

Forest Legacy **UPDATE**



Volume 3, Issue 1

Protecting Important Forests from Conversion to Nonforest Use

Forest Legacy Program Budget

By Rick Cooksey

President Bush has indicated strong support for the Forest Legacy Program (FLP). In the fiscal year 2004 budget, the President requested nearly \$91 million for the program and over \$100 million in fiscal year 2005.

The Senate and House conference committee decisions for fiscal year 2004 came in the Department of the Interior and Related Agencies Appropriations Bill (P.L. 108-108/ 117 STAT 141) signed by the President on November 10, 2003. FLP received \$71 million of total funding, of which \$64.1 million is new funding and \$6.9 million was to be derived from prior-year funds (funds from failed projects and project savings from those completed). The Congress approved 41 projects—35 from the President's Budget and 6 congressional additions.

For fiscal year 2005, the President's Budget requested \$100,019,000 of program funding for 48 projects and for 6 new States to enter the program. The House has conducted its markup of the budget and in the House bill (HR 108-542) the Committee on Appropriations looks to fund the FLP at \$48.4 million, which includes \$43.1 million of new money and \$5.3 million prior-year funds. The House bill recommended funding 30 projects, all from the President's Budget, and no new State startups. The Senate has also conducted its markup, and the Senate Committee on Appropriations action from SR 108-341 recommended a total of \$81.3 million, \$76.3 million in new funding and \$5 million prior-year funds.

This included funding for 41 projects, two of which were not in the President's budget, and all 6 new State startups.

On November 20, the Conference Committee passed a consolidated appropriations bill, HR 4818. The conference bill includes \$65.2 million total funding, of which \$57.9 million is new funding and \$7.3 million is unspent prior

year funds. These funds are subject to a 1.39-percent recession. The Conference Committee proposed funding for 35 of the projects proposed in the President's budget and 1 additional project, with reduced funding levels for 18 of these projects. The committee also proposed three new State startups. The President has not yet signed the bill.

West Branch Project Closes

By Scott Stewart

On December 22, 2003, there was a nearly audible sigh of relief from the State of Maine and its partner, The Forest Society of Maine, as the 329,000-acre West Branch project was completed. The West Branch project, the largest contiguous tract of forest land to be conserved in Maine and the largest FLP project to date, was introduced to the FLP at a time when the program had never received appropriations over \$7 million. Yet in the end, the FLP contributed \$19.7 million of the total \$31.8 million cost of the land and easement acquisition.

The extent of this project is truly impressive, and it attracted a great deal of attention during its development. Program participants worried that a large funding request would impact their

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Recently Completed Projects

Project	State	Completed	Acres	Total Value	FLP funding
Mica Creek - Marble Creek Phase II	ID	9/29/04	23,150	\$4,589,636	\$3,457,000
Cannon River Big Woods #3	MN	9/27/04	60	\$276,600	\$207,450
Tuomey	SC	9/24/04	3,242	\$5,770,095	\$4,503,000
Big Spring Farm	IN	9/23/04	140	\$175,000	\$175,000
Yakima River Wildlife Corridor Phase 1A (Monahan)	WA	9/16/04	480	\$437,000	\$437,000
Yakima River Wildlife Corridor Phase 1B (St. Park)	WA	9/16/04	89	\$169,000	\$169,000
Rattlesnake Ridge	IL	9/15/04	79	\$102,350	\$76,763
Geddis	SC	9/15/04	25	\$64,000	\$64,000
Papa Parcel	HI	9/2/04	2,200	\$2,250,000	\$1,685,000
Mount Blue/Tumbledown Phase III	ME	8/31/04	6,702	\$2,650,000	\$1,470,000
Broxton Rocks	GA	8/13/04	350	\$626,000	\$500,000
Mt. Holly Wildlife Corridor 2-Lake Lot	VT	8/2/04	425	\$747,000	\$747,000
Nerstrand Woods #5	MN	7/29/04	65	\$194,300	\$146,000

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ability to fund other projects, watchful organizations questioned the negotiations and acquisition process, and the U.S. House of Representatives Committee on Appropriations Survey and Investigation Staff chose this time to investigate the FLP.

What is equally impressive is the private commitment made to the project by non-governmental organizations, businesses, and community members, contributing \$11.1 million to the total. The project was put together and championed by the Forest Society of Maine, which provided invaluable time and funding. Other contributors included the Maine Chapter of the Nature Conservancy, Wagner Forest Management, private donor Sherry Huber, and a group of philanthropic foundations. A State initiative, Land for Maine's Future, also made a sizeable contribution.

Of the total project, 47,000 acres were acquired fee simple (purchased outright) to protect working forest lands surrounding Seboomook Lake and the St. John River headwaters. The remaining 282,000 acres on the West Branch and Penobscot Rivers, were protected through a conservation easement.

The Forest Society of Maine's Executive Director Alan Hutchinson noted that, "We could not have done this without enormous public financial support from the USDA Forest Service's Forest Legacy Program." At the closing ceremony at the Governor's mansion, Joel Hoeltrop, Deputy Chief for State and Private Forestry, represented the USDA Forest Service and the FLP and, in a notable move, broke from his prepared speech and, as a government official and a citizen, thanked Maine and all the partners and contributors for the West Branch project.

Legacy To Undergo Effectiveness Study

By Kathryn Conant

In June 2002, the U.S. House of Representatives Committee on Appropriations Survey and Investigations Staff completed an investigation of the FLP. One finding was that FLP's national perspective and strategy were inadequate. As a result, the USDA Forest Service decided to initiate an independent, analytical review of program effectiveness as one way of addressing this concern. Conducting a program effectiveness study focusing primarily on management performance is good business practice and will be repeated periodically.

The Northwest Economic Associates (NEA), located in Vancouver, WA, was selected to conduct this study. The study will not duplicate regional and State reviews, but rather build upon them. NEA will conduct interviews of USDA Forest Service regional and Washington Office program managers, State program managers, and national and regional partners.

Both the State representatives and partners will be selected by NEA, in order to maintain the independent focus. NEA will evaluate program performance at the national and regional levels in terms of program management functions, assistance, and oversight to determine ways to improve program delivery and management effectiveness. NEA will identify what is working well and what improvements are needed to provide adequate program management functions, including technical and policy advice, budget and program planning assistance, program review and oversight, and coordination (within the USDA Forest Service, with States, and with partners). They will also identify recommendations on how the FLP can be more effective at managing and overseeing the program.

NEA will complete a written report summarizing the methodology, results, and conclusions. Results will characterize the Forest Service national, regional, and State's standpoint, as appropriate. The final report is scheduled to be completed in the fall of 2004.



Forest Legacy Launches National Strategic Direction

By Elizabeth Crane

On June 9, 2003, a team consisting of USDA Forest Service managers and State Forest Legacy managers outlined a process that will be used to develop a National Forest Legacy Strategy. The

strategy will define national objectives, goals, and performance measures for program. Team members consist of Rick Cooksey, Terry Hoffinan, Susan Gray, Elizabeth Crane, Michael Foreman, Brad Pruitt, and Ralph Knoll. The team will have monthly conference calls and several face-to-face meetings prior to an anticipated release of a document next February.



The Forest Service responded to the U.S. House of Representatives Committee on Appropriations Survey and Investigation Staff report and committed to develop this strategic direction. According to Rick Cooksey, National Forest Legacy Program Manager, "The idea of this strategy is to provide a national perspective and focus from which to set accomplishment goals."

Conservation Easements Face IRS Scrutiny

By Katie Goslee

Over a year after the Washington Post ran a series of articles exposing some inappropriate (albeit isolated) uses of land conservation methods, the Internal Revenue Service (IRS) is scrutinizing land donations, particularly conservation easements.

Although easements are a useful and tested method of conserving working lands and preserving open space, they are more likely to be abused as they become more common and more frequently used. According to the IRS, three particular methods of abuse are most common: (1) donated lands are sometimes claimed for tax deductions even though they do not have significant conservation value; (2) deductions claimed may exceed fair market value for donated property; and (3) in extreme cases, organizations purchase land, place restrictions on it, and then sell it for a lower price with a charitable contribution from the purchaser to the organization.

To address these abuses, the IRS issued a notice (2004-41) "to advise participants in these transactions that, in appropriate cases, the Service intends to disallow such (inappropriate) deductions and may impose penalties and excise taxes." The IRS may also challenge organizations' tax-exempt status if deemed appropriate. The

Total Acres Protected to Date

State	Tracts	Total Acres	Total Value	Forest Legacy Contribution
Alabama	1	656	\$666,667	\$500,000
Alaska	1	239	\$241,000	\$174,000
California	4	4,973	\$9,252,000	\$1,095,731
Colorado	1	220	\$1,496,000	\$515,000
Connecticut	14	6,789	\$7,723,554	\$4,479,378
Delaware	1	908	\$4,800,000	\$1,994,000
Georgia	1	350	626,000	500,000
Hawaii	2	4,000	\$3,310,000	\$2,745,000
Idaho	2	25,860	\$5,266,576	\$3,954,000
Illinois	6	367	\$1,512,898	\$1,079,174
Indiana	10	3,737	\$4,902,500	\$3,764,300
Maine	17	403,795	\$57,683,205	\$32,763,145
Maryland	5	1,061	\$2,403,000	\$728,000
Massachusetts	17	2,999	\$12,268,332	\$5,214,850
Minnesota	17	1,171	\$3,436,800	\$2,179,950
Montana	8	150,455	\$37,691,970	\$16,855,533
New Hampshire	22	194,059	\$29,101,072	\$19,182,072
New Jersey	5	2,597	\$14,003,000	\$2,262,000
New York	6	1,555	\$4,773,400	\$2,403,400
North Carolina	3	3,431	\$10,376,575	\$5,594,060
Puerto Rico	9	1,429	\$1,576,875	\$791,700
Rhode Island	10	1,458	\$3,732,000	\$2,344,000
South Carolina	7	24,357	\$28,800,949	\$16,994,167
Tennessee	5	13,097	\$18,524,000	\$9,104,250
Utah	20	47,967	\$42,102,586	\$14,716,911
Vermont	14	52,044	\$10,128,000	\$6,757,000
Virginia	2	2,591	\$3,705,000	\$2,571,000
Washington	16	13,555	\$27,850,895	\$17,007,429
Wisconsin	2	35,337	\$13,251,375	\$5,000,000
TOTAL		1,001,057	\$361,206,229	\$183,270,050

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notice addresses charitable contributions as a whole, with conservation easements as one of the main focuses. It addresses one of the IRS's four enforcement policies—to discourage noncompliance by government and tax-exempt organizations, as well as misuse of these organizations for tax evasion.

While the FLP focuses on operating in an ethical manner, this IRS notice serves as a reminder that conservation easements

and donations of land are coming under intense scrutiny. It also serves to reinforce the credibility of conservation organizations and government agencies that are using sound practices, an opportunity we should all welcome.

To view the IRS notice, go to http://www.lta.org/publicpolicy/irs_notice_2004_41.pdf. To view the Washington Post series of special reports about conservation easements, go to <http://www.washingtonpost.com/wp-dyn/nation/specials/natureconservancy/>.

To change your address or be removed from this mailing list, please contact Katie Goslee at 202-205-1376 or kgoslee@fs.fed.us.

For more information about the Forest Legacy Program, visit <http://www.fs.fed.us/spf/coop/programs/loa/flp.shtml>.

Secretary of Agriculture – Ann Veneman
Chief of the Forest Service – Dale N. Bosworth
Director of Cooperative Forestry – Larry Payne



**United States
Department of
Agriculture**



Forest Service

January 2005

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