

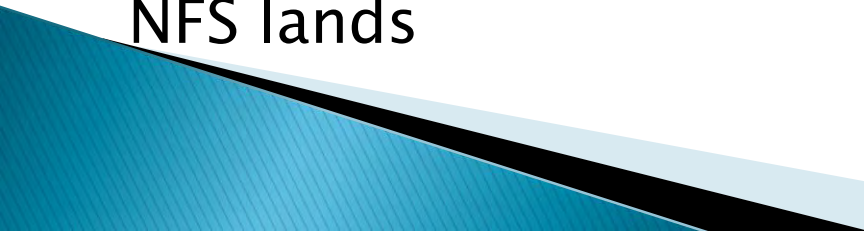
“State of the CNNF”

**Forest Management
Opportunities and Challenges**

August 1, 2014 COF Sponsored Meeting



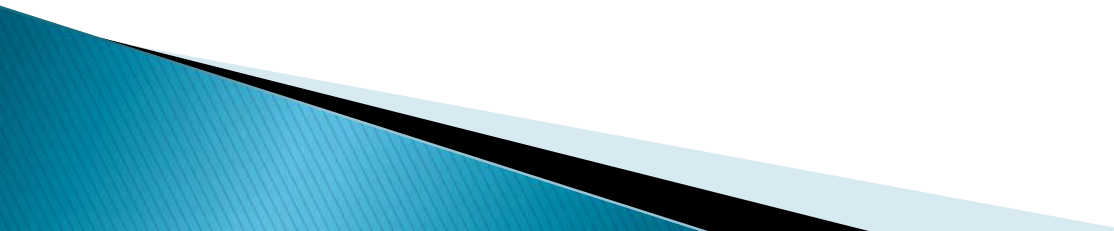
Our Goals – Timber Related

- ▶ Fully implement CNNF Forest Plan to meet Stated Goals and Objectives and Provide Economic/Social/Environmental Benefits of Doing So
 - ▶ Address Blowdown and I&D Events Appropriately (Timing, Efficiency, etc.)
 - ▶ Not Create “Boom and Bust” Environment with Annual Sale Program
 - ▶ Provide mix of forest products across 11 counties with NFS lands
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Our Goals – Timber Related

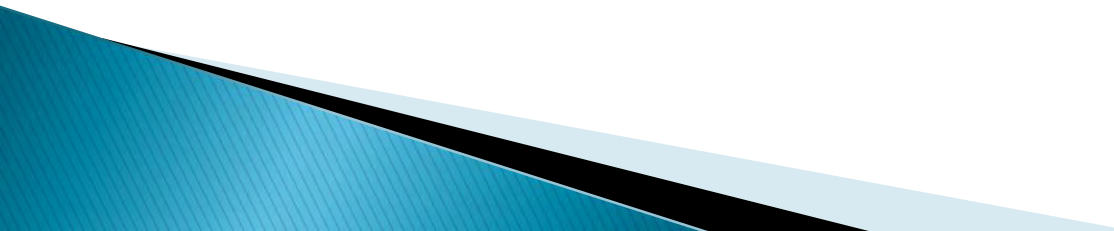
- ▶ Maintain/Increase Internal Capacity to Plan and Implement/Administer Timber Program (*get beyond current “capacity ceiling” estimate of mid-80’s MMBF/annually*)
- ▶ Use Old and New “Tools” Efficiently and Appropriately
- ▶ Stay out of Court (and prevail if end up there)
- ▶ Expand/Sustain Capacity to Interact with External Entities (State/Tribes/Counties/Towns/Non-Profits) Without Significantly Lowering Internal Capacity

View From “30,000 Feet”

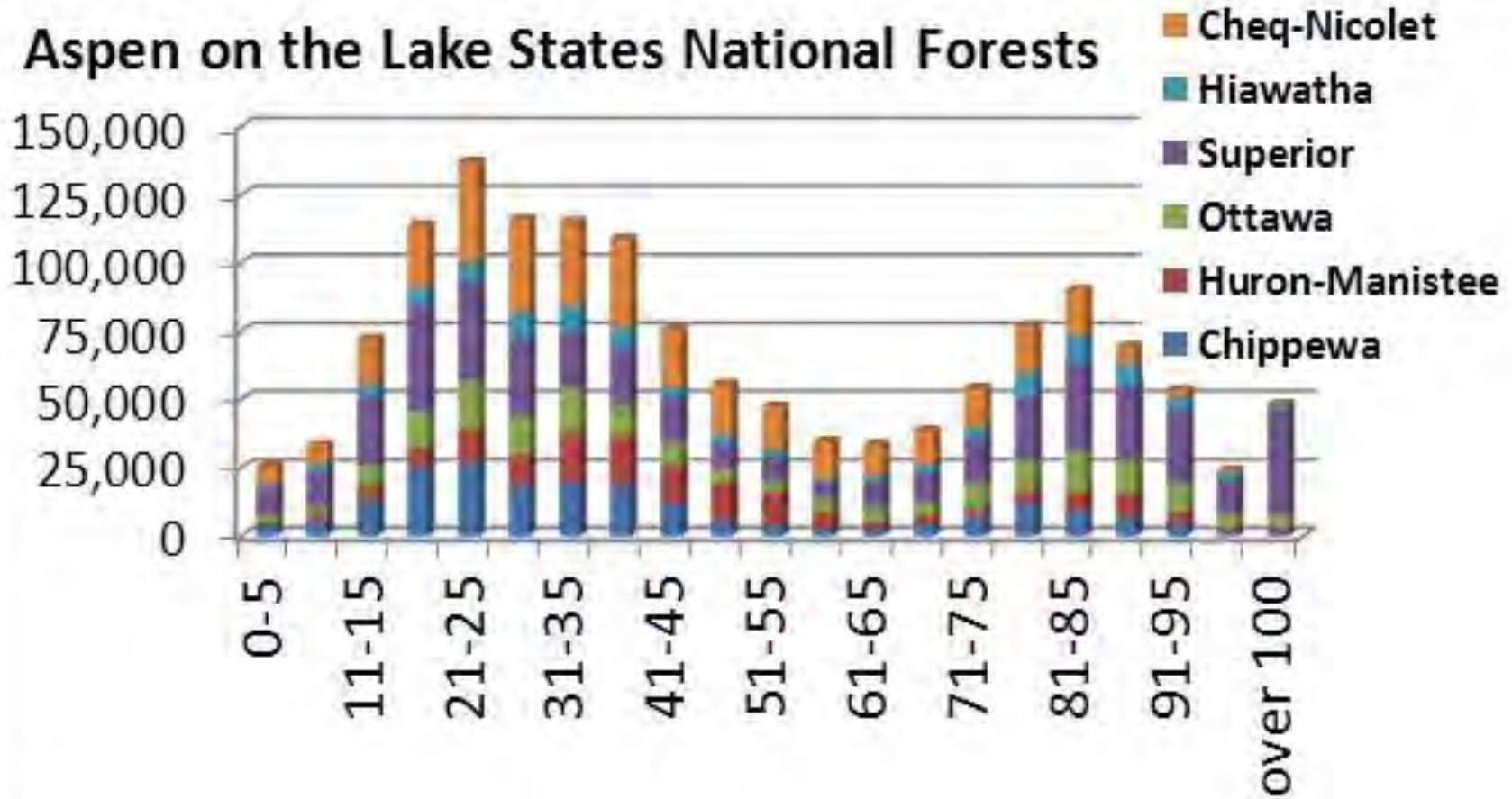
- ▶ Key Forest Conditions – aspen, red pine, hardwoods, jack pine
 - ▶ Timber Sale Program Levels
 - ▶ Project planning environment
 - ▶ Capacity Assessment
 - ▶ Opportunities to Expand Capacity
- 

Forest Conditions

Well Short of Stated Objectives and Desired Future Conditions in 2004 Forest Plan

- ▶ **Aspen Forests** – age class imbalance and low/decreasing proportion of <20 year old stands
 - ▶ **Red Pine Forests** – behind prescribed management regimen for stocking and size/condition
 - ▶ **Northern Hardwood Forests** – behind prescribed management regimen for stocking and size/condition
 - ▶ **Jack Pine Forests** – behind prescribed management regimen for age class distribution
 - ▶ **Insect/Disease/Wind Events** – have addressed I&D issues; no significant blowdown areas in last two years
- 

Aspen Example



Forest Conditions

Projections for Improvement

- ▶ Aspen Forests – decades to improve
- ▶ Red Pine Forests – decades to improve
- ▶ Northern Hardwood Forests – decades to improve
- ▶ Jack Pine Forests – decades to improve
- ▶ Insect/Disease/Wind Events – depends on EAB, hemlock woolly adelgid, beech scale, gypsy moth, oak wilt, annosum, weather events, etc.

Inherent conflicts and trade-offs depending on priorities and capacity levels.



Timber Sale Program

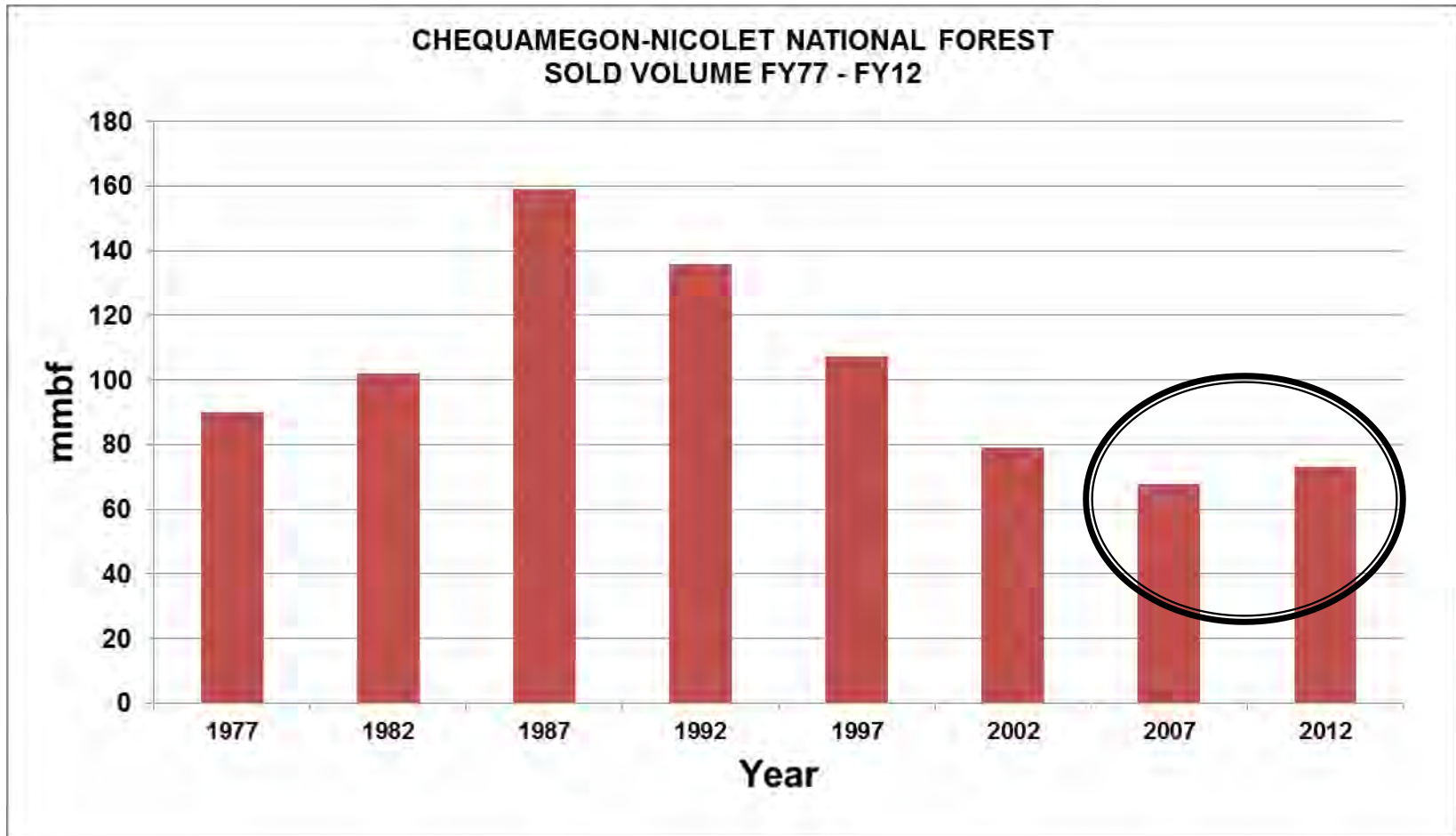
Well Short of Maximum Allowable Level (ASQ of 1.31 BBF) Stated in 2004 Forest Plan

Different mix of products in first decade of Forest Plan than anticipated

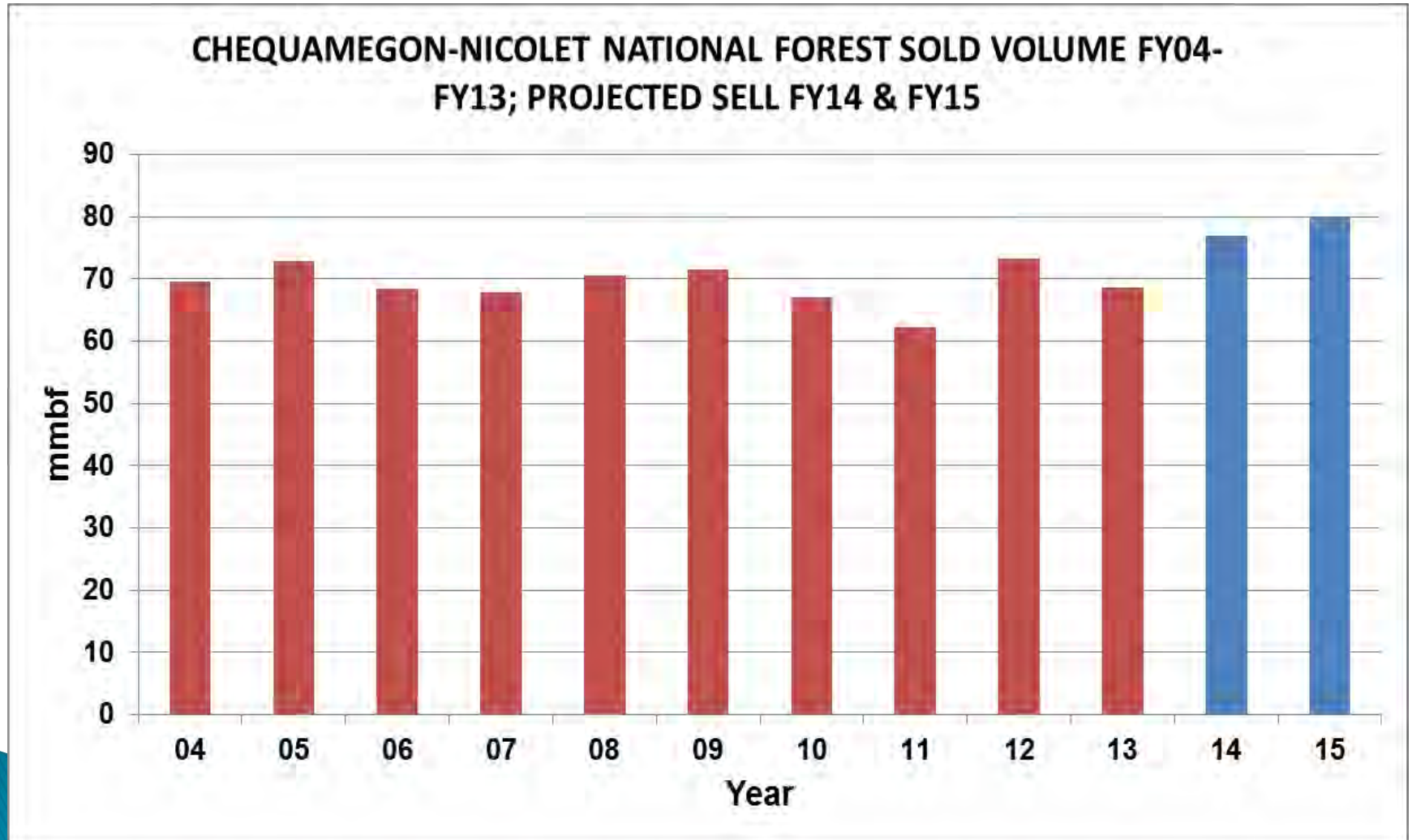
Mix shifting as second decade begins



Timber Sale Program – 35+ Years



Timber Sale Program – First Decade of Forest Plan




Actual Volume Sold FY04–FY13

▶ 0.69 BBF (53% of ASQ)

| Product | Amount Sold (MMBF) | FP Projection for First Decade | Percentage of Projection |
|--------------------|--------------------|--------------------------------|--------------------------|
| Aspen | 154 | 313 | 49 |
| Softwood Sawtimber | 110 | 88 | 125 |
| Hardwood Sawtimber | 19 | 76 | 25 |
| Softwood Pulp | 190 | 299 | 64 |
| Hardwood Pulp | 196 | 532 | 37 |

Product Mix in First Decade

- ▶ Planning emphasis on increasing hardwood proportion – “era of appeal/litigation”
 - ▶ Resulted in higher proportion of aspen and red pine.
 - ▶ Spruce decline in early 2000's shifts mix
 - ▶ Quad County Tornado and other blowdown events affects product mix.
 - ▶ Litigation “wins” free up early NEPA projects
 - ▶ Mix shifting at end of first decade – increased amounts of northern hardwood products
- 

Product Mix in Second Decade

First few years will continue to emphasize hardwoods and aspen with decreasing amounts of softwood products

Shelf stock through NEPA at beginning of FY14

- ▶ Aspen/Balsam/Birch – 146 MMBF
- ▶ **Hardwood – 167 MMBF**
- ▶ Red/White/Jack Pine and Spruce – 94 MMBF
- ▶ Oak – 25 MMBF

No new NEPA to replenish shelf stock until FY16 or later.

Will be working off the mix of existing “cleared” volume



Project-Level Planning

2004 – 2010

Continued investment from late 1990's to early 2000's of “**NEPA machine**” to maintain existing program level and not be “hand to mouth”.

Early emphasis on northern hardwoods in Management Area 2 to increase proportion of this product.

Appeals and litigation on most planning product decisions – additional cost and unavailability of volume. Additional work to redo parts of planning projects and defend in court.

Started a “second shift” to replace unavailable volume – aspen and red pine emphasis – limited appeals / no litigation.



Project-Level Planning

2010 –2014

Emerging from “litigation era” in which CNNF had to “overemphasize” project planning to “stay in business”

Last of court cases ruled on – FS upheld, but delays and additional costs

Favorable court rulings provided sudden “old/new” shelf stock for future timber sales

Purposely slowed down “NEPA Machine” to focus more on implementation

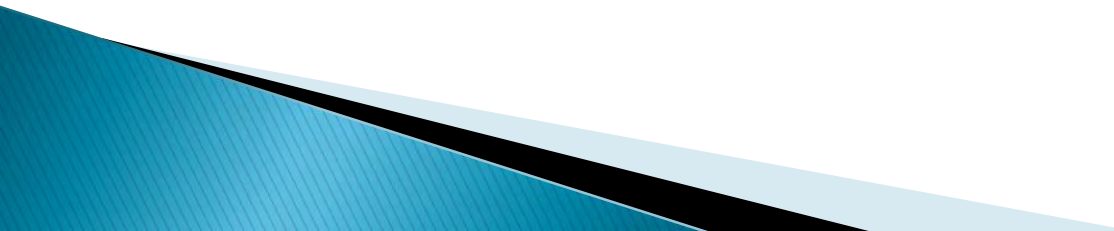


2010–2014 Project Plans

Completed NEPA investments underway at time and made limited new investments focused on high risk or high priority.

- ESHI – at risk aspen forest-wide
- Honey Creek – Padus – NHWD (80%) and Aspen (Forest County)
- Lakewood SE –Pine, NHWD (20%) and high risk Aspen in fire risk area (Oconto County)
- Park Falls Hardwoods –NHWD (Price County)
- Twin Ghost – NHWD (60%), Pine, and Aspen (Ashland/Sawyer Counties)
- Independence Day Blowdown – small pocket of blowdown from July 2012 wind event (Bayfield County)

2010 – 2014 Project Plans (cont.)

- ▶ Phelps – NHWD (80%), and Aspen (Vilas County)
 - ▶ Red Pine Thinning – Pine (Bayfield County)
 - ▶ Ice Age Trail Blowdown – NHWD (Taylor County)
 - ▶ Biomass Study – NHWD (Forest County)
 - ▶ Mr. Burns Blowdown – Aspen/Spruce/Fir (Florence County)
 - ▶ Dragon Blowdown – NHWD (Forest County)
- 

Project-Level Planning – Future Decisions

Beginning planning investments for future timber sales on all Ranger Districts (need 2–3 year lead time)

Diamond Roof – NHWD (Forest County)

West Side Red Pine – Pine (Bayfield, Ashland, Price, and Taylor Counties)

Lakewood/Laona Aspen – at risk Aspen (Forest and Oconto Counties)

Black Torch – important additional elk habitat and multiple forest types (Bayfield, Ashland, and Sawyer Counties)

Morgan Lake – multiple forest types (Florence County)

Kidrick – multiple forest types (Taylor County)



FY14 – FY17 Opportunities

Shelf stock through NEPA at beginning of FY14

- ▶ Aspen/Balsam/Birch – 146 MMBF
- ▶ **Hardwood – 167 MMBF**
- ▶ Red/White/Jack Pine and Spruce – 94 MMBF
- ▶ Oak – 25 MMBF

Needed 2010–2014 NEPA investments to have this opportunity.



FY14 – FY17 Opportunities

Shelf stock through NEPA at beginning of FY14

▶ **Hardwood – 167 MMBF**

NHWD Acres in Recent Decisions

PF Hardwoods – 14,600

Phelps – 7,400

Twin Ghost – 5,000

Honey Creek – Padus – 5,700

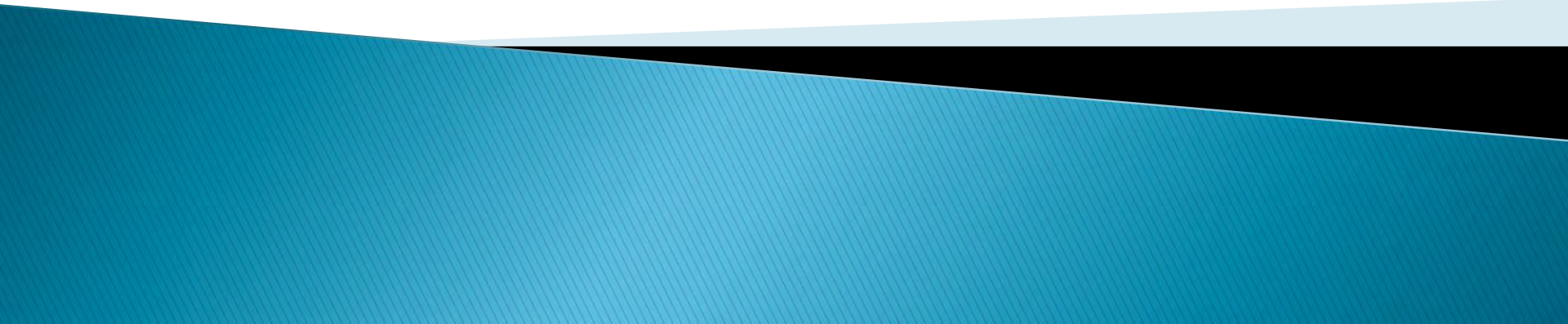
Lakewood SE – 2,400

Approximately 140 MMBF of northern hardwoods forest products came from 2010–2014 NEPA investments. Without those investments we would be running out of northern hardwoods for future timber sales.



Working in a Capacity– Limited Environment

Challenges, Realities, and Opportunities



Factors Affecting Capacity/Priority

Staff Turnover and Replacement


- ▶ Almost 100 vacancies in 4 years (2–3X annual average)
- ▶ Significant investments in replacement costs without additional funds during a flat/declining budget era.

Temporarily lower capacity as new employees start up, trained, certified, etc.

Uneven Budget Environment

- ▶ Timing of “final” budget
- ▶ Fire Transfer era

Effects on out year staffing investments, contracting, agreements capacity



Factors Affecting Capacity/Priority

Production Costs in NEPA

High scrutiny of projects – need to maintain standards for success

Unanticipated Forest Health Events – Shift in Priority

- Quad County Tornado and other wind events
- Spruce Decline
- Oak Wilt
- EAB Project Planning
- Annosum Project Planning

No additional funds and costs associated with turning away from existing efforts and returning to them

Special Assets Requiring Ongoing Investments

Wisconsin elk herd – must keep investing in aspen habitat and infrastructure in one localized area – no additional funds to do this

Factors Affecting Capacity/Priority

Use of New Tools and Investments in New Business Models

Stewardship Contracting

- ▶ Internal “NEPA-like” system of project proposals and approvals
- ▶ “Advertised” maximum benefits not yet realized in Wisconsin – less administration in contracting; collaboration to reduce controversy and planning costs
- ▶ Would not be making current investments in contracts and agreements if had not received full and permanent authority in Farm Bill

NEPA Tools – HFRA; Salvage CE, Objections Process, etc.

- Lower costs, but not large gains
- Can’t be used everywhere

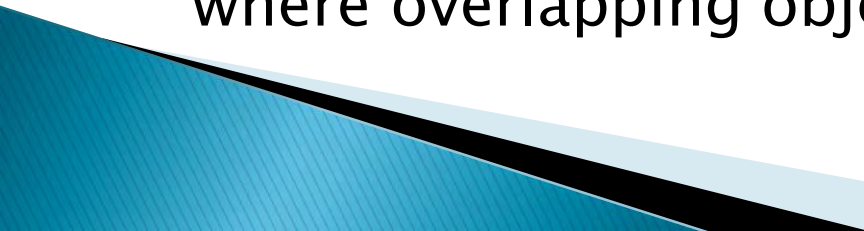
Agreements/Collaboratives, New Authorities

- Opportunity costs at front end as learning, testing
 - Too soon to tell
- 

“Business Model” Characteristics

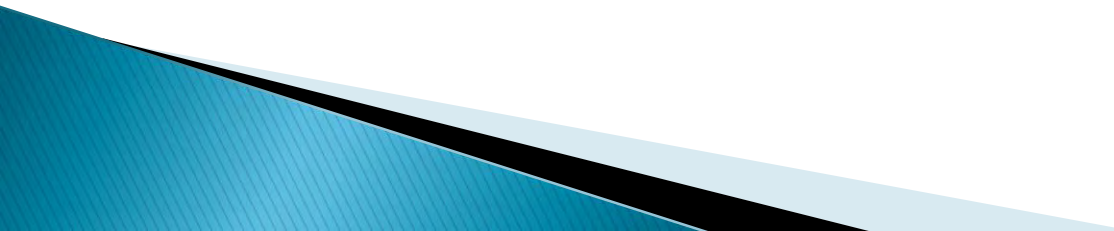
Timber Program largely “internal”.

Multiple “buckets” of money to manage – each with its own “rules” and “options” – complex business environment

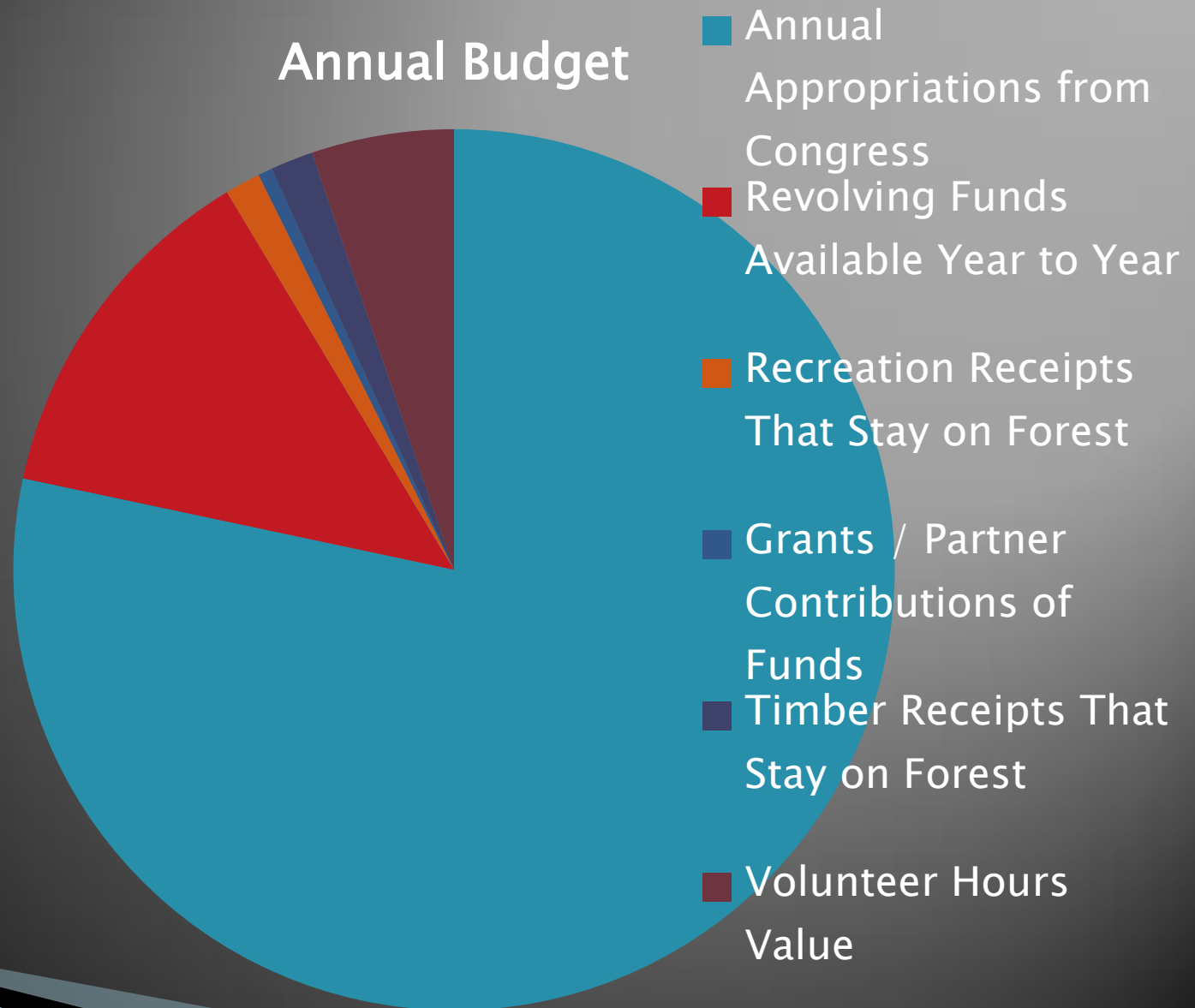
- ▶ Timber Mgmt Budget Line Item
 - ▶ Salvage “Revolving Fund”
 - ▶ Pipeline Restoration “Revolving Fund”
 - ▶ Knutsen–Vandenberg (KV) Trust Fund
 - ▶ Leftover KV for roads and vegetation management
 - ▶ Stewardship “Retained Receipts”
 - ▶ Reforestation Trust Fund
 - ▶ Integration with other program Budget Line Items where overlapping objectives.
- 

“Business Model” Characteristics

Highly regulated environment

- ▶ NEPA and other laws for planning
 - ▶ Standards for silviculture work (Rx, marking, etc.)
 - ▶ Standards for bidding and sale awards
 - ▶ Contract requirements for sale awardees
 - ▶ Audits and reviews (Trust fund review this week)
 - ▶ Certifications for employees
- 

Current Financial Inputs to CNNF



Existing Tools/Processes

- ▶ **Inventory**

- Standard data gathering practices and protocols
 - FS Employees and Contractors

- ▶ **Planning**

- Variety of Project Planning Tools – Choose “best value” tool depending on circumstances

- FS Employees and Internal “Enterprise Teams”

- ▶ **Sale Preparation (Rx, Layout, Cruising)**

- FS employees

- Internal “Enterprise Teams”

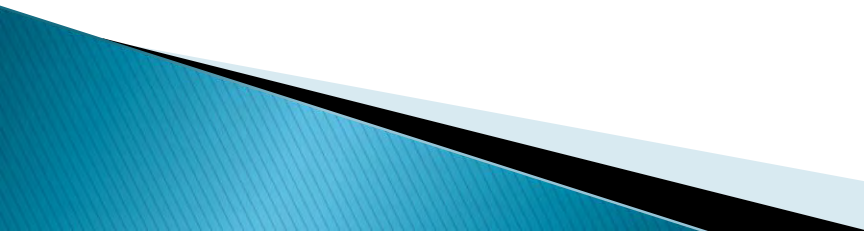
- Contracts for private company services

- ▶ **Sale Administration**

- Inherently governmental (except in Stewardship Agreements)

- ▶ **Post-Sale Treatments**

- Reforestation, TSI, Monitoring



New and Updated Authorities to Expand Capacity Beyond Congressionally Appropriated Budgets

Helpful and Appreciated
Results Unknown and TBD

New “Tools of Efficiency and Capacity”

** Farm Bill Provisions **

Healthy Forest Restoration Act Amendment
(Categorical Exclusion for Insect and Disease in State Requested “Landscape Designations”)

Provides additional capacity through efficiency of small project planning

Great New Tool of Precision!! – Strings Attached

- ▶ I&D problems within landscape designated areas
- ▶ Must be in WUI OR in area with higher degree of “fire risk”
- ▶ Requires “collaborative approach” with broad stakeholder involvement (minimum standard unclear)
- ▶ Need conversations about interpretation of NIDRM maps
- ▶ Need conversations about extent/intensity of “maple decline” and appropriate response

New “Tools of Efficiency and Capacity”

** Farm Bill Provisions **

Full and Permanent Authority for Stewardship Contracting

Provides Additional Capacity Because Timber Receipts Can Be Kept and Used Locally

- ▶ High potential tool !!
- ▶ Twenty percent of existing program (looking for “optimum” percentage because of tradeoffs with use)
- ▶ Only works well if more “full value” contracts or more agreements (testing with SRI and Florence County – trying to determine optimal “investment model”)
- ▶ Able to get clearance and discretion for “expanded use”
- ▶ Adds “good” complexity to existing business model, but has opportunity cost
- ▶ Strings attached with processes and constraints on use

New “Tools of Efficiency and Capacity”

**** Farm Bill Provisions ****

Good Neighbor Authority

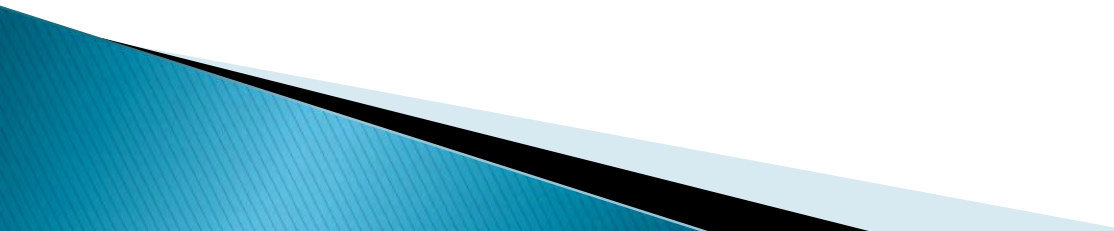
Provides Additional Capacity When State Willing to Work on National Forest

- ▶ Excited to get and try – unsure of benefits !!
- ▶ Waiting for FS HQ to provide direction to field
- ▶ Likely a modified agreement authority
- ▶ No new/additional money associated with this
- ▶ Unclear on characteristics of “business deal” between FS and State – match requirements, scope, scale,

Existing Partnerships with Agreements in Place

Over 100 external parties/governments doing business with CNNF through Congressionally provided “Agreements mechanisms”

All expand capacity, but have internal investment cost as well

- ▶ Cooperative Agreements with 60+ Towns on Road Maintenance
 - ▶ Cooperative Agreements with 11 Counties on Law Enforcement
 - ▶ Cooperative Agreements with WDNR and VFD's on Fire Protection
 - ▶ Cost-Share Agreements with Fish/Wildlife Groups and Recreation Groups
 - ▶ Reimbursable Collection Agreement with Rocky Mountain Elk Foundation
 - ▶ Participating Agreements with Universities/Colleges
 - ▶ Volunteer Agreements with Individuals and Organizations
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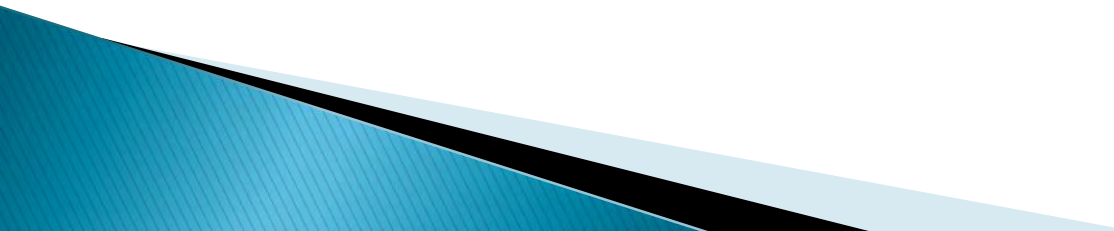
Opportunities for Partnerships with Agreements Related to Timber Program Delivery

Timber Program “business model” not set up for easy partnership agreement feature, but not impossible.

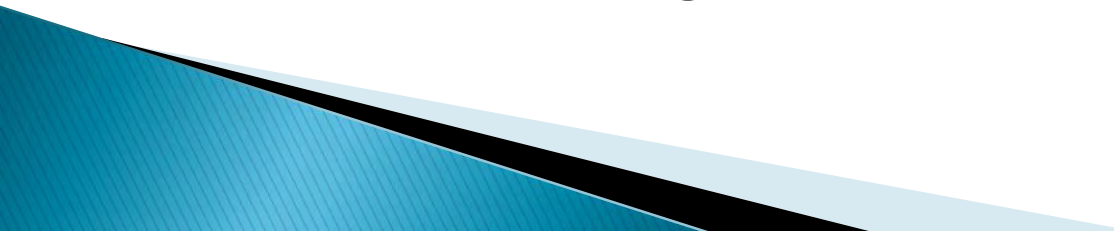
Limited examples to date with Partners willing to “try something new”

- ▶ **Federal Sustainable Forest Committee** – agreements using Title 2 funds from Secure Rural Schools to assist FS by establishing boundary lines for future timber sales – small and local, but GOOD!!
- ▶ **Rocky Mountain Elk Foundation** – agreement around elk habitat – FS marking stands of aspen and non-timber wildlife habitat improvement actions using RMEF \$\$ – small and local, but GOOD !!
- ▶ **Master Stewardship Agreements with SRI and Florence County** on Stewardship Authority; Support from WEDC to SRI and investments of Advisory Board members; Project Specific Agreements to follow – starting small, but could get larger and be VERY GOOD!!
- ▶ **Timber Purchasers** – buying stewardship contracts with service items – nothing near “full value”, but GOOD !!

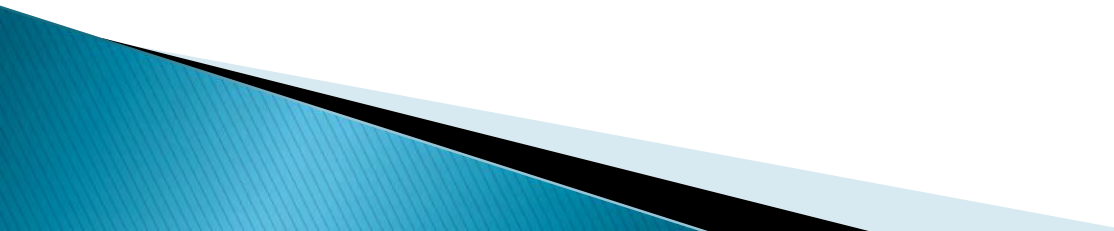
Emerging Collaboratives – Potential Capacity Builders

- ▶ Learning to “Dance” with partners organized as “collaboratives”
 - ▶ Three collaboratives with perhaps more coming
 - ▶ Promising business model adaptation – going to take time to develop and try things
 - ▶ No special agreement authorities with collaboratives – use existing agreements
- 


Northeast Wisconsin Forest Improvement Collaborative – NEWFIC

- ▶ Multiple organizations/governments under one umbrella
 - ▶ Investing in standing up collaborative “business model” – training coming
 - ▶ Investing in “learning” on how to do business with Forest Service in area of interest
 - ▶ Start talking business opportunities and possible agreements about timber program delivery in August 2014
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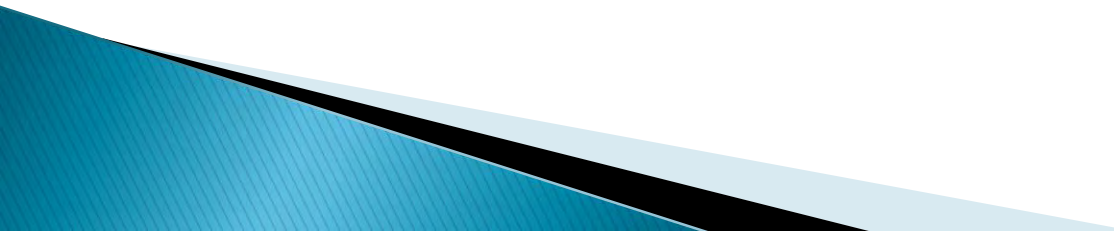
Young Forest Initiative

- ▶ Multiple organizations/governments under one umbrella
 - ▶ Standing up collaborative “business model” – mostly done
 - ▶ Investment made in Coordinator Position
 - ▶ Talking future business opportunities already
- 

Lake Superior Landscape Restoration Partnership

- ▶ Assessing expansion potential beyond “NRCS–FS Initiative” which brought additional funds in FY14 and maybe more in FY15 and FY16
 - ▶ Multiple organizations/governments in area already doing partnership work
 - ▶ Collaborative “business model” under discussion
 - ▶ Considering investments in Coordinator Position
 - ▶ Business opportunities already occurring –
Bayfield County Stewardship Project, Bad River Watershed Association joint projects,
Chequamegon Bay Area Partnership joint projects
- 

Opportunity Investments for Future

- ▶ Nurture and support collaboratives; try a few “projects”
 - ▶ Evaluate and Possibly Expand Stewardship Agreement “partnerships”
 - ▶ Try and learn how to effectively use new tools from Farm Bill
 - ▶ Shared Approach to Timber Program with Ottawa NF (efficiency, flexibility, consistency)
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Governor's Forest Economics Summit

**Excerpts from My Presentation
December 2013**



Increasing the Economic Outcomes of Forest Management on National Forests

Where Will Future Investments
Come From?



Federal/FS Budget Trends

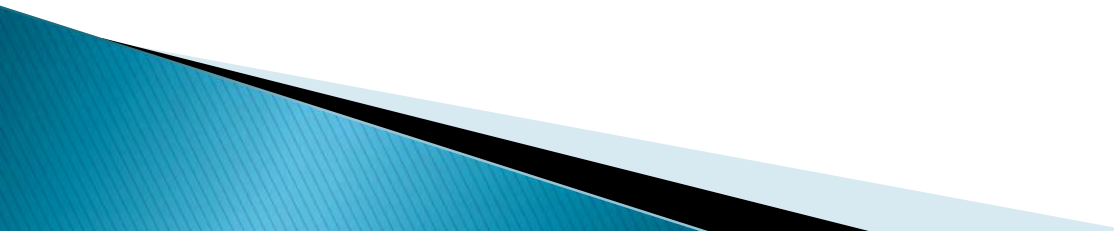


Annual federal appropriations drive CNNF ability to plan and implement timber programs. Budgets have been flat or declining and are expected to continue to decline. [Budget was essentially flat in FY14 and may be flat in FY15. Regional distribution of annual budget is important. Congress does not dictate that.]


CNNF budget affected by overall budget for Forest Service and choices made on national priorities of Forest Service both in programs and locations. Fire prevention and suppression costs are increasing and are expected to continue. Fire problems are in other areas of the country. [Outcome of Federal Fire Funding “Fix” up in the air.]

Overall amount of FS budget available to National Forests in “Block Grant” format is decreasing. Increasing Amount of “Internally Competitive” Funding Sources. [Two Chief’s Initiative and CFLRP and...???

What Constrains the Capacity of the National Forests to Fully Deliver Their Programs?

- ▶ **Multiple Use Mission and High Interest from Users of NF Assets Which Affect Budget**
 - ▶ **Current Demands from Fire Issues Nationally**
 - ▶ **Increased “Production Costs”**
 - ▶ **Regulations and Policies Which Carry Financial Costs**
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Future Outcomes Dictated by Capacity

- ▶ Like any business, if capacity is limited with existing investment inputs, new investors are needed and/or new business models must be developed.
 - ▶ Who will make these additional investments?
 - American taxpayers through Congressional appropriations??
 - County/State/Town/Tribal Governments??
 - Non-Profit Conservation Organizations??
 - Individuals??
- 

BIG Question

What new business models can be adopted successfully to increase capacity and address shortfalls?

CNNF making multiple investments with:

- ▶ Existing and new agreement partners
 - ▶ Emerging collaboratives
 - ▶ Internal “alliances”
 - ▶ Internal business practices with new and existing authorities
- 