

Working Forests Coalition
Keeping Working Forests Working
October 2010

America's forestlands, nearly sixty percent of which is privately owned, are an essential part of our national green infrastructure. These forests provide Americans with clean air to breathe and clean water to drink. Good stewardship sustains and enhances the value of these forests and helps meet some of America's most pressing needs such as renewable energy, greenhouse gas emission capture and storage, products for everyday life and job creation in rural communities.

To strengthen good stewardship, the forestry community – consisting of the following forest owners, conservation and wildlife groups, resource professionals and environmental organizations – has come together as the Working Forests Coalition (WFC):

- American Forest Foundation
- The Conservation Fund
- Environmental Defense Fund
- Forest Landowners Association
- National Alliance of Forest Owners
- National Association of State Foresters
- National Wildlife Federation
- The Nature Conservancy
- Pacific Forest Trust
- Society of American Foresters
- Theodore Roosevelt Conservation Partnership
- The Trust for Public Land
- U.S. Endowment for Forestry and Communities, Inc

To ensure that private working forests continue to be a vital part of America's Great Outdoors, the WFC calls upon the Obama Administration and Congress to adopt goals and innovations in three broad areas:

- Strengthen existing and emerging markets for working forests
- Structure tax policy to support working forests
- Invest in working forests conservation

An Agenda for Forests on Private Lands

USDA's recent report, *Private Forests, Public Benefits*, focuses on the particular pressures on private lands. According to this study, as much as 57 million acres of rural forests may experience land use change by 2030 due to the competing economic pressures of other land uses. The resulting fragmentation and forest loss could have significant consequences for the benefits we derive from forests – clean water, forest products, wildlife and recreation. Indeed the report looks specifically at the implications for water quality, at-risk species, timber production, forest fire and forest health and finds that wide-spread land use change will exacerbate each of these issues.

As outlined in the USDA report, the average age of family forest owners, who own the majority of private forests in the U.S., is increasing. This in turn raises the probability

that lands will change hands more rapidly, causing greater fragmentation pressures and loss of vital ecological function as owners change. Concurrent with these changes, there have also been significant changes in the ownership of forest lands formerly part of large integrated forest product companies as these companies have transferred ownership of their lands to organizations representing public and private investors from a broad cross-section of the public. Effectively engaging the full suite of today's forest owners in a manner that optimizes both the public and private benefits of the forests they manage will require approaches that build on a history of success while pursuing new and innovative solutions for the future.

Maintaining and increasing the public benefits of working forests ultimately requires that forest ownership be financially rewarding. To do this, we recommend changes in government policies to make it easier for landowners to continue to maintain their forests as forests in the face of growing competing economic pressures. Tax policies, conservation programs that offer funding and assistance to landowners in managing their lands and strong markets for forest goods and services, can help create an environment that makes it easier for landowners to afford the investments necessary to keep forests as forests.

To advance these objectives, the Working Forests Coalition has developed the following recommendations:

1. Strengthen Existing and Emerging Markets for Working Forests

The August 9, 2010 America's Great Outdoors listening session in Manchester, New Hampshire provided an excellent venue for a discussion focused exclusively on privately-owned forests. Other venues, including the event held in South Carolina, also fostered meaningful discussion about private forest issues. Many of the forest owners attending spoke about the challenges they face and their desire to manage their lands in a sustainable way.

In the breakout sessions, forest owners stressed the importance of diverse markets for their goods and services as a critical tool to help keep their forest as forests. Healthy forests are founded on healthy markets; as income generating forests provide the resources for better and more consistent stewardship. The group identified two types of markets:

- **Traditional Wood Products Markets.** Traditional wood products markets continue to provide the economic means for forest landowners to retain their lands as forests. One important traditional market is building products – such as dimensional lumber, plywood and other sustainable renewables that provide the basic building blocks for millions of American homes and commercial buildings. Another is pulp markets – which produce the paper products that every American uses daily. There was strong interest in particular at the session in promoting the use of wood as a sustainable and environmentally preferred building material based on its

renewability, carbon benefits and other important values that can be managed for on a sustainable basis.

- **Emerging Markets.** There was wide-spread recognition at the listening session that traditional markets alone will be insufficient and that the development of new and emerging markets is of critical importance to maintaining private forest land. Some of the ideas raised included:
 - Initiating market systems to enable payments for ecosystem services. This includes services like clean water, clean air, carbon storage and abundant wildlife – services that benefit all Americans.
 - Utilizing woody biomass as a sustainable, viable and renewable energy source – on par in priority with wind and solar – and in ways that will benefit both landowners and forest health.

The converging information provided by these listening sessions, the acknowledgment in Secretary Vilsack’s August 2009 “all lands” approach that the challenges facing private forest owners need to be addressed and the most recent USDA report, *Private Forests, Public Benefits*, lead us to recommend the following solutions.

Government policies should make it easier for landowners to continue to maintain their forests as forests. We believe the adoption of these recommendations will help keep working forests working and continuing to provide important public benefits:

- **Expand Green Wood Products Markets.** Sustainably produced wood is the green choice. Compared to other building materials, wood is more energy efficient and produces less pollution in its manufacturing and stores more carbon than any comparable product. Encouraging the use of wood also builds market incentives for forest landowners to manage and maintain their forests as forests. To achieve this, we recommend that the Administration:
 - Become a strong advocate, with the Secretary of Agriculture as lead, for the use of renewable agricultural and forestry-based products in the construction, upgrading and maintenance of buildings.
 - Through education and new marketing initiatives and policies, promote sustainably-produced wood as a preferred material in green buildings. This will be achieved by:
 - Directing federal agencies and encouraging state agencies to recognize – in procurement policies – wood as a

preferred material in green buildings. Examples of how this will be achieved at the federal level include:

- Creating federal policies to encourage the use of sustainably-produced wood products in the construction, upgrading and maintenance of federal buildings.
- Supporting the Department of Energy's Energy Efficiency and Sustainable Design Standards for new federal buildings and upgrading of existing facilities and calling for increased use of wood products.
- Including sustainably-produced wood and paper products in the USDA Bio Preferred Label program.
- Using existing USDA facilities to showcase the use of wood and offer interpretive services to other government officials and those engaged in building design and construction
 - Asking Congress to create tax incentives to encourage use of sustainably-produced wood products in home construction, upgrading and maintenance.
 - Asking Congress to recognize the benefits of wood products in legislation to improve home energy efficiency.
- **Expand Environmental Markets.** Environmental services markets may be among the most complex and promising emerging markets that will keep landowners on the land and their forests as forests. While not fully mature, they may hold great promise for providing additional capital to help landowners make their land tenure more profitable and more beneficial for them, the environment and all of us that depend on the multiple benefits forests provide.

We recommend that the federal government -- and the Secretary of Agriculture specifically -- direct USDA's Office of Environmental Markets to analyze the supply/demand drivers of environmental markets and encourage use of the results by policymakers to determine the best approaches to stimulate the growth of environmental services markets. This effort will build on and learn from other working ecosystem market models including those underway through the Department of Defense's

efforts to work with private landowners to conserve habitat around important national security infrastructure.

- **Utilize Woody Biomass as a Renewable Energy Source.** Woody biomass offers an important market for private forest owners – especially for low value wood. As part of the listening session, landowners asked the federal government to create incentives for using woody biomass as a sustainable, viable and renewable energy source – on par in priority with wind and solar – and in ways that will benefit both landowners and forest health. Presently there is uncertainty in federal policy about how to measure net carbon benefits of biomass energy. Protocols for carbon accounting in biomass energy should be addressed on a priority basis to ensure that biomass energy development can proceed in a timely manner and at appropriate scales that provide both energy and climate benefits.

2. Structure Tax Policy to Support Working Forests

Most of America's forests and woodlands are privately owned, with roughly three-fifths of private forest land owned by families. To ensure these forests continue to provide a myriad of benefits – clean water, carbon sequestration, renewable energy supplies, rural jobs, recreation and wildlife habitat – the estate tax burden must be addressed.

Most forest owners are “land rich and cash poor,” with the majority of families owning less than 100 acres. The estate tax is one of the biggest impediments to keeping forests land intact.

Each year when the estate tax is collected, an estimated 2.6 million acres of woodlands are harvested and 1.4 million acres are sold to pay the federal estate tax. One-fourth of the wooded acres sold to pay the tax are converted to other, more developed uses.

If Congress does not act, the estate tax will dramatically increase in 2011, applying a 55% tax to all estates valued at over \$1 million. In most cases, even a small forested tract is valued at well over \$1 million. This tax will impact many more family forest owners in 2011, leading to more forest loss – just at the time when we will begin to see an unprecedented intergenerational transfer of property because of aging demographics.

While Congress should act to fix the estate tax, the Administration can champion the following efforts to reduce the impact of the tax on family forests which will ultimately help conserve America's Great Outdoors.

- Improving the estate tax to encourage the conservation of working forests by eliminating the tax or increasing the tax exemption level for private forests.

Tax policy can also create strong incentives for keeping forests as forests and the federal tax deduction for conservation easements is a good example of such a policy.

- Congress must take action to make this deduction permanent, increase the tax deduction, and ensure that the benefit is available to the full spectrum of forest owners. We urge the Administration to champion this legislation as a means to conserve America's Great Outdoors.

3. Invest in Working Forests Conservation

Even in this extremely challenging budget environment, investment in the nation's forests is essential to conserving and sustaining America's Great Outdoors. To assist private forest owners with their efforts to conserve and sustain their land, the Administration and Congress must provide:

- Technical assistance to help land owners integrate the most sustainable management practices into their land management to ensure supplies of clean water and air, wildlife habitat, recreation sites and timber production.
- Assistance in combating pests and pathogens which are decimating forests both directly on their land and on adjacent public lands as well.
- Funds to help permanently preserve some of the most environmentally important land through conservation easements or outright public purchase.
- Solid, credible information about our forest resources to ensure sound decisions are made and threats are identified.
- The ability to better account for the environmental benefits of working forests when determining land value in conservation programs.

With this in mind, our goal is to move towards increased investment in working forest conservation through the following programs:

- \$45 million for the Forest Stewardship Program
- \$66 million for the cooperative Forest Health Program
- \$76 million for the Forest Inventory and Analysis Program
- \$100 million for Forest Legacy as proposed by the President through the Land And Water Conservation Fund

Additionally, we support the long-term goal of providing full and permanent funding for the Land and Water Conservation Fund and the Forest Legacy Program and funding for USDA conservation programs at the levels mandated in the 2008 Farm Bill. We also encourage measures by USDA to better identify and

quantify the environmental benefits of working forests when determining the value of land enrolled in conservation programs.

Private forests in America are an integral part of America's landscape and account for more land than public forests. The American Great Outdoors Listening sessions offered an important vehicle to hear from citizens about what is vital to their well-being and quality of life. These sessions reconfirmed that healthy and abundant forests are a fundamental part of the fabric of America and a vital infrastructure foundational to a healthy outdoor strategy.

Given that most of America's forest land is privately-held, our obligation to help private landowners keep their forests as forests, will benefit all Americans. Our nation's forests are a fundamental component for maintaining America's conservation ethic and for helping reconnect people to nature. As we implement a new vision for conservation in the 21st century, we need to ensure that protecting private forests is a fundamental part of the equation.

Respectfully submitted,

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