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Influence and Effectiveness of Financial Incentive Programs in Promoting Sustainable Forestry in the South

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ABSTRACT

State forestry officials responsible for forestry incentive programs in each of the 13 southern states were surveyed concerning their opinions on financial incentive programs available to nonindustrial private forest owners. The forestry officials were asked to name and describe the public and private programs available in their state, to assess forest owners' awareness of each program, its appeal among the owners aware of it, its effectiveness in encouraging sustainable forestry and enabling owners to meet their objectives, and the percent of program practices that remain in place and enrolled acres that remain in forest over time. They also were asked to suggest ways to improve the programs. The Forest Stewardship, Forest Land Enhancement, and Forest Legacy Programs were among the top rated federal programs. Programs sponsored by states and private organizations tended to be more narrowly targeted than federal programs and scored well for specific attributes. The forestry officials' suggestions for program improvement centered largely on improving program visibility and availability, increasing and ensuring long-term consistency in program funding, and simplifying the application and approval process.

Keywords: financial incentives, nonindustrial private forest, cost share programs, property taxes

Policy tools such as education, technical assistance, regulation, and financial incentives influence the management and use of nonindustrial private forests. Increasing concern over loss of open space, forest fragmentation, ecosystem services (such as carbon sequestration), and the impact of globalization of forest product markets has revived interest in financial incentives as tools to conserve forests and promote sustainable forestry (Sampson and DeCoster 2000, Wear and Greis 2002, Hutton and Leader-Williams 2003).

The scope of financial incentives is extensive and dispersed among numerous organizations. The most popular are cost sharing or grants for forest management planning or implementing specific management practices (such as treeplanting and timber stand improvement) and tax incentives to encourage preferable management behavior. Most forestry cost share programs are funded by the federal government and administered by state forestry agencies. Tax incentives are provided by both the federal and the state governments, primarily through the federal income tax system and state property taxes. In some states, forest industry firms, state forestry associations, and nongovernmental organizations (NGO) also provide forestry-related incentive programs (Greene et al. 2005).

Since financial incentives were first used in the 1940s to influence forest owners, the programs have shifted from a focus on timber supply and production toward addressing forest sustainability and environmental concerns, forest stewardship, and multiple benefits from the forest, such as wildlife, recreation, water quality, and biodiversity. Several studies have questioned the impact and effectiveness of these incentive programs (Yoho and James 1958, Skok and Gregersen 1975, Lee et al. 1992, Cubbage 1994, Megalos and Blank 1997, Kluender et al. 1999, Greene et al. 2004, Kilgore and Blinn 2004). Studies of cost share programs generally found that a large fraction of forest owners were unaware of the program provisions, did not understand the programs, or would have performed the subsidized practices without the incentive, while tax incentives were found to have little effect on forest owner behavior.

Sustainable forestry—defined as managing forests for their ecological, economic, and social benefits such that those benefits do not diminish in quantity or quality over time (US Forest Service 2004)—has become the linchpin of the current forest policy agenda (Oliver 2003, Wear et al. 2007). There has been debate about the role of financial incentives in promoting sustainable forestry (McKillop 1975, Worrel and Irland 1975, Boyd 1984, Schaaf and Broussard 2006). Although financial incentives can be viewed as assisting landowners in providing public goods that help society to meet sustainability goals, some feel that there are better ways to use taxpayer dollars than to subsidize landowner activities. A recent nationwide study was the first of its kind to examine the impact of financial incentive programs in promoting sustainable forestry (Greene et al. 2005, Kilgore et al. 2007, Straka et al. 2007). This article examines the results of this survey for the southern states and

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