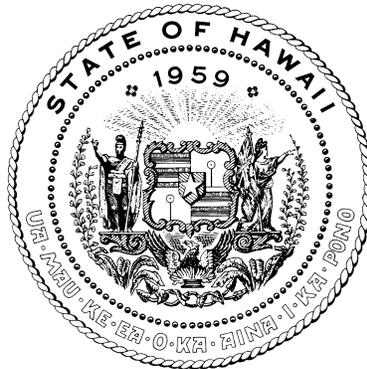


REPORT TO THE TWENTY-FOURTH LEGISLATURE
REGULAR SESSION OF 2008
RELATING TO THE FOREST STEWARDSHIP PROGRAM



Prepared by

THE STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
DIVISION OF FORESTRY AND WILDLIFE

In response to Section 195F-6, Hawaii Revised Statutes

Honolulu, Hawaii
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PURPOSE

This report complies with §195F-6, Hawaii Revised Statutes (HRS), and covers specific topics relating to the Forest Stewardship Program (Program) within the Department of Land and Natural Resources (Department). Act 195, Session Laws of Hawaii (SLH) 1993, established a dedicated funding source as a percentage of annual Conveyance Tax revenues that are deposited into the Natural Area Reserve Fund. This report covers actions taken during the period July 1, 2006 – June 30, 2007 as required to implement the statutory provisions of the Program.

BACKGROUND

The Program became effective in July 1991 through Act 327 of the 1991 State Legislature. The Act authorized the Department to provide state funds to financially assist private landowners to manage, protect, and restore important natural forest resources on their forested and formerly forested properties. The Program enables private landowners to restore, conserve and actively manage important forest resources throughout Hawaii that provide vital public and private socioeconomic and environmental benefits and services. Private landowners own approximately one half of Hawaii's remaining forested areas. By establishing and maintaining this Program, the State recognizes that public-private partnerships are essential to the present and future conservation and health of our valued forest resources and Hawaii's natural environment as a whole. With the demise of Hawaii's primary agricultural industries, sugar and pineapple, the Program has and continues to encourage native resource conservation in these formally agricultural areas. It also serves to stimulate investment in forestry as a promising, economically viable land-use alternative that will supply a small but rapidly developing hardwood timber industry.

Approximately 16,050 acres (11 landowners – 9 active and 2 in the process) are currently being managed under the Program for watershed protection, conservation, high-value timber plantations, threatened and endangered species recovery, environmental education, and restoration of formerly fallow and/or degraded agricultural lands. The majority of landowners who are enrolled in the Program would not have been able to pursue their innovative land-use objectives without the technical and financial assistance that has been offered to them through this Program. Approximately 3,376 acres (22 landowners) have completed 10-year contracts in this Program, and many of those acres are still being managed as they were while enrolled in the Program.

The success of the Program is due largely to its inclusion of a wide variety of ecosystems and its ability to address a full array of forest management problems and opportunities in a range of

local contexts. Partnering with a variety of federal programs managed by the Department and other local agencies has also lead to the success of this Program. This Program is one of the few in the State that has management areas ranging in size from 7 to 8,455 acres. Equally as diverse are the management objectives, which generally range from conservation of native habitats, high-value timber production, agroforest crop production, watershed restoration, and finally educational and recreational opportunities. The thousands of acres of forest cover being established and/or maintained through the Program, largely on formerly degraded pastures or sugarcane lands, serve to enrich soils; reduce erosion; restore and protect important watersheds; and provide habitats for many important species. Landowners who are producing high-value timber for the local industry are also making a valuable contribution to the development of Hawaii's forest industry and a more diversified economy.

All of the Forest Stewardship projects are in some way contributing to the overall health and productivity of Hawaii's forests as well as enhancing ecosystem services and economic potential. **(Appendix 1).**

PLANNING and MANAGEMENT

The Department continues to identify ways to more effectively address landowner and state needs while maintaining accountability and furthering the overall, long-term objectives of the Program. The Program's "Five Year Plan", included as **Appendix 2**, outlines strategies for expanding the Program's environmental and economic impacts, while increasing landowner participation. The Program follows the State Procurement Law by publishing advertisements for funding and legal notices "Request for Proposals" annually, and keeps an announcement on the State Procurement Website www2.hawaii.gov/bidapps/ShowBids.cfm?Isle=O.

The Hawaii Forest Stewardship Advisory Committee (Committee) reviews all landowner proposals and management plans, and recommends those that are eligible and worthy of assistance, to the Board of Land and Natural Resources (Board). This Committee also oversees the Federal Forest Legacy Program. More information on the Forest Legacy Program can be found at www.state.hi.us/dlnr/dofaw/Legacy/index.html. Some members of the Committee have also participated in the development of recommendations for the final report on An Analysis Of Incentives To Promote Landowner Protection Of Important Mauka Lands, as requested by House Concurrent Resolution 200, House Draft 1 of 2006 Regular Session.

All successful State Forest Stewardship applicants enter into formal contract agreements with the Board for a term of no less than 10 years. Contract agreements clearly define applicant responsibilities and provide mechanisms to ensure applicant accountability. Forest Stewardship contracts also require Governor's approval through the Department of Budget and Finance; Chairperson's (of the Board) approval; Department of Accounting and General Services (DAGS), Pre-audit Division formal contract encumbrance approval; employer-employee approval; State procurement requirements (when total contract exceeds \$25,000); and Department of the Attorney General (AG) contract approval as to form.

All landowner participants must commit and follow practices described in their Forest Stewardship Management Plan, which are in compliance with the Department's Best Management Practices (BMPs) when preparing project sites for planting and harvesting any trees that are planted with program assistance. All Forest Stewardship projects are reviewed to verify compliance with this requirement. If commercial timber production is a management objective, participants must also, in adherence with Chapter 343, HRS, prepare an environmental assessment (EA).

Landowners receive cost-share payments as reimbursements only after they complete and report on specific management practices as described in their approved management plans. Once such practices have been confirmed by Department staff, reimbursements are provided. Landowners are required to submit written reports in a standard format, with all related cost documentation provided to the Department's Division of Forestry and Wildlife (DOFAW) every six months for the entirety of their project. All projects are periodically assessed, monitored and audited by DOFAW staff, for adherence to approved budgets, program guidelines and approved management plan specifications. Occasionally, contracts are amended to allow for unforeseen delays in the progress of the management plan or in order to adapt to damage to resources due to prolonged drought, flooding and/or large storms. DOFAW is always available for technical and programmatic guidance as needed.

PROGRAM DEVELOPMENT/OUTREACH

The Department has continued to address Program goals and assist applicants with Forest Stewardship Management Plan development and implementation. The Program has also continued to educate the public with regards to the important environmental and economic benefits that our forest resources provide, when responsibly managed.

The Department continues to work successfully with other federal, state, and county agencies on all major islands to deliver assistance and information to landowners. The Department's Cooperative Resource Management Forester communicates directly with landowners who have forest management concerns or questions regarding the Program. The Department has distributed several hundred handbooks, fact-sheets and brochures to landowners and government agencies on all islands. In addition, Forest Stewardship workshops are held on each of the major islands. These workshops are designed to attract all eligible landowners who may not otherwise know about or understand the Program. The Department also contributes Program news updates to relevant agency and organizational newsletters and periodic press releases to further educate partners and inform potential landowner participants. The Department will continue to advertise the Program to reach out to landowners with various stewardship objectives on all islands.

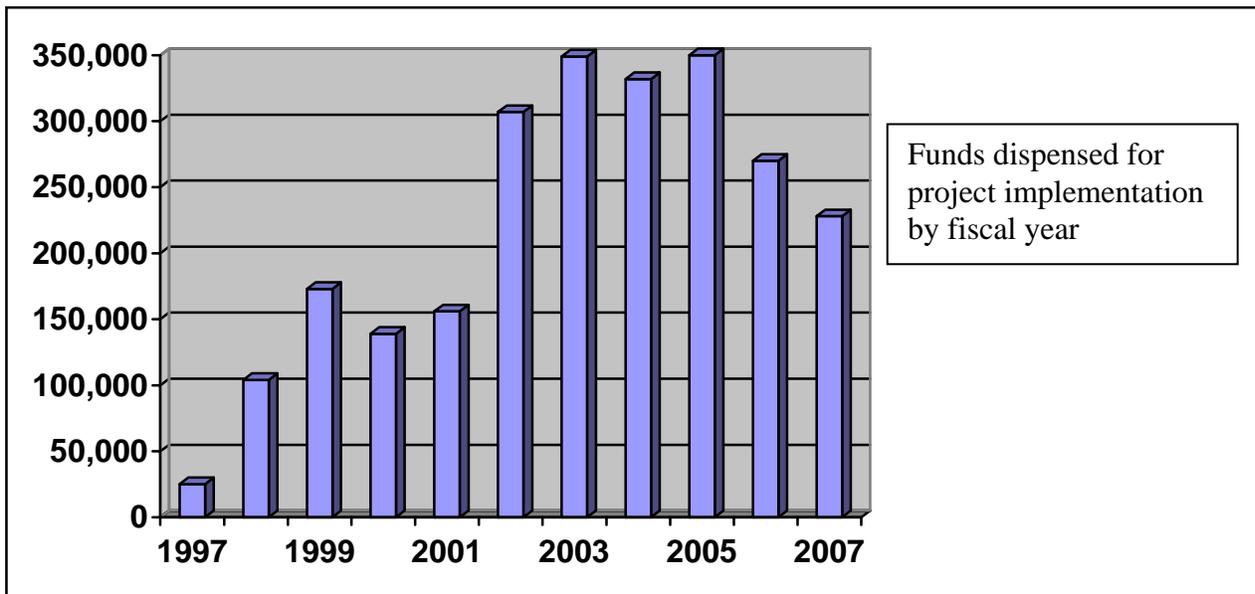
Appendix 3 provides a description of all landowner assistance programs in the State (Federal and State), as well as benefits each provides. This information allows private landowners to investigate all program possibilities so they are able to utilize the programs that best meets their natural resource needs. In addition to cost-share assistance, the Program is providing landowners with a support network that includes experienced professional foresters and other landowners who have similar ambitious and innovative, yet realistic forest management objectives and are eager to share their forest management experiences.

The Hawaii Forest Stewardship Handbook (Handbook) is regularly updated and provided to all landowners and resource professionals who are interested in the Program. The Handbook contains information about program eligibility; enrollment and fiscal procedures; management plan requirements and specifications; practice criteria for cost-share assistance; practice specification guidelines; and accomplishment and reporting requirements (**Appendix 4**). The Handbook and other Forest Stewardship information are also available online on the Department’s web page at www.state.hi.us/dlnr/dofaw/hfsp/index.html. This site has current stewardship project information with photos; stewardship application procedures; the Five-Year Plan, Annual Reports; frequently asked questions (FAQs) about the Program; links to complementary programs managed by DOFAW and other local agencies; and other relevant information.

ACTIONS

There are approximately 16,050 acres of private forestland in Hawaii that are being successfully managed for a variety of private and public forest products and benefits as a result of Program assistance. To date, the Department has entered into formal Forest Stewardship contract agreements with 31 landowners on the Islands of Kauai, Oahu, Maui, Lanai, Molokai, and Hawaii with two new clients in process. For a concise listing of the history of all Forest Stewardship projects, see **Appendix 1**.

The following table illustrates landowner demands for the Program, and the corresponding funds supporting these demands since the Program’s establishment.



Landowners may experience difficulty following their management plan schedules and spending the funds designated for these practices due to temporary financial hardship, health problems, drought or heavy rain conditions, or other unexpected events. These slow production years are often balanced by good years during which projects progress more rapidly than planned. Although most Forest Stewardship contracts formally terminate after 10 to 30 years, the benefits of the management made possible through the Program will continue to accrue for decades.

Funded projects have been quite successful over the years. However, some projects and landowners do go through a significant change in scope and scale of project to the extent of suspending or terminating management. Early termination requires Board approval and potentially repayment of the state funded cost share. The drop in funds dispersed in 2006 and 2007 is partially attributed to suspension of management actions at the Honouliuli Preserve Project on Oahu and the Hawaii Rainforest Sanctuary Project on Hawaii. The Department is working with both landowners for a reduction in scope and responsibilities or an early termination and withdrawal from the Program.

The forest management accomplishments made possible with assistance from the Program are providing a variety of social and environmental services. Participating landowners provide valuable information concerning successful forest management techniques such as site preparation; planting; invasive species control methods; species selection; native timber production; and seedling maintenance. Through written progress reports, site visits and casual interactions with participating landowners, projects are generating a wealth of practical information that can be used by other landowners who may be inclined to pursue similar endeavors. Some of the results of this knowledge are posted on the Forest Stewardship website however it has become clear that more work is needed to convey landowner assistance program opportunities, as well as private landowners sharing their knowledge with the State.

As a result of continued public support and interest, DOFAW conducted two landowner assistance workshops, one on O'ahu on July 20, 2006 and the second in Hilo, Hawai'i on March 13, 2006. The workshops were attended by 22 private landowners and 26 program managers from various landowner assistance agencies. A third workshop is scheduled for October 25, 2007 in Kona, Hawai'i (**Appendix 5**).

PROGRAM CONSTRAINTS, RECOMMENDATIONS AND/OR CHANGES

A. Changes in Program Administration:

1. For a number of reasons, some landowners are not able to adhere to their project implementation schedules as defined in their Forest Stewardship contract agreements. Some have problems obtaining tree seedlings or necessary equipment. Some are faced with environmental conditions such as drought or extended heavy rains, which hinder their progress. Others simply find that they were too ambitious when planning their project. All amendments to management plan budgets and schedules used to require the Board and the AG's approval. To reduce administrative processes, the Board authorized the Chairperson to approve minor changes in project implementation and the budget.

2. Hawaii Administrative Rule 13-109-5 established a minimum Forest Stewardship Program term of 10-years in which management plan objectives are achieved. In 2002, the Board established policy to lengthen program contract terms to 30-years requiring landowners to keep forests on their land for longer periods of time. As a result of the 30-year contract term, the Program has experienced reduced interest due to other landowner assistance programs offering greater benefits, (eg. higher hold down rates, lower cost-share match ratio, and shorter contract term lengths). Due to these factors, the Board approved a change to the policy for contract term lengths that allows contracts, which do not have a commercial timber production component, to be much shorter in term length. However, whenever possible, longer term contracts will be encouraged in order to maximize ecosystem services.
3. Hold down rates associated with the Program have been updated to more closely represent the current market price for the practices detailed in the Handbook. This change and the ability to modify budgets allowed participants to modify their project budgets (for the same practices) at least once during their 10-year cost share period. This allows participants to get reimbursements of actual costs for the various practices, thus increasing the likelihood of implementation of management goals.
4. A “Special Areas” management practice has been added to the Handbook that includes riparian zone buffer management, intensive revegetation in heavy invasive species areas and fire prevention and suppression. This new practice provides the flexibility of assessing hold down rates for unique areas that often require adaptive management practices to successfully manage the resources.

B. Recommended Changes for Fiscal Year 2008

1. Hawaii Administrative Rules Title 13-109-8(c)(3), associated with the Program, does not currently allow federal funds (received by the same private landowner engaged in similar and/or related natural resource management goals) to be used as a match for State Forest Stewardship Program dollars. Program participants who are energetic and seek out like-programs should be benefited by their efforts to fund restoration, conservation or timber production funding programs by being allowed to match federal and state dollars. Natural resource management is challenging in and of itself, therefore the State should provide greater support for private landowners interested in engaging in a long-term (up to 30 years) land management. Other state programs (Natural Area Preserve Programs) currently allow the utilization of federal funds as a match for state dollars. A rule change is needed to allow state funded programs to utilize federal funds as a match when programs are identical in goals, yet do not overlap in specific practices.
2. Update Program website. The Forest Stewardship Program website needs to be updated in order to incorporate landowner practice implementation information, research outcomes, partner agency outcome and analysis, and any landscape level analysis that may facilitate greater cooperation among partner agencies.

3. A number of Committee members have had to resign, largely due to job relocation or expiration of their term. With new Committee members coming, it is time to develop bylaws for the Committee to establish protocols for recruiting new members; member term lengths; member authority and responsibilities; officers and elections; termination procedures; and attendance. The Department and the Committee are currently developing draft bylaws for approval by the Committee and the Board.