tree seedlings planted. FDP cost share reimbursed \$1,522,670.74 to private landowners. North Carolina landowners paid \$2,740,517.59 of the remaining costs to implement these forestry practices.

Beginning in 2023, \$1 million recurring state appropriated funds have been allocated for FDP funding. These additional funds helped increase the number of projects funded and number of forestry practices accomplished. Even with the reinstatement of appropriated funds, the FDP continues to see greater cost share assistance demand than available funding. An additional \$1.5 million in recurring funding would be required to meet the current demand for FDP financial assistance.

FDP 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 critical funding partner for this cooperative effort with state government and private landowners.

The FDP is a tree planting, site preparation and forest stand improvement cost sharing program administered by the N.C. Forest Service (NCFS). The purpose of the program is to encourage commercial production of timber resources to ensure future timber supply needs are met while providing environmental enhancement to the state's forest resources.

North Carolina forests accounted for 755,279 cubic feet (MCF) of timber products produced. Forest product production was down slightly from the previous year by 71,941 MCF. There are approximately 243 primary wood processing mills accounting for production in North Carolina. In 2023, most of the production involved three categories: sawlogs (44.2%), pulpwood (30.5%) and bioenergy/fuelwood (15.8%).

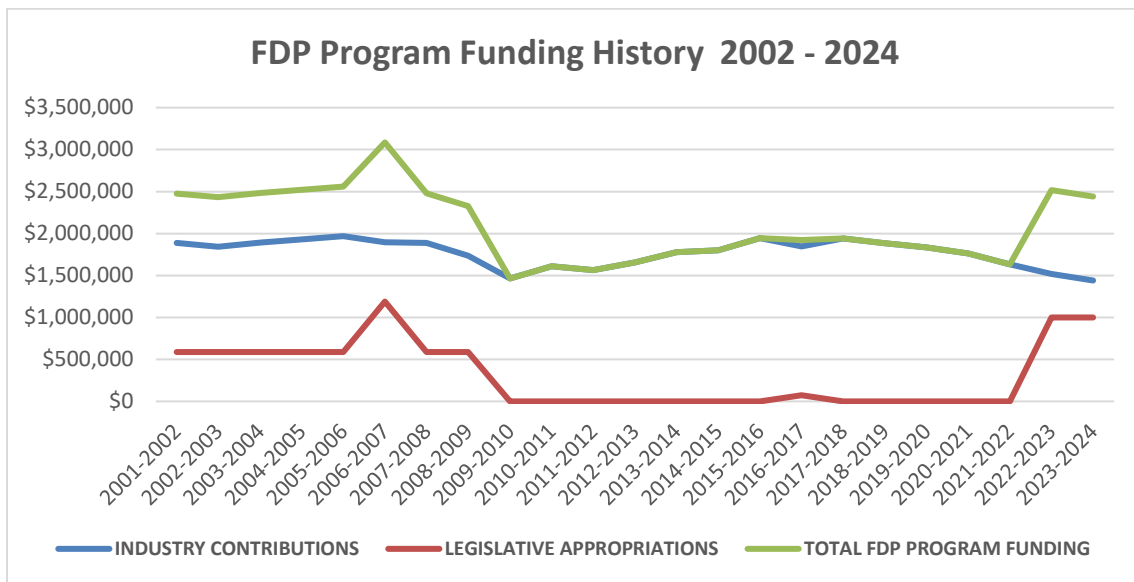
The FDP funding from forest industry assessments is based only on the processing of roundwood products harvested from North Carolina lands. North Carolina imported 92,771 MCF into the state and exported 101,278 MCF, making them a net exporter of roundwood according to the USDA Forest Service – Forest Inventory & Analysis. Timber Product Output & Use for North Carolina, 2023.

FDP Program Funding

Annual forest industry contributions to the FDP fund have been declining since FY16-17 and can be significantly influenced by periodic economic conditions such as interest rate increases or downturns in market conditions. This is why state appropriations are critical to maintain a sustainable source of program funds. Forest industry contributed \$1.52 million to the FDP in FY22-23 and \$1.44 million in FY23-24. During these two program years, this was the only source of FDP funding (Figure 1).

In 2023, the North Carolina Legislature approved the reinstatement of FDP funding with \$1 million of recurring appropriations to the FDP. From 2009 to 2022, no state appropriated funds had been allocated for FDP funding except for a \$75,000 nonrecurring contribution awarded in 2016 (Figure 1). Before 2009, the FDP received funding from both legislative appropriations and an assessment on primary forest products processed by North Carolina's forest industry. Forest assessment rates on primary forest products processed in North Carolina have been unchanged since 1977.

In 2024, the NCFS and the North Carolina Department of Revenue (NCDOR) participated in several meetings and electronic communications to strengthen our ongoing partnership as outlined in the Primary Forest Products Assessment Act. This resulted in NCDOR conducting an audit and mailing letters to primary processors outlining their fiscal obligation to contribute to the FDP assessment and tax implications for failing to report.

Figure 1: FDP funding by year and contribution source 2002-2024

Note: FDP funding assessment history started in 1978. This figure only represents the last 22 years.

FDP Program and Funding Challenges

The need for additional FDP cost share assistance to North Carolina woodland owners continues to be greater than available funding. In FY22-23, this unfunded demand for financial assistance by woodland owners was \$1.9 million, and in FY23-24 it was \$1.2 million in additional funding needed to fund all applications submitted to the program. These unfunded FDP applications were returned to the applicants and the recommended forest practices such as tree planting may or may not have occurred due to the absence of cost share assistance. The annual demand for FDP funding continues to exceed \$3 million annually.

Due to this great demand for limited program funding, the FDP implemented several changes to improve delivery and business efficiencies. The program utilizes established enrollment periods with agency designated funding for specific funding sources by geographical regions and areas like 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 receive program funding. This system of making program funding available statewide is an equitable method to provide funding opportunities for all types of landowners. An ongoing challenge to the FDP is not enough program funding to fund all applications that are submitted annually.

Ensuring that FDP funding for tree planting is dispersed across several areas of the state also helps 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 2024.

FDP Program Updates and Improvements

Administrative improvements were made to ensure financial sustainability of the program. The State of North Carolina Substitute W9 was updated with a lower tax withholding rate. Instruction of the detailed information needed on the W9s was shared statewide with administrative staff to ensure landowners were providing the appropriate information for payment reimbursement requests and to avoid delay in project reimbursement time limits.

Project applications and State of North Carolina Substitute W9s were made more accessible to landowners, consultants and NCFS staff. The documents were made electronically fillable with access to utilize digital signatures. The documents were uploaded to the NCFS website for all stakeholders to access.

To improve program communication and shorten payment timelines following project completion, emphasis was placed on sending out expiring project notices. NCFS District Offices and landowners were provided with letters of notification about required information needed before project expiration at 30 days, 60 days and 90 days. Funds identified as being associated with expired projects are canceled and are then utilized for new applications.

FDP Program 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 before submitting documentation to the NCFS for review and approval of cost share payment reimbursement.

Fiscal Year 2022-23:

In FY22-23, the FDP allocated funding for 801 new statewide practices on 35,735 acres for \$1,667,992 in cost share for North Carolina woodland owners.

The FDP completed 828 forest management practices statewide, resulting in the establishment and improvement of 35,737 acres of woodlands and \$1,618,768.98 in cost share reimbursed to private woodland owners (Table 1). The total landowner portion of these costs for implementing forestry practices was \$3,003,597.40.

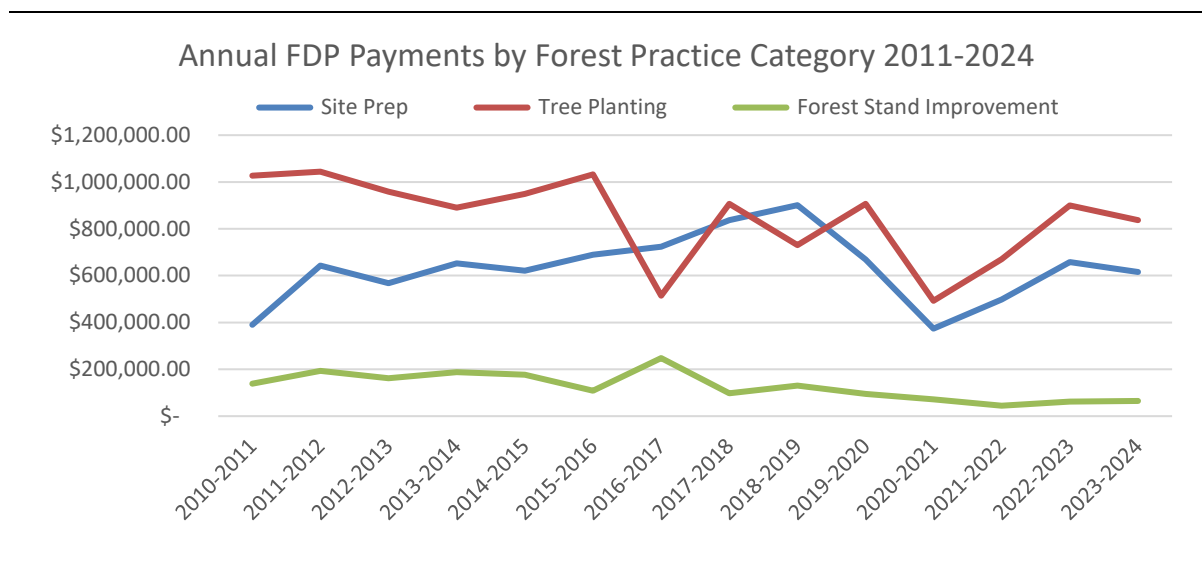
Forest stand improvement on 1,786 acres was completed while 13,618 acres of site preparation and 20,331 acres of tree planting was accomplished. Of the \$1,618,768.98 in FDP reimbursements paid to landowners, approximately 41% (\$657,889) was for site preparation practices, 56% (\$899,302) was for tree planting and 3% (\$61,577) was for forest stand improvement practices (Figure 2).

These FDP program funds resulted in approximately 9.2 million tree seedlings planted on 20,331 acres.

Table 1: FY22-23 FDP totals by NCFS District and Region

Region	District	Location	FDP practices	FDP acres	FDP funds
1	4	New Bern	47	2,253	\$106,990.72
1	7	Elizabeth City	116	5,815	\$230,502.70
1	8	Whiteville	74	3,534	\$172,622.46
1	13	Fairfield	15	593	\$25,261.00
2	3	Rockingham	171	6,995	\$335,296.58
2	5	Rocky Mount	148	7,123	\$311,711.22
2	6	Fayetteville	72	2,807	\$130,535.32
2	10	Lexington	55	2,477	\$109,802.80
2	11	Hillsborough	38	1,828	\$77,941.60
3	1	Asheville	16	311	\$14,774.80
3	2	Lenoir	4	68	\$3,200.00
3	9	Sylva	0	0	\$0.00
3	12	Mount Holly	72	1,931	\$100,129.78
Statewide			828	35,735	\$1,618,768.98

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

Figure 2: Annual FDP payments by forestry practice category

FY 2023-24:

In FY23-24, the FDP allocated funding for 1,315 new statewide practices on 57,565 acres for \$2,985,918 in cost share for North Carolina woodland owners.

The FDP completed 774 forest management projects statewide resulting in the establishment and improvement of 30,805 acres of woodlands and \$1,522,670.64 in cost share reimbursed to private woodland owners (Table 4). The total landowner costs for implementing forestry practices was \$2,740,517.

Forest stand improvement was completed on 1,719 acres while 11,925 acres of site preparation and 17,161 acres of tree planting were accomplished. Of the \$1,522,670.64 FDP reimbursement paid to landowners, approximately 40% (\$616,341) was for site preparation practices, 55% (\$840,957) was for tree planting practices, and 5% (\$65,370) was for forest stand improvement practices (Figure 2).

These FDP program funds resulted in approximately 7.8 million tree seedlings planted on 17,161 acres.

Table 2: FY23-24 FDP totals by NCFS District and Region

Region	District	Location	FDP practices	FDP acres	FDP funds
1	4	New Bern	49	2,082	\$109,258.06
1	7	Elizabeth City	68	3,690	\$161,539.56
1	8	Whiteville	82	3,397	\$183,093.66
1	13	Fairfield	6	150	\$8,300.00
2	3	Rockingham	161	6,272	\$330,402.62
2	5	Rocky Mount	107	4,927	\$219,033.96
2	6	Fayetteville	69	2,675	\$140,077.18
2	10	Lexington	34	997	\$44,125.64
2	11	Hillsborough	80	3,426	\$152,917.03
3	1	Asheville	8	167	\$10,398.34
3	2	Lenoir	24	420	\$21,670.70
3	9	Sylva	2	20	\$1,880.00
3	12	Mount Holly	84	2,582	\$139,883.87
Statewide			774	30,805	\$1,522,670.62

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

FDP Accomplishments by land ownership

The FDP is authorized to provide cost share funding for several types of land ownership. These may include private individuals, private land held jointly with others, corporations and various associations. The vast majority of FDP funding is allocated to small acreage, private, non-industrial landowners or family forest landowners (Table 3).

Most of North Carolina's woodlands, as well as FDP funded applicants, are owned by private landowners with small acreage (ex. less than 100 acres). 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 3: Project ownership types funded by the FDP by fiscal year

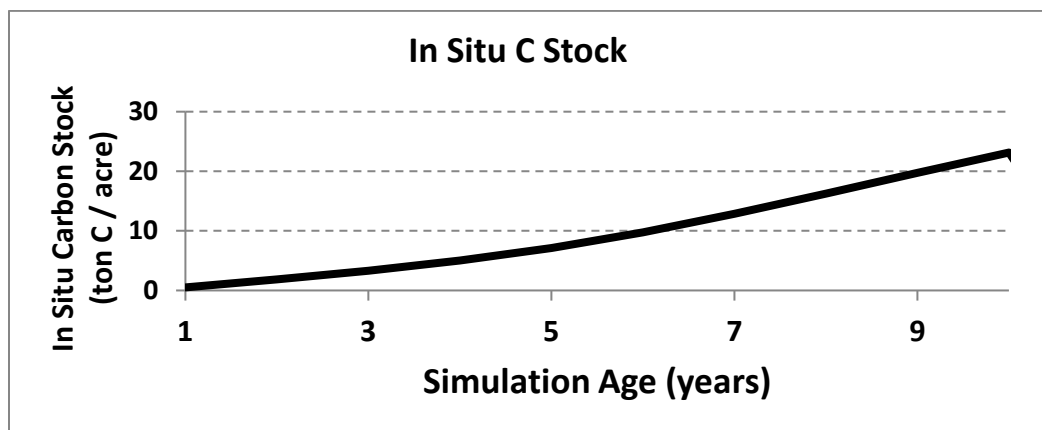
Year	Individuals	Corporations	LLC	Trusts	Joint	Total
22-23	238	26	75	17	67	423
23-24	383	38	128	23	156	728

Environmental Benefits of FDP

Between FY22-24, the FDP financially assisted North Carolina landowners with tree planting on 37,492 acres, resulting in approximately 17,021,368 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 3).

Figure 3: 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

Over a 10-year period, these last two fiscal years' worth of FDP tree planting accomplishments have the potential to sequester approximately 866,065 tons of carbon along with providing benefits to protect water quality and enhance wildlife habitat.

Economic Importance of Forestry in North Carolina

A well-funded FDP is important for ensuring the sustainability of our state's forest resources and maintaining healthy forest supplies for the forest products industry.

The N.C. State University Extension publication, *Economic Contribution of the Forest Sector in North Carolina – 2022*, highlights the economic importance of the forestry sector to North Carolina. Data in this report was provided by N.C. State University Extension Forestry staff utilizing IMPLAN software.

- North Carolina has approximately 18.66 million acres of timberland covering about 60% of the state's land total, which supports an important forest products industry.
- The forest sector is a major contributor to North Carolina's economy, contributing \$42.5 billion in industry output and supporting roughly 151,700 jobs with a payroll of \$10.1 billion.
- North Carolina's forest sector contributed about \$290 million to state and local taxes and \$1.15 billion to federal taxes.
- On average, every dollar generated in the forestry sector contributed an additional 65 cents to the rest of the North Carolina economy.

Summary

The FDP continues to successfully assist North Carolina woodland owners who request cost share reimbursement assistance to help lessen the high upfront costs of implementing forestry practices. These include site preparation, tree planting, prescribed burning and forest stand improvement treatments on their land. The FDP is an effective, successful example of a leveraged partnership between the forest industry, North Carolina and private woodland owners.

An increase of \$1.5 million to the current recurring \$1 million in FDP appropriations is needed to meet the current demand from landowners requesting financial assistance to improve their woodlands. This would help ensure that North Carolina's woodlands continue to provide the many economic, environmental and social benefits that result from practicing sustainable forest management.

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