

Outdoor Heritage Fund Grant Application

The purpose of the North Dakota Outdoor Heritage Fund is to provide funding to state agencies, tribal governments, political subdivisions, and nonprofit organizations to:

Directive A. Provide access to private and public lands for sportsmen, including projects that create fish and wildlife habitat and provide access for sportsmen;

Directive B. Improve, maintain, and restore water quality, soil conditions, plant diversity, animal systems and to support other practices of stewardship to enhance farming and ranching;

Directive C. Develop, enhance, conserve, and restore wildlife and fish habitat on private and public lands; and

Directive D. Conserve natural areas for recreation through the establishment and development of parks and other recreation areas.

Exemptions

Outdoor Heritage Fund grants may not be used to finance the following:

- A. Litigation;
- B. Lobbying activities;
- C. Any activity that would interfere, disrupt, or prevent activities associated with surface coal mining operations; sand, gravel, or scoria extraction activities; oil and gas operations; or other energy facility or infrastructure development;
- D. The acquisition of land or to encumber any land for a term longer than twenty years; or
- E. Projects outside this state or projects that are beyond the scope of defined activities that fulfill the purposes of Chapter 54-17.8 of the North Dakota Century Code.

Application Deadline

Applications for the first grant round cycle are due on **December 2, 2013 at 5:00 p.m. CST.** All information, including attachments, must be submitted by that date. See instructions below for submission information.

Instructions

It is our intent to have this form available on line. However, until that on-line form is available we are asking that you submit your application as a Word document. Please download this Word document (available on the Industrial Commission/Outdoor Heritage Fund Program website at <http://www.nd.gov/ndic/outdoor-infopage.htm>) to your computer and provide the information as requested. You are not limited to the spacing provided except in those instances where there is a limit on the number of words. After completing the application, save it and attach it to an e-mail and send it to outdoorheritage@nd.gov .Then submit the Word document as noted in the following paragraph.

Attachments in support of your application may be sent by mail to North Dakota Industrial Commission, ATTN: Outdoor Heritage Fund Program, State Capitol – Fourteenth Floor, 600 East Boulevard Ave. Dept. 405, Bismarck, ND 58505 or by e-mail to outdoorheritage@nd.gov . The application and all attachments must be received or postmarked by the application deadline. You will be sent a confirmation by e-mail of receipt of your application.

You may submit your application at any time prior to the application deadline. Early submission is appreciated and encouraged to allow adequate time to review your application and ensure that all required information has been included. Incomplete applications may not be considered for funding. Any item noted with an * is required.

Oral Presentation. Please note that you will be given an opportunity to make a ten-minute Oral Presentation at a meeting of the Outdoor Heritage Fund Advisory Board tentatively scheduled for the week of January 13, 2014. These presentations are strongly encouraged.

Open Record. Please note that your application and any attachments will be open records as defined by law and will be posted on the Industrial Commission/Outdoor Heritage Fund website.

Name of Organization *
North Dakota Forest Service

Federal Tax ID# *
45-6002439

Contact Person/Title *
Larry A. Kotchman, State Forester

Address *
307 First Street East

City *
Bottineau

State *
North Dakota

Zip Code *
58318-1100

E-mail Address *
Larry.Kotchman@ndsu.edu

Web Site Address (Optional)

Phone *
701-228-5422

Fax # (if available)
701-228-5448

List names of co-applicants if this is a joint proposal
None.

MAJOR Directive: (select the Directive that best describes your grant request)*

Choose only one response

Directive A. Provide access to private and public lands for sportsmen, including projects that create fish and wildlife habitat and provide access for sportsmen;

Directive B. Improve, maintain, and restore water quality, soil conditions, plant diversity, animal systems and to support other practices of stewardship to enhance farming and ranching;

Directive C. Develop, enhance, conserve, and restore wildlife and fish habitat on private and public lands; and

Directive D. Conserve natural areas for recreation through the establishment and development of parks and other recreation areas.

Additional Directive: (select the directives that also apply to the grant application purpose)*

Choose all that apply

Directive A. Provide access to private and public lands for sportsmen, including projects that create fish and wildlife habitat and provide access for sportsmen;

Directive B. Improve, maintain, and restore water quality, soil conditions, plant diversity, animal systems and to support other practices of stewardship to enhance farming and ranching;

Directive C. Develop, enhance, conserve, and restore wildlife and fish habitat on private and public lands; and

Directive D. Conserve natural areas for recreation through the establishment and development of parks and other recreation areas.

Type of organization: (select the category that describes your organization)*

State Agency

Political Subdivision

Tribal Entity

- O Tax-exempt, nonprofit corporation, as described in United States Internal Revenue Code (26 U.S.C. § 501 (c))

Project Name: Forest Stewardship Initiative

Abstract/Executive Summary. An Executive Summary of the project stating its objectives, expected results, duration, total project costs and participants.* (no more than 500 words)

The Forest Stewardship Initiative is a five-year project to manage and conserve North Dakota's limited forest resources to enhance wildlife habitat, water quality, soil conditions and plant diversity. Forests are threatened by flooding, drought, invasive insects, diseases, and wildfire. Increasingly, privately owned forests are being lost through conversion to non-forest uses, as owners convert the land to agricultural production in an effort to generate income from the land. Additionally, in recent years owners of forest lands have been surprised by very substantial increases in property taxes, primarily due to assessments based on soil classifications. These rising property taxes on forested lands are creating an additional incentive to remove privately owned native and planted forests. This initiative will reverse the trend of forest removal by expanding county and landowner participation in the Forest Stewardship Tax Law (Chapter 57-57, N.D.C.C.) and establishing a long-term state funding source to reimburse counties for tax revenue associated with enrolled forest lands.

The objective of this unique partnership initiative between the North Dakota Association of Counties, North Dakota Game and Fish Department and the North Dakota Forest Service is to conserve forest lands by increasing county and private forest landowner participation in the Forest Stewardship Tax Law. The County Commissioners in Benson, Cavalier, Grand Forks, Nelson, Pembina, Ramsey, Walsh and Wells Counties have approved by resolution the application of the Forest Stewardship Tax Law to all qualifying forestlands within their northeastern North Dakota counties. In the 2012 tax year, 658 landowners enrolled 42,140 acres in the program. The law currently provides for landowners enrolled to pay a tax rate of fifty cents per acre in lieu of all ad valorem taxes, provided the landowner agrees to protect the forest from destruction.

The State Forester will solicit additional participation particularly from North Dakota's high priority forest areas in the Turtle Mountain, Pembina Gorge, Sheyenne River, Missouri River and Killdeer Mountains regions of North Dakota, including Billings, Bottineau, Dunn, McHenry, McKenzie, Morton, Ransom, Richland and Rolette Counties. Upon approval of the law by the County Commission, forest landowners having any tract of contiguous natural or planted forestland at least 10 acres or larger in size in that county would be eligible to participate. Applications would be reviewed, inspected, and approved (or denied) by the State Forester. The State Forester requests \$633,468 from the OHF to reimburse participating counties for the difference in tax revenue using estimated noncropland average agricultural values published by the Office of the State Tax Commissioner and the taxes paid by enrolled landowners. Annual payment will be made to each county based upon the number of forestland acres actively enrolled in that county.

The project's five-year goal is to increase Forest Stewardship Tax Law enrollments by 100% to an estimated 85,908 acres. These enrollments would ensure North Dakota's privately owned forest lands are protected from conversion to non-forest use and would maintain important public benefits including clean air and water, soil protection, additional food and cover for wildlife, biodiversity, and enhanced outdoor recreation experiences.

Amount of Grant request \$633,468 (\$126,693.60 per year for five years)

\$633,468 is requested to reimburse counties participating in the Forest Stewardship Tax Law for the difference in tax revenue using estimated noncropland average agricultural values published by the Office of the State Tax Commissioner and the taxes paid by enrolled landowners. An annual payment will be made to each county for five years based upon the number of forestland acres actively enrolled in that county.

Total Project Costs: \$1,305,193

(Note that in-kind and indirect costs can be used for matching funds)

The total project cost for the North Dakota Forest Service Forest Stewardship Initiative is \$ 1,305,193.

Amount of Matching Funds: \$671,725 (\$134,345 per year for five years)

If applicable

Please indicate if the matching funds will be in-kind, indirect or cash.

\$671,725 in matching funds will be provided by the applicant. The matching funds will be in-kind.

Source(s) of Matching Funds: North Dakota Forest Service

If applicable

The \$671,725 in matching funds include \$271,725 in-kind match from North Dakota Forest Service salaries and fringes for five foresters (0.9 FTE) assigned to the project and \$400,000 in-kind operating match for travel, communications, supplies, contracts and fees and equipment less than \$5,000.

Certifications *

X I certify that this application has been made with the support of the governing body and chief executive of my organization.

X I certify that if awarded grant funding none of the funding will be used for any of the exemptions noted on Page 1 of this application.

Narrative

Organization Information – Briefly summarize your organization’s history, mission, current programs and activities. *

Include an overview of your organizational structure, including board, staff and volunteer involvement. (no more than 300 words)

The NDSU-North Dakota Forest Service is organized under the North Dakota Board of Higher Education. The agency is administered by a state forester who reports to the president of North Dakota State University at Fargo, and supports the land grant mission in public service. The mission of the North Dakota Forest Service is to “care for, protect and improve forest resources to enhance the quality of life for future generations.” A wide variety of customers depend on the North Dakota Forest Service for technical, financial and educational forestry assistance. The state forester administers forestry programs serving communities, rural landowners, soil conservation districts, rural fire districts, schools and citizens of North Dakota. All programs utilize a voluntary, educational and incentives-based approach to address natural resource needs and customer demands. The agency also operates a nursery at Towner specializing in the annual production of one million conifer (evergreen) tree seedlings. The Towner State Nursery is the sole supplier of evergreen seedlings in North Dakota. The agency also owns and manages approximately 13,290 acres of state forest lands. The North Dakota Forest Service organizational structure focuses on increasing program efficiencies, strengthening customer service, promoting teamwork and encouraging collaboration to address emerging natural resource issues. The organization structure is composed of three leadership teams including Administration, Forestry and Fire Management, and Nursery and State Forests. Appropriated funding for North Dakota's forestry programs is derived from three sources: the state general fund, income from the sale of nursery products, and contributions from the Trees for North Dakota Trust Fund. The 2013-2015 operations budget is \$6,249,979 including salaries and wages and operating expenses for 30 FTE and 45 seasonal positions that provide public forestry services.

Purpose of Grant – Describe the proposed project identifying how the project will meet the specific directive(s) of the Outdoor Heritage Fund Program *

Identify project goals, strategies and benefits and your timetable for implementation. Include information about the need for the project and whether there is urgency for funding. Please indicate if this is a new project or if it is replacing funding that is no longer available to your organization. Identify any innovative features or processes of your project.

Project Goal - The Forest Stewardship Initiative's five-year goal is to enhance and conserve wildlife habitat on private lands by enrolling 85,908 acres of upland and riparian forests in the North Dakota Forest Stewardship Tax Law by 2018. The goal increases enrollments by 100% ensuring privately owned forest lands are managed, conserved and protected from conversion to non-forest use. Although the law does not require public access to private forest lands, there may be an opportunity for willing landowners to participate in the North Dakota Game and Fish Department's Private Lands Open to Sportsmen (PLOTS) program. The Forest Stewardship Tax Law enrollments would maintain important public benefits, including clean air and water, soil protection, additional food and cover for wildlife, biodiversity, and enhanced outdoor recreation experiences.

Primary Directive - C- The Forest Stewardship Initiative will enhance wildlife habitat on private lands by managing and conserving North Dakota's limited forest resources. Forest resources include upland forests and riparian (streamside) forests. North Dakota's forests encompass 772,400 acres or 1.73 percent of the total land area. The majority of forest lands, 68 percent, are privately owned.

North Dakota's Forest and Wildlife Action Plans indicate upland and riparian forests face significant threats, including flooding, drought, invasive insects and diseases (such as emerald ash borer), a lack of species diversity, and deterioration associated with old age. Over maturity and limited natural regeneration, conversion to non-forest uses, wildfire and limited wood utilization opportunities threaten forests in the Turtle Mountains, Pembina Gorge, Devils Lake hills, Killdeer Mountains, Badlands, Missouri, Mouse, Sheyenne and Red Rivers. Conversion of upland deciduous aspen forests to non-forest uses has been prominent in the Turtle Mountains. The acreage of aspen has declined by approximately 25 percent since 1980. Likewise, elm and ash riparian forests have been converted to agricultural and residential development, particularly along the rivers of eastern North Dakota. The loss of American elm to Dutch elm disease has also significantly altered the composition toward green ash, boxelder and other species. The cottonwood forest within the Missouri River flood plain are in poor condition resulting from progressive mortality of mature trees and the absence of natural regeneration to replace those that have died. The cottonwood riparian forests are also threatened by conversion to non-forest. The acreage of cottonwood has decreased approximately 20 percent since 1980.

Upland deciduous forests and riparian forests serve as important habitat for many species of animals, including birds, mammals, reptiles and amphibians. Wildlife associated species of conservation priority include golden and bald eagle, red-headed woodpecker, piping plover, river otter, flathead catfish, and common snapping turtle. Riparian and upland deciduous forests are major habitat types identified in North Dakota's Wildlife Action Plan for preserving the state's fish and wildlife resources.

The Forest Stewardship Initiative targets priority regions of upland and riparian forests in the Turtle Mountains, Pembina Gorge, Devils Lake Hills, Sheyenne River, Missouri River and Killdeer Mountains. Regional GIS maps illustrating high priority upland and riparian forests indicate significant forest stewardship potential in the Turtle Mountains, Pembina Gorge and Sheyenne River and Killdeer Mountains regions (Figures 1-4). The initiative would meet Directive C by utilizing the Forest Stewardship Tax Law to enhance and conserve wildlife habitat on private forest lands. Enrollments of forest lands into the law would create important linkages with existing and stable habitat within state-owned wildlife management areas, state forests and state parks. Riparian and upland forests provide numerous recreational opportunities, including hunting, hiking, camping, bird watching, cross country skiing and snowmobiling.

Additional Directive - B - In addition to enhancing wildlife habitat, the Forest Stewardship Initiative would maintain water quality, soil conditions and plant diversity by conserving upland and riparian forest resources. Forests along with their understories of flowering shrubs and grasses also provide important pollinator habitat, which can increase the crop productivity of the surrounding agricultural fields. The initiative would support farming and ranching by addressing property tax issues impacting private landowners and their forest resources. Increasingly, privately owned forests are being lost through conversion to non-forest uses, as owners convert the land to agricultural production in an effort to generate income from the land. Additionally, in recent years owners of forest lands have experienced substantial increases in property taxes, primarily due to assessments based on soil classifications. These rising property taxes on forested land are creating an additional incentive to remove privately owned native and planted forests in our state. For example, forest lands along the Goose River in Steele County were valued at \$217 per acre in 2010 and the landowner paid taxes averaging \$2.92 per acre. In 2012, the value rose to \$794 per acre resulting in an average tax rate of \$9.41 per acre. Clearing of trees for farming, grazing or other development has occurred to generate income to pay the tax increases. This initiative will reverse the trend of forest removal by expanding county and landowner participation in the Forest Stewardship Tax Law, (Chapter 57-57, N.D.C.C.). Enacted in 1991, the law provides a property tax reduction to private landowners who voluntarily

agree to manage, conserve and protect forests. Public access is not required on enrolled private forest lands.



Figure 1 - Turtle Mountains Region
High Priority Forest Areas

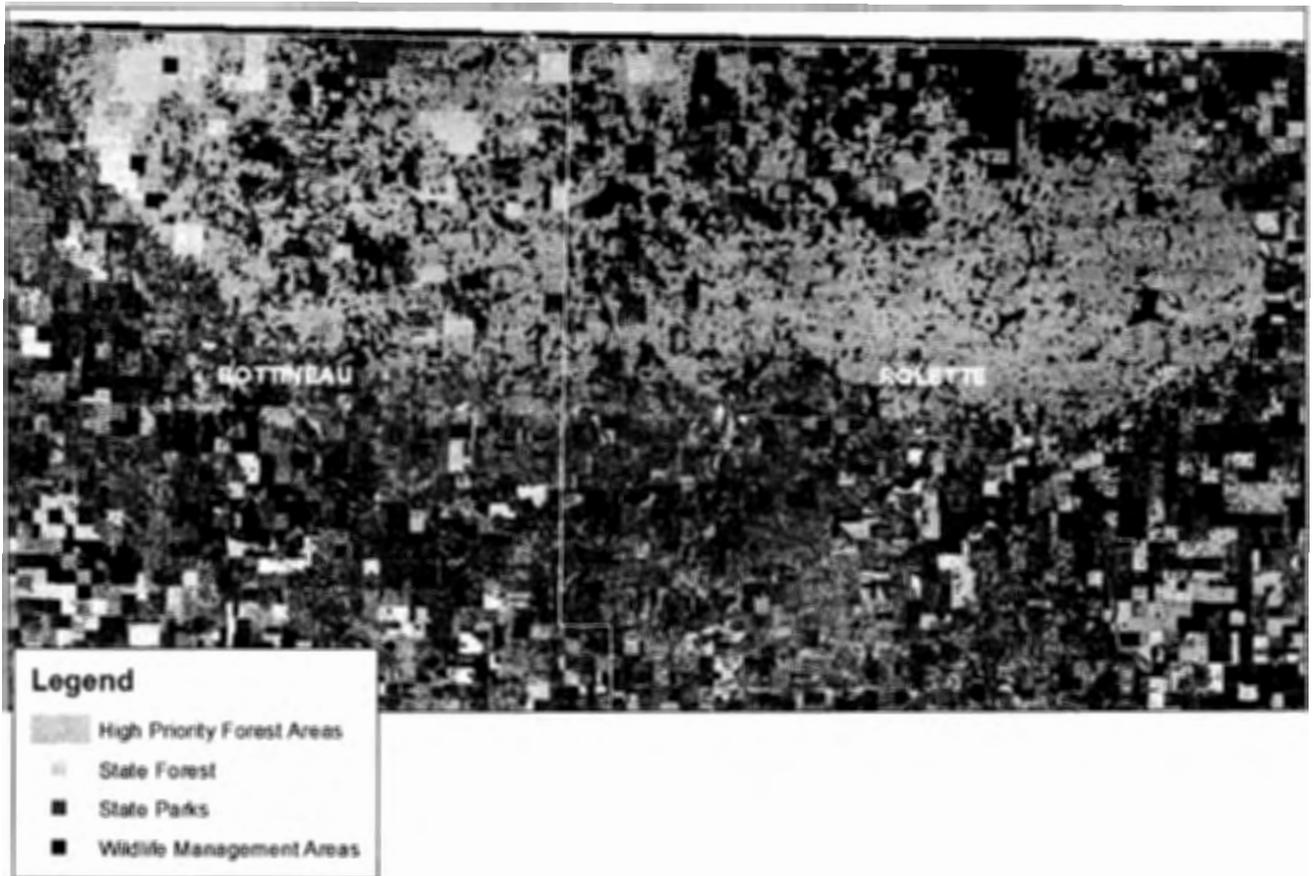


Figure 2 - Pembina Gorge Region
High Priority Forest Areas



Figure 3 - Lower Sheyenne River Region
High Priority Forest Areas

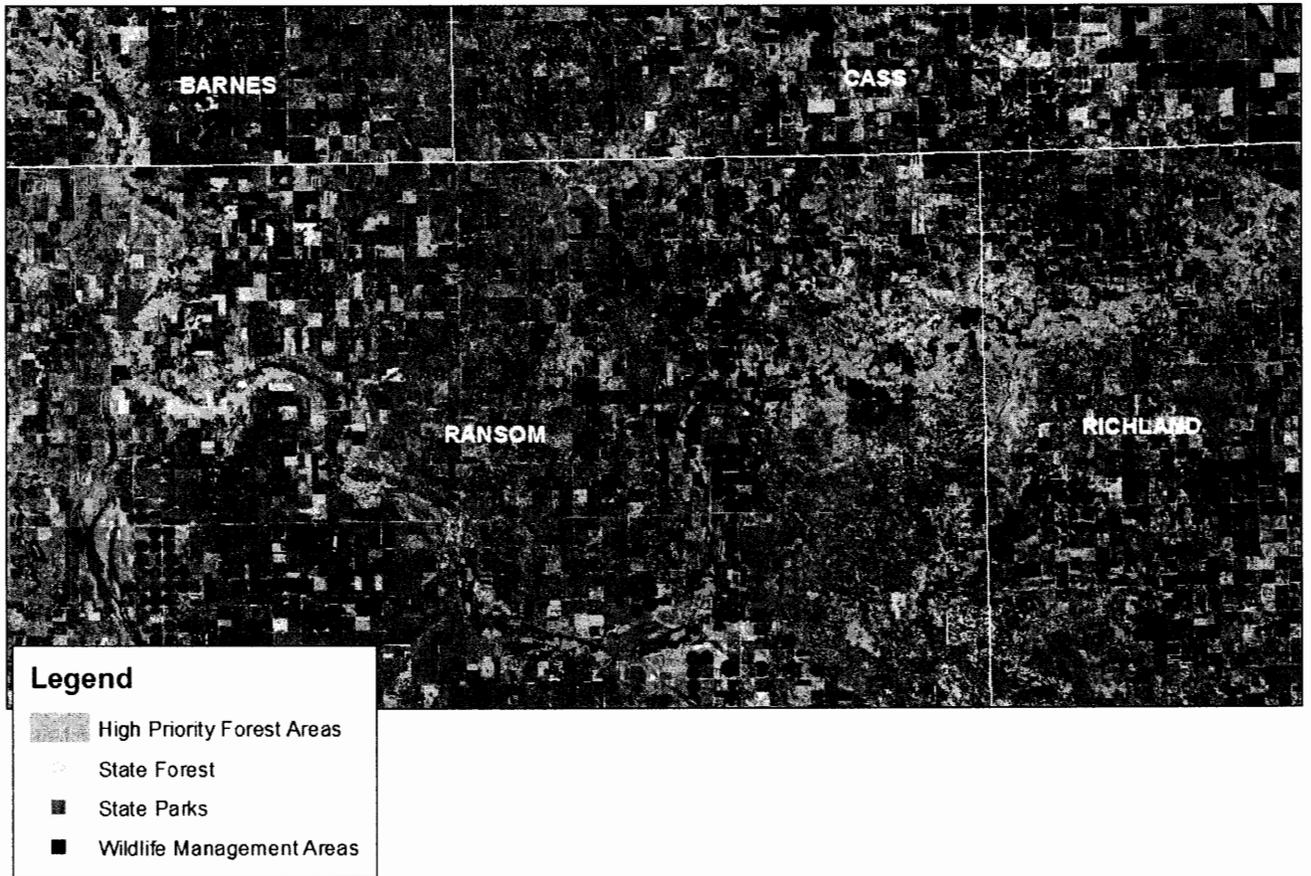
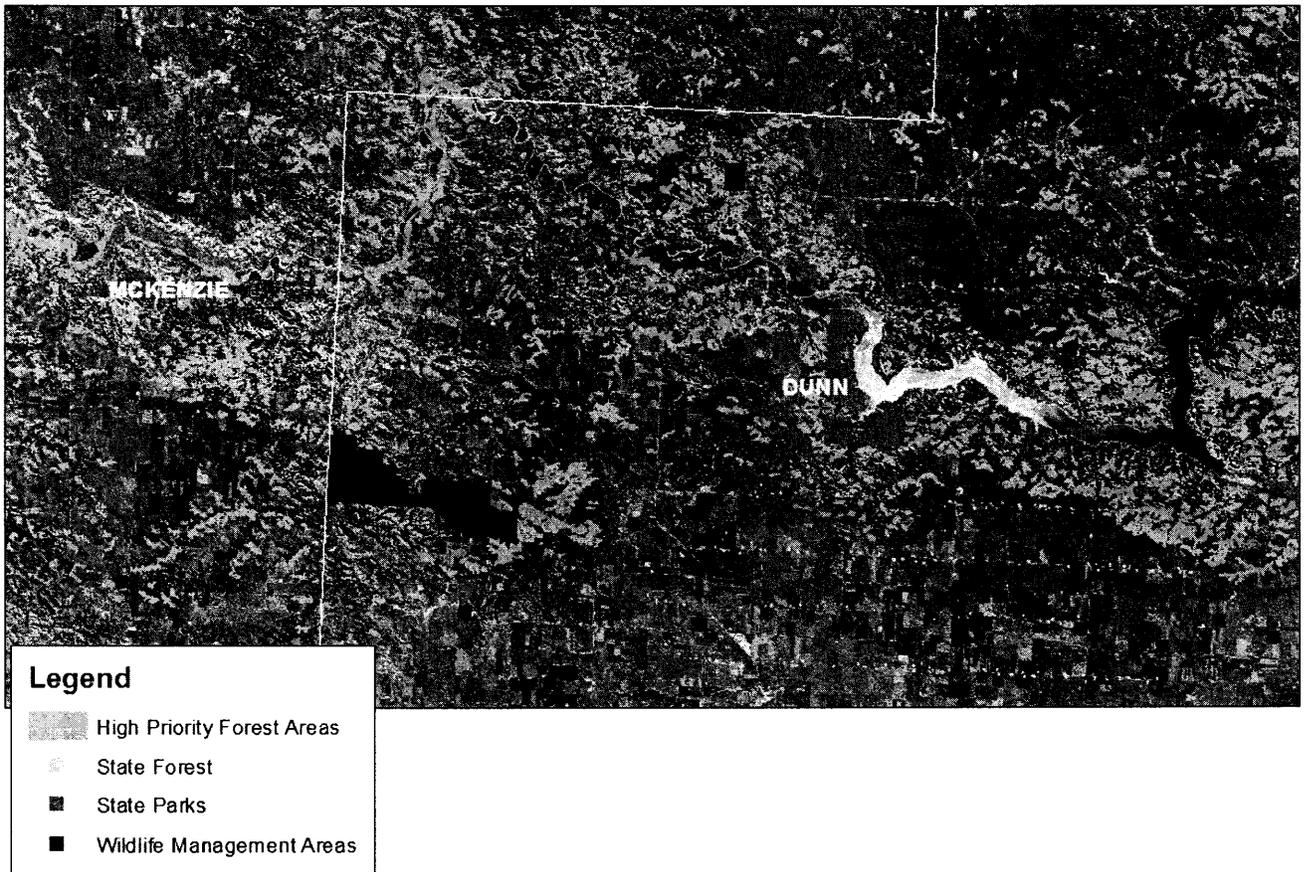




Figure 4 - Killdeer Mountains Region
High Priority Forest Areas



Strategies - This partnership initiative between the North Dakota Association of Counties, North Dakota Game and Fish Department and the North Dakota Forest Service would establish a new, long-term, state funding source to reimburse counties for tax revenue associated with the enrollment of private forest lands in the Forest Stewardship Tax Law. The State Forester is requesting \$633,468 in OHF grant funds to establish the fund and make annual tax revenue payments to participating counties. The State Forester will provide in-kind staff support to implement and manage the project. The North Dakota Game and Fish Department will provide technical support including recommendations on long-term conservation priorities for wildlife species, project proximity to existing habitat and public lands, and partnership opportunities. The North Dakota Association of Counties will provide guidance to the State Forester on implementing and managing the Forest Stewardship Tax Law. The association will serve as a liaison to county commissions, county auditors and tax equalization directors to ensure their recommendations and needs are considered by the State Forester.

The State Forester would solicit participation from North Dakota's high priority forest regions in the Turtle Mountains, Pembina Gorge, Devils Lake hills, Missouri River, Sheyenne River and Killdeer Mountains. Forested counties include Billings, Bottineau, Dunn, McHenry, McKenzie, Morton, Ransom, Richland and Rolette. Outreach will be conducted to encourage County Commission

approval and promote voluntary participation by qualifying forest landowners. Upon approval of the law by the County Commission, forest landowners having any tract of contiguous natural or planted forestlands at least 10 acres or larger in size would be eligible to file an application with the County Commission. Applications would be reviewed, inspected and approved (or denied) by the State Forester. The application of the landowner and the acceptance of the application by the County Commission constitute a contract, running with the land for a period of five-years. Potential county enrollments are estimated at 43,767 acres with \$285,776 in reimbursements during the five-year life of the project (Table 1).

| NORTH DAKOTA FOREST SERVICE | | | | | | | |
|--|---------------------|-------------------------------|----------------------------|-----------------------------|---|--|---|
| Forest Stewardship Tax Law | | | | | | | |
| Table 1 - Potential County Reimbursement - 2014-2018 Tax Years | | | | | | | |
| County | Forested Acreage /1 | Potential Enrolled Acreage /2 | Noncropland Value Per Acre | Tax Due Per Acre @ 275 mils | Difference Per Acre to be Paid by State | Total Potential County Annual Reimbursement /3 | Total County Reimbursement 2014-2018 /4 |
| Billings | 60,987 | 6,099 | \$112.60 | \$1.55 | \$1.05 | \$6,393 | \$31,965 |
| Bottineau | 29,535 | 2,954 | \$143.18 | \$1.97 | \$1.47 | \$4,338 | \$21,689 |
| Dunn | 79,446 | 7,945 | \$119.98 | \$1.65 | \$1.15 | \$9,134 | \$45,671 |
| McHenry | 31,215 | 3,122 | \$142.23 | \$1.96 | \$1.46 | \$4,544 | \$22,719 |
| McKenzie | 91,342 | 9,134 | \$120.48 | \$1.66 | \$1.16 | \$10,565 | \$52,823 |
| Morton | 25,795 | 2,580 | \$120.21 | \$1.65 | \$1.15 | \$2,974 | \$14,869 |
| Ransom | 26,287 | 2,629 | \$164.19 | \$2.26 | \$1.76 | \$4,620 | \$23,101 |
| Richland | 21,951 | 2,195 | \$168.70 | \$2.32 | \$1.82 | \$3,994 | \$19,971 |
| Rolette | 71,108 | 7,111 | \$144.71 | \$1.99 | \$1.49 | \$10,593 | \$52,967 |
| Totals | 437,666 | 43,767 | | | | \$57,155 | \$285,776 |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

/1 North Dakota's most forested counties currently not enrolled in the Forest Stewardship Tax Law.
 /2 Potential enrolled acreage is based on 10% of forested acreage in the county.
 /3 Total County Reimbursement is computed by multiplying the noncropland value per acre x 50% for assessed value x 10% for ag lands x 275 mils = Tax due per acre. Tax due per acre minus \$.50 paid by landowner = difference per acre paid by State. Potential enrolled acreage x difference per acre = Total County Reimbursement.
 /4 Total County Reimbursement for five-year program extending from 2014-2018 tax years.

The County Commissioners in Benson, Cavalier, Grand Forks, Nelson, Pembina, Ramsey, Walsh and Wells Counties have approved by resolution the application of the Forest Stewardship Tax Law to all qualifying forestlands within their northeastern North Dakota counties. In 2012 tax year, 658 landowners enrolled 42,140.9 acres in the program. These enrollments would generate an estimated \$347,692 in county reimbursement during the five-year life of the project (Table 2). The law currently provides for landowners enrolled to pay a tax rate of fifty cents per acre in lieu of all ad valorem taxes, provided the landowner agrees to protect the forest from destruction. The State Forester will continue the program in northeastern North Dakota.

Although the Forest Stewardship Initiative will target North Dakota's most forested counties, the State Forester will also work with all County Commissions who may be interested in implementing the Forest Stewardship Tax Law.

NORTH DAKOTA FOREST SERVICE

Forest Stewardship Tax Law

Table 2 - Enrolled County Estimated Reimbursement - 2014-2018 Tax Years

| County /1 | 2013 Enrolled Acreage /2 | Noncropland Value Per Acre | Tax Due Per Acre @ 275 mils | Difference Per Acre to be Paid by State | Total Enrolled County Annual Reimbursement /3 | Total County Reimbursement 2014-2018 /4 |
|------------------|---------------------------------|-----------------------------------|------------------------------------|--|--|--|
| Benson | 169.6 | \$147.95 | \$2.03 | \$1.53 | \$260 | \$1,301 |
| Cavalier | 21,606.1 | \$145.20 | \$2.00 | \$1.50 | \$32,334 | \$161,668 |
| Grand Forks | 4,603.8 | \$166.78 | \$2.29 | \$1.79 | \$8,256 | \$41,278 |
| Nelson | 145.2 | \$144.95 | \$1.99 | \$1.49 | \$217 | \$1,084 |
| Pembina | 11,725.2 | \$173.64 | \$2.39 | \$1.89 | \$22,132 | \$110,660 |
| Ramsey | 81.6 | \$149.04 | \$2.05 | \$1.55 | \$126 | \$632 |
| Walsh | 3,685.2 | \$155.38 | \$2.14 | \$1.64 | \$6,031 | \$30,154 |
| Wells | 124.2 | \$143.56 | \$1.97 | \$1.47 | \$183 | \$915 |
| Totals | 42,140.9 | | | | \$69,538 | \$347,692 |

/1 North Dakota's forested counties currently enrolled in the Forest Stewardship Tax Law.

/2 Enrolled acreage based on 2013 Forest Stewardship Tax Law Report.

/3 Total Enrolled County Annual Reimbursement is computed by multiplying the noncropland value per acre x 50% for assessed value x 10% for ag lands x 275 mils = Tax due per acre. Tax due per acre minus \$.50 paid by landowner = difference per acre paid by State.

Potential enrolled acreage x difference per acre = Total County Reimbursement.

/4 Total County Reimbursement for five-year program extending from 2014-2018 tax years.

The State Forester would use the \$633,468 in requested OHF grant funds to reimburse participating counties for the difference in tax revenue normally derived from forestlands and the taxes paid by enrolled landowners. A reimbursement formula would be implemented by the State Forester with concurrence of the County Commission. The Forest Stewardship Initiative's five-year goal is to enhance and conserve wildlife habitat on private lands by enrolling 85,908 acres of forestlands. The formula's assessed value for enrolled forestlands would be based on the county's estimated noncropland average agricultural value which is published annually by the Office of the State Tax Commissioner. The assessed value and the county's average mil rate would be used to calculate the tax due per acre on enrolled forest lands. Participating landowners would pay \$0.50 per acre to the county treasurer at the same time their other property taxes are due and the State Forester would pay the difference in the tax due to the county. For example, if a landowner enrolled forest lands in Pembina County, the assessed value would be the noncropland average value of \$173.64 per acre and the tax due at the county's average 275 mil rate would be \$2.39 per acre. The landowner's tax share would be \$0.50 per acre and the State Forester would reimburse the county \$1.89 per acre. Over the five-year life of the project, \$633,468 in county reimbursements would be paid by the State Forester and \$214,770 in taxes would be paid by the landowners to the participating counties for the 85,908 acres enrolled in the program.

Timetable - The timetable for the Forest Stewardship Initiative is five-years. Implementation would begin in 2014 tax year and the first county reimbursements would be made on or before March 1, 2015, for the 2014 tax year. The key implementation tasks for the Forest Stewardship Initiative are outlined in the following Table 3.

Table 3 Project Timetable

| Activity | Completed by |
|--|--|
| OHF awards grant to the NDFS and a contract outlining the terms and conditions of the grant. | February 2014 |
| NDFS works with the County Commissioners and Tax Directors in Benson, Cavalier, Grand Forks, Nelson, Pembina, Ramsey, Wells and Walsh Counties to develop specific plans for the expansion of the Forest Stewardship Tax Law. | March – June, 2014, |
| NDFS works with the County Commissioners and Tax Directors in Billings, Bottineau, Burleigh, Dunn, McHenry, McKenzie, Morton, Ransom, Richland and Rolette Counties to solicit participation in the Forest Stewardship Tax Law. Upon approval of the law by the County Commission, NDFS develops specific plans for the implementation of the law within the county. | July, 2014 – June 2015. |
| Outreach is initiated with eligible landowners to promote program benefits and solicit new enrollment applications for their property. All enrollments will follow the provisions of the Forest Stewardship Tax Law, Chapter 57-57, N.D.C.C. | July, 2014 – December 2015. |
| NDFS receives applications to the Forest Stewardship Tax Law, an established program, which serves to manage and conserve priority forest resources and enhance wildlife habitat, water quality, soil conditions and plant diversity. | July - October 2014, 2015, 2016, 2017, 2018. |
| NDFS reviews applications, verifies ownership and tax records, and inspects eligible forestlands for enrollment in the Forest Stewardship Tax Law. Enrollment orders are issued to tax directors and county auditors on or before February 1 of each year. NDFS prepares and distributes enrollment letters to qualifying landowners. | 2014, 2015, 2016, 2017, 2018. |
| NDFS conducts spot field inspections, issues landowner questionnaires or documents observations from local assessors to ensure landowners are eligible to receive continued tax benefits. | April-October, 2014, 2015, 2016, 2017, 2018. |
| NDFS prepares annual written report describing the forest practices of each forest owner, legal descriptions, and acreages eligible to receive continued tax benefits under the law. Report is forwarded to the county auditor and tax director. | On or before March 1, 2014, 2015, 2016, 2017, 2018. |
| County officials verify enrolled acreages and invoice the NDFS for state's share of tax revenues. Reimbursements made through NDSU Business Office. | April 2015, 2016, 2017, 2018, 2019, for the 2014 through 2018 tax years. |
| Landowners maintain forestlands per section 57-57-07 of the Forest Stewardship Tax Law. | Five year agreements initiated in 2014, 2015, 2016, 2017, 2018. |
| NDFS provides OHF regular reports detailing the progress, expenditure reports and final evaluation of the Forest Stewardship Initiative. | December 2013, 2014, 2015. |
| NDFS tracks five-year landowner agreements and mutually agrees with the county commissions and landowners if contracts should be renewed. | 2018 and beyond. |

Management of Project – Provide a description of how the you will manage and oversee the project to ensure it is carried out on schedule and in a manner that best ensures its objectives will be met.*

Include a brief background and work experience for those managing the project.

The Forest Stewardship Initiative would be implemented and managed by the North Dakota Forest Service. The agency focuses on improving the management of our forest resources by educating and assisting private landowners on how to better manage, protect and utilize their native and planted forest resources. This is accomplished through the development of a Forest Stewardship Plan, direct financial assistance for forest improvement practices, and financial incentives provided by the Forest Stewardship Tax Law. Forestry services are provided through field offices at Bismarck, Bottineau, Carrington, Fargo, Jamestown, Lisbon, Towner and Walhalla to over 2,000 landowners, fire departments, and communities statewide each year.

The State Forester will be responsible for managing and overseeing the Forest Stewardship Initiative with technical support from the North Dakota Game and Fish Department and guidance from the North Dakota Association of Counties. The entities have established working relationship with County Commissions and are collaborating on strategies to expand participation in the Forest Stewardship Tax Law. The State Forester will delegate management responsibilities to the Forest Stewardship Specialist and 4 additional foresters located in Bottineau, Lisbon, Towner and Walhalla. They will work closely with the County Commissions to implement the Forest Stewardship Tax Law and manage the application process with qualifying landowners to successfully attain the Forest Stewardship Initiative goals. Landowner outreach will be conducted to promote voluntary participation in the program.

The Forest Stewardship Tax Law will be applied in any county in which the County Commission has approved by resolution the application of this chapter to all qualifying property within the county. Landowners having any tract of contiguous forest which consists of: 1) natural forest cover ten acres or larger in size; 2) planted forest cover five acres or larger in size and not less than sixty feet in width; or 3) any combination of natural and planted forest cover ten acres or larger in size; may file an application with the County Commission. Upon the receipt of the application, the State Forester will verify landowner's county property records, examine the forestland and report to the County Commission whether the landowner is eligible for forest stewardship tax benefits. The application of the landowner and the acceptance of the application by the County Commission constitute a contract running with the land for a period of five years. The law provides a financial incentive to owners to manage and conserve forest resources by reducing their property taxes to \$0.50 per acre.

The five North Dakota Forest Service personnel managing and implementing this project have the following work experience and qualifications:

- Bachelor of Science in forestry or related natural resource field.
- Three (3) or more years of directly related natural resource management experience.
- Experience in effectively coordinating with landowners, boards, and/or county officials on forest management practices and programs.
- Ability and desire to work as part of a team and with partnering agencies/organizations.
- Effective organization, prioritization and time management skills.
- Effective communication skills, both verbal and written.
- Demonstrated computer experience with MS Word, Excel and PowerPoint.
- Proven aptitude for GIS, GPS and related technology.

Evaluation – Describe your plan to document progress and results. *

How will you tell if the project is successful? Please be specific on the methods you will utilize to measure success. Note that regular reporting, final evaluation and expenditure reports will be required for every grant awarded.

The State Forester will make an annual written report summarizing the forest practices of each forest owner covering lands enrolled under the Forest Stewardship Tax Law. The report may be based on spot field inspections, landowner questionnaires, or documented observations from local township assessors. The report will list the counties, landowners, legal descriptions, and acreages which are eligible to receive continued tax benefits. A copy of the report will be forwarded to the county tax director and county auditor by March first of each year along with a notification of the tax reimbursement to be paid to the participating counties. Following certification of the report by county tax director, the State Forester will issue an annual payment to the county treasurer for the acreage of enrolled forest lands. If the state forester finds that the owner has not complied with the law, or if the land is no longer used for forestry purposes, the state forester will issue an order removing the land from the forest stewardship tax law classification. Any declassification order issued on or before February first of any year will take effect in that year. A copy of the declassification order will be sent to the owner, to the local assessor of the township or district in which the land is located, to the clerk of the township if the township is organized, county tax director, and to the county auditor.

The State Forester is responsible for business practices that assure compliance with applicable federal and state laws and regulations, as well as State Board of Higher Education and University policies and procedures. The State Forester is the designated representative to sign for cooperative forestry assistance funds and proposals. The Office of Grant and Contract Accounting administers post award sponsored programs for the NDSU – North Dakota Forest Service. This includes grant related billing, auditing and financial reporting.

Financial Information

ATTACHMENT: Project Budget – Using the standard project budget format that is available on the website at <http://www.nd.gov/ndic/outdoor-infopage.htm> , please include a detailed total project budget that specifically outlines all the funds you are requesting.*

The project budget should identify all matching funds, funding sources and indicate whether the matching funds are in the form of cash or in-kind services. As noted on the standard project budget format, certain values have been identified for in-kind services. Please utilize these values in identifying your matching funds. **NOTE: No indirect costs will be funded.**

I certify that a project budget will be sent to the Commission*

North Dakota Forest Service Forest Stewardship Initiative - The proposed project budget is attached detailing the project expenses, OHF request, applicants match share and other project sponsors share. The budget form includes a narrative fully explaining the proposed budget.

Sustainability – Indicate how the project will be funded or sustained in future years. *

Include information on the sustainability of this project after all the funding from the Outdoor Heritage Fund has been expended and whether the sustainability will be in the form of ongoing management or additional funding from a different source.

Efforts will be made to sustain the Forest Stewardship Initiative beyond the Outdoor Heritage grant expiration date by requesting funding through the North Dakota Board of Higher Education biennial budget process. The Forest Service would seek approval to request appropriated funding in its 2019-2021 biennial budget and continue funding county reimbursements for enrolled forestland acreage. Appropriated funding sources would include the state general fund, income from the sale of nursery products and contributions from the Trees for North Dakota Trust Fund. The rationale for requesting a continued appropriation is based on the public benefits derived from managing and conserving private forest lands. The value of forest lands extend well beyond the individual landowner and county borders. A legislative appropriation for Forest Stewardship would embrace the state's role in supporting the preservation of forest lands and share the financial responsibility with everyone in the North Dakota. The North Dakota Forest Service is strongly supported within the Board of Higher Education and the Legislature, providing an excellent foundation to sustain the long-term benefits of the Forest Stewardship Initiative. The agency would continue providing matching funds to maintain its Forest Stewardship administrative and management capacity. The Forest Service organizational structure provides a unified team approach to ensure a coordinated focus toward the continued delivery of services and collaboration across organizational boundaries with a wide array of private forest landowners, county officials and natural resource partners.

Partial Funding – Indicate how the project will be affected if less funding is available than that requested. *

The Forest Stewardship Initiative is scalable based on forest land acreage enrolled under the Forest Stewardship Tax Law by participating counties and landowners. The highest priority is to maintain the currently enrolled counties and the acreage in the Pembina Gorge Region and add counties in the Turtle Mountains Region. If less funding is available, the State Forester would not add new counties in the Killdeer Mountains Region and the Lower Sheyenne River Region, thereby reducing the annual acreage goal and the geographic area served by the project. The county reimbursement formula would accurately compute the annual enrollment target based on the available annual budget. North Dakota Forest Service staffing for implementation and management would be made available commensurate with the project's enrollment targets.

On the other hand, if the project is fully funded, but landowner participation and enrolled acreage does not increase, the project money will not be spent. Therefore, this is a low risk project.

Scoring of Grants

All applications will be scored by the Outdoor Heritage Fund Advisory Board after your ten-minute oral presentation. The ranking sheet(s) that will be used by the Board is available on the website at <http://www.nd.gov/ndic/outdoor-infopage.htm> .

Awarding of Grants

All decisions on requests will be reported to applicants no later than 30 days after Industrial Commission consideration. Applicants whose proposals have been approved will receive a contract outlining the terms and conditions of the grant. Please note the appropriate sample contract for your organization on the website at <http://www.nd.gov/ndic/outdoor-infopage.htm> that set forth the general provisions that will be included in any contract issued by the North Dakota Industrial Commission. Please indicate if you can meet all the provisions of the sample contract. If there are provisions in that contract that your organization is unable to meet, please indicate below what those provisions would be. *

The North Dakota Forest Service can meet all the contract provisions issued by the North Dakota Industrial Commission. All contracts require a legal review conducted by the NDUS General Counsel prior to approval and signature by the State Forester.

Responsibility of Recipient

The recipient of any grant from the Industrial Commission must use the funds awarded for the specific purpose described in the grant application and in accordance with the contract. The recipient cannot use any of the funds for the purposes stated under Exemptions on the first page of this application.

If you have any questions about the application or have trouble submitting the application, please contact Karlene Fine at 701-328-3722 or kfine@nd.gov

Budget Standard Form

Please use the table below to provide a detailed total project budget that specifically outlines all the funds you are requesting and if there are any matching funds being utilized to fund this project. Please note if the matching funds are in the form of cash, indirect costs or in-kind services. The budget should identify all other committed funding sources and the amount of funding from each source. Match can come from any source (i.e. private sources, State and Federal funding, Tribal funding, etc.) Note match funding is not required but an application will be scored higher if match funding is provided. (See Scoring Form.)

Please feel free to add columns and rows as needed. Please include narrative to fully explain the proposed budget.

Note that NO INDIRECT COSTS will be funded from the Outdoor Heritage Fund.

**North Dakota Forest Service
Forest Stewardship Initiative
2014-2018**

| Project Expense | OHF Request | Applicant's Match Share (Cash) | Applicant's Match Share (In-Kind) | Applicant's Match Share (Indirect) | Other Project Sponsor's Share |
|---|------------------|--------------------------------|-----------------------------------|------------------------------------|-------------------------------|
| NDFS Personnel Salaries & Fringes ^{/1} | \$ | \$ | \$271,725 | \$ | \$ |
| NDFS Program Operating Expenses ^{/2} | \$ | \$ | \$400,000 | \$ | \$ |
| Enrolled County Reimbursements ^{/3} | \$347,692 | \$ | \$ | \$ | \$ |
| Potential County Reimbursements ^{/4} | \$285,776 | \$ | \$ | \$ | \$ |
| | \$ | \$ | \$ | \$ | \$ |
| Total Project Costs | \$633,468 | \$0 | \$671,725 | \$0 | \$0 |

Footnotes

/1 Applicant's match share (in-kind) includes NDFS personnel salaries and fringes for .9 FTE as outlined in Table 4. Salaries and fringes total is \$54,345 annually for five years or \$271,725 total.

/2 Applicant's match share (in-kind) includes NDFS program operating expenses for program support. Operating expenses are \$80,000 annually for five years or \$400,000 total.

| | |
|----------|---------------------------------|
| \$40,000 | Travel |
| \$6,000 | Communications |
| \$10,000 | Supplies |
| \$10,500 | Office Supplies |
| \$10,000 | Contracts and Fees |
| \$3,500 | Equipment <\$5,000 |
| \$80,000 | Total Annual Operating Expenses |

/3 OHF Request is for enrolled county reimbursements to Benson, Cavalier, Grand Forks, Nelson, Pembina, Ramsey, Walsh and Wells Counties who are currently participating in the Forest Stewardship Tax Law. 42,140.9 acres are enrolled. County reimbursements would be \$69,538.40 annually for five years or \$347,692 total.

/4 OHF Request is for potential county reimbursements to Billings, Bottineau, Dunn, McHenry, McKenzie, Morton, Ransom, Richland and Rolette Counties who may approve the application of the Forest Stewardship Tax Law. Estimated enrollments are 43,767 acres. County reimbursements would be \$57,155.20 annually for five years or \$285,776 total.

Budget Narrative:

The NDFS Forest Stewardship Initiative is a five-year project to manage and conserve North Dakota's limited forest resources to enhance wildlife habitat, water quality, soil conditions and plant diversity. The State Forester requests \$633,468 from the OHF to reimburse participating counties for the difference in tax revenue using estimated noncropland average agricultural values published by the Office of the State Tax Commissioner and the taxes paid by enrolled landowners. An annual payment will be made to each county based upon the number of forestland acres enrolled in that county. The NDFS will provide \$671,725 of in-kind matching funds. The total cost of the Forest Stewardship Initiative is \$1,305,193.

OHF Request - \$347,692 is budgeted for reimbursements to counties already enrolled in the Forest Stewardship Tax Law, including Benson, Cavalier, Grand Forks, Nelson, Pembina, Ramsey, Walsh and Wells. In the 2012 tax year, 658 landowners in these counties enrolled 42,140.9 acres in the program. \$285,776 is budgeted for reimbursements to Billings, Bottineau, Dunn, McHenry, McKenzie, Morton, Ransom, Richland and Rolette Counties who may be interested in the Forest Stewardship Initiative and may potentially approve the application of the Forest Stewardship Tax Law to qualifying lands within their counties. Potential enrollments are estimated to be 43,767 acres during the five-year project. The project's five-year goal is to increase Forest Stewardship Tax Law enrollments by 100% to an estimated 85,908 acres. These enrollments would ensure North Dakota's privately owned forest lands are protected from conversion to non-forest use and would maintain important public benefits including clean air and water, soil protection, additional food and cover for wildlife, biodiversity, and enhanced outdoor recreation experiences.

Applicant's Match Share (In-Kind) – The applicant's match share of in-kind funds is \$671,725. This includes \$271,725 budgeted from North Dakota Forest Service personnel salaries and fringes for five foresters (0.9 FTE) assigned to the Forest Stewardship Initiative and \$400,000 in program operating expenses for travel, communications, supplies, contracts and fees and equipment less than \$5,000.

| NORTH DAKOTA FOREST SERVICE Forest Stewardship Initiative Table 4 - Applicant's In-Kind Match 2014-2018 | | | | | | |
|--|-------------------|---|------------|----------------------------|-------------------------------|---------------------------|
| Position Description | Position # | Responsibilities | FTE | Annual Salary Match | Annual Operating Match | Total Annual Match |
| Forest Stewardship Specialist | 18822 | FSTL Program Management and Coordination /1 | 0.3 | \$19,100 | \$20,000 | \$39,100 |
| Stewardship Forester | 24749 | FSTL Field Applications and Inspections | 0.15 | \$8,145 | \$15,000 | \$23,145 |
| Forestry Technician | 19326 | FSTL Field Applications and Inspections | 0.15 | \$8,800 | \$15,000 | \$23,800 |
| Forest Stewardship Specialist | 25617 | FSTL Field Applications and Inspections | 0.15 | \$8,800 | \$15,000 | \$23,800 |
| Forest Restoration Specialist | 100718 | FSTL Field Applications and Inspections | 0.15 | \$9,500 | \$15,000 | \$24,500 |
| | | | | | | |
| Annual Totals | | | 0.9 | \$54,345 | \$80,000 | \$134,345 |
| Five-Year Program Totals 2014-2018 | | | 0.9 | \$271,725 | \$400,000 | \$671,725 |

/1 FSTL - Forest Stewardship Tax Law

In-kind services used to match the request for Outdoor Heritage Fund dollars shall be valued as follows:

- Labor costs \$15.00 an hour
- Land costs Average rent costs for the county as shown in the most recent publication of the USDA, National Agricultural Statistics Services, North Dakota Field Office
- Equipment Any equipment purchased must be listed separately with documentation showing actual cost.
- Equipment usage Actual documentation
- Seed & Seedlings Actual documentation
- Transportation Mileage at federal rate
- Supplies & materials Actual documentation

More categories will be added as we better understand the types of applications that will be submitted. We will use as our basis for these standards other State and Federal programs that have established rates. For example the North Dakota Nonpoint Source Pollution Management Program has established rates. If your project includes work that has an established rate under another State Program please use those rates and note your source.

Approved by OHF Advisory Board: October 17, 2013
Approved by Industrial Commission: October 22, 2013