

“You Can Pay Me Now, or Pay Me Later”

AFA was founded in 1949 by a group of sawmill owners to ensure that someone woke up every day thinking about and addressing issues that affected their lives, land and business. According to our archives, the issues of primary concern included overweight trucks, onerous taxation, government regulations and competition from other types of building materials.

Through the years, as AFA encountered issues that had a direct impact on forestry operations, our “pine-tree issue” list grew. In the last few years, however, we have found ourselves in new territory and it is presenting a real challenge for us to move quickly up the learning curve on issues that seem far removed from the day to day concerns of most of our members.

Two examples are Alabama’s Medicaid program and Department of Corrections. Before I go further, I’ll ask the question I’m sure is on the tip of your tongue. Why in the world does the Alabama Forestry Association care about Medicaid and Corrections?

I’m glad you asked! Over the last 17 years, General Fund (GF) revenue has grown at an average annual rate of 2% per year while appropriations to Corrections and Medicaid have grown at 8% and 14%, respectively. For FY2015, appropria-

tions to Corrections and Medicaid consume 59% of the total GF budget.

If you assume that GF revenue and appropriations to Corrections and Medicaid continue to grow at historic rates, in 5 years they will consume 97% of the GF budget. This will leave a paltry 3% to fund ALL other GF agencies including Public Safety, Forestry Commission, Ag & Industries, Courts, etc. Obviously, that won’t work, so let’s change our assumptions. Let’s assume appropriations to Corrections and Medicaid continue to grow at historic rates and we level-fund all other GF agencies. This will require a 62% increase in GF revenue.

So where does GF revenue come from? The largest source of GF revenue is insurance taxes. The second largest is ad valorem taxes!

Allow me to re-ask your original question. Why does AFA care about Corrections and Medicaid? If growth in appropriations to these two agencies continues at historic rates, the Legislature will be under enormous pressure to enact broad tax increases simply to maintain essential services.

Faced with this prospect, AFA leadership made the decision to roll up our sleeves and join the Medicaid reform effort. Here I’m reminded of the old Fram oil filter commercial. “You can pay me now, or pay me later.”

Another similar issue is higher education. Like many of you, I have been grumbling and complaining about college costs for years. As a father of 7, the rapidly escalating cost of a college education is a painful reality.

Apart from my personal pain, I have always understood that these escalating costs create a seemingly insurmountable financial hurdle for many students and their families. I had given little thought, however, to the far reaching impact of these costs on our economy, especially the forestry economy.

A survey of recent college graduates from around the country shows that seven in 10 recent graduates have student loans they are repaying with an average debt of nearly \$30,000. What caught my attention was the linkage between student loan debt and home-buying trends.

According to the study recently released by the National Board of Realtors, Generation Y (33 and younger) accounts for 31% of home purchases nationwide and at least one in five, mostly first time buyers, struggle to save for a down payment. Over half of these said that student loan debt was a major factor in delaying their savings. With an overall median income of \$35,000 and student loan payments of a \$200-\$1,000 per month, it’s easy to see why.



Chris Isaacson

Even Generation X (34-48) is still feeling the impact of their college loans, leading the study’s author to the obvious conclusion, student loan debt is having a big impact on the real estate market.

By now, you can probably guess my point. New home construction is responsible for nearly half of the total demand for lumber in the U.S. market and lumber demand is strongly correlated with timber demand and prices.

Now, I’ll ask a question for you to consider. Does the forestry community have a stake—a vested interest—in the spiraling cost of higher education? **YOU BET WE DO!**

I am grateful to work for an organization whose leadership recognizes that to fulfill our mission we must move beyond our traditional parochial issues and engage those economic forces that threaten our livelihoods. The Fram oil folks would be proud! ▲