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# Keeping Maine's Forest-Based Economy: A National Demonstration Project, 2010

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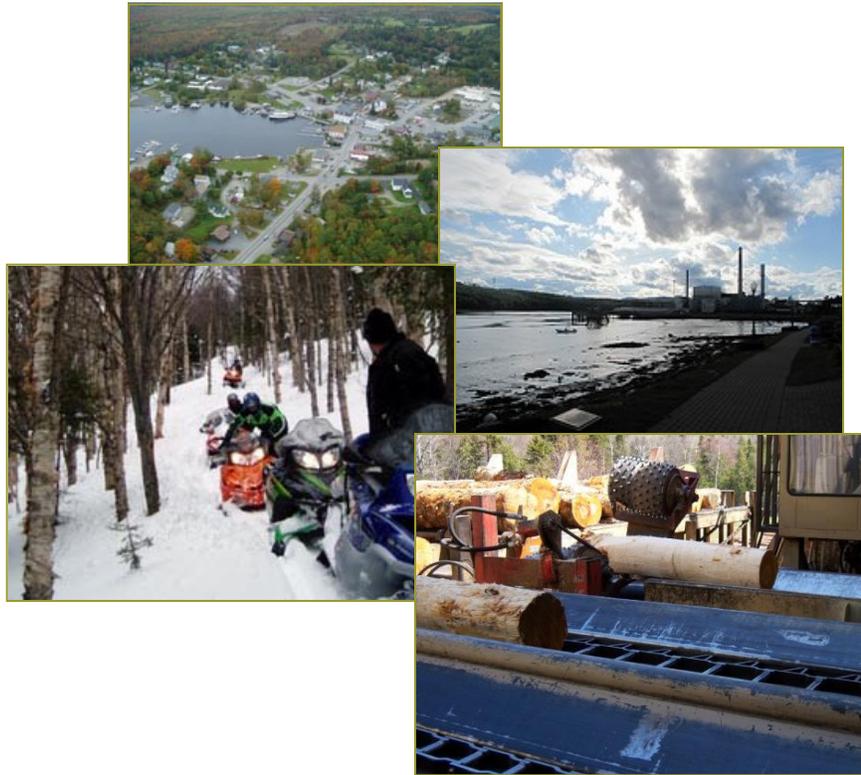
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## **Keeping Maine's Forest-Based Economy:**

### **A National Demonstration Project**

*A Proposal to Keep Forests as Forests, Strengthen the Forest-based Economy, and Revitalize Rural Communities*



# **Keeping Maine's Forest-Based Economy: A National Demonstration Project**

***A Proposal to Keep Forests as Forests, Strengthen the Forest-based  
Economy, and Revitalize Rural Communities***

Respectfully Submitted to  
**US Secretary of Agriculture Thomas Vilsack**  
and  
**US Secretary of the Interior Ken Salazar**

Developed by the  
**Keeping Maine's Forest-Based Economy Steering Committee**  
In Partnership with the  
**Keeping Maine's Forests Steering Committee**

This **living document** presents actionable, concrete ideas for strengthening the forest-based economy and revitalizing rural communities. If these recommendations are implemented, the outcomes will be measured and evaluated over time. Depending on these evaluations and input from landowners, business and community leaders and state and federal government officials, the ideas presented here may be modified to improve outcomes for forest-based businesses and rural communities.

## **Abstract**

Maine's forests, which include the largest unbroken tract of undeveloped forest east of the Mississippi River, sustain tens of thousands of jobs in the forest products and forest-based tourism industries. That this national resource is intact and productive today is a testament to good management by landowners and the ability of the forest-based economy to adapt, strengthen, and diversify markets for forest products and tourism.

To keep forests—in Maine and elsewhere—and the economic and social benefits they have provided for centuries, particularly in rural communities, requires bold and creative action. It requires both forest conservation efforts as proposed in the companion Keeping Maine's Forests Proposal, and also a diverse, robust forest-based economy with markets for a wide variety of forest-based products, including tourism. Furthermore, it requires government entities at all levels to work effectively and creatively amongst themselves and with a wide range of private sector interests to find mutually beneficial solutions.

This proposal offers seven recommendations organized under three thematic ideas that the US Department of Agriculture and US Department of the Interior can use to help strengthen and diversify markets for forest-based products and support the forest-based economy and rural places. This proposal is an opportunity to demonstrate how public and private interests can collaborate on issues of major public and private importance. The specific, actionable steps offered here are in some cases small, but collectively they provide a replicable model that, if adopted, could transform our nation's natural resources and rural economies. This is the hope and promise of Keeping Maine's Forest-based Economy.

## Introduction

Throughout history, forests have been the lifeblood of many rural communities. But the role of the forests in rural economies has changed significantly over the years. Nowhere is this truer than in Maine. An early colonial use for Maine's timber was for masts for the King's Navy and firewood to boil sea water to salt fish on their way back to England. The shipbuilding industry dominated Maine's economy in the 1800's, aided by Maine's abundance of tall, straight spruce and pine trees. In 1850, Bangor was the largest lumber port in the world. Later, Maine's hemlocks were harvested for the bark to tan leather, and Maine became a leader in paper manufacturing around the turn of the last century. Near the same time, in 1910, the Mount Kineo House on Moosehead Lake was said to be the largest inland waterfront hotel in America and its close proximity to trails and fishing was used to attract tourists. Demand for each of these and many other uses for Maine's forests has ebbed and flowed over the years as technology, competition from other places and other raw materials, and new transportation routes (like the Panama Canal) have continuously challenged and affected markets for Maine's timber. Indeed, the markets for Maine's forests today—pulp, paper, lumber, furniture, biomass energy, and forest-based recreation—have never been static. Undeniably, what sets Maine apart from the rest of the country—and the major reasons that Maine's forests remain largely intact and healthy—are the diversity of markets that Maine's forestland owners have *and the ability of forest-based industries to adapt, strengthen and diversify those markets.*

For today's forest-based economy the challenges are immense, but so are the opportunities. Some of the ways we use the forest are new, like Old Town Fuel and Fiber's innovative process to turn woody biomass into both jet fuel and pulp for paper. Others are modern variations of centuries-old commodity products, like high-tech niche paper products or composite building materials. Forest-based experiential tourism, which began with visitors arriving by train and horse in the mid to late 19<sup>th</sup> century, is growing and changing too. Today there are 30+ million people that live within a day's drive of Maine's exceptional recreational opportunities.

To keep forests—in Maine and elsewhere—and the economic and social benefits they have provided for centuries, particularly in rural communities, requires bold and creative action. It requires not just forest conservation efforts as proposed in the companion Keeping Maine's Forests Proposal, but also a diverse, robust forest-based economy with markets for a wide variety of forest-based products, including tourism. These products and markets provide a revenue stream for forest landowners and therefore a strong economic reason for keeping forests as forests. This proposal offers seven recommendations to connect forest conservation with economic opportunity that, taken together, will serve as a national demonstration

project for realizing the greater public benefits of privately-owned and managed forestlands.

### **A New Model of Collaboration to Fortify the Forest-based Economy**

At the request of the secretaries of the U.S. Departments of Agriculture (USDA) and the Interior (USDI), and with the encouragement of Governor Baldacci, the Keeping Maine's Forest-based Economy (KMFE) Steering Committee set out to identify how USDA and USDI programs could help keep Maine's forests as forests, strengthen the forest-based economy, and provide jobs and income for rural communities. This effort complements the work of the Keeping Maine's Forests (KMF) Steering Committee, which stated as its first objective for keeping forests as forests:

*"Maintaining the most diverse, robust and economically beneficial forest products industry possible and the jobs that this industry provides..."*

The KMFE Steering Committee, which shares several members with the KMF Steering Committee, is diverse. It includes representatives of the forest products and forest-based tourism industries, large and small forest landowners, economic development agencies, academia, and government. One of the strengths of this proposal lies in the consensus formed by a collaborative partnership of many different stakeholders on the Committee and our thorough consultation with subject matter experts across the state.

In broad terms, the KMFE Steering Committee is asking the USDA and USDI to consider using Maine as a national demonstration project for a new type of federal, state, and private partnership that prizes collaborative delivery of services and creative ways to realize economic value from forestland. Our proposal builds seven specific recommendations on three broad, thematic ideas:

- **Make the forest-based economy an interagency priority to keep forests as forests and revitalize rural communities.**
  1. Diversify Markets and Promote Investment in the Forest Products Industry by funding a Forest Products Advisor position to continue developing Maine's niche in the global marketplace.
  2. Increase Energy Efficiency by tailoring the *Rural Energy for America Program* to meet the needs of large manufacturing plants and other forest-based businesses.
  3. Advance Workforce Training and Business Assistance Programs by increasing funding and flexibility for the *USDA Rural Business Enterprise Grant and Rural Business Opportunity Grant Programs*.

- **Develop creative, flexible partnerships with local entities to better deliver services in support of the forest-based economy.**
  4. Expand Rural Broadband Access by creating state allocations from the USDA *Broadband Program* and revising the *Community Connect Program* to allow multi-community grants and expand eligibility to underserved areas.
  5. Improve Landowner Relations by allowing state authorities to use the US Fish and Wildlife Service's *Wildlife and Sport Fish Restoration Program* and the USDA Farm Service Agency's *Voluntary Public Access and Habitat Incentive Program* to improve enforcement of recreation laws and educate recreational users of private land.
  
- **Provide incentives to landowners to continue management and stewardship in support of the forest-based economy (See the Keeping Maine's Forests Proposal for additional ideas).**
  6. Reduce Landowner Costs of trail construction and maintenance by opening the *Challenge Cost-Share Program*—currently restricted to federal or federally-designated lands and rail trails—to allow its use on non-federally owned, but federally-funded conservation land and easements where the deeds guarantee public access.
  7. Enhance Wood Supplies from family forest owners by restoring *WoodsWISE (USDA Forest Service Forest Stewardship Program in Maine)* funding and by authorizing the Maine Office of the USDA Natural Resources Conservation Service to deliver forest conservation financial assistance through the Maine Forest Service.

These broad, thematic ideas are not new. The second one, for example, is a hallmark of the Obama Administration and included in the goals of the *America's Great Outdoors Initiative*. What is new, however, and what this Committee is excited to offer are seven specific, actionable recommendations that USDA and USDI can implement by collaborating with state government and private businesses to enhance forests as an economic engine. If implemented, these seven recommendations will strengthen the markets for forest products and forest-based tourism. They will provide additional revenue streams for landowners and added means for Maine's forest-based businesses and rural communities to realize enhanced value from Maine's forests. Also important, they will demonstrate the ability of the federal government to adapt its programs to solve problems, meet changing local needs and capitalize on unique local abilities. The ongoing success of this national demonstration project will be evaluated regularly by tracking economic conditions (like jobs and income) over time and comparing the expected results of these recommendations with actual outcomes.

## Recommendations

### **1. Diversify markets and promote investment in the forest products industry by funding a Forest Products Advisor position to continue developing Maine's niche in the global marketplace.**

Diverse and robust forest products markets are fundamental to keeping forests as forests because they provide a revenue stream for forest landowners. The financial viability of owning land for timber depends on diverse markets for wood products. Strong forest products markets are also essential for the rural communities that rely on the forest-based economy. The livelihoods of people in Maine's rural mill towns, in particular, are dependent on the relatively high-paying jobs that the mills offer, and the forestry jobs that supply the raw materials for the mills. If those mills cannot continually find new markets and new streams of revenue, develop new methods of production, and make critical investments in buildings and equipment, then they are at risk of closure and their rural communities are in trouble.

Remaining competitive in an ever-changing global marketplace is a constant challenge for the US forest products industry—a challenge that can only be met through strong public/private partnerships. To this end, a pilot program in Maine, created in 2007 with an ad hoc patchwork of funding from several different state sources, created a Senior Forest Products Advisor to the Governor. By all accounts, the results have been striking: five major mills have re-opened with the assistance of this position, directly saving nearly 2,000 high-paying jobs. Also, new investors have been connected with Maine mills (e.g., Old Town Fuel and Fiber, Moosehead Furniture, etc.), and many mills have successfully implemented new energy strategies, becoming more financially and environmentally sustainable. Unfortunately, and despite the success at keeping rural jobs in rural places, the patchwork funding for this position is inadequate and not sustainable.

Therefore, we encourage USDA to fund a Forest Products Advisor (FPA) position at a total annual cost of \$300,000, including an operating budget. The FPA would serve as liaison between the forest products industry and the Governor, with a goal of strengthening Maine's forest products industry and thus keeping forests as forests and revitalizing rural communities. With a working budget, the position would coordinate public and private resources to help Maine's forest products industry identify, create, and maintain special niches in regional and global



#### **Details of the Forest Products Advisor Position:**

\$300,000 would fund the FPA position itself, and, in the first year could be allocated for projects such as: \$50,000 for a marketing study to drive the FPI toward higher-value products; \$50,000 to inventory mill assets statewide and use the results to estimate cost curves and evaluate competitiveness; \$60,000 for a study of new manufacturing by-products; and \$20,000 for project(s) to increase operational efficiency.

marketplaces. The FPA would work to attract investment and new companies, with a focus on forward and backward integration. Through relationships with private sector experts, the University of Maine, and an advisory board of industry professionals, the FPA would be proactive in anticipating problems at the industry and the mill level and in identifying and coordinating solutions. The FPA would provide technical assistance to mills, assist with product development and marketing, and coordinate an aggressive wood-to-energy conversion program for schools and government buildings, this latter responsibility modeled after the successful Vermont program. The FPA would also serve as a model of public/private coordination for other states with large forest products industries.

## **2. Increase energy efficiency by tailoring the *Rural Energy for America Program (REAP)* to meet the needs of large manufacturing plants and other forest-based businesses.**

Maine's electricity costs are among the highest in the Nation, so Maine's forest-based businesses must invest in energy efficiency to remain competitive. This is especially true for large industrial electricity users like pulp and paper mills. For example, a world-class paper machine is currently idle in Millinocket's Katahdin Paper Mill, waiting for the \$40 million investment required to convert an oil-fired boiler to biomass. REAP is designed specifically to help rural businesses invest in energy efficiency but federal caps for the program are too low for large mills. Furthermore, many of Maine's rural mills are not eligible for REAP funding because of ownership restrictions, which disallow foreign-owned mills and include the size of the parent company when determining if an applicant qualifies as a "small business."

Therefore, we encourage USDA Rural Development to increase the cap on REAP grants to \$5 million and allow foreign-owned mills to participate if they employ mostly American workers and use wood primarily from US forests. To further allow Maine mills to participate, the size of the parent company should not be used to determine if an applicant qualifies as a "small business".

## **3. Advance workforce training and business assistance programs by increasing funding and flexibility for the *USDA Rural Business Enterprise Grant and Rural Business Opportunity Grant Programs***

To take advantage of Maine's exceptional forest-based business opportunities, workers need to be superbly trained. For example, in the tourism industry, employees must not only understand and deliver excellent customer service, but also be aware of local events and culture, along with state history. In



### **Recommendation #2 by the numbers:**

A survey of 8 of Maine's large mills showed that costs for critical, "shovel-ready" energy efficiency and renewable energy system projects ranged from \$2.5 million to \$50 million. The \$5 million cap requested here represents 25% of the median eligible cost of needed energy efficiency and renewable energy system projects at eight of Maine's largest mills. Clearly, Maine's total allocation (\$564,000 last year) will need to be increased as well.

addition, owners and managers of tourism businesses must know how to foster a culture of hospitality. Tourism and non-tourism businesses alike often need additional forms of assistance and resources, like business planning, accounting and tax assistance, trade strategies, feasibility and marketing studies, access to capital, etc., to remain competitive and create job opportunities in Maine's forest-based industries.

The USDA Rural Business Enterprise Grant (RBEG) and Rural Business Opportunity Grant (RBOG) programs are effective, well-designed programs with strong records of funding workforce training and business assistance initiatives for rural businesses. RBEG funding is currently helping to pay for a small series of frontline tourism training seminars in three of Maine's poorest, most rural counties. RBOG funds recently helped pay for a foundational labor force analysis that examined the ages and skills of existing and projected workers, with a special emphasis on older workers and their attitudes toward retirement. *Unfortunately, these critical programs are underfunded and some of their rules have not been updated to reflect current economic realities in rural America.*

#### **4. Expand rural broadband access by creating state allocations within the USDA Broadband Program and revising the *Community Connect Program* to allow multi-community grants and expand eligibility to underserved areas.**

Poor access to broadband is constraining economic development and community revitalization in rural places. Business leaders say that increasingly, the solutions for today's rural businesses—from forest-based tourism to natural resources—require high-speed broadband access and that they are less likely to invest or locate in communities without broadband. For example, Maine's rural destination and experiential tourism businesses need access to broadband because many potential customers expect it and take their business elsewhere if it is not available. In fact, a 2007 report from the Brookings Institution found that for every one percentage point increase in broadband penetration in a state, employment is projected to increase by 0.2 to 0.3% per year.

Maine has institutional infrastructure to promote rural broadband access and adoption: the ConnectME Authority is the State's coordinating agency to bring broadband to unserved and underserved areas, and the Broadband Strategy Council advises ConnectME through a statewide strate-



#### **Details of Recommendation #3: Increase Funding and Flexibility for RBEG/RBOG**

- Double Maine's allocation of RBEG funding to \$766,000. Last year, Maine was only able to fund 5 out of 23 applications. Many worthy projects went unfunded.
- Increase RBOG funding at the national level. At approximately \$2.5 million annually, this important program is severely underfunded.
- Allow "Discretionary" points for new projects submitted by previous RBEG applicants so that organizations with the experience and capacity to deliver services are not penalized.
- Modernize RBEG rules by using the NAICS code-based Small Business Administration procedure to define small businesses; and provide flexibility with project timelines, especially for Maine's small, rural, and often seasonal businesses.

gic broadband infrastructure plan. The USDA has rightly made rural broadband access a priority, but more support and flexibility are needed. Maine has recently received three awards from Rural Development's Rural Utilities Service Broadband Program funded through the second round of the American Recovery and Reinvestment Act of 2009 (ARRA) totaling \$9,404,866. However, the State has never received an award from the Rural Broadband Access Loan and Loan Guarantee Program or the Community Connect Program (in fact, despite extensive outreach on availability of the programs, there is no record of applications being submitted). Many of Maine's rural communities with a critical need for broadband are not eligible because some broadband access may exist in the area. Also, many of Maine's businesses with the talent and determination to connect communities to broadband do not meet program requirements for cash-on-hand. To address the fact that rural communities have circumstances that are often not directly compatible with federal program guidelines, a state allocation from the USDA Broadband Program would be most effective at improving rural broadband access, as opposed to making individual grants to specific towns. The ConnectME Authority is well positioned to coordinate efforts in Maine, including state match for federal resources.

**5. Improve landowner relations by allowing state authorities to use the US Fish and Wildlife Service (USFWS) *Wildlife and Sport Fish Restoration Program (WSFR)* and the USDA Farm Service Agency (FSA) *Voluntary Public Access and Habitat Incentive Program (VPA-HIP)* to improve enforcement of recreation laws and educate recreational users of private land.**

Ninety-five percent of Maine land is privately held, and private landowners provide significant public benefits by allowing the public to use their land for forest-based recreation. But Maine's unique open access tradition imposes significant costs on these landowners, including loss of privacy, increased road maintenance, property damage, etc., and many landowners feel unappreciated despite the benefits they provide and the costs they incur. As a result, more landowners, particularly in the southern part of the state, are posting their land, limiting many outdoor activities that are important to Maine's forest-based economy. Tourism industry leaders say that a stronger relationship between the forest-based tourism industry and private landowners will help create jobs and revitalize rural areas dependent on outdoor recreational opportunities, and keep land open for current and



**More on Recommendation #4: Expand Rural Broadband Access**

- When ARRA funding for the Broadband Initiatives Program (BIP) ends, funding should be restored for the Broadband Program at \$400 million per year, offering a combination of loans and grants.
- Like the Broadband Technology Opportunities Program (BTOP) and BIP, post-ARRA broadband funds should address a continuum of broadband needs: middle mile, last mile, and sustainable broadband adoption.



**Details of Recommendation #5: Improve Landowner Relations**

- Allow 5% of WSFR funding to be used for enforcement activities to protect federal aid assets, ensure public health and safety in federal aid areas, and keep these areas open to the public by reducing costs for landowners.
- With this WSFR enforcement funding (approximately \$400,000 annually), Maine Dept. of Inland Fisheries and Wildlife will create 3 Regional Landowner Relations Coordinator positions to respond to landowners and to educate recreational users.

future generations of outdoor recreationists. Landowners say that carrying costs for allowing the public to access their land must be mitigated.

The KMFE Steering Committee believes the most effective way to reduce costs for landowners and increase public appreciation for the benefits they provide is to simultaneously increase enforcement of laws for recreational users on private land and to educate recreational users about current laws and the critical economic role that landowners play in Maine's rural woods-based communities.

**6. Reduce landowner costs of trail construction and maintenance by opening the *Challenge Cost-Share Program (CCSP)*—currently restricted to federal or federally-designated lands and rail trails—to allow its use on non-federally owned, but federally-funded conservation land and easements where the deeds guarantee public access.**

CCSP funds should be made available for use on existing and future federally-funded conservation land and easements, where the deeds guarantee public recreational access. The eligible lead recipient would be the fee owner or, with the fee owner's permission, recreation clubs or other nonprofit entities working on the trail. On easements, funds would only be awarded where both grantor and holder report successful patterns of easement compliance and stewardship.

Leaders of Maine's forest-based tourism industry say they need well-maintained recreational trails to deliver a high-quality experience for their customers. However, landowners who provide the public benefit of public access to recreational trails often carry significant costs associated with trail use. Maine's businesses and communities must find ways to minimize the costs to landowners and concentrate the development of trails and other important infrastructure (trailhead facilities, trail signage, safe and accessible parking, GPS mapping, and visitor centers) in landowners' preferred areas, and to reward landowners where public access has been secured.

CCSP is an important matching-fund program that can be used to improve recreational resources on federal lands such as National Forest and Park lands (as well as federally designated scenic



**Details of Recommendation #6:  
Change Eligibility Requirements in the  
CCSP Program**

- Resources can be administratively directed toward these programs for work on non-federal land without need for congressional action.
- Where possible, funds should be administered by a federal agency with a history of facilitating grants to landowners (e.g. NRCS).
- CCSP funds in this effort should be complementary to full funding of the Land and Water Conservation Fund, the Rivers, Trails, and Conservation Assistance Program, and the Recreational Trails Program.

and recreation trails and rail trails), but usually not on private lands. Since the percentage of Maine land in federal fee ownership is so small (0.86%—45<sup>th</sup> in the Nation), its eligibility for CCSP participation is limited. On the other hand, Maine has the largest and most successful program of federally-funded conservation easements and state ownership in the Nation, drawing on a variety of sources, including the USFS Forest Legacy Program and the USFWS North American Wetlands Conservation Act grant program. In addition, the State's Land for Maine's Future 5% public access program is a successful state-funded case study. Adequately funded trail development can reduce costs for landowners and concentrate recreation in desired areas, and that increased investment in trail infrastructure is critical for Maine's forest-based tourism economy.

**7. Enhance wood supplies from family forest owners by restoring *WoodsWISE (USDA Forest Service (USFS) Forest Stewardship Program in Maine)* funding and by authorizing the Maine Office of the USDA Natural Resources Conservation Service (NRCS) to deliver forest conservation financial assistance through the Maine Forest Service (MFS).**

Maintaining an affordable, accessible wood supply is critical to Maine's forest products industry. Family forest owners—often in rural communities in the southern half of the state and in relatively close proximity to mills—must be encouraged and supported to manage their land actively for sustainable timber production and other values. Research has consistently shown that the best way to do this is through a combination of technical assistance, cost sharing, and one-on-one access to a forester to walk the land with them and discuss management alternatives. The WoodsWISE program has a strong record of success connecting family forest owners with a state forester who visits their land, explains their management options, and provides the opportunity for the owner to develop a working relationship with a private consulting forester. Unfortunately, the USFS has sharply reduced WoodsWISE funding in recent years.

Maine NRCS has made admirable progress in increasing funding devoted to forestry over the last few years. NRCS could further its conservation goals by capitalizing on the relationships that MFS has built with family forest owners, who own their land for purposes of privacy or their own recreational pursuits, rather than actively managing it for revenue. Engaging these landowners presents a special challenge. MFS has decades of experience engaging family forest owners to



**Details of Recommendation #7...**

**Restore WoodsWISE funding** from its current level of about \$150,000 to \$255,000. **Expected Results:** Up to 200 additional WoodsWISE Stewardship Plans (representing up to 25,000 new acres), and up to 250 additional silvicultural operations plans (up to 12,000 new acres under management) on an annual basis.

**Details of the NRCS/MFS Collaboration:** This two-year pilot project would involve an annual grant of \$225,000 from one or more NRCS conservation programs to MFS and an expanded MoU detailing the kinds of practices to be supported with these funds and the administrative requirements attached to them. After two years, an independent evaluation would assess the effectiveness of the pilot project.

**Expected Results of NRCS/MFS Collaboration:** Thinning and/or crop tree release on up to 500 acres, invasive species and competition control on up to 500 acres, and the installation of up to 50 erosion mitigation projects and/or improved stream crossing structures, all on an annual basis.

promote improved stewardship of their forest resources, so it makes sense to build on this expertise and design a collaborative effort between Maine NRCS and MFS.

### Summary

To keep forests—in Maine and elsewhere—and the economic and social benefits they have provided for centuries, particularly in rural communities, requires bold and creative action. It requires not just forest conservation efforts as proposed in the companion Keeping Maine's Forests Proposal, but also a diverse, robust forest-based economy with markets for a wide variety of forest-based products, including tourism. This proposal is an opportunity to demonstrate how public and private interests can collaborate on issues of massive public and private importance. The specific, actionable steps offered here are in some cases small, but collectively they provide a replicable model that, if adopted, could transform our Nation's natural resources and rural economies.

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The members of the KMFE Steering Committee represent a wide range of interests and thousands of constituents. The endorsement of this proposal by KMFE members provides a broad base of support for the recommendations presented herein. However, given the specific, programmatic, detailed nature of many of these recommendations, some recommendations need further refinement and discussion before gaining support of all members of the committee.

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### Members of the Keeping Maine's Forest-based Economy Steering Committee

The members of the KMFE Steering Committee, listed below, represent a wide range of interests and thousands of constituents. The endorsement of this proposal by KMFE members provides a broad base of support for the recommendations presented herein. Given the specific, programmatic, detailed nature of many of these recommendations, some are more or less relevant to each of the various members.

Dick Arnold, Old Town Fuel and Fiber  
Bill Bell, Maine Pellet Fuels Association  
Keith Bisson, Coastal Enterprises, Inc.  
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Donna Fichtner, Tourism Consultant  
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