



Martin O'Malley, Governor
Anthony G. Brown, Lt. Governor
John R. Griffin, Secretary
Joseph P. Gill, Deputy Secretary

August 4, 2010

The Honorable Joan Carter Conway
Chair, Senate Education, Health and Environmental Affairs Committee
Miller Senate Office Building, 2 West Wing
11 Bladen Street
Annapolis, MD 21401

The Honorable Maggie McIntosh
Chair, House Environmental Matters Committee
House Office Building, Room 251
6 Bladen Street
Annapolis, MD 21401

Dear Senator Conway and Delegate McIntosh:

I am pleased to provide you this report on the status of the Woodland Incentive Fund for FY10.

The Sustainable Forestry Act of 2009 (SB549) amended the Woodland Incentive Fund (Natural Resources Article, Section 5-307) to significantly broaden the scope of the use of the fund. Prior to the change, the fund could be used only for landowner cost-share assistance and administrative costs. The Act added to the authorized uses of the fund:

- (1) offset the costs of preparing forest stewardship plans on privately owned forest land;
- (2) provide annual grants to the Forest Conservancy District Boards to help facilitate their outreach efforts to encourage forest landowners to develop forest stewardship and other forest conservation plans;
- (3) establish a Forest Health Emergency Contingency Program to help maintain the health and vitality of forest land and prevent or control large degradation caused by natural threats;
- (4) provide financial assistance for the administration of an Urban and Community Forestry Program;

- (5) help fund a forest marketing and utilization program in the Department to help support, stimulate and enhance the production of value-added wood products;
- (6) help the Department, in cooperation with other public and private entities, develop and expand forest mitigation banking, carbon credit, clean water credit trading and environmental services credit training programs; and
- (7) help offset the administrative costs for providing staff assistance to the Sustainable Forestry Council.

The Act also altered the funding sources to include a portion of the revenues from forestry practices on designated lands owned and managed by the Department, subject to approval by the Secretary and the Board of Public Works. Revenue derived from forestry practices on designated lands owned and managed by the Department for FY2010 totaled \$1,425,766.97. For the purpose of this report, these funds are timber sale revenue from State Forests and the Chesapeake Forest Lands. These funds are deposited in the Forest and Park Reserve Fund (FPRF). Although the statute allows a portion of these funds to be moved to the Woodland Incentive Fund (WIF), none were moved this fiscal year for two reasons. First, there was sufficient funding remaining in the WIF to cover the expenditures during the fiscal year. The timber harvest revenue remained in the FPRF as part of the Maryland Forest Service special fund budget. Most of the expanded scope of the WIF is also funded through the FPRF. Moving the funds from one special fund to another was unnecessary to accomplish our objectives.

The second reason is the recent appointment of the Sustainable Forestry Council (SFC). The Department is looking forward to working with the SFC to address issues and concerns regarding sustainable forestry, including several of the expanded WIF such as establishment of a forest health emergency contingency program, grants to Forest Conservancy District Boards and the evolving arena of environmental services credit trading. The work of the SFC will provide significant input to our decision-making process regarding how these funds are allocated toward priorities in future fiscal years.

The SFC will also be working closely with the Department on the issue of reporting of woodland transfer tax revenues, one of the funding sources for WIF. There may be reporting errors that impact the amount of revenue credited to the WIF. We want to ensure that all transfer tax revenue that should be classified as woodland transfer tax is done so correctly and credited to the WIF.

The WIF had a FY10 beginning balance of \$795,543. The following is a summary of revenue and expenditures for the Woodland Incentive Fund during FY2010.

Revenue

Woodland Transfer Tax	\$20,647
Woodland Transfer Tax Surcharge	3,316
Forest Stewardship Plan Preparation	59,607
Timber Stand Improvement Marking	3,646
Planting Site Exams	330
Management Plan Inspections	27,900
Forestry Services Coordination	2,078
Forestry Equipment Rentals	72
Misc. fees	752
Total	\$118,348

Expenditures

Salary and fringe benefits	\$111,366
Cost-share reimbursement to landowners	63,782
Funds paid to OOS	TBD
Total	\$175,148

The remaining balance in the WIF will be approximately \$725,000. If you have any questions concerning the information contained in this report, feel free to contact my office. Thank you for your attention to and interest in this report.

Sincerely,



John R. Griffin
Secretary