

Long-Term Sustainable Funding for Cooperation on Forest and Watershed Restoration

Report to Interim Water and Natural Resources Committee

6 October 2014

Las Vegas

Timeline since July – Met face-to-face at BLM on 4 August, and regular conference calls since then. Represented at the 4 August meeting were:

SWQB of Environment Department

NM Game and Fish

UNM Economics Department

NM Forest Industry Association

USDA Forest Service

NM Assoc of Conservation Districts

NM Coalition of Conservation Districts

NM State Forestry

Bureau of Land Management

State Land Office

NM Assoc of Counties

The Nature Conservancy

Office of State Engineer

State legislature

US Fish and Wildlife Service

NMSU

Citizens

Also Invited –

BIA, NM Dept Agriculture,

WRRI, NRCS

We considered four questions:

- What is the overall financial need?
- How should the money be used?
- How will the money be distributed?
- Where will the money come from?

The smaller group that came out of the 4 August meeting has had a series of conference calls that has solidified our agreement on the basic issues of promoting forest and watershed function, and protecting water sources by reducing the risk of catastrophic fire.

This group answered two questions fairly quickly; namely, the level of funding that is needed, and how the funds should be used. We settled on \$15 million, which will cover about one-fourth of the needed total annual treatment. We also developed a list of criteria that emphasizes on-the-ground work, but allows for planning, especially when collaboration and the opportunity for leveraging are included.

What is the overall financial need?

Needed treatments	Frequent fire	40%	Annual target	cost/acre	Annual
	acres				\$
Pine	2,597,000	1,038,800	51,940	500	25,970,000
Mixed conifer	922,000	368,800	18,440	800	14,752,000
P-J	3,401,750	1,360,700	68,035	300	20,410,500
Total	6,920,750	2,768,300	138,415		61,132,500

Currently, about 33,000 acres are being treated annually, at an investment of about \$16.5 million. This leaves a gap between annual needs for treatments and annual investments in treatment of \$44.6 million. We can not fill that gap with only state money, and anticipate that federal agencies, local governments, and private funding will step up in response to the state's action. Given that no single entity can or should bear the entire cost, it makes sense for one-third of this need to come from the State, with the remaining coming from other sources. The requested support from the state is \$15 million per year, with the majority going to on-the-ground treatments. This fund would close in 20 years, unless renewed.

How should the money be used?

- On-the-ground restoration treatments, equal to not less than 60-70% of funds
- Planning (up to 50% of the costs for any one project)
- Economic development and wood utilization
- Work force development

Once long-term funds are available, funded projects should meet most of the following criteria:

- Be in an area at high risk of catastrophic wildfire
- Protect drinking-water watersheds
- Have cultural clearances and a completed NEPA process if the project is on Federal land and state funding would be used for treatments
- Have area communities which are ready to work for wildfire risk-reduction
- Have a wood supply for biomass, small diameter utilization, or traditional forest products
- Be clustered around priority areas that will create a useful amount of wood for industry
- Already be a priority in the Forest & Watershed Health Plan, Forest Action Plan, Rio Grande Water Fund, Communities at Risk (CARs), CWPPs, etc
- Create incentives to increase investment by federal/state/local/tribal/private, including new investment by downstream water users to manage forested headwaters and water sources
- Leverage and/or match funding from all sources (federal/state/local/tribal) and program types (water, forest, fire, wildlife habitat, and economic development)
- Incorporate actions recommended by existing plans and where new plans are developed, seek to integrate forest, fire, and water management with community and economic development.

Two basic questions remain:

- How will the money be distributed?
 - Touches on many issues – bureaucratic turf, administrative support, expanded government.
- Where will the money come from?
 - New money may seem like a new tax, but otherwise the General Fund may not be able to come up with enough funding on a recurring basis.

How will the money be distributed? Options:

Natural Heritage Conservation Fund. Exists and is administered by State Forestry. Fund can be used for watershed restoration, but traditionally has been used for purchase of conservation easements.

The Water Trust Board, the NM Finance Authority, and the Forest and Watershed Restoration Institute were discussed and ruled out.

Soil and Water Conservation Districts. An existing mechanism, with state funds to NMSU, then to NM Department of Agriculture, then to Districts.

The Forest and Watershed Health Coordinating Group (FWHCG) of State Forestry. This group was created in 2004 as part of the process, led by Butch Blazer, around the Forest and Watershed Health Plan. It has been operating since then most of the agencies and groups that would be involved in fund administration are already members of the FWHCG, and individuals representing the agencies already have a good working relationship. Shortcomings that would need to be addressed are the FWHCG currently is loosely structured, and additional State Forestry support staff will be needed.

Forest and Watershed Restoration Board. Housed in EMNRD. Membership: State Forester; Director FWRI; Commissioner of Public Lands; Agriculture Department Secretary; Environment Department Secretary; Economic Development Secretary; public members nominated by the Legislature and selected by the Governor to represent Soil and Water Conservation Districts, Counties, and restoration practitioners. Support from EMNRD staff would be needed.

Where will the money come from? Options

- Capital Outlay, State General Fund, or both
- Insurance charge, either diversion or new. Currently, insurance premium taxes, including tax on homeowners' policies, generate significant funds. Money for forest restoration could come from either a portion of the funds, or an additional small, dedicated percentage could be added to the tax.
- Water use charge, with several options. This would be a user's fee on the public water of the state. The unit of water the fee would apply to would be large (e.g., per acre/foot) and the amount of the fee would be only enough to fund the \$15 million in forest restoration. The fee would apply to community, municipal, and industrial water users, who would pass on the additional costs to their customers. Household water bills would increase by about 50 cents a month. At present, a fee to private wells or agricultural water is not envisioned.