

## Government Subsidies: Coming Soon to a Forest Near You?

As a consultant at The Beck Group, I help people plan, develop, maintain, and improve forest products-based businesses. After nearly five years on the job, I've observed that the work I do is often supported, at least in part, by government grants. The start-up or operation of the businesses themselves also often relies on some combination of government grants, tax credits, and special government-backed financing programs.

Whether one believes government assistance is right or wrong, over time I've grown accustomed to that being "the way things are done." However, the status quo seems to be changing as the national debate about the federal deficit relative to government spending and revenue is beginning to affect forest-related programs—and I now find myself wondering what it means for our industry.

For example, on June 1, the US House of Representatives's Appropriations Committee voted to eliminate fiscal-year 2012 funding for the Biomass Crop Assistance Program (BCAP) and to cut funding for the Rural Energy for America Program (REAP) to \$1.3 million in 2012 from \$75 million. It's a surprising move, because both programs are aimed at stimulating growth in renewable energy, which has been a key objective of the Obama administration. Both programs are part of the 2008 Farm Bill and are administered by the US Department of Agriculture.

In its current form, BCAP provides funding to help landowners establish a variety of bioenergy crops, including woody biomass, for use in producing heat, power, and biofuels. Similarly, REAP has been used to provide grants and loan guarantees on more than 6,000 renewable energy and energy-efficiency projects in all 50 states. In early May, Show Me Energy in Missouri received approval to become the first BCAP project area. In a *Biomass Magazine* article on the House Agriculture Appropriations Subcommittee vote, Steve Flick, president of Show Me Energy's board, said eliminating REAP and BCAP funding is like "leaving your wedding before you say 'I do.'"

In contrast, House Appropriations Committee Chair Hal Rogers (R-Kentucky) recently said that the current budget bill works to put agencies on a sustainable budget path, cuts funding for duplicative programs, and limits funding for programs that have been less than transparent with taxpayer money.

The final fate of either program won't be determined until the budget bill works its way through the full House and Senate. However, some observers, such as Andy Olsen, a senior policy advocate for the Environmental Law and Policy Center, expect the full House to follow the Appropriations Committee's lead. As it now stands, the bill would cut the overall US Depart-

ment of Agriculture budget by \$2.6 billion relative to fiscal 2011 and by \$5 billion relative to the Obama administration's budget request.

Another example is the budget of the US Forest Service, which increased to \$6.2 billion in 2010 from about \$5.1 billion in 2006. Much of the increase over that time was from American Reinvestment and Recovery Act (ARRA) funds. However, the president's budget for fiscal year 2012 would allocate \$178 million less in discretionary funds than 2011 levels. His budget includes cuts in the Forest Inventory and Analysis (FIA) program (about \$10 million, including \$5 million from FIA cooperative forestry and \$5 million from FIA research), state and private forestry (\$9.6 million), and state fire assistance (\$31.6 million).



Perhaps one manifestation of the pending Forest Service budget cuts is the way things are playing out in the well-known White Mountain Stewardship Project, a stewardship contract on the Apache-Sitgreaves National Forests in east-central Arizona. [See "Contract Brings Jobs, Energy, and Healthier Forests," December 2010.] The goal of the agreement was to treat 150,000 acres over 10 years. Six-and-a-half years into the project, a little over 47,000 acres of dense, stressed ponderosa pine forests have been restored to healthier stocking levels. While the project hasn't met the original goal of 15,000 acres per year, it has exceeded the contract's minimum offering of treating 5,000 acres per year. That work resulted in the harvest of 1.1 million green tons of wood fiber. More than 20 local businesses have either purchased or processed those materials, according to a Nature Conservancy report. The same report estimated that the contract resulted in an average of 319 jobs per year (226 direct and 93 indirect) and that through the contract's first five years, the federal government spent approximately \$30 million planning, implementing, and monitoring the contract. It was also estimated that the contract resulted in approximately \$40 million worth of investment, expenditures, and tax revenue from local businesses.

It all sounds great, but since the treatments rely heavily on government funding rather than the trees "paying their own way out of the woods," there's trouble in paradise for the businesses counting on fiber from the White Mountain Stewardship Project in the future. The Forest Service recently announced that it could not renew the contract, since its legal authority to enter into stewardship contracts ends in 2013. Instead, the agency is focusing its efforts on a new stewardship project in the region, the Four Forest Restoration Initiative (4FRI), a 20-year project aimed at treating 2.4 million acres of forest across the Kaibab, Coconino, Tonto, and Apache-Sitgreaves National



A treated area (left) and an untreated area (right) in the White Mountain Stewardship Project area. The goal of the agreement, a stewardship contract on the Apache-Sitgreaves National Forests in east-central Arizona, was to treat 150,000 acres over 10 years. Six-and-a-half years into the project, a little more than 47,000 acres of dense, stressed ponderosa pine forests have been restored to healthier stocking levels.

Forests ([www.fs.usda.gov/4fri](http://www.fs.usda.gov/4fri)). The agency is planning to release a final environmental impact statement and record of decision in the spring of 2012.

Dwayne Walker, a partner in Future Forest LLC, the company that holds the White Mountain contract, sees the value in the treating a larger area under the 4FRI initiative, but questions whether it can be accomplished.

"In most of the area covered by 4FRI, it would take years before any work can begin, because the infrastructure isn't there," he said. "There are virtually no forest products facilities or contractors to work in the woods."

Walker says the money would be better spent on continued support for the White Mountain project.

Jim Zornes, deputy forest supervisor on the Apache-Sitgreaves, recognizes Walker's concern and says that's why the Forest Service will target additional 4FRI project offerings within an area that is within a 1- to 2-hour haul distance of the already developed businesses, as a way to transition from the

White Mountain project to the 4FRI project.

Back to the main question: What does all of this mean for our industry? I think the answer is simply that as government leaders grapple with the task of balancing budgets, forest products businesses should begin planning for less government assistance in the future. I'm reminded of a bioenergy project we worked on several years ago for a sawmill client. From my perspective, the project looked good—the rate of return was acceptable; the fiber supply was secure, stable, and cheap; and there was a good market for renewable power. Despite all of that, our client decided not to proceed, because it felt the business relied too heavily on tax credits and grants. I silently disagreed at the time, but given the current economic and federal budget climate, this may have been right all along.

Roy Anderson is an SAF member and a senior consultant with The Beck Group, a forest products planning and consulting firm in Portland, Oregon. Contact him at [randerson@safnet.org](mailto:randerson@safnet.org).

**TwoDog Forest Inventory Software**  
Natural Resource Technology Solutions from Fountains America



- ◆ Flexible, Powerful, & Intuitive Data Collection
- ◆ Outstanding Support
- ◆ Point, Plot, 100%, Double Point, & Stump Sampling
- ◆ Sample Regeneration, Pre-commercial, AGS/UGS
- ◆ Customizable Tree, Plant, & Wildlife Data Collection
- ◆ Import Local Volume Tables
- ◆ Works Seamlessly from Field to Office
- ◆ Field Hardware: Juniper Systems, Trimble, & GPS
- ◆ Mapping Solutions: ArcView, ArcPad
- ◆ Inventory Consultation & Setup Services

1-800-455-2094  
[twodog@fountainsamerica.com](mailto:twodog@fountainsamerica.com)  
[fountainsamerica.com/twodog](http://fountainsamerica.com/twodog)

