State Forestry Programs, Budget Strategies, and the Recession

by

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State Forestry Programs, Budget Strategies, and the Recession

A Report Prepared for:
Minnesota Department of Natural Resources

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Executive Summary

State forestry departments provide a broad range of services to their states, including wildfire prevention and suppression, monitoring, managing, and generating revenue from state-administered forest lands, providing timber and biomass to industry, improving wildlife habitat, providing forest-based recreation opportunities, and assisting private landowners through financial assistance programs and education and technical forestry assistance. Additionally, services such as conducting vegetation management for other agency divisions have typically been an expected role. Collectively, these are viewed as important environmental and economic services affecting the economy and quality of life in states. However, the ability to provide these services is increasingly in jeopardy because of reduced state (and in some instances federal) funding allocated as a result of the current financial recession. This study seeks to identify the extent to which reduced funding has affected state forestry programs and characterize ways in which states are responding. The intent of compiling this information is to provide the Minnesota Department of Natural Resources, Minnesota Legislature, and forestry departments in other states ideas for how to maintain important forestry services and functions in light of decreasing fiscal resources.

The data contained in this report was collected through a set of structured phone interviews on a select sample of State Foresters in states having at least one million acres of state-administered forest lands. Of the eleven states initially contacted, nine participated in the study. The responses to the structured phone interviews were analyzed to identify emergent themes regarding the effects reduced budgets are having on state forestry programs, as well as for the identification of strategies employed.

There was generally agreement across the interviews regarding impacts of reduced financial support. For example, most states surveyed have experienced a reduction in staff, a reduction in their programs for private forest landowners, and State Foresters are increasingly concerned about the viability of state nurseries and possible decreases in fire preparedness. There was also some agreement in terms of strategies employed. For example, many forestry programs are working more collaboratively now with other state agencies and with the federal government to reduce duplicative services or consolidate functions. Additionally, there has been a consolidation of roles and tasks within state forestry programs and increased attention to operational efficiency. Finally, there has been an increased focus on decreasing the reliance on state general funds by focusing on revenue-generating activities such as timber sales, fees charged for private landowner services, and resale from state nurseries. All states but one surveyed are experiencing, in their own opinion, the worst and most challenging fiscal environment their agency has encountered. It is intended that the strategies identified in this study will be useful to the Minnesota Department of Natural Resources and Minnesota Legislature as they seek to identify ways of maintain state forestry programs in light of reduced fiscal resources.
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I. BACKGROUND

a. State Forestry Programs

State forestry programs manage 10 percent of all forest lands in the United States, or approximately 49 million acres. In addition, they provide support and promote sound forestry techniques and practices on other private lands, which account for an additional 59 percent of forested lands in the United States (NASF 2010). Collectively, state forestry agencies spent $2.7 billion in 2008, with 64 percent of that amount spent on fire protection and prevention. Some of the many other services provided include: cooperative forestry and private landowner assistance and outreach, monitoring and maintaining forest health, developing and administering timber sales, conservation education, recreation, urban and community forestry management, operating state forest nurseries, minerals management on state lands, protecting native plants, fighting invasive species, and many others (NASF 2010).

On average state forestry agencies spend 79 percent of their annual budgets providing services to private and local government-owned forestland and other wildland areas in their states. They provide myriad important services to the citizens and businesses of their respective states and employ over 26,000 people nationwide (NASF 2010).

In Minnesota, the Division of Forestry within the Department of Natural Resources (DNR) is responsible for managing more than 3.5 million acres of state forest land providing recreation, preventing and managing wildfires, growing new trees, and conducting timber sales. Statewide, more than 2.8 million cords of timber were utilized by the forest products industry in 2009 and a 10-year average of 3.5 million cords (MN DNR 2010). The value of forest products manufacturing shipments, the fourth largest manufacturing industry in the state, is approximately $8.6 billion annually with $1.67 billion in wages and 36,000 jobs (MN DNR 2010). In addition to managing state forest lands, the Division of Forestry also conducts resource assessments, promotes forest health and stewardship, and provides landowner education and outreach on the more than 5.7 million acres of private forest lands throughout the state (MN DNR 2005).

b. Current Climate

Despite the importance of the services provided by state forestry programs, they, like many state agencies, are experiencing sharp decreases in their operating budgets. States that are heavily reliant upon their state’s general fund have been the hardest hit with those funds shrinking dramatically during the course of the current economic recession with additional cuts likely in the foreseeable future. There has also been a corresponding sharp decrease in the stumpage price paid for sawlogs and pulpwood, a key source of revenue for some state forestry programs. In the states surveyed, State Foresters reported
program and department cuts as high as 70 percent down from previous budget levels prior to the recession. Education and private landowner assistance programs have been hit particularly hard with many programs eliminated or reduced. Other critical areas like invasive species management and fire protection, once considered top priorities, are also being cut. Additionally, many state forestry programs have reduced their workforce by up to 11 percent and have been unable to fill key vacancies.

II. STUDY OBJECTIVES

The purpose of this study is to ascertain how state forestry programs around the country are responding in the face of state budget problems brought about by the recession, specifically in those states having substantial state-administered forest land holdings. The goal is to identify strategies and report them to the Minnesota DNR and state legislature. It is also hoped that by getting a broad sense of the tactics employed, state leaders will have a robust set of options for how to proceed in this budgetary environment. Finally, this study was conducted in a manner allowing for the distribution of information to the forestry community at-large, so that all participating states have access to these ideas to assist them in maintaining their core functions while simultaneously minimizing cost across states.

III. METHODS

Eleven states were selected to participate in the study based upon having forestry programs that manage state forest lands exceeding one million acres. A comparison of the selected states including total acres managed, size of forestry programs, program funding and revenue sources, and program expenditures are provided in Tables 1 through 3. These states represent diverse geography and ecosystems, leading to a more robust investigation of issues and management strategies. Smaller state programs were excluded from the analysis because they may not be confronted with the same kinds of challenges from a budget and staffing perspective.

The State Forester from each state was contacted to arrange a time to conduct a follow up phone survey. The State Forester was selected because of his/her broad knowledge of state forest management practices and position to influence or implement budget-balancing strategies. State Foresters also have sufficient knowledge of the details of particular strategies and their effectiveness. Phone interviews were chosen over other survey methods, such as an online survey or email survey, because it was hoped that their open-ended nature might reveal new ideas and strategies not previously considered. Nine of the eleven states participated in the study (Table 1).
Open-ended interviews were structured to address several themes including the existing budget situation and state priorities, how changes in budgets have affected forestry programs in terms of services provided, changes in sources of revenue over time, forestry programs that have been or are in jeopardy of being cut, and specific strategies employed to address these problems. Interviews lasted approximately thirty minutes to an hour and detailed notes were taken of responses to each question. Interviews were conducted in December 2010 and January 2011. The qualitative responses were compared and coded according to thematic ideas emerging from conversations. Responses were then grouped based upon similarities.

Table 1. Surveyed state forestry programs, 2008 summary statistics.

<table>
<thead>
<tr>
<th>State</th>
<th>State forest land (million acres)</th>
<th>Total forest land (million acres)</th>
<th>Total expenditures (million $)</th>
<th>Total revenue &amp; funding (million $)</th>
<th>Total employees (seasonal/temp)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska</td>
<td>27.5</td>
<td>126.9</td>
<td>54.08</td>
<td>48.56</td>
<td>78 (186)</td>
</tr>
<tr>
<td>Arizona</td>
<td>1.2</td>
<td>19.4</td>
<td>3.43</td>
<td>3.03</td>
<td>54 (83)</td>
</tr>
<tr>
<td>Florida</td>
<td>2.6</td>
<td>16.8</td>
<td>106.72</td>
<td>114.71</td>
<td>1,225 (96)</td>
</tr>
<tr>
<td>Idaho</td>
<td>2.2</td>
<td>25.7</td>
<td>37.96</td>
<td>89.63</td>
<td>162 (210)</td>
</tr>
<tr>
<td>Michigan</td>
<td>4.2</td>
<td>19.8</td>
<td>50.50</td>
<td>60.04</td>
<td>332 (79)</td>
</tr>
<tr>
<td>Minnesota</td>
<td>3.5</td>
<td>16.9</td>
<td>67.25</td>
<td>90.87</td>
<td>417 (911)</td>
</tr>
<tr>
<td>New York</td>
<td>3.6</td>
<td>18.9</td>
<td>23.90</td>
<td>30.49</td>
<td>179 (23)</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>3.8</td>
<td>16.6</td>
<td>73.71</td>
<td>90.24</td>
<td>526 (250)</td>
</tr>
<tr>
<td>Utah</td>
<td>1.4</td>
<td>16.3</td>
<td>26.57</td>
<td>26.57</td>
<td>90 (80)</td>
</tr>
<tr>
<td>Washington</td>
<td>2.5</td>
<td>22.4</td>
<td>258.18</td>
<td>257.88</td>
<td>1,045 (276)</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>1.1</td>
<td>16.3</td>
<td>53.81</td>
<td>59.09</td>
<td>479 (206)</td>
</tr>
</tbody>
</table>

1Total forest land actively managed by the state may be less than acres reported

Source: NASF 2010b
### Table 2. Surveyed state forestry program expenditures in 2008 (000$’s).

<table>
<thead>
<tr>
<th>State</th>
<th>Fire management</th>
<th>Forest management</th>
<th>Co-op forestry &amp; landowner assistance</th>
<th>Forest health</th>
<th>Urban &amp; community forestry</th>
<th>Nurseries</th>
<th>Forest recreation</th>
<th>Other forestry expenditures</th>
<th>Total forestry expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska</td>
<td>43,400</td>
<td>3,490</td>
<td>390</td>
<td>205</td>
<td>200</td>
<td>-</td>
<td>5,650</td>
<td>745</td>
<td>54,080</td>
</tr>
<tr>
<td>Arizona</td>
<td>599</td>
<td>-</td>
<td>1,141</td>
<td>725</td>
<td>293</td>
<td>-</td>
<td>-</td>
<td>671</td>
<td>3,429</td>
</tr>
<tr>
<td>Florida</td>
<td>58,409</td>
<td>41,552</td>
<td>2,577</td>
<td>1,567</td>
<td>639</td>
<td>789</td>
<td>672</td>
<td>516</td>
<td>106,720</td>
</tr>
<tr>
<td>Idaho</td>
<td>14,462</td>
<td>16,446</td>
<td>3,171</td>
<td>2,565</td>
<td>562</td>
<td>-</td>
<td>-</td>
<td>751</td>
<td>37,956</td>
</tr>
<tr>
<td>Michigan</td>
<td>8,562</td>
<td>13,372</td>
<td>1,025</td>
<td>507</td>
<td>628</td>
<td>660</td>
<td>16,789</td>
<td>8,953</td>
<td>50,496</td>
</tr>
<tr>
<td>Minnesota</td>
<td>24,562</td>
<td>32,748</td>
<td>1,719</td>
<td>776</td>
<td>209</td>
<td>2,427</td>
<td>-</td>
<td>4,812</td>
<td>67,253</td>
</tr>
<tr>
<td>New York</td>
<td>10,000</td>
<td>6,090</td>
<td>1,737</td>
<td>1,192</td>
<td>1,218</td>
<td>245</td>
<td>741</td>
<td>2,673</td>
<td>23,895</td>
</tr>
<tr>
<td>Utah</td>
<td>2,189</td>
<td>47,174</td>
<td>2,259</td>
<td>8,654</td>
<td>806</td>
<td>18</td>
<td>2,900</td>
<td>9,713</td>
<td>73,713</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>41,569</td>
<td>73,681</td>
<td>1,889</td>
<td>1,125</td>
<td>288</td>
<td>3,917</td>
<td>1,126</td>
<td>134,584</td>
<td>258,179</td>
</tr>
</tbody>
</table>

Source: NASF 2010b

### Table 3. Surveyed state forestry program funding and revenue in 2008 (000$’s).

<table>
<thead>
<tr>
<th>State</th>
<th>-----Sum of program funding-----</th>
<th>---------------</th>
<th>Sum of revenue</th>
<th>Other</th>
<th>Total revenue and funding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Federal</td>
<td>State</td>
<td>Other gov.</td>
<td>Product sales</td>
<td>Permits</td>
</tr>
<tr>
<td>Alaska</td>
<td>2,850</td>
<td>33,195</td>
<td>11,810</td>
<td>600</td>
<td>-</td>
</tr>
<tr>
<td>Arizona</td>
<td>2,680</td>
<td>353</td>
<td>-</td>
<td>6,188</td>
<td>717</td>
</tr>
<tr>
<td>Florida</td>
<td>14,673</td>
<td>91,841</td>
<td>-</td>
<td>6,188</td>
<td>717</td>
</tr>
<tr>
<td>Idaho</td>
<td>5,624</td>
<td>22,243</td>
<td>-</td>
<td>61,766</td>
<td>-</td>
</tr>
<tr>
<td>Michigan</td>
<td>4,340</td>
<td>8,056</td>
<td>2,100</td>
<td>29,963</td>
<td>-</td>
</tr>
<tr>
<td>Minnesota</td>
<td>3,674</td>
<td>51,946</td>
<td>639</td>
<td>28,275</td>
<td>8</td>
</tr>
<tr>
<td>New York</td>
<td>3,180</td>
<td>23,590</td>
<td>-</td>
<td>3,411</td>
<td>8</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>11,775</td>
<td>18,218</td>
<td>23,100</td>
<td>32,050</td>
<td>450</td>
</tr>
<tr>
<td>Utah</td>
<td>5,103</td>
<td>17,012</td>
<td>-</td>
<td>928</td>
<td>-</td>
</tr>
<tr>
<td>Washington</td>
<td>11,128</td>
<td>55,746</td>
<td>352</td>
<td>186,165</td>
<td>-</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>5,281</td>
<td>53,817</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: NASF 2010b
IV. FINDINGS

During the course of the interviews, several themes became apparent, which were experienced in some manner by the majority of states interviewed. The themes are organized by implications of reduced budgets, and specific strategies to increase revenue and coordinate resources. Additional strategies not capture here likely exist and the level of detail may vary based upon the focus of the interview.

a. Implications of Reduced Budgets

i. Reduction in Services to Private Landowners

Budget reductions have led several states to decrease their assistance to private landowners either through a reduction in staff and/or outreach programs offered. While highly valued, landowner assistance programs were generally viewed as a lower priority than essential services such as wildfire protection. A significant portion of state forestry budgets is also spent on assistance to private landowners (Table 2) so it was not surprising that there was a comparable reduction in this area. The most common services cut include fire protection, invasive species management, and education. Some states receive payment from private landowners for this assistance, while other states are required to provide this assistance free of charge. In the latter situation, cuts to these programs have been deeper. However, private landowners in some of these states have been collectively supportive of charging or raising fees to maintain the level of assistance state forestry programs previously provided. These fees may be temporary or permanent, but are indicative of the value landowners place on assistance programs. This also points to a possible strategy for states that have routinely provided private forestry services free of charge.

ii. Reduction of Staff

The loss in revenue and/or state and federal funding experienced by states have led to reductions in the number of employees within state forestry programs. The configuration of which positions are reduced or cut and the management of duties vary widely across the states interviewed. In some states, the forestry programs have managed to avoid layoffs by managing vacancies effectively; that is as someone retires they do not refill the position, but rather distribute the responsibilities of that post to other employees.

Other states have experienced outright staff reductions. These staff reductions varied considerably among the states. The number of temporary and seasonal employees, as measured in 2008, was higher than the number of permanent employees in some states (Table 1) and in
others they comprise a significant portion of the workforce (NASF 2010b).

Many states have implemented early retirement programs, and much of the reductions discussed came from people taking advantage of that opportunity. Those interviewed noted this could lead to its own problems, such as a loss of institutional knowledge if not managed appropriately. Because there is less control over who takes an early retirement, it could lead to understaffing in areas where adequate funding exists; that is, the people who voluntarily retired did so in programs where it was not as useful from a budgetary perspective. On the positive side, early retirement has collectively created a younger workforce with a lower payroll than the previous workforce. Finally, some states interviewed have instituted a system where employees are laid off or retire and are brought back as contract workers without the benefits (e.g., retirement, sick and vacation leave, insurance) they had as a state employee. This was not widely practiced but rather viewed as a final effort to control payroll costs while maintaining services. Several states have union agreements prohibiting termination of employees and subsequently rehiring them as contract employees.

Reductions in staffing might also be counterproductive in terms of providing timber supplies. In a difficult economy, state timber is often relied upon by industry. If reductions in state supplies were to occur, there could be mill shutdowns exacerbating state economies for years.

### iii. Reduction in Ability to Protect Lands from Fire

In general, much of the money states spend on fire protection and control is provided through federal funds administered through the State Fire Assistance (SFA) program. However, some funds are also supplied by the state general fund. In these cases, forestry programs have seen reductions in their state fire budget in the range of 50 percent with additional cuts anticipated. The implication is that foresters are responsible for an increasing amount of area, the number of seasonal firefighters has been reduced, and estimated firefighter response times have increased significantly. Fire protection support is particularly important in states where the forest products industry has moved toward TIMOs and REITs as investment models. This move has led to reduced industry field staffing and corresponding reduced industry capability to support fire protection efforts. One state interviewed said their fire management program was understaffed by 37 percent. Those interviewed expressed concern of this potentially dangerous situation especially where increased fire activity is expected in the western states. Across all states interviewed, this was the area least likely to be cut, but given the magnitude of budget reductions experienced many states had no choice but to reduce fire staffing.
iv. Risk to State Nurseries

Another theme that came up several times during interviews was the threat to state nurseries posed by budget cuts. State nurseries vary in purpose and function, but they all exist at a basic level to provide the seedlings for replanting efforts. Additional duties can involve growing plants for state parks, rest stops, hiking trails, and even in some cases resale to the private sector. Some states have abandoned this latter role in previous year because of interference with the private nursery sector. In all cases, however, state foresters stressed the importance of state nurseries to their forestry programs. They noted that nurseries were a priority and even though they have had to reduce staff and/or nursery funding they did not wish to cut further. This problem is compounded by the fact that most states require their state nursery programs to be self-sufficient. In one case, the state forester noted that by outsourcing their nursery program to Canadian nurseries, even including the increased cost in transportation, they managed to save money. Their primary concern was being able to continue to have access to native seed sources.

v. Reduction in Other Services and Activities

Along with the above-mentioned issues, other important points were brought up during interviews with State Foresters. One was the role of forest certification on state forest lands and whether it was cost effective in light of the recession. Where applicable, interviewees were split on this issue, with some convinced of the value certification provided to their state while others though that the increased costs and monitoring associated with certification were not worth the effort, or at least not at the current level. More common was the possibility of moving from dual certification to a single certification system as a way to reduce cost. Another area commonly under threat was recreation. Several states interviewed said that they were forced to shut down an increasing number of parks and/or make remaining parks completely dependent upon user fees. In effect, staffing reductions in forestry could significantly affect other programs in the overall agency, e.g., recreation and wildlife. Finally, other cuts included reductions in inmate fire crew programs and delaying forest health monitoring activities.

b. Strategies

Several strategies for coping with agency budget cuts were apparent when interviewing State Foresters. The strategies identified in this section were common to multiple states and may provide guidance for the next several years as forestry programs continue to deal with the prospect of additional cuts while providing necessary and required services to landowners and the public.
i. Increased Cooperation among State and Federal Agencies

One of the most common strategies encountered during the interviews was the increased cooperation among state agencies and between state and federal agencies. Often, these collaborations existed well before the recession because they were inherently beneficial and increased coordination of similar activities. Now, however, they are much more common because of their fiscal implications. Examples included partnerships to accomplish specific projects such as wildfire hazard reduction, shared positions where state agencies split the cost of employees, coordinated research and monitoring with public universities and forestry departments, and sharing equipment such as with the U.S. Forest Service for firefighting activities within the same area. It was also increasingly common to see consolidation of administrative functions across agencies at the state office level.

ii. Consolidation and Increased Efficiency within Forestry Agencies

One strategy discussed to reduce staff levels was to collapse functions, either professional or administrative, across the state forestry department. However, State Foresters interviewed were more likely to make administrative cuts than to implement reductions in their professional workforce, for example maintaining foresters and even seasonal firefighters if possible. They viewed those professional positions, even some temporary positions, as a high priority and key to maintaining public safety and assistance.

Additionally, as discussed above, the use of early retirements and other techniques to reduce staffing also led to non-strategic reductions in the number of foresters with the remaining ones now responsible for more area than before. This was the case for other positions as well as it was increasingly common to have less people performing more functions than prior to the recession.

Some states have implemented lean management principles within their departments to reduce costs. Based generally on private sector management principles and more common in the manufacturing sector, these principles are intended to preserve value by cutting wasteful spending by, for example, eliminating redundant functions across an agency. One State Forester interviewed said that, using this method, it had managed to reduce the amount of time it takes to finalize a contract once the proposal is submitted from 3 months to 3 weeks.

iii. Increased Attention to Self-Sufficiency

Because of the reliance of many forestry programs on their state’s general fund, there is increased attention towards finding ways to make the forestry programs more financially self-sufficient. The forestry
programs surveyed rely on various revenue streams with activities like timber sales being the most important followed by permits and fees collected from private landowners (see Table 3). Whether forestry programs collect this revenue and apply it towards their operating expenses or return it to the general state fund varies by state. However, in some cases, there is concern that a reduction in timber staff could result in less timber offered due to an inability plans sales, which would further constrain forestry program funding. As a result, there is an increasing awareness of the need to expand programs that generate revenue and look towards ways of becoming increasingly financially self-sufficient, at least for some program functions. This could manifest itself as selling more biomass products from the residuals harvest activities, charging higher fees to private landowners, capturing additional value added by merchandising timber harvested from state land, or in other ways unique to each program.

iv. Increased Attention to Forest Products and Marketing

Some of the states interviewed have actively been trying to market biomass products generated from their forest land as a way to supplement revenue. For example, some states have increased precommercial harvesting of small diameter trees prior to conducting prescribed burns for wildfire risk reduction. Collecting and marketing non-timber forest products, such as pine needles and boughs, was also mentioned. Utilization of biomass and non-timber forest products presents a way for states to create new revenue streams that could play an increasingly important role in helping state programs weather the recession.

v. Other Strategies to Increase Revenue

In addition to marketing biomass and non-timber forest products from state forest lands, and expanding nursery sales, a key strategy identified by State Foresters to increase revenue was to increase user fees. This could include increased fees for services provided to private forest landowners for stewardship plan development, or by charging access fees associated with using state parks or recreating on state forests.

Beyond the sources of revenue identified in the interviews, at least ten states have imposed a harvest tax on forest products sold (Butler et al. 2010). Two additional states have also implemented, or have piloted, a “log sort” sale program where instead of selling stumpage, the state hires loggers to harvest and transport timber to a landing or a state-owned wood lot. The state then sorts the wood and allows purchasers to bid on specific sorts. Administrators of timber sale programs in these states believe the log sort strategy to merchandise wood at the landing has the potential to capture additional value (Brown et al. 2010).
V. CONCLUSION

There was broad agreement across the interviews regarding impacts to state forestry programs from the recession. Most states surveyed have experienced a reduction in staff, reduction in programs offered to private forest landowners, declines and long lasting concerns about the functionality of state nurseries, and decreases in fire preparedness. There was some agreement in terms of the strategies employed to manage state forestry programs in light of reduced fiscal resources. Many forestry programs, for instance, are working more collaboratively now with other state agencies and with the federal government. Additionally, there has been a consolidation of roles and tasks within state forestry departments, combined with an increased attention to management efficiency. Finally, there has been an increased focus on decreasing reliance on state general funding and moving towards a system of increasing revenue through timber sales, fees charged to private landowners, and resale from state nurseries.

All but one of the states surveyed is experiencing, in the opinion of the State Forester, the worst and most challenging fiscal environment encountered. It is important that as state legislatures look for ways to balance their state’s budget they keep in mind the importance of state forestry programs and maintain them at a level they can rebound after these budget challenges subside. It may also be beneficial for the strategies and tactics identified in this study be continued. As one State Forester noted, forestry programs were crucial for helping the country out of the Great Depression through programs like the Civilian Conservation Corps. Forestry may again have an important role.
VI. BIBLIOGRAPHY


