

# Budget in Brief: Forestry

## What is the problem we are trying to solve?

**Increasing budget pressures are limiting our ability to maintain healthy state forests and support Minnesota's economy.** We administer million acres of forest land, that are managed for multiple needs and values, including providing a sustainable supply of wood for Minnesota's forest industry, protecting water quality, providing outdoor recreation opportunities, maintaining and enhancing wildlife habitat, and sustaining biological diversity.

A 2014 Office of the Legislative Auditor (OLA) report on DNR forest management specifically recommended the legislature reassess how our forest management activities are funded. Increased funding is needed to maintain diverse and productive forests on state lands. Funding is needed in three key areas: modernize our forest data systems to allow effective and efficient field work, determine our sustainable timber harvest level, and ensure reforestation of diverse forests on DNR-administered lands.

Reforestation is a foundational component of all good forest management. Indeed, we are required by law to reforest after harvest. Without reforestation, we cannot grow diverse and vibrant forests and benefit from the multiple values they provide. Reforestation includes site preparation, planting seeds and seedlings, protecting seedlings from animal browse, and stand improvement (or selectively thinning trees, to promote healthy and strong growth of remaining trees). There is no current base funding for our reforestation work, putting our forests at risk for reduced wood supply, increased invasive species outbreaks, reduced wildlife habitat, diminished water quality, and fewer recreation opportunities.

## What has Minnesota tried? What has worked, and what hasn't?

**We have tried to diversify its forest management funding, but has not been able to secure enough funding for reforestation and other key areas.** Prior to 2004, our forest management work was funded primarily through General Fund appropriations. In an effort to diversify funding sources, the Forest Management Investment Account (FMIA) was established in 2004 as a long-term investment fund to which certain timber proceeds are deposited to fund future DNR forest management activities.

While General Fund money is also appropriated to forest management, the 2014 OLA report observed direct appropriations declined steadily between 2008 and 2012. The OLA also noted that the FMIA balance had declined since it was created and is unreliable as a primary source of funding since it is tied to fluctuations in timber sales and prices.

In 2013 and 2015, some general fund was restored, but the current Division of Forestry general fund and FMIA funding levels remain lower than 2008. To further diversify funding for forest management, we also turned to bonding over the past 10 years to fund reforestation but have only been successful at meeting about 50 percent of our reforestation needs. We are at a critical point to ensure healthy, diverse forests for the future.

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## What do we propose?

**We propose establishing a more balanced and reliable funding approach for reforestation and other critical investments supporting the sustainable management of DNR-administered forest lands.** By bringing funding into better balance between FMIA, general fund and bonding we can provide support in three key investment areas:

- A reliable and diverse set of funding options for reforestation allows us to do critical tree planting and protection work. A \$2.5 million annual request with \$1.25 million from general fund and \$1.25 million from FMIA. This allows us to significantly reduce our bonding request.
- Develop a new, fully integrated forestry data system that combines five antiquated, stand-alone systems into one, capitalizes on current mobile technologies and applications, and is adaptable to stay current with evolving mobile devices.
- Complete a sustainable timber harvest study using advice from a diverse stakeholder group, including representatives of forest industry, conservation organizations, and environmental groups. An independent consultant will conduct the analysis to help determine if a one million cord annual timber harvest is sustainable on DNR-administered forest lands and if not, what the sustainable timber harvest level should be moving forward.

## What positive impact do we believe this will have?

**This proposal allows us to maintain healthy forests, protect water quality, provide diverse wildlife habitat and recreation opportunities, all while ensuring a sustainable wood supply for Minnesota's forest industry.** Specific outcomes include:

- Diverse, healthy forests from reforestation. Vibrant forests come from planting seedlings after harvests, protecting seedlings from animal damage and releasing young trees from competition.
- A modernized forestry data system provides comprehensive tracking of forest management activities from start to finish for a stand of trees. It improves efficiency, enhance decision-making, reduce data entry time and errors, and make critical data more readily available.
- We and our diverse stakeholders have confidence in a sustainable timber harvest level that provides maximum wood supply to the forest industry while maintaining critical forest resources that provide clean water, wildlife habitat, and recreation opportunities.

## If this proposal is not adopted, what alternate approaches has DNR considered?

**Without funding, we will need to consider significant changes to forest management work.**

- Reduce harvest levels to match statutory requirement for reforestation.
- Increase reliance on natural regrowth, which results in fewer trees and less desirable species after harvest. This reduces species that require planting or seeding, such as oak, pine, and spruce. This also increases risk of invasive species outbreaks.
- Continue patching-up existing, poorly integrated data systems and using inefficient, old technologies. Continued reliance on current systems would undermine the quality and timeliness of our forest management decisions.
- Eliminate our ability to conduct a transparent and robust sustainable harvest analysis using an independent contractor.