This proposal develops incentives for private and corporate landowners to maintain and create forest habitat for threatened and endangered species. Specifically, this proposal: 1) implements a settlement agreement among DNR, Seattle and Kittitas Audubon Societies, Washington Forest Protection Association (WFPA), and American Forest & Paper Association (AFPA) aimed at supporting recovery of Washington's northern spotted owl population through voluntary, incentive-driven actions of landowners; and 2) develop meaningful incentives for forest landowners to maintain and create habitat.

### Fiscal Detail

<table>
<thead>
<tr>
<th>Operating Expenditures</th>
<th>FY 2010</th>
<th>FY 2011</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1 General Fund - Basic Account-State</td>
<td>291,200</td>
<td>123,000</td>
<td>414,200</td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td>291,200</td>
<td>123,000</td>
<td>414,200</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Staffing</th>
<th>FY 2010</th>
<th>FY 2011</th>
<th>Annual Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTEs</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
</tbody>
</table>

### Package Description:

Recent litigation and the continuing decline of Washington's northern spotted owl population illustrate the limited success that laws and regulations, by themselves, can achieve in conserving habitat for threatened and endangered species. Meaningful incentives are needed to motivate landowners to maintain habitat over time and to create habitat where it currently does not exist.

**Element 1. Settlement Agreement ($160,000)**

The settlement agreement among DNR, Seattle and Kittitas Audubon Societies, WFPA, and AFPA provides an excellent opportunity to explore the extent to which recovery of a threatened species can be supported through voluntary, incentive-driven actions of forest landowners, rather than increased regulation. This proposal element implements the State's 09-11 commitments, as expressed in the settlement agreement: to provide professional facilitation for a Policy Working Group on Northern Spotted Owl Conservation (Group) chartered by the Washington State Forest Practices Board (Board), and to fund the Audubon societies' participation in the Group's process.

**Element 2. Incentives ($254,200)**

Washington's non-federal forest lands have a huge potential for contributing habitat to support several of Washington's threatened and endangered species, such as the Northern Spotted Owl and Marbled Murrelet. State and federal regulations protect some of the most important habitat for these species. However, the regulatory mechanics of habitat protection often result in adverse outcomes or unintended consequences, and beyond regulation there is an enormous, unrealized potential to support threatened and endangered species through voluntary actions by landowners. This potential is particularly evident in terms of creating habitat where...
it does not currently exist: no law or regulation can compel a landowner to create habitat where it is absent.

Landowners currently have no meaningful incentives to create habitat conditions that are inconsistent with their normal, economically driven management regimes. In fact, many regulations aimed at protecting habitat provide strong disincentives for landowners to create habitat, in terms of economic losses and diminished management flexibility. This combination of no positive incentives and significant regulatory disincentives exerts pressure upon landowners to convert their forest lands to other land uses. Conversion of forest lands to other uses is the worst possible outcome, not only for wildlife habitat but also for broader concerns such as maintaining ecosystem functions provided by forests and mitigating the effects of climate change. This proposal element establishes a new project position in the Forest Practices Program to develop meaningful, practical incentives for landowners to maintain their forest lands and voluntarily provide habitat for threatened and endangered species. The position will work collaboratively with both landowners and conservation interests to develop incentives that make sense from both practical land management and species conservation perspectives.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

Element 1: Recommendations are developed by the Group that result in a strategic contribution from non-federal forest lands in Washington to the broader goal of conservation of a viable population of the Northern Spotted Owl.

Element 2: Meaningful incentives are developed that motivate forest landowners to maintain habitat over time and create habitat where it currently does not exist.

**Performance Measure Detail**

- **Activity: A027 Small Forest Landowner and Stewardship Office**
  
  Incremental Changes

  No measures submitted for package

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

This proposal supports the Department of Natural Resources' strategic plan as follows:

- Goal: DNR is faithfully implementing its responsibilities as a regulator
- Goal: Forest systems enjoy equal or greater health and productivity
- Goal: The public we serve widely and consistently holds DNR in high esteem

*Does this decision package provide essential support to one of the Governor's priorities?*

Yes, this request provides essential support to several of the Priorities of Government:

- Improve the quality of Washington’s natural resources
- Improve the ability of state government to achieve its results efficiently and effectively

*Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?*

Yes, this request contributes to the following statewide results:

- Improve the quality of Washington’s natural resources
- Establish safeguards and standards to protect natural resources
- Preserve, maintain, and restore natural systems and landscapes
- Improve individual practices and choices about natural resources

- Improve the ability of state government to achieve its results efficiently and effectively

September 5, 2008
What are the other important connections or impacts related to this proposal?

Other agencies that rely upon voluntary landowner actions to accomplish their missions will be positively impacted. These include the departments of Ecology and Fish & Wildlife, the Governor’s Salmon Recovery Office, and the Puget Sound Partnership. Approximately 20% of work to be carried out under this proposal is within the Puget Sound Basin.

What alternatives were explored by the agency, and why was this alternative chosen?

Most of the Forest Practices Program's base budget supports core operations, i.e., duties that are directed by law. DNR considered eliminating the Program's Small Forest Landowner Office discretionary functions (e.g., stewardship forestry, planning assistance) and using base budget funds that currently support these functions to accomplish the work described in this proposal. However, that would be counterproductive to the purposes of this proposal. Further, the SFLO is an important and successful delivery system for a variety of landowner assistance programs and could serve as a similar delivery system for incentive programs developed through this proposal.

What are the consequences of not funding this package?

The state would be unable to fulfill commitments made as part of a legal settlement agreement; this would jeopardize the settlement and could lead to renewed litigation. Opportunities to improve habitat conditions on non-federal forest lands would be foregone at a critical time for conservation of the Northern Spotted Owl and other threatened or endangered species. Working relationships among the state, forest landowners, and conservation groups would be strained.

What is the relationship, if any, to the state's capital budget?

None.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None.

Expenditure and revenue calculations and assumptions

Element 1: A facilitator is contracted: $400 per hour x 40 hours per month x 5 months (July - November 2009). Audubon societies' participation in the Group is funded: 4 representatives x $100 per hour x 40 hours per month x 5 months (July - November 2009). These are one-time costs for $160,000.

Element 2: One Natural Resource Specialist 4 (step L range 56). This is a project position that ends on June 30, 2011.

Salaries and benefits are 162,200.
Goods and services, rent, and travel are based on program averages.
Equipment is based on agency average for a computer.
Agency administrative cost is calculated at 27% and shown as object T. FTE associated with agency admin is estimated at 1.0 FTE.

This proposal does not affect any form of revenue.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

All costs are one-time costs only.

<table>
<thead>
<tr>
<th>Object Detail</th>
<th>FY 2010</th>
<th>FY 2011</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Salaries And Wages</td>
<td>61,600</td>
<td>61,600</td>
<td>123,200</td>
</tr>
<tr>
<td>B Employee Benefits</td>
<td>19,500</td>
<td>19,500</td>
<td>39,000</td>
</tr>
<tr>
<td></td>
<td>Personal Service Contracts</td>
<td>80,000</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>----------------------------</td>
<td>--------</td>
<td>---</td>
</tr>
<tr>
<td>E</td>
<td>Goods And Services</td>
<td>94,800</td>
<td>7,800</td>
</tr>
<tr>
<td>G</td>
<td>Travel</td>
<td>8,800</td>
<td>8,800</td>
</tr>
<tr>
<td>J</td>
<td>Capital Outlays</td>
<td>1,200</td>
<td></td>
</tr>
<tr>
<td>T</td>
<td>Intra-Agency Reimbursements</td>
<td>25,300</td>
<td>25,300</td>
</tr>
<tr>
<td></td>
<td>Total Objects</td>
<td>291,200</td>
<td>123,000</td>
</tr>
</tbody>
</table>