REPORT TO THE TWENTY-SEVENTH LEGISLATURE
REGULAR SESSION OF 2014
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

November 2013
RELATING TO THE FOREST STEWARDSHIP PROGRAM

PURPOSE OF THE FOREST STEWARDSHIP PROGRAM

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, the Forest Stewardship Fund (§195F-4, HRS) for the Program as a percentage of annual Conveyance Tax revenues that is deposited into the Natural Area Reserve Fund. This report includes actions taken during the period July 1, 2012 – June 30, 2013 as required to implement the statutory provisions of the Program.

BACKGROUND OF THE HAWAII FOREST STEWARDSHIP PROGRAM

The Program became effective in July 1991 by way of Act 327 of the 1991 State Legislature. The Act authorized the Department to provide state funds to assist, technically and financially, private landowners and managers to protect, manage, and restore important natural forest resources on their forested and formerly forested properties. The Program enables private landowners or long-term leaseholders to restore, conserve, and actively manage important forest resources that provide vital public and private socioeconomic and environmental benefits.

Private landowners own approximately one-half of Hawaii's forested areas. By establishing and maintaining the Program, the State recognizes that public-private partnerships are essential to the present and future health of forest resources, as well as public benefits that they provide to the people of Hawaii. With the withdrawal of much of Hawaii's agricultural industries, including sugar and pineapple, the Program encourages the restoration, forest production, and conservation of degraded agricultural areas with native forest systems. The Program also serves to stimulate investment in forestry as an economically viable land-use alternative that will supply Hawaii’s rural communities with a source of revenue, provide locally grown products and energy that reduce Hawaii’s dependence on imported goods as well as contribute environmental benefits such as clean water and habitat for Hawaii’s native wildlife.

The primary goals of the Program are: watershed protection, forest restoration, and conservation, development of forest products, high-value timber plantations, threatened and endangered species recovery, environmental education, restoration of formerly fallow and/or degraded agricultural lands, and establishment of agroforestry systems.

Figure 1. Forest Stewardship project’s agroforestry trials - understory cropping utilizing cultural important plants to help suppress weed species.
In addition to providing funding support for agreements with qualified landowners under the Forest Stewardship Program, the Forest Stewardship Fund also collects moneys from the sale of forest products from the State of Hawaii Forest Reserve System lands (as defined in §186-5.5, HRS); and supports the management of the public forest reserves; state timber management areas; as well as development of environmental education and training programs pertaining to sustainable forestry management.

FOREST STEWARDSHIP PROGRAM ACTIVITIES

From 1990 to present, approximately $3,932,721 in state funds have been distributed to 36 different Forest Stewardship projects participating in the program and conducting stewardship activities over the course of 10 up to 30 years (The Program provides cost-share assistance for the development of Forest Stewardship management plan and implementation of management practices over at 10 year period. Some projects commit to maintaining their projects for up to 20 additional years at no cost to the State). Twenty-six projects are considered to be in the post 10-year maintenance phase; six projects are actively engaged in the cost-share program implementing their management plans; six additional projects are currently proposed for enrollment (they have completed Forest Stewardship management plans and have requested cost-share assistance to implement their plans); and four have developed forest management plans under the Program; and one project has been terminated due to a change in landownership (Exhibit A).

Three of the four projects with approved Forest Stewardship management plans have accessed financial assistance from other forestry landowner assistance programs; an option that recently became available to landowners in Hawai‘i through a Joint Forestry Memorandum of Understanding (MOU) signed between the Department, U.S.D.A. (Forest Service and Natural Resources Conservation Service - NRCS), and the Hawaii Association of Conservation Districts in 2011. The Program continues to remain important to landowners interested in providing sound technical management for their forest resources as demonstrated by the increasing and continued interest in the Program; the Department is actively working with 14 additional projects interested in developing Forest Stewardship management plans.

The funds dedicated to the Program have contributed to the completion forest management plans on 19,845 acres, and have leveraged between $50,000 to $200,000 per year in U.S. Forest Service funding to administer the Program and in support of the development of long-term, comprehensive management plans and establishment of stewardship practices across Hawai‘i. Further, the State
funds expended under this Program have leveraged at total of $5,819,103 in private funds and contributions that have been spent on forest management. This represents that non-state resources have contributed 60% of the total forest management cost in conjunction with the Program.

With the initiation of the Joint Forestry MOU, the Program has been used as a catalyst for applicants to seek funding from other landowner assistance programs for the implementation of their approved Forest Stewardship management plans. The Program was able to continue supporting forest management during the economic downturn while reducing the total cost to the Program from previous years; thus leveraging available funding for land management in across the State. Ultimately, less State funds have been spent with the same public benefits realized. Forest Stewardship projects, in many cases, will use a number of programs to help implement their management plans targeting each program for its specific program objectives and goals (e.g. U.S. Fish and Wildlife Service Partners Program has provided assistance to projects that are managing endangered species habitat). Cost-share assistance from the Forest Stewardship Program, however, remains important for projects, as it is the most comprehensive landowner assistance program for forest lands available in Hawai‘i.

The following table illustrates State Forest Stewardship Program funds encumbered since 2008 as well as the anticipated need for the Program for Fiscal Year 2014. For the first time in the first quart of this fiscal year the amount of money allocated for new projects to enroll in the program have been exceeded by the requests for funding made by landowners and land managers.
The majority of landowners who enroll in the Forest Stewardship Program would not have been able to pursue their innovative and sustainable land-use objectives without the technical and financial assistance made available through this Program. With more attention on the preservation of water resources and local initiatives to be more self-sustainable, the Program has continued to remain relevant as many of these initiatives and objectives can be achieved through forest management. Additionally, the Program continues to have a steadily growing interest from landowners that are more interested in managing their properties for forestry and forest conservation.

The Program interacts with various federal programs from the U.S. Forest Service, Natural Resources Conservation Service (NRCS), and Farm Service Agency (FSA) that rely on the Department, as the experts in forest management, to provide technical assistance to forest landowners interested in restoration, conservation, or forest product production for their landowner assistance programs. The Program also supports the development of forest management plans associated with conservation easement acquisitions through the federal Forest Legacy Program. In the State Fiscal Year 2013, Program staff have provided over 1,500 hours of technical assistance to private landowners and/or communities.

FOREST STEWARDSHIP PLANNING, MANAGEMENT AND ACTIONS

The Department continues to identify ways to address landowner’s and the public’s needs while maintaining accountability and furthering the overall long-term objectives of the Program. The
Department’s web page at [www.hawaii.gov/dlnr/dofaw/forestry/fsp](http://www.hawaii.gov/dlnr/dofaw/forestry/fsp), outlines strategies for expanding environmental and economic impacts, while increasing landowner participation. The Department has incorporated State’s forestry priorities and strategies into the State of Hawaii Forest Action Plan, completed in June 2010 ([http://hawaii.gov/dlnr/dofaw/SWARS/home](http://hawaii.gov/dlnr/dofaw/SWARS/home)). The Forest Action Plan allows the State to identify priority areas, resources, threats, and issue specific to Hawaii and opens a unique source of funding through the U.S. Forest Service’s Competitive Grant Program. The Department competes annually, region-wide for this competitive funding and has historically done very well in getting a number of projects funded each year.

**BACKGROUND OF THE CONSERVATION RESERVE ENHANCEMENT PROGRAM**

The U.S. Secretary of Agriculture and the State of Hawaii Governor authorized the Hawaii Conservation Reserve Enhancement Program (CREP) on January 15, 2009, as an initiative under the Forest Stewardship Program that expanded the available financial assistance to landowners for restoration of degraded agricultural lands and protection of sensitive habitats. Hawaii CREP is a jointly run forestry program between the USDA Farm Service Agency, USDA NRCS, and the State that assists landowners and leaseholders to enact watershed conservation practices on their land. CREP projects contribute toward achieving the State’s identified watershed goals. These goals include enhancing stream water quality and quantity, reducing coral reef degradation, enhancing near shore coastal waters by preventing land base pollution, increasing groundwater recharge, restoring native, threatened and endangered species habitat, and controlling the spread of invasive species through the islands.

Participants receive financial assistance from USDA and the State for installing conservation practices on their land. The State’s commitment to the USDA for CREP is to provide 20 percent of the total program cost; 10 percent of the program, cost is paid directly to landowners and 10 percent can be met by an in-kind contribution by the State. During the 2006 Legislative Session, the Hawaii Legislature approved an increase in base funding for the Forest Stewardship Fund to support the implementation of the Hawaii CREP as authorized under §195F-4, HRS. Funds granted through the Hawaii CREP support landowners in managing, protecting, and restoring important natural resource values in Hawaii’s forested and formerly forested lands.

**HAWAII CREP ACTIVITIES**

As of October 1, 2012, Hawaii CREP was made available to landowners across the State. To date a total 12 project agreements have been executed covering over 475 acres. Since State Fiscal Year 2010, a total of $337,313.93 direct State Funds have been matched by
$1,687,405 of Federal USDA funds and a minimum of $1,417,795 of private funds. Although Hawaii CREP strives for a 50% cost share for practice implementation based on current practice costs in Hawaii landowners often end up paying for more than 50% of conservation practice’s installment.

During the past year, interest in Hawaii CREP has remained high but enrollment has been limited due to the expiration of the 2008 Farm Bill, potential enrollment in FY13 was limited to July 1, 2012 – September 30, 2013 and May 13, 2013 – June 30, 2013, which left the program, closed for 8 out of 12 months in State FY13. However, current participants remain engaged in the program and additional landowners have expressed interest in the program throughout Hawaii, Maui, Kauai, and Oahu Counties.

HAWAII CREP PLANNING, MANAGEMENT AND ACTIONS

With DOFAW and NRCS staff turnover and the lack of CREP authorization for 8 months of the year, Hawaii CREP has had limited success in continuing to increase enrollment from last fiscal year as well as for providing planning and contracting for interested CREP participants. Thus in 2013, two dedicated Hawaii CREP Planners were hired (one servicing Hawaii County and one servicing Maui, Kauai and Honolulu Counties) to increase program visibility and improve project planning turnaround. The Department was awarded funding from the National Fish and Wildlife Foundation to hire these two new conservation planners in conjunction with the Hawaii CREP partners. Hawaii CREP planners will assist in developing outreach strategies for all of islands with a goal of increasing participation to 3000 acres in two years.

Additionally, with the Joint Forestry MOU in place, Forest Stewardship management plans can be used to establish the appropriate management practices for participates in Hawaii CREP; thus reducing the delay for interested landowners. Forest Stewardship management plans have also been providing cost-share support under Hawaii CREP over this fiscal year, which illustrates the partnership and collaborative efforts being established. For example, a number of landowners have used the Forest Stewardship Program to plan their conservation efforts over their entire property and then funded portions of their plan through Hawaii CREP or another partner program such as EQIP. This demonstrates the increased cooperation and communications between multiple State and Federal programs in Hawaii.
It is anticipated that enrollment in Hawaii CREP will increase with increased dedicated staff and project awareness. Ultimately, the most limiting factor preventing additional enrollment in Hawaii is the inconsistent Farm Bill authorization.

FOREST RESERVE REVENUE

In accordance with §183-16, HRS, revenue accrued from specified services and products derived from the State’s Forest Reserve System are deposited in the Forest Stewardship Fund (§195F-4, HRS). During the period from July 1, 2012 to June 30, 2013, total revenue of $726,709.40 was deposited into the Forest Stewardship Fund. Revenue for this fiscal year came from four primary sources: 1) Sustainable sale of various forest products; 2) Rent from leases and special use permits; 3) Emergency Fire Mitigation Funding; and 4) Camping permits (Table 1). In State FY13, the majority of revenues were generated by Kauai, followed by Oahu, Hawaii Island and Maui County (Table 2).

Table 2 – Forest Reserve Revenue by Type

<table>
<thead>
<tr>
<th>Type</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency Fire Mitigation Funding</td>
<td>$162,400</td>
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<tr>
<td>Rent</td>
<td>$171,238</td>
</tr>
<tr>
<td>Camping Permits</td>
<td>$34,182</td>
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<tr>
<td>Forest Products</td>
<td>$358,888</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$726,709</strong></td>
</tr>
</tbody>
</table>

Revenue derived from public Forest Reserves are used for watershed protection and for the enhancement and management of public Forest Reserves. During the past Fiscal Year (July 1, 2012 to June 30, 2013), funds from the Forest Stewardship Fund were used for the following public management uses and projects statewide.

Table 3 – Forest Reserve Revenue by Island

<table>
<thead>
<tr>
<th>Island</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oahu</td>
<td>$146,103</td>
</tr>
<tr>
<td>Hawaii</td>
<td>$94,219</td>
</tr>
<tr>
<td>Maui</td>
<td>$3,746</td>
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<tr>
<td>Kauai</td>
<td>$482,639</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$726,709</strong></td>
</tr>
</tbody>
</table>

Figure 9. Salvaged down koa (*Acacia koa*) from Na Pali-Kona Forest Reserve on Kauai.

Figure 10. Department staff worked cooperatively with partners to conduct weed surveys and suppression in the Moloka’i Forest Reserve.
Administration & Oversight State-wide
- Salary Obligations $748,698
- Support District Wildlife and Reserve Management $329,589
- Travel, Symposia, Training $ 10,000
Total $1,088,297

Oahu District
- Watershed Management $240,000
- Forest Reserve Management $ 58,531
- Invasive Species Staff $ 10,000
Total $308,531

Hawaii District
- Watershed Management $245,960
- Forest Reserve Management $100,000
- Invasive Species Staff $ 20,000
Total $365,960

Maui Nui District
- Watershed Management $266,000
- Forest Reserve Management $ 50,000
- Invasive Species Staff $ 10,000
Total $326,000

Kauai District
- Watershed Management $266,000
- Forest Reserve Management $ 50,000
- Invasive Species Staff $ 10,000
Total $286,000

EDUCATION, DEVELOPMENT AND OUTREACH

Both the Forest Stewardship and Hawaii CREP strive to educate the public concerning the important environmental, social, and economic benefits that forest resources provide when responsibly managed. Through successful partnerships with federal, state, and county agencies on all major islands, the Department engages in various landowner assistance workshops and outreach events across the State. Additionally, the Department's websites are constantly updated and handbooks, fact-sheets, posters, signs, and brochures are continuously distributed to landowners, communities, and government agencies across the state. The Department also contributes program news updates to relevant agency and organizational newsletters, as well as periodic press releases to further educate partners and inform potentially interested landowners.

Figure 11. Hawaii CREP Project proudly showing the signs given to landowners for participating.
Forest Stewardship and Hawaii CREP signs are given to landowners who engage in these programs as a way of thanking them for being good land stewards and continuing to encourage them to practice good land management practices. Many landowners are proud of their commitment to land stewardship and their contributions to making Hawaii a strong and healthy place to live. Additionally, the signs have encouraged neighbors to also consider and participate in forest management through Hawaii’s assistance program.

The State has continued to provide targeted outreach to potential Forest Stewardship Program and Hawaii CREP participants individually and through the presentations at various organization events. Individual participants have been targeted through meetings with landowners from Molokai (April 2013), Kauai (April 2013) and the Big Island (June 2013). Additionally, the Department staff has participated in the Kauai Watershed Alliance Meeting, the Mauna Kea Watershed Alliance Meeting, the Sandalwood Symposium, the Koa Symposium, the Agricultural Awareness Day, and the Hawaii Association of Conservation District Annual Meeting.

In fiscal year 2014, the Department will hold a technical planning workshop for forestry and natural resource management consultants interested in helping landowners participating in the Forest Stewardship Program. The Forest Stewardship Contractor Workshops will train and engage contractors on writing Forest Stewardship management plans, provide information on forestry management in Hawaii, and give details on technical resources available all to provide more comprehensive and accurate management plans under the Program.

RECOMMENDED CHANGES

Forest Stewardship Program Administration:

1. The Department and Forest Stewardship Advisory Committee are currently updating the Forest Stewardship Program Handbook that details the allowed management practices and provides guidance to interested landowners. The Department is looking to provide a consistent technical language to landowners through similar practice names and implementation descriptions with other USDA programs. This will allow landowners to more easily read and use their management plans through multiple programs.

2. Hawaii Administrative Rules Title 13-109-8(c)(3), for the Program was last reviewed and updated in 1998. With the new relationship with USDA programs, as well as a number of existing rules that have made procurement through the program challenging, a review and potential revision is needed. For instance, 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. An updated rule is needed to allow state funded programs to utilize federal funds as a match when practices have similar goals and where costs may limit the landowners’ ability to provide the appropriate management.
3. Forest Stewardship staff has identified several changes to §195F (HRS) that are necessary to more fully integrate the goals stated in the Joint Forestry MOU between the Department of Land and Natural Resources, NRCS, Hawaii Association of Conservation Districts (HACD), and the U.S. Forest Service. For instance, cost-share reimbursement for the development of the Forest Stewardship management plans could be raised to be more consistent with other assistance programs in Hawaii to 75% allowed cost-share. This increase in allowed cost-share for the development of Forest Stewardship management will not only result in more long-term, sustainable forest management but will also encourage private landowners to actively manage their land for public benefits, such as watershed health, endangered species habitat, carbon sequestration, among others. Staff will be requesting consideration for a statute change from the State legislature in the next year’s legislative session.

4. For the first time in the past decade, the Forest Stewardship Program has more requests for participation in the program than there are available funds. The Department views this as a positive situation for the Program, because there are more private landowners interested in forest and natural resource management; they are looking for technical expertise to do sustainable management of their lands; and are willing to contribute their own financial resources to improving the public goods and benefits from forests. However based on the current allocations for the Program, there will be insufficient funding to enroll any new projects in fiscal year 2015. The Department will work internally to identify support for the Program, but may request an increase in Program allocation in the Forest Stewardship Fund.

Hawaii CREP Administration:

1. During the next year DOFAW staff will continue to concentration on trying to recruit new landowners to participate in the program from Kauai, Oahu, Molokai, Lanai, and Molokai. In addition, staff will continue to work with interested landowners on Hawaii Island and try to expand the projects throughout new regions of Hawaii Island. However, Hawaii CREP will only be successful with authorized federal funding which requires a national farm bill and budget to provide security for Hawaii CREP and the landowners that have voluntarily enrolled in the program. Without a national budget or passage of a new farm bill Hawaii CREP cannot accept new program enrollments.

Forest Stewardship Fund and Forest Reserve Revenue Administration:

1. Given the cumulative annual expenditures of the Forest Stewardship Fund that includes expenses from the Forest Stewardship Program, Hawaii CREP, and the operational expenses for the management of the public Forest Reserve System there is additional need to access available funding. Based on current Forest Stewardship Fund ceiling rates we are unable to spend all of the Forest Reserve System revenue. This revenue is needed to maintain the public Forest Reserve System and enhance private landowner assistance programs statewide. Additionally, staff anticipates a significant increase in Forest Reserve revenue and expenditures over the next three years with the growth of the biomass energy industry in Hawaii. An increase of $800,000 to the annual ceiling of the Forest Stewardship fund is necessary to continue important operations within the State Forest Reserve System and to continue to grow the Forest Stewardship Program and Hawaii CREP.
Figure 13. Waimanu public camping site in the Kohala Forest Reserve – on some island forest reserves provide the only opportunity to camp in the forest.

Figure 14. Kawaikoi Stream in the Na Pali Kona Forest Reserve – water is the primary product and resources provided by Hawaii’s forest reserve.
<table>
<thead>
<tr>
<th>Name of Project/Location</th>
<th>Total Landowner</th>
<th>Location</th>
<th>Statement</th>
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<tbody>
<tr>
<td>Forest Stewardship Program Agreement</td>
<td>Avenue Forest Stewardship Program Agreement</td>
<td>Forest Stewardship Program Agreement</td>
<td>Statement</td>
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<tr>
<td>Name or Project Owner</td>
<td>Location</td>
<td>Acres of Landowner</td>
<td>Forest Stewardship Projects</td>
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