

**Minutes of Initial Meeting of the Sustainable Natural Resources Task Force**  
**10:00 a.m. – 2:00 p.m.; December 8, 2011**  
**Fort Harrison Inn**

**Members present:** Senator Richard Young; Representative Mike Karickhoff; Representative Phil Pflum; Ray McCormick, Indiana Association of Soil and Water Conservation Districts; Robert Woodling, Indiana Forestry and Woodland Owners Association; Bill Weeks, Indiana Land Trust Alliance; Dave Wyeth, Indiana Farm Bureau; Mary McConnell, The Nature Conservancy; and Steve Cecil, Indiana Wildlife Federation. **Not present:** Senator Doug Eckerty

**Others present:** Chris Smith, Legislative Liaison DNR; Megan Ritter; Jennifer Boyle Warner; Barb Simpson; Angela Hughes, and Lynn Dennis, John Montgomery IUFA; Jack Seifert, DNR- Division of Forestry; Jane and David Savage, INPAWS.

1. **Call to Order** – Reviewed draft minutes of all three meetings; all were approved with no changes. Today’s presentation is Indiana’s Forests.

2. **NOTE: Both of the PowerPoint presentations are added as attachments to the minutes**

**Dr. Bill Hoover, School of Forestry and Natural Resources** - Bill discussed institutional structures. Indiana forests are usually described as woodlots, not timberland. Underlying assumptions include the following. Forests are dynamic and complex ecosystems. Status and Quality is determined by site quality, vegetation and how it is used. Maximization of financial returns requires “intensive” management. Woodlands historically have been a buffer to other land uses in response to changes in agricultural economy and urbanization. In 1790, Indiana was 86% forested (all but the NW part of the state which is historically prairie). In 2010 it was 24% forested.

Strengths of Indiana’s hardwoods include:

- Indiana has some of the best growing conditions for temperate hardwoods in the world.
- Compared to other regions of the country our forests are accessible and close to major markets.
- Classified Forest Act reduces carrying cost, providing an incentive to hold forest land. Member comment: Classified status is one of the reasons that the counties are hesitant to let the state buy more land, because this is already a potential burden to the counties.
- Indiana is strong in that we have a great network of private forestry consultants and non-governmental organizations working on forestry issues.
- Division of Forestry provides private landowners with services to manage their land and manages and expands state forest lands, as well as supports research.

Weakness

- Environmental services provided by forests, not traded in a private market, nor are owners otherwise incentivized to maximize their provision of these services. Fragmentation of land ownership increases number of decision makers on management and development. Also does not provide economies of scale (infrastructure isn’t there and investors prefer over forest blocks >100,000 acres. Owners of small tracts are passive (active ownership increases environmental services and income). Trending toward smaller acres while larger tracts (fewer landowners) allows division to support more acres. Intergenerational transfers open the land up to changes.
- Invasive species are reducing reproduction of trees and changing ecology of forest floor. Need target prevention and control and improvement in landowner understanding of problem. Prevention and controlling the spread is most efficient place use of resources.
- Reduced disturbances, including intensive harvesting, have reduced regeneration of species needing direct sunlight to reproduce, e.g. oak. Management decisions are based primarily on need to minimize expenses, not maximize future revenue.
- Long-term downward trend in hardwood lumber production has moderated timber price increases, reducing further the likelihood that on the basis of discounted cash flow analyses timber production is competitive with other land uses

**Jack Seifert – DNR, Director of the Division of Forestry** - Prior background is that he worked for Purdue and is a landowner and manager, agriculture, wetlands and forests. Provided historical perspective and shared survey results on views on forests, forest ownership and importance of forests.

A survey of resource professionals and private Landowners showed top five issues: fragmentation, conservation of soil and water resources, spread and control of invasive species, conservation of biodiversity and counterproductive government forest conservation related policies.

Indiana Forest Action Plan – 5 Key Strategies include: 1. conserve, manage and protect existing forests, 2. Restore and connect forests, 3. Expand Best Management Practices, 4. Coordinate education, training and technical assistance, 5. Maintain and expand markets for Indiana hardwoods (Full plan available at [www.in.gov/dnr/forestry/5436.htm](http://www.in.gov/dnr/forestry/5436.htm)). We have a strong forest products industry. If we lose that base, we lose the ability to manage forest in a productive way. Large contiguous blocks of land make it easier to control invasive species and from an economic and environmental standpoint are easier to maintain overall.

Division of Forestry strategy is to restore and connect forests, especially in riparian areas. Forest changes are significant, from 1992 – 2009, we have a consistent flux of losing, then adding new forest land. There is a focus on large ownerships that will likely stay in forest long-term. State Forest Action Plan impacts: a) increasingly target federal cost-share dollars, b) increase competitive federal allocations must relate to the plan, and c) greater stakeholders engagement and understanding of issues. One important note, many times federal-cost share money has certain priorities and parameters that aren't in-line with Indiana's priorities.

Current strengths:

- Increasing forested acreage, volume per acre and quality.
- We are unique in that we have diverse species groupings that are high value as compared to other regions. If one forest species is not viable, others are.
- Strong primary and secondary products industry.
- Strong Classified Forest Program.
- Strong demand for land ownership

Indiana Woodland Restoration Program (IWRP) was a program where the division used a portion of the timber sale revenues to provide cost-share dollars to land owners (unfunded now since timber sale revenue must fund other parts of division since loss of state property tax.) The funding provided landowners with 40-60% of the cost of restoration practices. If landowners don't generate revenue for 40 years, then they need incentives like this program to restore their land (restoration is costly).

There is a very small amount of public forests owned by the state of Indiana (see map) -- 156,000 acres of state forest land encompassed in 13 State Forests. Only recreation that is excluded is off-road vehicle use.

Conservation concerns include:

- public support
- protection of important lands
- management of invasive species
- protecting species of greatest conservation need.
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Opportunities:

- Four large parcels are available for acquisition that amount to 2,000 acres.
- 24+ smaller parcels, which combined total 1,000 acres.

\$6-\$9 million is needed to purchase these 3,000 acres. An annual allotment of \$1.5 - \$2 million would allow for the acquisition of approximately 500 – 1000 plus acres per year. The strategy would focus on one or two larger parcels first, and then focus on several smaller ones that improve management of state forest lands.

Disincentives to owning woodlands include:

- Long term nature of forest management
- Periodic income stream
- More non-monetary demands on woodlands
- Other than lumber, no well-established monetary streams
- Limited opportunities for cost share assistance
- Typically higher and better use of the land - \$
- Very few legacy partnership/ families
- Majority of land transfers results in the extraction of resources faster than can be replaced

Opportunities or Challenges include:

- Long term consistent forest management program
- More professional management
- Increased demand for limited number of State DNR foresters
- A large number of private woodland owners willing to sell to the Division/ -- no funding
- Ever increasing demand for cost share dollar to assist in long term forest management
- Maintaining a viable forest products industry within the state – primary and secondary
- All cost share policy and support is driven at the Federal level - IWRP first state cost program ever attempted
- There has not been a real landscape changing proposal on forest sustainability since the Classified Forest program of 1921

### **Question and Discussion**

Discussion on decline and demand for hardwood and threats from non-renewable resources (plastic and steel.) Since most wood products are used for building and construction, the bigger threat is from substitute technologies and species, such as bamboo. International export is the best market for hardwoods currently.

Since most of Indiana's forest lands are in private ownership, how much of forest management is done by a consulting forester? About less than 10% use a private consulting forester.

The Chairman mentioned there is a substantial decline in forest quality across the state and asked the presenters to discuss that.

Bill H – How many of those degradations have to occur before we see it in forest quality across the state. We're not there yet. Some poorly harvested is enough yet to detract from forest as a whole.

Jack indicates you will see species shift, yet "quality" is still there. Bill adds that quality means high timber value. No knots, etc. If there is a quality stem it is generally not hollow.

Robert notes an underlying assumption is that if there is not a consulting forester/professional who understands the health and vigor of the forest, then they generally high grade. They don't make money on the lesser stems. Does that leave a forest that is both economically and ecologically degraded?

It is usually the landowner that determines how this is going to go. Yes, there is high grading going because the proceeds for harvesting a beech can't even pay for the cost of harvesting. We don't want to point fingers because it is a lack of knowledge, they don't understand the future. Also the guys do the work need to make money.

Quality of stand from a broad view. Does high-grading reduce the stand from an ecological view? Jack view is that: we afford to not do high-grading on the state forest because we can afford to take those hits. Bill added that a wide variety of structure in a forest may be good for wildlife – edge of the harvest provides sunlight, more insects.

Ray - As a farmer, I want active management that improves the quality and thus the value in the future. The Chairman asked for discussion on what are the implications for future generations?

Richard – I introduced legislation years ago that a forester had to be consulted before any timber could be sold. It didn't pass, but it was a way to get that discussion going. How do we educate the landowners? Many forests are part of estates.

Point was raised that agricultural land and timber, even if by a good development site, are assessed as agricultural land. Jack said not true anymore. People have to demonstrate they are producing a crop, if not then it is now assessed as "excess residential," meaning a higher assessed valuation. The division is trying to get even minimal management plans in place, because if enrolled in classified forest, it is not excess residential development.

Steve Cecil. It wasn't your intention to have people in classified forest to be a tax reduction program. How long of them ignoring the plan does it take before they are taken out of the program?

Jack - Through classified forest program, landowners work with a district forester to develop a plan based on individual needs. A timeline to submit and implement the report is developed. If there are egregious violations that cannot be addressed, the landowners receive a hearing and can be removed from the program. The legislature amended the statute for lands enrolled after 2006. If a landowner takes acres out of CF voluntarily, they not only pay back taxes, but also a fine. The state inspects the property every 5 years

Jack was asked to dream a little: what landscape changing policy/ideas does he have?

Division of Forestry could use \$1.5 – 2M per year. Also the division must balance the importance of acquiring certain forest lands while considering the concerns some Hoosiers have about government landownership land. For short-term goals maybe \$1-2 million per year could allow the division to acquire inholdings and parcels contiguous to existing state forests. We also are sensitive to protecting key bat hibernacula at State Forest properties, and we have partners with whom we can usually coordinate those efforts. From a longer term view, there are opportunities for new state forests, in areas like the Sugar Creek corridor.

Two legislative ideas most discussed include requiring consulting foresters on any timber harvest and mandatory best management practices (BMP). It has been debated whether all timber harvests conducted should only happen under the guidance of a consulting forester. One general observation is that timber sold by a consulting forester brings a higher value. Making all sales go through a consultant won't increase total revenue because the industry can only pay a certain amount. So if all sales are made with a consultant, price would have to come down. Additionally, there is at least one sawmill in Indiana that won't bid on timber that goes through a consultant. Another debate is whether all harvests should implement mandatory BMPs. Bill Hoover supports voluntary BMPs. To be in CF you have to follow BMPs.

There are both legislative issues (policy) and economic issues (where to generate the revenue.) Cost-share programs are so important to incentivizing forest management for many who are thinking short-term. How do you generate that cost-share at the state and/or federal level? Tax policy that mitigates the inheritance is mostly a federal issue.

Two big concerns are taxes and inputs such as invasives and land improvements. Both of these transfer wealth from the forest landowner and the issues that come with a transfer of wealth.

A couple of questions were posed. If you look 50 years from now, given the amount of white-tail deer and given the threats of a changing climate, what does Indiana's forest look like? Secondly, from an economic standpoint, could (TNC's) Forest Bank be a model to be used by the state for landowners to implement and realize a profit.

To answer the first question, climate change is happening. So the question from an economic standpoint is what Indiana will do to adapt to that. There will be a transition zone and species will move north and Mother Nature will adjust if that happens slowly. There will be a big impact on biodiversity and species composition change. As for the

deer issue, forests will come back eventually, but not as fast now that deer populations are up. The primary species for deer is oak and we are losing natural oak regeneration due to deer. We are seeing a shift on the forest floor and the canopy overtime.

The “forest bank” is viable, but it would need to be analyzed from a legal standpoint. The forest bank model provides forest management to landowners in return for timber revenue over a certain time frame. Bill Hoover mentioned that he tried this type of model in northern IN that was not successful.

We have a significant amount of forests, 4.4 M acres, is that the right amount of acres needed to maintain sustainability? Maintaining our forest base will be difficult, let alone increase it. This has been a stable number for a good long-time now.

Do you see anything that is likely to change that balance? Yes, urbanization, CRP (Conservation Reserve Program) lands coming out of 15-year leases resulting in increase in land being cleared and fence rows coming out for agriculture. Changes in the agricultural economy and commodity prices will impact forest acreage. The prediction is a noticeable decline in forests, as we provide food for the world.

How do we permanently protect forest now? Ridge tops might not support corn, but going from 20-25 % or 1%. Should this be a concern for a task force such as this one? Pressures will become even worse with population growth. 15 years from now, 20-25% less forest land. Forest Bank is really about economics. If federal incentives are taken away then landowners will convert their land if it is flat ground. Forest Bank is an interesting idea, because you have a steady cash-flow.

What about using land for bio-fuels? There is a controversy for using federal subsidies for bio-fuels. If those are successful, how does that impact the forest? Do they sweep the forest after a harvest and take tops out and burn them. This is done in the southeast U.S. We need research how much woody debris you can remove and still have a sustainable forest. Cellulosic biofuels and the future of that is critical.

As an observation about Classified Forest (CF) and Payment-In-Lieu-of-Tax, most states that have CF don't tax the land itself, because a percentage of the forest harvest comes back to local counties. Many states have a severance tax. Southern states have this.

Currently \$2.5 million annually in timber sales revenue from state forest pay for some of the division's administrative costs. Since the state property tax was repealed, the Division of Forest lost their portion of that the revenue it generated. It provided the division ~\$3-5 million in revenue annually. Currently, 15% of net revenue from state forests timber harvests is sent back to the county and to local volunteer fire departments. The Division of Forestry's budget has been reduced \$13 million to \$8 million.

There was a discussion about tax check-offs. There is an agricultural check-off. In the southern U.S. there is a southern-pine forest check-off. There is no check-off for Christmas trees. Many states have a percentage of sales tax which supports conservation.

Robert Woodling was asked to provide a draft of findings and recommendations for the forestry section.

The Chairman discussed the Task Forces organization for the next six months. There will be about three more topics to discuss. Based on discussions at the first meeting oil, coal and natural gas resources were more broadly discussed, but we had narrowed our scope to address only the traditional definition of natural resources. The Chairman asked if the Task Force should we revisit that scope. Given the short timeline the Task Force agreed that there won't have time to get involved in that. Obviously, there is an impact on our water and land resources from those types of resources and certainly those issues might surface during the upcoming presentations on air and water. We may decide later to include those issues and that knowledge if nothing else is beneficial. Didn't we talk a little bit about asking for limited input from special groups? It wouldn't tie up our committee for an entire session, while also giving them a chance to give input.

### 3. Next Steps.

The next meeting will be January 25, from 10 – 2p.m.; the location is to be determined. Regarding our next topic, no one on the task force is directly connected to issue of air or air quality, but we do need to cover this. The Chairman will try to find the right presenter for this. Additional topics will be both water quality and quantity and soil. Ray McCormick was charged with presenting on water at either the February or March Meeting. Dates: February 22<sup>nd</sup> and March 28<sup>th</sup>.

An additional question was posed to the presenters: What is the impact of forests on quality of our air and water. Jack will provide more on this.

Urban trees filter particulate matter and remove carbon dioxide from the air. As far as recommendations should come out of this task force for forests, a few topics would be important:

- BMPs and retention of forest land, increased focus on a forest bank, conservation easements, acquisition and land trusts.
- Find ways to bring value to the private landowner, including cost-share and programs exchange the short-term gain of tree harvests for a longer-term income stream.
- Payments for environmental services could be significant, i.e. carbon credits and water credits (ex. New York City water supply using state revolving fund).
- Look into new ways to utilize the State Revolving Loan Fund and add market value through species mitigation banks for threatened and endangered species.

The Task Force reviewed a draft outline/structure for an initial final report. Each individual topic report should roll up into this final report. They also reviewed a sample of an individual topic report on Biodiversity. This topical report summarizes a number of key points made in the presentation, as well as a historical background and state-to-state comparison. The draft individual topic report for corridors and wildlife will be forthcoming.

Mary McConnell mentioned her meeting with the Governor to discuss her idea for Indiana's Bicentennial. The Bicentennial would be a great time to invest in our land. 100 years ago, our first state park was created, followed by the creation of the entire state park system. The Governor has asked Becky Skillman and Lee Hamilton to chair a bicentennial committee, and 11 of the 13 members are already appointed.

An additional idea is a state-tax credit for natural resource lands. Two states already have this credit. You don't have to reinvent the criteria because it already exists at the federal level. You can decide how much the value is.

Concern was raised about outreach to other audiences. Angela Hughes, through the Indiana Conservation Alliance, is reaching out to the Indiana Conservation Alliance, which includes sportsmen's groups. Liz Jackson is a board member of the Indiana Hardwood Lumberman's Association. Numerous organizational website will have all presentation and minutes. Sierra Club has publicized it across the state. Currently, DNR website doesn't have anything regarding the Task Force on their website, but they will try to get something posted.

Adjourn