Allegheny Forest Alliance

Fall 2008 Newsletter

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BAILOUT OR NOT

Remember the old saying, "Be careful what you wish for"? After two intense years of finessing, cajoling, and begging Congress to reauthorize PL 106-393, popularly known as the Secure Rural Schools Act (SRS), the process finally came to fruition recently, thanks to the controversial Tax Extender Rescue (Bailout) Bill. When it became clear extending SRS was not going to happen on its own, efforts were made to attach it to every bill brought up in Congress. Quite often, however, the Achilles Heal became the differing versions of SRS sought by the House and the Senate, including a one year versus a multi-year version and whether to including PILT (payment in lieu of taxes) in the package or not. These minor issues became moot with the national financial crisis at hand.

It must be added, however, this process is a classic study of Congress working at its best. Secretary Paulson introduced a meager two page plan, which was quickly loaded with pork, making it a 100 page plan. But alas, there was not enough pork to go around so that version was replaced by a 400 plus page bill that included such things as a tax break for a wooden arrow manufacturer. Hidden among all that pork was the 26 page version of the Senate's SRS. Whether anyone agreed or disagreed with the new SRS legislation crafted primarily by the western Democrats became irrelevant because "rescuing" the country's economy was the primary focus.

Section 601 under "Title VI – Other Provisions" of the rescue bill is devoted to the reauthorization. It is a four year deal that, as in the past, allows the same opt in provision. A county can petition the state to opt in initially and be tied to the legislation for the entire four years, or it can delay the process for two years or the entire four years thereby relying on 25% payments. Since passage of the new legislation occurred so late in the year, counties must decide by November 14 whether to opt out or not. No notification carries an automatic opt in.

It is important to note the new legislation changed the century old 25% payment structure to a rolling seven year average of local forest receipts, which for our commonwealth may well be an advantage. Instead of potential peaks and valleys in 25% payments, the seven year average reduces that possibility considerably.

The major question at hand is how exactly the current legislation affects Pennsylvania. Data recently distributed to counties by ANF staff, which was taken directly from the USFS website answers that question. The four counties stand to receive \$5.8M for 2008, \$5.3M in 2009, \$4.7M in 2010 and \$3.3M in 2011. For comparison purposes, the four county totals for 2006 and 2007 were \$6.5M each year. As you can see, the funding stream is rapidly drying up. Keep in mind as well; townships and school districts will only receive 85% (Title I) of the aforementioned amounts while the counties retain the remaining 15% (Title II and III). The actual amounts to be shared by the municipalities are \$4.9M in 2008, \$4.5M in 2009, \$4.0M in 2010 and \$2.8M in 2011. Those figures do not compare favorably with an 85% share in 2006 and 2007 of \$5.5M. In fact, the reduction in shared revenues under the current reauthorization is severe. The actual percentage reductions in Title I funding for the four years are 9% for 2008, 18% for 2009, 27% for 2010 and 49% in 2011. It will be very difficult for townships and school districts to make up such losses.

The question at hand is whether or not accepting SRS is really a good deal or not. On face value it clearly is not, based on the USFS data. But to be sure, it must be compared with the only alternative, which is returning to the traditional 25% payment. With the change in the 25% payment to a rolling seven year average, the shared receipts of the ANF for 2008 total $4.6M. The entire amount is shared by school districts and townships. Given the rolling figures, the average for 2009 should be approximately the same as 2008, the amount for 2010 would be approximately $4.3M, and for 2011 it would be approximately $4.0M. Comparing these amounts with the shared amounts (Title I) under the current SRS package, the answer seems clear. Townships and school districts can accept a four year average of $4.1M with SRS or $4.4M with 25% payments.

Thus, the dilemma. Each municipality must determine whether to opt in or not and at that point knowing when and if they do, they are married to SRS for four years. Plus, there is precious little to decide since the counties must know before November 14.

For sure funding will drop either way. But, it behooves each and every municipality to examine the situation thoroughly and determine which option best suits their particular situation and appeal to the county accordingly. The negative ramifications of this new legislation, however, strongly suggest we should "Be careful what you wish for." The reauthorization stands to do little to bail out schools and townships.

WHAT TO DO

As they say in the construction business, "It's rug cutting time." Some difficult decisions must be made by townships and school districts well before November 14 regarding whether or not to opt out of the newly reauthorized Secure Rural Schools (SRS) legislation. It will not be an easy decision. On the one hand you have the certainty of a scheduled amount for at least four years, while on the other hand you have what can be termed "educated estimations." Let's examine the facts as they currently exist for some help.

With respect to SRS, the new legislation is quite clear about a couple of points. First, the reauthorization is for four years. Second, it is highly unlikely to ever again be reauthorized in any similar form. Third, there is roughly a 10% ramp down in funding per annum each of the four years. Fourth, counties have the option of opting in for all four years, opting out for the first two and then opting in for the last two, or opting out all four years. And fifth, for monetary consideration, the shared amounts (Title I) townships and school districts will receive annually using rounded figures are $4.9M in 2008, $4.5M in 2009, $4.0M in 2010 and $2.8M in 2011.

Regarding the option of taking the 25% payment rather than SRS, these facts are relevant. The new legislation has changed the 25% calculation from a yearly amount to a rolling seven year average thereby reducing the likelihood of having a disastrous year budget wise. Instead, the seven year rolling average rounds off highs and lows in receipt yield. Looking at the figures for the ANF over the last seven years (2002-2008), the 25% average comes out to $4.6M, which in fact is not too dissimilar than the average over the last twenty years. The projected figures released by the Forest Service last week indicate the following 25% average yield for next three years: $4.6M in 2009, $4.3M in 2010 and $4.0M in 2011.

As it stands, townships and school districts can take SRS, which will yield a greater amount than will the 25% payment for the first year, but stand to yield less the remaining three years. Or they can take the 25% payment option that will yield less the first year, but quite likely more the next three years. In any case each municipality must take a hard look at these projections and decide very quickly which direction best suits their particular situation.

TURNING A PROFIT FROM GLOBAL WARMING

A friend and former colleague has recently embarked on an endeavor to cash in on Al Gore's claim of pending doom. Whether he agrees with the former vice president or not is irrelevant. In fact, I believe he does not support the theory that the globe is warming primarily because of too much human induced carbon dioxide (CO_2) emissions, but has found a way to profit from all the hysteria.

Gene Sirmon is a long time Rankin County (MS) forestry consultant whom I met as a member of the National Forest County and Schools Coalition (NFCSC) Board of Directors. He seized upon the opportunity global warming presents for the benefit of his constituents, primarily local tree farmers, by selling carbon credits on the Chicago Climate Exchange. Here is how it works.

In order to control CO_2 emissions that by some accounts are destroying Mother Earth, companies like Ford Motor, DuPont, IBM and others can purchase carbon credits for their inability (or unwillingness) to control their pollution. The credits they purchase are in the form of trees that will suck up the equivalent of their emissions. If a company emits X tons of CO_2, they simply pay a tree farmer to grow enough trees to suck up X tons of the pollutant. Now for the mathematical conversion.

Scientific studies have reported that a pine or hardwood forest sequesters anywhere from 1.75 to 2.5 tons of CO_2 per year. If a corporation emits 100 tons of CO_2 annually, they must purchase credits that will finance tree growth on approximately 50 acres. Enter Gene Sirmon. He markets land for his Mississippi tree farmers twice each year on the Exchange for the going rate. Recently, Gene's firm sold one ton of credits for as much as $5.75 per acre, which in some cases, was twice as much as had to be paid for taxes on the land. The irony is the trees would be sequestering CO_2, credit payment or not.

There are some preconditions, however. The eligible timber stands must have been planted prior to 1990 on farmland, pasture or managed forests previously thinned. When a farmer decides to participate, the Exchange sends a representative to check the acreage along with the height, diameter and age of the trees. Once everything is verified, the owner signs a contract not to cut the timber for 15 years. Could there be similar applicability for landowners in this neck of the woods?

IRONY OF IRONIES

The Forest Service, along with chief administrator Mark Rey, has been thrown under the bus recently by local politicians and preservationist groups in the "Big Sky" state over what has been termed "secret" negotiations. A private landowner in Montana wants to convert thousands of acres of forestland into residential subdivisions, but needs a forest service easement to afford entry. Economists understand the logic, but are none too happy about it.

Plum Creek Timber Company, long recognized by antagonists as the "Darth Vader of the industry," owns 1.2 million acres in the mountains of western Montana and has decided to become a real estate broker. They are marketing land for anywhere from $11,000 to $100,000 an acre, complete with an airstrip and gated privacy. Current market value for the same property as timber land might fetch as much as $500 an acre. You do the math.

The full investment potential, however, cannot be realized until adequate access to the land is arranged. Enter Forest Service negotiations. Enter also local politicians and preservationists crying foul. For what is considered the jewel of their existence, complete with mountain vistas and clear river valleys, is about to sprout hamlets like a moist, dark field does mushrooms.

Some preservationists are now longing for the good ol' days when loggers cleared large swaths only to have happen what always happens when harvesting takes place…..the trees grow back. Imagine that! What was once the bane of their existence has now become a welcomed condition because unlike a housing development, which is by and large forever, a timber harvest will eventually grow back. Or as a local analyst put it recently, "Now that Plum Creek is getting out of the timber business, we're kind of missing the loggers." Some are now wondering how they can get rid of those darn humans.

Threats of lawsuits against the USFS are eminent, but the fact remains, private landowners must have access to their property the same way private subsurface owners on the ANF are afforded similar courtesy under federal regulations.

An interesting twist to this entire saga involves your hard-earned tax dollars and Senator Max Baucus (D-MT). As head of the Senate Appropriations Committee, he earmarked $250M to back bonds to buy Plum Creek land that would otherwise be developed. And to think he and his colleagues have failed on every attempt to pass a measly $400M bill to help rural schools and municipalities across the country, primarily because they cannot agree on how to finance it. A classic example of our federal legislature doing what it does best. Kind of makes one wonder where their commitments really lie.

SENATOR CASEY RESPONDS

Press coverage of a letter sent by Senator Robert Casey to the USFS caught my attention recently. In it, the Senator expressed concern for the potential closing of several recreation sites on the ANF. While I agree closing the sites will generally impact recreation on the forest, I cannot help but wonder why the Senator did not consider the reason for such action. Surely he is aware of the Forest Service's flat budget over the past several years, exacerbated by the fact that the value of the dollar has declined considerably. He must also be aware of the additional shortfall caused by subsidizing the western fire effort in recent years. As a result, local management has been left scrambling.

One might also wonder why the Senator is not equally concerned and responsive about the declining harvest on the ANF. Forest health and that of its inhabitants would certainly benefit from enhanced activity and so too the local economy. It would also help counter the deluge of federal red ink causing budget cuts in the first place. Why no letters in this regard?

I personally believe Mr. Casey's position has been heavily influenced by the urban elite. It reflects the notion that weekend retreats remain viable and undisturbed for those few that choose this means of relaxation. From a local perspective, however, economic survival will not be dependent on the crumbs from erratic weekend visitation. No indeed. Fact is the sites being considered for closure along with the ones that may survive the budget crunch are used by and large by locals anyway.

Again, from a local perspective, it would make more sense prodding the USFS to jack up sustainable harvest. That is what will keep bread on the tables of local folks.

AFA BOARD MEETING SCHEDULED

The fall meeting of the AFA Board will be held on November 11 at the Olmsted Manor in Ludlow. A noon lunch will be followed immediately by the business meeting. All board members are encouraged to attend. The minutes of the summer meeting along with an agenda for the meeting will be sent via email prior to the meeting.

Your membership contribution for 2008 is due. Payment ensures you are represented in advocating for multiple-use management and a sustained yield on the Allegheny National Forest. Thank you.

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Sustainable Forestry
Environmental Stewardship
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