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Cost sharing and woodland
management

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The Woodland Workbook

Kinds of Assistance



Cost Sharing and Woodland Management

R. Fletcher

Many woodland owners want to better manage underproductive acres, but have limited technical skill and funding. Realizing the potential for soil erosion from management projects, and the projected future deficits in timber production, the U.S. Congress initiated several cost-share programs.

These partially reimburse landowners for practices that increase

wood output and enhance the associated natural resources—water, soil, and wildlife. Each year, Oregon's qualifying landowners complete management projects totaling nearly \$2 million.

Cost-share programs are one element that you can use to get expensive forest rehabilitation projects done for minimal cost. You need to consider their value as part

of a financial assistance package that also includes tax credits, property tax savings, and amortization of costs against other income.

A recent estimate from the State Department of Forestry showed that for a \$2,400 project, a landowner

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Oregon State University Extension Service

Table 1.—Federal cost-share program requirements

	Agricultural Conservation Program (ACP)	Forestry Incentives Program (FIP)	Conservation Reserve Program (CRP)
Eligible landowners	Any eligible nonindustrial landowner	Landowner owns less than 1,000 acres ¹	Any eligible landowner
Minimum farm size	10-12 acres ²	No restriction	No restriction
Minimum project size	3 acres ³	10 acres	No restriction
Maximum yearly allotment	\$3,500 per person	\$10,000 per person	\$50,000 per person
Rate of cost-share	75% ²	65%	50% of project ² + 10-year rental agreement
Qualifying practices	Site preparation; tree planting; moisture conservation; pre-commercial thinning; animal damage protection; release from competition Also includes many nonforestry practices (like pond development)	Site preparation; tree planting; moisture conservation; precommercial thinning; release from competition	Same as ACP

¹ Exceptions are occasionally granted.

² As set by county ASC committee.

³ As set by State ASC committee.

⁴ Land classification (fragile, erodible) and use (actively farmed) determine eligibility.

would need to come up with only about 9% of the project's cost. Federal cost-share (65%), Federal (10%) and State (30%) tax credits, and savings on property taxes by switching to forestry classification (12%) accounted for the rest.

The 9% would then be eligible to amortize against income over a 7-year period, giving a total cost of less than 8%! While your actual cost might vary depending upon choice of program and a number of other factors, there are probably few better investment opportunities anywhere.

Agricultural Conservation Program (ACP)

This program was originally authorized by the Soil Conservation and Domestic Allotment Act of 1936 and further modified by acts passed in 1972, 1973, and 1977. Forestry projects under this program must compete for funding with a variety of other agricultural projects.

Forestry objectives center around soil erosion, but they include also:

- promoting practices that will result in long term public benefits;
- conserving soil, water, and other natural resources; and
- enhancing the rural environment.

You will find a list of specific requirements in table 1.

Forestry Incentives Program (FIP)

After years of an ACP that provided funds for forestry projects, Congress realized the intent of the program was not being accomplished on forest lands. In Oregon, for example, only about 20% of the 25,000 small woodland owners were managing their lands effectively for timber production. These landowners also were lagging behind in adopting conservation practices. This led Congress to establish FIP in the late 1970's.

FIP targets small woodland properties and aims at:

- increasing the supply of softwood timber;
- promoting sustained yield management;
- promoting cost-effective forest improvement practices; and
- enhancing other forest resources.

Unlike ACP, FIP focuses on production rather than conservation. Table 1 lists specific FIP requirements.

Conservation Reserve Program (CRP)

The most recent addition to the cost-share programs is the Conservation Reserve Program, initiated in 1986. It targets annually cropped farm land that may be in a highly erodible or other sensitive condition. To qualify, the land must have been annually cropped for 2 of the 5 years during the base period (1981-85). Table 1 lists specific CRP requirements.

For those that qualify, this is by far the best deal financially, as the landowner receives payment for 50% of the project cost (as determined by the county ASC committee), plus annual rent payments for 10 years, according to a fee established by a bid procedure.

While CRP somewhat resembles ACP in scope, it specifically targets sensitive sites, has special provisions such as the filter strip program, and generously rewards those who will tie up land in conservation plantings.

Program administration

State and county Agricultural Stabilization and Conservation (ASC) committees set program guidelines, working under the direction of the Agricultural Stabilization and Conservation Service of the U.S. Department of Agriculture. Participating farmers in each area elect these committees.

Each year the Secretary of Agriculture allots Oregon's program funds. The State ASC committee then determines priorities for dividing funds among the counties. Recommendations from the local State Department of Forestry service forester and the county ASC committee provide landowners with the county funds.

Table 2 lists the responsibilities of these various agencies and committees.

Initiating and conducting a cost-share project

As with any government program, you need to carefully follow several steps to achieve a successful project.

Step 1. Decide what type of project to undertake

You can get technical assistance and advice from a variety of sources including service foresters, Extension agents and forestry consultants. At this point, you need to decide the size of your project, the area it includes, and who will do the work.

Table 2.—Program responsibilities of cost-share agencies and committees

1. Agricultural Stabilization and Conservation Service (ASCS) county offices
 - Take signups
 - Keep project records
 - Disburse funds
 - Evaluate success of projects
 - Provide aerial photos of project areas
2. County and state ASC committees
 - Set project requirements
 - Establish rates of assistance
 - Allocate funds
 - Rule on project extensions
3. Oregon State Department of Forestry—service foresters
 - Provide technical advice
 - Do field checking
 - Consult with county committees on technical matters
 - Establish feasibility of cost-share projects
4. U.S. Forest Service—division of state and private forestry
 - Evaluate statewide program
 - Administer funds as allocated by Congress
 - Provide technical assistance
5. Oregon State University Extension Service—Extension agents
 - Locate potential landowners
 - Publicize availability of programs
 - Advise committee about new practices
6. Soil Conservation Service district offices
 - Provide technical assistance

Step 2. Contact ASCS office and complete a project request

Check with the ASCS office for information on application signup periods. You may sign up before you know exactly what or how much you want to accomplish. Be prepared to list your management plan and the legal description of the project area.

Step 3. Visit site with service forester and agree on project content

The service forester will provide you with technical assistance regarding species of trees to plant, number to plant per acre, chemicals to use, steps for completing the project, necessary equipment, and available contractors.

Step 4. When approval has been granted, begin the project

It is important not to begin work on a project before you receive approval. *Failing to follow this procedure will lead to project cancellation.* The approval will state

how much you will be paid for the project. Money will be set aside for your project as soon as it is approved. You can complete your own work or contract it out.

Step 5. Submit records for completed project to ASCS

Include supplies purchased, labor costs, and hourly work records with this information.

Step 6. Review project on site with service forester

After examining the completed work and certifying that it meets the standards agreed upon at the start of the project, the service forester will issue a report to the county ASC committee.

Step 7. Reimbursement

The ASCS will issue a check to you for the project. You will be paid only for the portion of the project successfully completed. Exceptions

are granted for circumstances beyond your control (weather, insect outbreak).

Common questions

1. If scattered commercial timber is present, can I harvest it and then apply for cost share?

While this may seem unfair, any amount of commercial softwood timber may prevent an area from qualifying. What you could do is submit the nonstocked patches for cost-share assistance and reforest the rest of the area on your own, following harvest. Project inspectors will sometimes overlook single commercial trees.

2. Can I stretch a project over more than 1 year?

Yes. Opportunities exist for project lengths from 1 to 10 years. While annual agreements allow you the most flexibility, long term agreements guarantee the availability of project funds in future years, when annual funds might not be available.

3. If I cannot complete the project on time, what will happen?

In cases of unusual circumstances or hardship, project extensions may be granted. The county ASC committee makes this decision. If an extension is not granted, your project will be cancelled and no funds will be paid. You may apply later for other projects, on other areas.

4. How much money will I receive if I do the work myself?

You will *usually* receive the same amount as a contractor. The county committee sets yearly cost-share rates from those supplied by the local service forester. Check with your ASCS office about local rates and special rates for doing the work yourself.

5. Is the payment I receive taxable income?

According to a recent Internal Revenue Service ruling, you have the option to either claim or exclude payments as income. However, if you do not claim the payments, and dispose of the property within 20 years, you may be liable for taxes. At least once a year, check with your tax specialist for the latest information on this liability.

6. What strings are attached?

Your only obligation is to maintain the project for 10 years. If you fail to do so, the county committee will ask you to return all cost-share payments for the project.



The Woodland Workbook is a collection of publications prepared by the Oregon State University Extension Service specifically for owners and managers of private, nonindustrial woodlands. The *Workbook* is organized into 11 sections, containing information of long-range and day-to-day value for anyone interested in wise management, conservation, and use of woodland properties. It's available in a three-ring binder with tabbed dividers for each section.

For information about how to order, and for a current list of titles and prices, write Agricultural Communications, Publications Orders, Administrative Services Bldg. 422, Oregon State University, Corvallis 97331-2119, or inquire at the office of the OSU Extension Service that serves your county.

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