

Comments on Ag Budget Impasse
Submitted to the
Pennsylvania Senate Agriculture and Rural Affairs Committee
and Pennsylvania House Agriculture and Rural Affairs Committee
by the
Pennsylvania Forest Products Association
March 15, 2015

On behalf of the 279 member companies and individuals making up the Pennsylvania Forest Products Association, I make the following submission of comments to the above mentioned committees regarding how the budget impasse is impacting the hardwood research and promotion line item in the PA Department of Agriculture's budget.

The \$350,000 hardwoods research and promotion line was vetoed by Governor Wolf in December. This has impacted both staff at the Pennsylvania Department of Agriculture's Hardwoods Development Council, as well as the supporting hardwood utilization groups across the state.

The state's hardwoods industry continues to struggle to recover since the recession of the mid-2000's.

- In 2002, the state's forest products industry employed 86,110 individuals at 2,827 establishments.
- In 2006, the state's forest products industry employed 78,910 individuals at 2,420 establishments.
- In 2012, the state's forest products industry employed 58,071 individuals at 2,135 establishments.
- In 2014, the state's forest products industry employed 60,068 individuals at 2,091 establishments.

2014 had been the best year since the recession, overall the hardwoods market slipped a bit in 2015. This line item continues to be needed to support the industry. The state's hardwood industry still employs about 10 percent of the state's manufacturing workforce, produces about \$11.5 billion annually in sales and has an overall economic impact in the state of \$19 billion annually.

In recent years, 80 percent of the money from the hardwood line item was distributed according to the annual fiscal code legislation to the three hardwood utilization groups that serve the industry in 33 counties in northern and central Pennsylvania. Each of these organizations has a slightly different focus given their geographic location, but most provide some level of local technical assistance workforce development, logger development and promotional efforts to support and to grow the industry in its region. These groups also work with the Pennsylvania Sustainable Forestry Initiative State Implementation Committee which provides logger training across that state.

While each of these hardwoods utilization groups obtains industry dues and perhaps other revenues, the grants from the Hardwoods Development Council provide a sizable portion of its revenue. The attached sheet provided by these groups to the Hardwoods Development Council and Secretary Redding at the Council's last meeting demonstrates the financial issues facing these hardwood utilization groups. One of the hardwood utilization groups (AHUG) has reduced its workforce hours by more than half in an effort to remain viable.

The remainder of the line is used to support the activities of the Hardwoods Development Council. These activities include identifying and promoting new domestic and international markets for Pennsylvania wood products. Recently, the focus of the Council has become workforce development for

the next future loggers, sawmill and secondary mill workers, and the marketing of hardwood as the greenest building material.

The two staff positions that support the Council are funded from the General Government Operations of the Department. One of these positions is currently vacant due to a fall 2015 retirement. The Council also has utilized federal USDA invasive species outreach money to hire a part-time employee in recent years to operate the Pennsylvania WoodMobile from roughly April to November each year. The Council staff have also worked with DCED and accessed other federal moneys to support its international market development. The “Pennsylvania Hardwoods Stands for Quality” logo is recognized by hardwood buyers from across the globe. The Council staff has worked with the hardwood utilization groups to maximize the use of the total hardwoods research and promotion line annually.

Amazingly, the veto of the hardwood line item came as DCNR, PDA and DCED were organizing the launch of the Green Ribbon Task Force on Forest Products, Conservation and Jobs. This temporary group of nearly 40 experts from private industry, academia, marketing, forest science, economic and workforce development was brought together by the Governor beginning in January to analyze current limitations to forest conservation and job growth and to develop an action plan to address these objectives. At the first meeting, Hardwoods Council staff gave a presentation on the status of the industry and Council staff serves on two of the Task Force working groups. But the Council currently has no money to work on its priority issues. Frankly, many of the industry participants on this Task Force find it curious that the Governor would veto the Council’s funding if this was such an important issue.

The \$350,000 line items for hardwoods research and promotion amounts to only 0.23 percent of the total budget of the Department of Agriculture.

Impact The State Budget Impasse has had on REGIONAL HARDWOOD UTILIZATION GROUPS

Allegheny Hardwood Utilization Group:

Susan Swanson, Executive Director

With the loss of state funding for the 2015/2016 year AHUG has had to make some difficult choices. We have cut staff hours by over half. Executive Director Susan Swanson is working 18 hours per week and office manager Becky Carson is working 8 hours per week. This along with travel restrictions will hopefully allow us to survive the year. We have dramatically reduced our activities. To continue to address some needs of the region, we have solicited funds from partner organizations to do specific activities including the Spring Logger Safety Meeting and Ladies Luncheon, The Roach Bauer Forestry Forum, and Spring WoodMobile visits. Our Board of Directors has also taken on a fund raising campaign to raise enough money to get us through the year. Both of these activities have been successful so far.

We anticipate with reduced hours and the additional income that has been generated we will be able to keep the organization somewhat active through May. Considering that most of our activity is time oriented, meeting with industry, facilitating meetings with others, meeting with partners etc. it is very hard to maintain the level of effectiveness that AHUG has come to be known for. 80% of our budget comes from our HDC grant allocation. It will not be possible to replace that amount from other sources for the long term. If we do not receive funding in next year's budget we will have no choice but to either totally restructure the organization as a part time entity or discontinue our existence.

Keystone Wood Products Association:

Scott Seyler, President

So far the impact for KWPA has been that we have placed all of our promotion activities on hold and severely limited our education activities including school visits. We have also placed our funding for Sustainable Forestry Initiative (SFI) training support in our region on hold. We are an all-volunteer organization, but our activities will be drastically limited without HDC funding.

If the HDC and therefore KWPA would not be funded for 2016, we will not be able to provide any more stipends for school presentations on the health and sustainability of the PA forest this year. We will have some members to continue these school/community presentations but there are no funds in place to provide stipends. We would not be able to help fund a workforce development kiln-project at the PA College of Technology that will allow the faculty there to better prepare students for entry into forest products careers. We would not be able to provide funding to support our region's important SFI training programs at our area's schools. By year's end we would have to stop the hardwood products promotion KWPA does for area companies at our regional airport.

Northern Tier Hardwood Association:

Sarah Hall-Bagdonas, Program Manager

The Northern Tier Hardwood Association is already facing serious impacts due to the current budget impasse, which will only worsen if funding is not restored for next year. We are currently facing the following devastating cut-backs:

- Suspending trainings this winter, with plans to heavily reduce the amount of trainings we normally offer during our busy season beginning in spring (25 trainings last year)
- Drastically reducing educational outreach, as well as curtailing travel outside of our area, including all meetings, Timber Show, workshops, etc.

(over)

- Suspending contributions to our partner organizations, including a fund to assist injured loggers and their families (ALIFT), Conservation Districts, and many other programs for which we have been long-time supporters.
- Cutting back on the number of scholarships awarded to high school and college students in a forestry or related field
- NTHA can no longer afford to award Personal Protective Equipment such as safety chaps, helmets, etc. to forest industry professionals, as well as Fire/EMS at our trainings or meetings

Without funding, and pending approval of the board, I would anticipate the impact next year to be far worse, including:

- Suspending NTHA member reimbursements for 50% of the cost of Game of Logging and PA Sustainable Forestry Initiative (PA SFI) trainings, which would likely reduce our membership
- Suspending all NTHA trainings
- Reduction of hours for the Program Manager
- Further cut-backs to educational outreach and scholarships offered, with the possibility of eliminating them entirely