

# CRS Report for Congress

## Forestry in the 2007 Farm Bill

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## Summary

Many programs authorized in the 2002 farm bill (P.L. 107-171) will expire at the end of FY2007, and the House and Senate Agriculture Committees are likely to consider legislation to reauthorize these programs. General forestry legislation is within the jurisdiction of the Agriculture Committees, and past farm bills have included provisions addressing forestry, especially on private lands. Most federal forestry programs are permanently authorized, and thus do not require periodic reauthorization in the farm bill. Nonetheless, the 2002 farm bill reauthorized one office (international forestry), created a new private landowner cost-share assistance program (the Forest Land Enhancement Program) replacing two previously existing programs, and enacted a new Community Fire Protection Program.

A 2007 farm bill may also include forestry provisions addressing various issues. Funding for forestry programs may be discussed, as recent appropriations have been inconsistent and mandatory spending for the Forest Land Enhancement Program has been cancelled. Protecting communities from wildfire continues to be a priority for some interests, as the program enacted in the 2002 farm bill has not been funded directly. Controlling invasive species is another forestry issue that might be addressed in a new farm bill. Funding and programs to assist forest-dependent communities in diversifying their economies could also be debated in this context, as funding for existing programs has dwindled. Finally, some interests have expressed interest in trying to create markets for ecosystem services — the values produced by forests that have not traditionally been sold in the marketplace.

The Administration's 2007 proposed farm bill includes a forestry title. It proposes four new programs: (1) comprehensive statewide forest planning; (2) competitive landscape-scale forestry grants; (3) a 10-year, \$150 million forest wood-to-energy technology development program; and (4) financial and technical assistance to communities for acquiring, planning for, and conserving community forests. The Administration's proposal does not include a forest landowner financial assistance program — reauthorizing the Forest Land Enhancement Program, or creating some new alternative assistance program. Other proposals are likely to be offered for congressional consideration from many possible sources.

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# Forestry in the 2007 Farm Bill

Forestry programs have been addressed in past farm bills and other agriculture legislation. The initial federal forestry funds were for a study of western forests in the 1877 Agriculture appropriations act, and the Division of Forestry was established in the Department of Agriculture (USDA) in 1881. In 1905, the forest reserves (in the Department of the Interior) were transferred to USDA, and a new agency — the Forest Service (FS) — was created. Thus, federal forestry has historically been associated with agriculture, and with agriculture legislation. This report briefly describes the Agriculture Committees' jurisdiction over forestry, with examples of legislation addressed by the committees. It discusses forestry issues likely to be debated in the upcoming farm bill. It then presents information on the forestry provisions in the Administration's proposal for the 2007 farm bill.

## Background

Both the House and Senate Committees on Agriculture have jurisdiction over “forestry in general” and acquired national forests.<sup>1</sup> Thus, the committees have been able to exert considerable influence over federal forestry activities over the years. For example, the Forest and Rangelands Renewable Resources Planning Act of 1974 (RPA; P.L. 93-378) and the National Forest Management Act of 1976 (NFMA; P.L. 94-588), which guide Forest Service planning and management, were both initially referred to the Agriculture Committees. More recently, the Healthy Forests Restoration Act of 2003 (P.L. 108-148) was referred to and reported by the Agriculture Committees.

In addition to forestry on federal lands, the Agriculture Committees have jurisdiction over forestry research and forestry assistance to states and to private landowners.<sup>2</sup> Forestry research is governed largely by the Forest and Rangeland Renewable Resources Research Act of 1978 (P.L. 95-307), which revised and updated the McSweeney-McNary Act of 1928. Forestry assistance is governed largely by the Cooperative Forestry Assistance Act of 1978 (P.L. 95-313), which revised and updated the Clarke-McNary Act of 1924.<sup>3</sup> Both laws were referred to and reported by the Agriculture Committees.

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<sup>1</sup> Jurisdiction over national forests established from the public domain lies with the House Natural Resources Committee and the Senate Energy and Natural Resources Committee. See each Committee's website for details on its jurisdiction.

<sup>2</sup> These three programs — forest management, forestry research, and forestry assistance — have traditionally been the three principal branches of the USDA Forest Service.

<sup>3</sup> For more information on these programs, see CRS Report RL31065, *Forestry Assistance Programs*, by Ross W. Gorte.

Recent farm bills have also included forestry provisions, primarily addressing the forestry assistance programs. The 1990 farm bill (the Food, Agriculture, Conservation, and Trade Act of 1990, P.L. 101-624) contained a separate forestry title that:

- created four new forestry assistance programs;
- revised two existing forestry assistance programs;
- amended two forestry assistance programs;
- revised the administrative provisions for forestry assistance;
- created five special forestry research programs;
- amended three existing forestry research programs;
- authorized a private, non-profit tree planting foundation; and
- created a new FS branch — international forestry.

The 1996 farm bill (the Federal Agriculture Improvement and Reform Act of 1996, P.L. 104-127) included only a few forestry provisions, extending the authorization for the one expiring assistance program and adding a new funding option within an existing program.

The 2002 farm bill (the Farm Security and Rural Investment Act of 2002, P.L. 107-171) contained a separate forestry title, which was a product of compromise between the Senate and the House. The House-passed version contained several provisions. The Senate-passed version modified most of these provisions (deleting one), and added more than a dozen additional provisions. The conference could not resolve many of the differences, and the conference agreement contained fewer provisions than either the House or Senate version. (Some of the disputed provisions were enacted subsequently in the Healthy Forests Restoration Act.)

## **Forestry Issues for a Farm Bill**

Reauthorization of the many agriculture programs is a prime reason for the periodic farm bills, but only two forestry programs have an expiring authority. The authorizations for expenditures under the Forest Land Enhancement Program (FLEP) and for the Office of International Forestry expire at the end of FY2007. All other FS programs — forest management and planning, research, and assistance — are permanently authorized, many at “such sums as are necessary.” This may reduce the pressure to include a forestry title in upcoming farm bills. Nonetheless, various forestry issues may be raised, such as forestry assistance funding, wildfire protection, invasive species, economic diversity, and markets for “ecosystem services” that have not traditionally been marketed.

**Forestry Assistance Funding.** Federal funding for forestry assistance programs has generally been rising, but the increase has not been spread equally among the various programs. Since the severe 2000 fire season and the development of the National Fire Plan, funding for cooperative fire programs (assistance to states and volunteer fire departments) has risen substantially (more than triple pre-2000 funding), and remained at very high levels. Funding for Forest Legacy (acquisition of lands or easements on lands threatened with conversion to non-forest uses) has also risen substantially, from less than \$4 million in FY1998 to \$60 million or more annually since FY2001 (and a request of \$100 million for FY2005). In contrast, the

Administration has proposed terminating funding for the Economic Action Program (economic assistance to rural, forest-dependent communities), and funding has fallen from a peak of \$54 million in FY2001 to less than \$10 million in FY2006.

The adequacy of funding for private landowner assistance programs has been of concern to many. These programs provide cost-shares to qualified landowners for various forestry practices that increase tree growth, improve wildlife habitat, protect watersheds (thus improving water quality), and more. One of the changes enacted in the 2002 farm bill was to replace two programs — the Forestry Incentives Program (FIP) and the Stewardship Incentives Program (SIP) — with the new Forest Land Enhancement Program (FLEP). Because funding for FIP and SIP had been discretionary and either stagnant (FIP) or lacking (SIP), FLEP was given mandatory funding through the Commodity Credit Corporation of \$100 million total through the end of FY2007. However, some FLEP funds were borrowed to pay for firefighting and other funding was cancelled; in total, less than half of the \$100 million “guaranteed” for FLEP will have been spent on landowner assistance. Given this history, Congress seems likely to revisit the issue of funding for landowner forestry assistance programs in the next farm bill.

**Wildfire Protection.** The threat of wildfire damages to resources and property seems to have increased in recent years. Attention has focused on high biomass fuel levels, particularly in federal forests, and on structures (especially homes) in or near at-risk forests, a situation known as the wildland-urban interface (WUI; see CRS Report RS21880, *Wildfire Protection in the Wildland-Urban Interface*, by Ross W. Gorte). Section 8003 of the 2002 farm bill created a new Community and Private Land Fire Assistance Program to assist communities and private landowners in planning and other activities to protect themselves from wildfires. The program was authorized at \$35 million annually through FY2007 and “such sums as are necessary ... thereafter.” The FS has included such expenditures as authorized activities in its State Fire Assistance Program, and for FY2005, the House Appropriations Committee directed that “\$5 million of the increase [to State Fire Assistance] is provided to fund, on a cost share basis, community wildfire protection plans” (H.Rept. 108-542, p. 94). However, Congress has not appropriated funds explicitly for this program.

Protecting private lands and structures from wildfires seems likely to continue to garner congressional attention, as the threat of wildfire persists. How to assist private landowners and communities, how to combine this assistance with other assistance and incentive programs, and how to fund such assistance seem likely to be a focus of debates over forestry programs in the next farm bill.

**Invasive Species.** Invasive species — non-native plants and animals that are displacing native ones — are becoming recognized as a substantial problem. (See CRS Report RL30123, *Invasive Non-Native Species: Background and Issues for Congress*, by M. Lynne Corn et al.) In a speech to the Idaho Environmental Forum in January 2004, then-FS Chief Dale Bosworth identified invasive species as one of

the four major threats to the nation's forests and rangelands.<sup>4</sup> The FS's Forest Health Management Program has evolved from a mechanism to survey and control insects and diseases, to a program to address all forest pests, including invasive species. In its FY2004 and FY2005 budget requests, the Administration proposed an Emerging Pests and Pathogens Fund to address rapidly developing problems of invasive species, but the Appropriations Committees rejected the request both years. In its deliberations over the next farm bill, Congress might address the structure and financing of programs to prevent and control invasive species on federal, state, and private forests.

**Economic Diversity.** The economies of many rural communities have evolved around the use — finding, extracting, processing, and selling — of natural resources. In some of these areas, one resource (e.g., timber, minerals, livestock) has traditionally dominated the local economy, but the economies of such areas can be devastated when that resource is depleted or when its markets are depressed (permanently or even temporarily). Many communities have sought approaches to diversifying their economies, to mitigate the travails that can occur when a dominant economic sector is depressed. The National Forest-Dependent Rural Communities Economic Diversification Act of 1990 was enacted in §§2372-2379 of the 1990 farm bill to authorize forestry and economic diversification technical assistance to “economically disadvantaged” rural communities. Funding, under the title *Economic Action Program*, rose from \$14 million in FY1996 to \$54 million in FY2001, but has declined since, and President Bush has proposed terminating the program in several budget requests. In its deliberations over the next farm bill, Congress may consider ways to perpetuate economic assistance programs for traditional wood products-dependent communities, either as a continued FS program or as part of other USDA rural assistance programs. (See CRS Report RL31837, *An Overview of USDA Rural Development Programs*, by Tadlock Cowan.)

**Markets for “Ecosystem Services.”** Forests provide a broad array of environmental services — clean air and water, wildlife habitats, pleasant scenery, and more — for which private landowners are generally not compensated, because these services are typically not bought and sold in a marketplace. A variety of interests have gathered to examine the possibilities of finding ways to compensate landowners for continuing to provide ecosystem services.<sup>5</sup> This is akin to the “green payments” proposals that would reward farmers who provide environmental benefits through their farm management practices. Such “green payments” for forest landowners' ecosystem services might be discussed in the congressional deliberations over the next farm bill.

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<sup>4</sup> The other three identified threats are fire and fuels, unmanaged recreation, and loss of open space. See [<http://www.fs.fed.us/projects/four-threats>].

<sup>5</sup> American Forests, the Southern Environmental Law Center, and others held a workshop to discuss landowner compensation for ecosystem services provided in Washington, DC, on May 18-20, 2005.

## The Administration's 2007 Forestry Proposal

The Administration's 2007 farm bill proposes four new forestry programs: (1) comprehensive statewide forest planning; (2) competitive landscape-scale forestry grants; (3) a 10-year, \$150 million forest wood-to-energy technology development program; and (4) financial and technical assistance to communities for acquiring, planning for, and conserving community forests. The Administration's proposal did not include reauthorizing FLEP, or creating a new landowner assistance program.

**Landowner Assistance.** USDA has provided assistance to private forest landowners for more than a century, since before the FS was established. The current financial assistance program is the Forest Land Enhancement Program (FLEP). This program replaced the Forestry Incentives Program (FIP, created in the Cooperative Forestry Assistance Act of 1978) and the Stewardship Incentives Program (SIP, created in the 1990 farm bill). FLEP was enacted in the 2002 farm bill with mandatory funding of \$100 million over the six-year life of the law. The promise of mandatory spending, however, has not been fulfilled. The FS released \$20.0 million for FLEP in FY2003, and borrowed \$50 million of the total to pay for firefighting in the 2003 fire season. The FY2004 Interior appropriations act<sup>6</sup> repaid nearly \$9.9 million, leaving a balance of \$39.9 million. In the FY2005 budget request, the President requested that the remaining funds be cancelled (not released for expenditure by the FS). The balance of FLEP funding was cancelled, pursuant to FS Administrative Provisions in P.L. 108-447, the Consolidated Appropriations Act of 2005, and the borrowed funds were not repaid. Budget authority (prior to cancellation) was \$9.2 million for FY2004, \$15.0 million for FY2005, and \$5.4 million for FY2006.<sup>7</sup> Of the \$100 million "guaranteed" for FLEP in the 2002 farm bill, only \$49.5 million will have been spent, with \$40.1 million borrowed and not repaid, and \$10.4 million cancelled. The Administration is proposing to neither renew FLEP nor replace it with an alternative private forest landowner financial assistance program. It is unclear whether this lack of private landowner assistance reflects a conclusion that past programs have been ineffective.

**Comprehensive Statewide Planning.** The Administration is proposing a new program of financial and technical assistance to state forestry agencies to develop and implement Statewide Forest Resource Assessments and Plans to address the increasing public demand for forest products and amenities, pressure on landowners to convert forests to other uses, and risk from wildfire. It is unclear whether a national direction for statewide forest planning provide the flexibility to address such diverse forests as those in Iowa and those in Florida. The proposal also raises the question of whether the various state forestry organizations are unable or unwilling to undertake statewide forest planning without federal direction and oversight. Whether statewide forest planning, together with other forestry farm bill proposals, would be more effective at providing for the growth in demand for forest products and amenities than a direct landowner assistance program, such as FLEP, is unknown. Finally, funding for this new planning effort is uncertain, when the

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<sup>6</sup> FS programs have been funded in the annual Interior appropriations acts since 1955.

<sup>7</sup> Personal communication with Joe Norrell, USDA Forest Service, Office of Program and Budget, Washington, DC, on Oct. 27, 2006.

Administration is proposing to cut FY2008 forest stewardship funding (for financial and technical assistance to states) by 41%.

**Landscape-Scale Competitive Grant Program.** The Administration's proposal includes a new landscape-scale forestry competitive grant program "to develop innovative solutions that address local forest management issues; develop local nontraditional forest product markets; and stimulate local economies through creation of value-added forest product industries." The Administration identifies as significant problems the aging of family forest landowners and the potential fragmentation of forests over the next two decades. Thus, the proposal would create a program that "would ensure a comprehensive, coordinated approach to forest management and would ensure collaboration across ownership and jurisdictional boundaries." However, many aspects of the proposal are unclear, such as:

- how "landscapes" would be defined for the grants;
- the proportion of the landowners or lands that would need to be involved for a landscape to be eligible for a grant;
- whether landowners, including governmental entities, could be coerced into cooperating;
- why the program is related to landscapes and landowners, since the goal is to foster nontraditional markets and value-added industries; and
- how the landscape grant proposals would be assessed and compared; that is, what criteria would be used to make the grants competitive.

**Forest Wood for Energy.** The Administration is proposing a new 10-year, \$150 million wood-to-energy program to accelerate development and use of new technologies to use the substantial amounts of low-grade woody biomass that degrade forest health and exacerbate wildfire risks and are of little commercial value. The proposal does not identify the program goals, and does not describe whether the focus would be on converting woody biomass to cellulosic ethanol or burning woody biomass to produce electricity. While the proposal seems to emphasize technological solutions, other factors — capital costs, infrastructure, collection and hauling opportunities, etc. — might be critical for improved utilization of low-value woody biomass for energy. It is unclear whether this proposal, or other programs, could address these other factors.

**Community Forests Working Lands Program.** The Administration's 2007 farm bill proposes a community forests working lands program to provide communities with the financial assistance to acquire and conserve forests and the technical assistance to plan for the use and conservation of those forests. This program would particularly address the problem of producing goods and services from forests at the urban fringe. However, it is unclear how this proposed program differs from the existing Forest Legacy Program. The proposal also does not address the question of the federal role and responsibility in funding and otherwise assisting communities in acquiring and conserving local forestlands. Finally, some might question whether the proposed community forests program, and the proposed competitive landscape-scale grant program (discussed above) move away from private forestland ownership and individual decision-making toward communal forest ownership and management.