

**HOUSE COMMITTEE ON FINANCE
BUDGET REQUEST FOR SUPPLEMENTAL BUDGET 2008-2009
JANUARY 2008**

Program Structure Number 01 03 03

Program ID and Title: LNR 172 Forest Resource Management and Development

1. Introduction:

a. Summary of Program objectives:

Strengthen the State's economic opportunities through forest resource management to improve and assist in the sustainable production of forest products and services from Forest Reserves and other public and private lands. Promote resource restoration and conservation through outreach and education.

b. Description of Program objectives:

Primary Program objectives include: 1) Plan, research and implement reforestation and management of degraded and/or disturbed state lands for commercial forest resource production, native resource protection, watershed value enhancement, and other forest purposes. 2) Plan and administer commercial forest management activities on State land, which includes resource inventory and forest product sale administration. 3) Implement State and Federal technical forestry assistance and grant programs to provide support for forest management on public and private lands and to processors of forest products. 4) Support a sustainable forest industry that maintains and creates jobs while generating revenues for managing public resources. 5) Maintain and enhance forest reserve resources for cultural gathering and uses. 6) Provide continuous public education regarding the diversity and importance of forest products, ecosystem services and natural resource values. 7) Develop mechanisms by which the Division obtains revenue from ecotourism, camping, cabin fees, production of water, non-timber forest products and other ecosystem services. Enhance forest reserve infrastructure maintenance, hazard reduction and timber salvage opportunities through the commercial harvest permit system. 8) Operate the Central Tree Nursery in Kamuela and district nurseries for distribution of high quality tree seedlings for reforestation, special use plantings such as windbreaks and propagation of native plants for out planting. 9) Compile maps and statistics on the extent and condition of forests throughout the state. 10) Foster the development of professional forest management plans for public and private lands.

c. Explain how your Program intends to meet its objectives in the upcoming fiscal biennium:

Recent updates to Statutes and Administrative Rules and projected increases in conveyance tax and forest products revenues will be used to enhance Program

capacity for implementing and meeting stated objectives. Partnerships with Federal, State and County agencies, non-governmental organizations, community groups and individual landowners remain a key component to Program success. Such partnerships are implemented through cooperative agreements, grant programs and Program-issued licenses and permits.

2. Program Performance Results:

a. Discuss the performance results achieved by each program in FY 07.

In cooperation with the USDA Forest Service, the Department established a new Hawaii Experimental Tropical Forest, as provided by the Hawaii Tropical Forest Recovery Act and supported by the U.S. Secretary of Agriculture and Governor of Hawaii. This effort results in the first experimental forest in the United States comprised of tropical forest ecosystems, which will serve as a center for long-term research and a focal point for developing and transferring knowledge and expertise for the management of tropical forests.

Program efforts to expand the Forest Reserve System, which is of principal importance to water supply and quality among many other resource and cultural values, were continued. During this period, approximately 7,150 acres of expanded or new Forest Reserve lands were set aside by the Governor.

The Department conducted an RFP process for companies interested in milling saw timber resources in the Waiakea Timber Management Area (WTMA) on the island of Hawaii. The Department anticipates awarding and issuing a Timber Land License for this project that comprises approximately 1,100 acres of mature timber in an effort to support the startup of a mid-sized sawmill operation in Hawaii. Continuing efforts such as this item are in part intended to promote wood product and energy self-sufficiency for Hawaii.

The Department initiated a program to develop individual management plans for each public forest reserve in Hawaii. These plans will assist the Department in both resource management and budgetary planning efforts, and provide the public and our partners with the opportunity to provide input into the management of public forest resources.

In January 2007, the Upper Waiohuli fire in and adjacent to Kula Forest Reserve, Maui, burned approximately 2,300 acres of prime forested watershed. The Governor subsequently declared an emergency relating to the fire and its aftermath, which left significant portions of the upper watershed exposed to rainfall, soil erosion and other hazards. The Department responded by seeking and being awarded supplemental funding to mitigate the effects of the fire, including but not limited to fence restoration, hazard tree removal, weed control and a large scale reforestation effort.

Procurement processes relating to these efforts were made in FY 07, while principal field operations relating to the mitigation efforts will occur in FY 08.

In partnership with the Federal Forest Legacy Program (FLP) the Program was successful in securing funding and conservation easements or land titles for lands with important natural resource values. The Department was awarded \$2.0 million in FLP funds for a 4,000-acre conservation easement at Kealakekua Heritage Ranch - South Kona, Big Island.

Through State and Federal cooperation in the Forest Stewardship (FSP) and Urban and Community Forestry (UCF) grant programs, the Department continues to assist private landowners and community groups with various small and large-scale forest management and tree planting projects: 1) During this period two FSP contracts were approved and the program grew to 19,426 total acres of private forest land under responsible management for a multitude of public and private benefits; 2) The UCF program provided assistance to more than 35 groups from across the state with a wide variety of projects and activities. In FY 2007 more than \$146,674 was paid out to projects that in turn provided matching funds of \$468,473. Over 10,600 tree seedlings were raised for planting in project areas, and 1,604 volunteers donated 9,743 hours. The UCF program supported a wide variety of projects including technical assistance, demonstration tree plantings, a Hawaii Arbor Day tree-give-away, development of educational materials, and a school art contest. The UCF program also participated in hosting the 2007 International Society of Arboriculture conference in Hawaii. More than 1,500 arborists from across the world met in Honolulu from July 28 – August 1, 2007. The program also distributed a final report from the U.S. Forest Service's Center for Urban Forest Research on "City of Honolulu, Hawaii, Municipal Forest Resource Analysis" which details the inventory, benefits and ecosystem services that urban trees on Oahu provide to our society.

Additional performance accomplishments may be seen in the Division of Forestry and Wildlife annual report on its website and in the Forest Stewardship annual report to the Legislature.

- b. Explain how these results relate to the Program's objectives and department's mission.

These performance results serve to broaden the state's economic base by supporting, improving, and assisting in the production of high-quality forest products in sustained yield systems to create job opportunities in rural areas. In addition, these programs contribute to the improvement and sustained health of our forested watersheds and natural environment through: 1) Implementation of watershed and forest reserve protection and management efforts; 2) Support of invasive species prevention, control, research, and public outreach efforts; 3) Support of forest industry development in Hawaii to improve resource self-sufficiency of the State and provide new sources of Program funding; 4) Provision of assistance and incentives to private

landowners to improve forest habitat and water quality; 5) Securing titles or conservation easements for key land areas whose natural resources are under threat; and 6) By promoting cultural and educational aspects of natural resource management.

- c. Explain how the effectiveness of the Program is measured (i.e.: outcomes, measures of effectiveness, benchmarks, etc.) and discuss the performance results achieved during past two years.

Program effectiveness is currently measured by: 1) acreage reforested; 2) acreage receiving timber stand improvement; 3) the number of seedlings produced and distributed; 4) the number of landowners receiving technical forestry assistance; 5) the volume of timber harvested; 6) cash receipts of state forest products; and 7) processors of forest products assisted.

- d. Discuss actions taken by each program to improve its performance results.

Performance improvements were attained through: 1) active management of current licenses and permits to ensure the greatest benefits for the public and Program; 2) continued successes in awards following Federal grant applications, resulting in acquisition of valuable titles or conservation easements for lands with natural resources under threat from various factors; 3) continued support of Hawaii's developing forest products industry and 4) development of new cooperative management agreements with federal and private conservation organizations to expand forest management and research activities on both public and private lands.

- e. Please identify all modifications to your program's performance measures and discuss the rationale for these modifications.

Program effectiveness during the current biennium will be measured by: 1) the number of seedlings produced and distributed; 2) the acres of tree planting or reforestation; 3) the number of board feet of timber harvested; 4) the number of landowners, organizations or communities assisted; 5) the number of funds leveraged; 6) the number of acres acquired or secured for Forest Reserve or other conservation purposes; and 7) Departmental lands under commercial timber management.

These measures replace or modify former indices that were obsolete, redundant, or could not be effectively quantified during the course of each fiscal year. No further modifications are anticipated for FY 08 or the short-term future.

3. Problems and Issues:

a. Discussion of problems and issues encountered, if any.

The Upper Waiohuli fire in and adjacent to Kula Forest Reserve, Maui, burned approximately 2,300 acres of prime forested watershed exposing significant portions of the upper watershed to rainfall, soil erosion and other hazards. The Department initiated mitigative actions to repair fences, remove hazard trees, control weeds and replant a large forest area. The replanted areas will need to be maintained and areas restocked through 2011. The Department will need to be prepared and able to respond to the aftermath of the fire and mitigation plans such as providing public safety, removing downed trees, keeping roads and trails open, expanded weed control, and multiple restocking of grasses, shrubs and trees as weather conditions and plant survival dictate.

Because little sustainable management of valuable commercial koa resources is occurring, and increased koa theft is being experienced statewide, there is a need for both research and demonstration of appropriate koa management and silvicultural techniques to encourage the private and public sectors to plant and manage more koa for the future. The Department plans to advertise an RFP and award a Timber Land License in FY 08 relating to koa reforestation work that includes allowable salvage of dead or down koa resources in an effort to provide such demonstration.

A statewide review and upgrade of heavy equipment used to support the Program is needed. Field offices are relying on equipment that is in many cases several decades old and prone to breakdown and expensive maintenance. A significant upgrade of equipment inventory is required to continue current operational plans, support implementation of new management initiatives such as commercial forestry development, and enhance protection activities and preparedness for natural disasters.

Declines in traditional sources of Federal grant funding requires the Program to rely more on State and forest product revenue sources. The Development of a forest industry in the state will provide a market and opportunity for the sustainable sale of forest products from forest plantations planted on state lands for commercial harvest.

A new, moderate to large-scale integrated forest industry supplied by locally grown hardwoods is emerging in Hawaii. The industry is envisioned to include lumber, veneer and export wood chips for the world paper industry. A concern with the state's reliance on fossil fuels and a concurrent push to improve energy self-sufficiency has increased interest in investment in wood biomass and the by-product of solid wood processing as alternative fuels for electrical generation facilities. A number of wood biomass projects are under development statewide and development of biofuels is a priority nationwide.

b. Program change recommendations to remedy problems.

The program will focus a large effort to reforest the Kula Forest Reserve to prevent erosion, watershed and habitat loss and invasion of weeds. The program will seek to reforest degraded public forest and pasture areas managed by the Department with koa and other native forest species. Establishment of commercial koa forests on Departmental lands will provide important demonstration of sustainable management techniques for this native species. Commercial koa forests will also provide significant revenue that will both perpetuate the management practice and support widely enhanced forest reserve management.

The Department will upgrade essential heavy equipment inventory in order to support the basic ability of the Division to continue delivering both standard operational and emergency response capacity in areas such as fire protection, disaster management, watershed protection and management, reforestation and public recreation in a safe and professional manner statewide.

Declining Federal grant programs and funding sources impact the Program both operationally and from a staffing perspective. If this declining trend continues, important Program staff positions that are currently federally funded will be at risk. Evaluation of whether current State General Fund budgets for Program staffing meet existing payroll obligations, and avoidance of over-reliance on Special Funds to cover future payroll shortfalls is merited. In FY 07 the Department converted 1.0 FTE from Federal to Special Funding to reduce its reliance on declining Federal funding.

In Hawaii, public awareness of forestry is limited and needs to be more visible and well known among the mostly urban population. For private forest investors to invest in Hawaii, lands need to be available at a sufficient scale, development costs need to be reasonable, and environmental regulations need to provide for an ability to harvest the trees which are planted for commercial purposes. As current forest plantation acreage appears to be a primary limiting factor, the Program will seek to improve availability and utilization of both public and private lands for new forest plantations to supply an emerging forest products industry while simultaneously conducting public educational efforts and complying with environmental regulations.

c. Identify any Program issues or problems that have affected or will affect the implementation of the Program, and the corrective measures or remedies established or planned.

Limited state support for Program personnel, infrastructure, and operating expenses for forest reserve management including watershed management, restoration of rare and endangered species, control of invasive species and development of commercial forestry, is the single greatest obstacle to the continued success and expansion of these programs to meet increasing demands for resource conservation and fully utilize

available Federal and private funding opportunities for these programs. The short-term solution to this problem is that the Department is developing new sources of funding for these programs from revenue from the sale of forest products and increasing support from a share of the conveyance tax dedicated to this Program. The long-term solution is to develop new funding sources for cooperative conservation programs and establish a broad coalition of support and dedicated funding sources for conservation programs.

4. Expenditures for FY 08:

	Appropriation Act 213/2007 FY 2007-08	Collective Bargaining	Transfer In Transfer (Out)	Governor's Restrictions	Estimated Total Expenditures
(Pos. Count)	(22.00)				(22.00)
Personal Services	1,311,550	41,590	0	0	1,353,140
Current Expenses	5,641,299	0	33,245	0	5,674,544
Equipment	0	0	0	0	0
Motor Vehicles	36,000	0	0	0	36,000
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(Pos. Count)	(22.00)				(22.00)
Total Requirements	6,988,849	41,590	33,245	0	7,063,684
Less:					
(Pos. Count)	(1.50)				(1.50)
Special Funds	5,784,970	14,009	0	0	5,798,979
(Pos. Count)	(1.50)				(2.50)
Federal Funds	390,276	1,979	33,245	0	425,500
(Pos. Count)	(19.00)				(19.00)
General Funds	813,603	25,602	0	0	839,205

- a. Explain all transfers within Program I.D. and its impact on the Program.

The federal funds ceiling was increased by \$33,245 to incorporate increased federal funding for Cooperative Forestry Assistance grants for the Forest Legacy, Forest Stewardship, and Urban and Community Forestry programs.

- b. Explain all transfers between Program I.D.'s and the impact on the Program.

None

c. Explain all restrictions and the impacts on the Program.

None.

5. Supplemental Budget Requests FY09:

	Appropriation Act 213/2007 FY 2008-09	Budget <u>Adjustment</u> FY 2008-2009	Supplemental <u>Request</u> FY 2008-2009
(Pos. Count)	(22.00)	(0.00)	(22.00)
Personal Services	1,403,182	0	1,403,182
Current Expenses	3,834,794	0	3,834,794
Equipment	0	0	0
Motor Vehicles	36,000	0	36,000
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(Pos. Count)	(22.00)	(0.00)	(22.00)
Total Requirements	5,273,976	0	5,273,976
Less:			
(Pos. Count)	(1.50)	(0.00)	(1.50)
Special Funds	4,069,970	0	4,069,970
(Pos. Count)	(1.50)	(0.00)	(1.50)
Federal Funds	390,276	0	390,276
(Pos. Count)	(19.00)	(0.00)	(19.00)
General Funds	813,730	0	813,730

a. Workload or Program request:

None

b. For all position count reductions, please specify whether the positions were filled or vacant.

No reductions.

6. Program Restrictions:

None.

7. Capital Improvement Program (CIP) Requests for FY09:

None

8. Proposed Lapses of CIP Projects:

None.