

# Forest Development Program

## 2023 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 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 provides a wide range of economic and environmental benefits for landowners, North Carolina's citizens and the many natural resources offered by these woodlands.

During the 2020-21 fiscal year, the FDP allocated funding for 1,061 new statewide practices on 45,990 acres for a total of \$2,144,183 in cost share for private landowners.

The FDP financially assisted landowners with completing 547 forest management practices statewide. Accomplishments included 2,221 acres of forest stand improvement; 7,939 acres of site preparation; and 12,050 acres of tree planting involving approximately 6.5 million tree seedlings planted. Approximately \$938,432 in FDP cost share dollars were reimbursed to private landowners. North Carolina landowners paid \$1,554,404 of the remaining costs to implement these forestry practices.

During the 2021-22 fiscal year, the FDP allocated funding for 844 new statewide practices on 38,257 acres for a total of \$1,852,154 in cost share for private North Carolina landowners.

The FDP financially assisted landowners in completing 724 forest management projects statewide. Accomplishments included 1,647 acres of forest stand improvement; 10,604 acres of site preparation; and 15,259 acres of tree planting involving approximately 8.3 million tree seedlings planted. Approximately \$1,213,564 in FDP cost share dollars were reimbursed to private landowners. North Carolina landowners paid \$1,998,017 of the remaining costs to implement these forestry practices.



**FDP Program Overview**

The FDP was created in 1977 with forest industry collaboration, and legislative action in response to a lack of reforestation on harvested tracts of forestland owned by private, nonindustrial landowners. North Carolina's forest industry continues to be a proactive funding contributor 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 N. C. 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 enhancement to the state's forest resources.

The Legislative Continuation Review Report on the FDP that includes comprehensive information and details about the program can be found at the bottom of our FDP website: [http://www.ncforestservice.gov/Managing\\_your\\_forest/fdp.htm](http://www.ncforestservice.gov/Managing_your_forest/fdp.htm)

**FDP Contributions from Forest Industry**

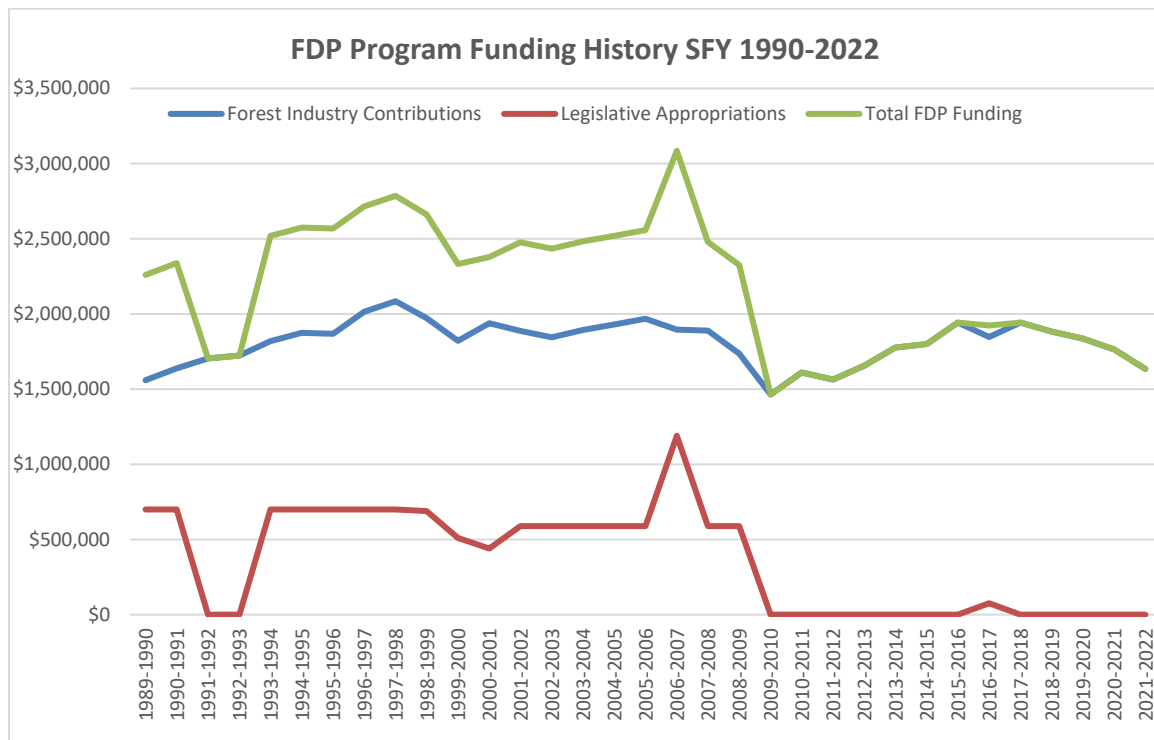
Before 2009, the FDP received funding from both legislative appropriations and an assessment on primary forest products processed by North Carolina's forest industry. Between 2009-2022, no state-appropriated dollars were allocated for FDP funding, except for a nonrecurring \$75,000 contribution awarded in 2016 (Figure 1).

Annual forest industry contributions to the FDP have been gradually declining since the 2016-17 fiscal year. They can be significantly influenced by annual economic conditions as demonstrated by impacts from the recent COVID-19 pandemic (Figure 1). Forest industry contributed \$1.76 million to the FDP during the 2020-21 fiscal year and \$1.63 million during the 2021-22 fiscal year. This was the only source of FDP funding for these two fiscal years.

North Carolina forests accounted for 872,501 cubic feet (MCF) of timber products while the forest products industry produced a total of 859,577 MCF within the state in 2020.

There are now approximately 258 primary wood processing mills accounting for production in the state, an increase from the 201 two years ago. In 2020, most of the production involved three categories: sawlogs accounted for 44.07% of the statewide roundwood production; pulpwood accounted for 30.72% of the production; and bioenergy/fuelwood accounted for 12.56% (U.S. Forest Service – Forest Inventory & Analysis. Timber Product Output & Use for North Carolina, 2020).

FDP funding from forest industry assessments is based only on in-state processing of sawlog and pulpwood products. North Carolina imported 95,261 MCF in-state and exported 108,185 MCF out-of-state, making them a net exporter of roundwood.

**Figure 1: FDP Program Funding by Year and Contribution Source SFY 1990-2022**

*Note: FDP Funding Assessment History started in 1978. This figure only represents the last 32 years.*

### **FDP Program and Funding Challenges**

The need for additional FDP funding for North Carolina landowners continues to be greater than available funding. During the 2016-17 fiscal year, an agency decision was made to 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 fiscal year 2020-21, this unfunded demand for financial assistance by woodland owners was documented at \$1.13 million in additional funding needed to fund all applications submitted to the program. These unfunded FDP applications were returned to the woodland owner applicants. This unfunded demand would have been much higher (between \$2-3 million) if not for the Florence Reforestation Funding (FRF) available to assist eligible landowners that qualified for these time-limited funds. These funds were related to hurricane recovery assistance.

Because of this great demand for limited program funding, the FDP implemented several programmatic changes to improve program delivery and business efficiencies. The program now utilizes established enrollment periods with agency designated funding for specific funding sources by geographical regions and areas, like how other forestry financial assistance programs operate.

The current FDP system for allocating funding provides the opportunity for many landowners across the state to receive program funding within the coastal plain, piedmont and mountain regions. This system makes program funding available within 13 geographical areas based on NCFS Districts. This approach is an equitable method to provide funding opportunities for all types of landowners requesting funding.

Ensuring that FDP program funding for afforestation and reforestation is dispersed statewide helps to make certain a sustainable forest resource supply is available to support forest product companies located across the state. The forestry sector was North Carolina's top employer among manufacturing sectors in 2020.

### **FDP Program Updates and Improvements**

The N.C. Department of Agriculture & Consumer Services conducted an internal departmental audit of the FDP program in February 2020 and determined the program to be strong and fiscally responsible in ensuring proper applicants selected were awarded funding. Minimal key recommendations included enhancing the lottery (random draw) award selection procedures and conducting a secondary review after lottery award selection and review. FDP program administrators implemented the utilization of a data analysis tool to mitigate the potential for error. A secondary review by another NCFS Forest Management Branch team member following the lottery selection process has also been implemented.

Administrative improvements were made to ensure financial sustainability of the program. Instruction of the detailed information needed on the W9's was held statewide with administrative staff to ensure landowners were providing the appropriate information for payment reimbursement requests, and to avoid delay in project reimbursement timeframes.

Project applications and State of North Carolina Substitute W9 were made more accessible to landowners, consultants and N.C. Forest Service staff. The documents were made electronically fillable with ability 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, the practice of sending out expiring project notices was emphasized. NCFS district offices and landowners were provided with letters of notification about required information needed for completion before project expiration at 30 days, 60 days, and 90 days. Funds identified through the project notices as expired projects are cancelled and funds can be utilized for future annual funding.

On March 14, 2022, the NCFS presented on the FDP to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources. During this presentation a recommendation was made to reinstate recurring state appropriated funding to the FDP, specifically for \$1 million of annual funding.

In late 2022, the N.C. Legislature passed a bill authorizing \$1 million in recurring funds to the FDP which will greatly assist the program in meeting the existing demand from landowners requesting financial assistance. This report only highlights FDP accomplishments that occurred before this additional funding was allocated.

### **FDP Program Accomplishments**

Each fiscal year the FDP allocates funding for new projects and simultaneously pays out cost share reimbursements to landowners for completed projects that were previously funded. Landowners are required to pay for all work up front, then submit documentation to the NCFS for review and approval of payment reimbursement requests.

### **Fiscal Year 2020-21**

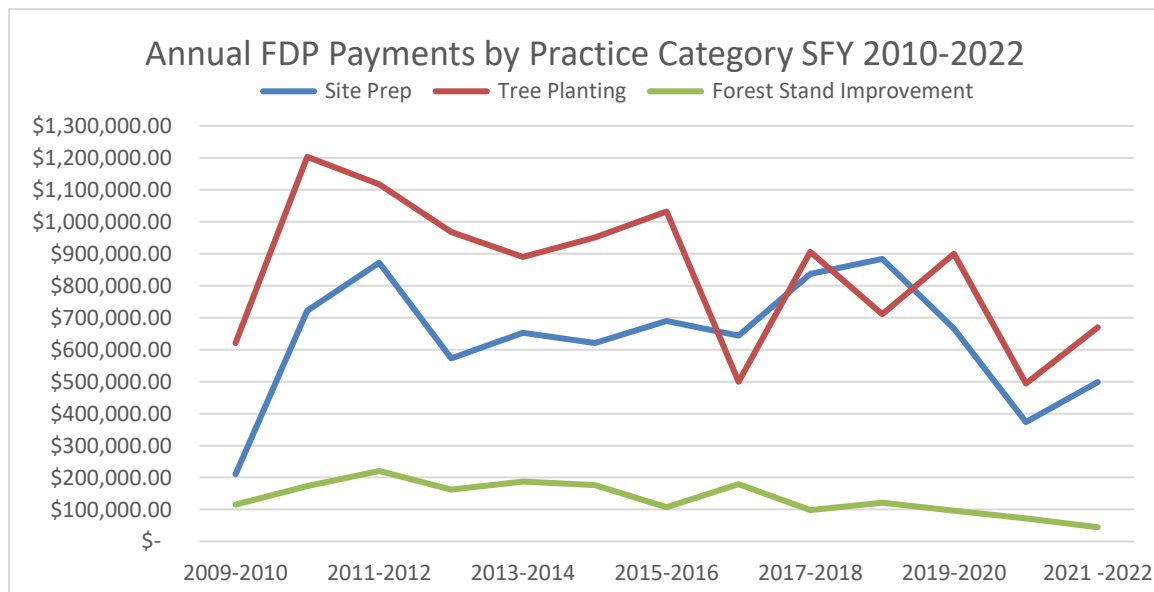
During the 2020-21 fiscal year, the FDP allocated funding for 1,061 new statewide practices on 45,990 acres for a total of \$2,144,183 in cost share for private North Carolina landowners.

The FDP completed 547 forest management practices statewide, resulting in the establishment and improvement of 22,210 acres of woodlands and \$938,432 in cost share reimbursed to private landowners (Table 1). The landowner portion of these costs for implementing forestry practices during this same year was \$1,554,404.

Approximately 2,221 acres of forest stand improvement was completed, while 7,939 acres of site preparation and 12,050 acres of tree planting was accomplished. Of the \$938,432 in FDP reimbursements paid to landowners, approximately 40% (\$373,811) was for site preparation practices, 53% (\$494,276) was for tree planting practices, and 7% (\$70,344) was for forest stand improvement practices (Figure 2).

These FDP dollars resulted in approximately 6.5 million tree seedlings planted on 12,050 acres.

**Figure 2: Annual FDP Payments by Practice Category SFY 2010-2022**



Cost share payments to landowners for forest stand improvement have been declining due to reduced program funding, with more program funding being directed toward site preparation and tree planting establishment practices.

**Table 1: SFY 2020-21 FDP Program Totals by NCFS Forestry District and Geographic Region**

Region <sup>1</sup>	District	District Location	FDP (# Practices)	FDP (Acres)	FDP (Dollars)
1	4	New Bern	33	1,401	\$58,805.69
1	7	Elizabeth City	74	4,127	\$155,077.55
1	8	Whiteville	45	1,578	\$83,463.53
1	13	Fairfield	3	156	\$7,280.00
2	3	Rockingham	112	4,495	\$187,744.37
2	5	Rocky Mount	61	2,835	\$112,137.47
2	6	Fayetteville	53	1,996	\$83,010.21
2	10	Lexington	26	1,137	\$47,552.80
2	11	Hillsborough	54	2,179	\$91,246.47
3	1	Asheville	12	215	\$14,404.00
3	2	Lenoir	7	295	\$11,344.60
3	9	Sylva	6	36	\$1,504.20
3	12	Mount Holly	61	1,760	\$84,861.89
<b>Statewide</b>			<b>547</b>	<b>22,210</b>	<b>\$938,432.78</b>

<sup>1</sup> Region 1 – Coastal Plain; Region 2 – Piedmont; Region 3 – Mountains

### **FY 2021-22**

During the 2021-22 fiscal year, the FDP allocated funding for 844 new statewide practices on 38,257 acres for a total of \$1,852,154 in cost share for private North Carolina landowners.

The FDP completed 724 forest management projects statewide resulting in the establishment and improvement of 27,510 acres of woodlands and \$1,213,564.17 in cost share reimbursed to private landowners (Table 4). The landowner portion of these costs for implementing forestry practices during this same year was \$1,998,016.71.

Approximately 1,647 acres of forest stand improvement was completed, while 10,604 acres of site preparation and 15,259 acres of tree planting was accomplished. Of the \$1,213,564.17 FDP reimbursement paid to landowners, approximately 41% (\$498,493.67) was for site preparation practices, 55% (\$670,432.16) was for tree planting practices, and 4% (\$44,638.34) was for forest stand improvement practices (Figure 2).

These FDP dollars resulted in approximately 8.3 million tree seedlings planted on 15,259 acres.

**Table 2: SFY 2021-22 FDP Program Totals by NCFS Forestry District and Geographic Region**

Region <sup>1</sup>	District	District Location	FDP (# Practices)	FDP (Acres)	FDP (Dollars)
1	4	New Bern	51	1,829	\$89,231.88
1	7	Elizabeth City	67	2,878	\$115,076.15
1	8	Whiteville	56	2,229	\$108,970.22
1	13	Fairfield	6	323	\$13,354.20
2	3	Rockingham	105	3,610	\$171,389.84
2	5	Rocky Mount	123	6,322	\$259,687.94
2	6	Fayetteville	81	3,000	\$136,127.05
2	10	Lexington	48	1,271	\$52,935.20
2	11	Hillsborough	42	1,922	\$80,561.28
3	1	Asheville	16	201	\$10,592.80
3	2	Lenoir	9	271	\$13,610.00
3	9	Sylva	2	10	\$452.20
3	12	Mount Holly	118	3,644	\$161,575.41
<b>Statewide</b>			<b>724</b>	<b>27,510</b>	<b>\$1,213,564.17</b>

<sup>1</sup> Region 1 – Coastal Plain; Region 2 – Piedmont; Region 3 - Mountains

### **FDP Accomplishments by Ownership**

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 smaller, private, nonindustrial landowners, or family forest landowners typically owning 100 acres or less (Table 3).

Most of North Carolina's woodlands, as well as the FDP's funded applicants, are owned by private landowners with relatively small acreage. Most FDP applicants are requesting cost share on tracts between 35-40 acres in size. 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: Unique Project Ownership Types Funded by the FDP Program by state fiscal year**

SFY	Individuals	Corporations	Associations	Joint	Total
2020-2021	301	35	122	124	582
2021-2022	294	24	93	103	514

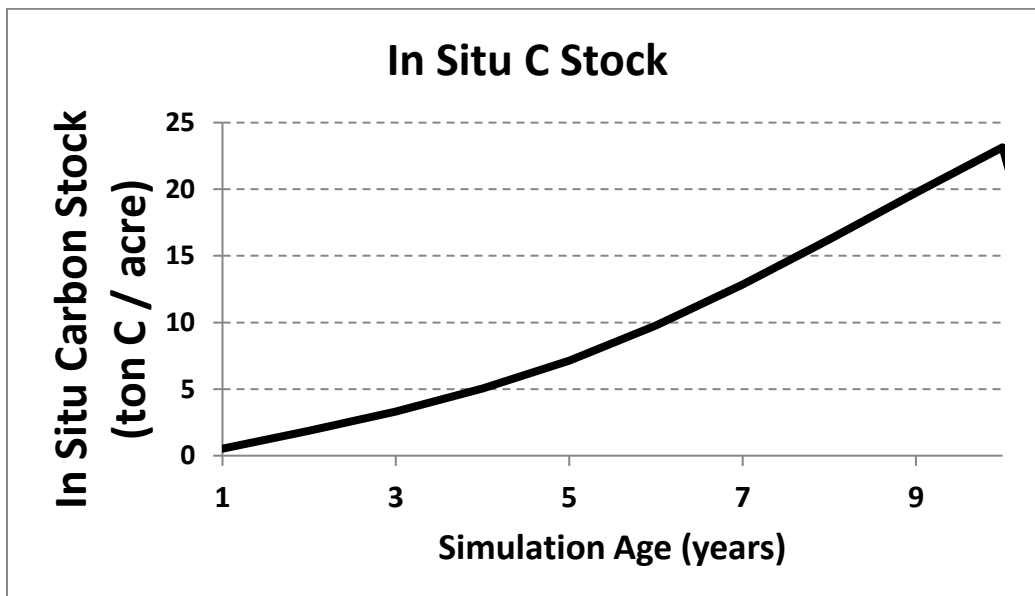
**Environmental Benefits of FDP**

Between fiscal years 2020-2022, the FDP financially assisted North Carolina landowners with planting trees on 27,260 acres, resulting in approximately 14,856,700 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).

Over a 10-year period, these last two fiscal years of FDP tree planting accomplishments has the potential to sequester approximately 629,706 tons of carbon along with providing benefits to protect water quality and enhance wildlife habitat.

**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



**Economic Importance of Forestry in North Carolina**

An adequately funded Forest Development Program is important for ensuring the long term sustainability of our state's forest resources and maintaining healthy forest supplies for the forest products industry.

The N.C. State University Extension Forestry publication "Economic Contribution of the Forest Sector in North Carolina – 2019" highlights the economic importance of the forestry sector to North Carolina:

- 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 \$34.9 billion in industry output and supporting about 148,000 jobs with a payroll of \$8.4 billion.
- The forest sector in North Carolina contributed about \$266.8 million to state and local taxes and \$874.5 million to federal taxes.
- On average, every dollar generated in the forestry sector contributed an additional .62 cents to the rest of the North Carolina economy.

**Summary**

The FDP continues to efficiently and successfully assist North Carolina landowners who are interested in receiving forestry financial assistance that helps to lessen the high upfront costs to implement forestry practices. These include site preparation, tree planting, prescribed burning and forest stand improvement treatments on their land.

We greatly appreciate the 2022 Legislative authorization for recurring appropriations to the FDP, as well as the forest industry's continued contributions and support that has helped plant over 820 million tree seedlings on more than 1.5 million acres since 1977. This will 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.

**FDP Program Contacts**

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