STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
DOA 2049 (R 07/2011)

ADMINISTRATIVE RULES
FISCAL ESTIMATE AND ECONOMIC IMPACT ANALYSIS

Type of Estimate and Analysis

☒ Original ☐ Updated ☐ Corrected

Administrative Rule Chapter, Title and Number

Ch. ATCP 21, Plant Inspection and Pest Control

Subject

Mountain pine beetle import controls and quarantine

Fund Sources Affected	Chapter 20, Stats. Appropriations Affected
☐ GPR ☐ FED ☐ PRO ☐ PRS ☒ SEG SEG-S	20.115(7) (qc)

Fiscal Effect of Implementing the Rule

☒ No Fiscal Effect ☐ Indeterminate	☐ Increase Existing Revenues ☐ Decrease Existing Revenues	☐ Increase Costs ☒ Could Absorb Within Agency's Budget ☐ Decrease Costs

The Rule Will Impact the Following (Check All That Apply)

☐ State's Economy ☐ Local Government Units	☒ Specific Businesses/Sectors ☐ Public Utility Rate Payers

Would Implementation and Compliance Costs Be Greater Than $20 million?

☐ Yes ☒ No

Policy Problem Addressed by the Rule

Under s. 94.01, Wis. Stats., the Department of Agriculture, Trade and Consumer Protection ("Department") has pest control authority and may impose, by rule, restrictions on the importation of serious plant pests, or items that may spread serious plant pests. Current research shows that mountain pine beetle has the ability to attack and kill species of pine that are native to Wisconsin. In light of the devastating effects of the mountain pine beetle attacks on the pine resource in the western U.S. and Canada, the Department's Bureau of Plant Industry has determined that mountain pine beetle constitutes a serious plant pest and that steps should be taken to prevent the introduction and establishment of this forest pest in Wisconsin.

Summary of Rule's Economic and Fiscal Impact on Specific Businesses, Business Sectors, Public Utility Rate Payers, Local Governmental Units and the State's Economy as a Whole (Include Implementation and Compliance Costs Expected to be Incurred)

Business Sectors:
Initial investigations show that few Wisconsin businesses import pine forest products from western states. Therefore, the Department expects the proposed rule to have minimal economic impact statewide. Data from the latest U.S. Forest Service Timber Products Report for Wisconsin (2008) indicates that 94% of pine wood utilized by Wisconsin's timber industry is harvested from within Wisconsin. Of the remainder, about 4% comes from Michigan, 1% from Minnesota, and 0.5% from Canada. Less than 0.5% of pine is sourced from western states, with the majority of western pine imported for use by pole producers and custom log home building industries. Such imports may contain logs with or without bark attached. Logs without bark pose no risk. Implementation of a mountain pine beetle exterior host quarantine will primarily affect businesses receiving logs with bark still attached.

Although the vast majority of log home building companies use Wisconsin pine, a few import western pine logs, both with and without the bark still attached. Such companies would be asked to enter into a compliance agreement with the Department so that shipments could be inspected and documented. Anticipated expenses for the importing company would include costs associated with the implementation of mitigating measures such

as debarking or heat treatment, as outlined in the compliance agreement. Recent discussions with a business that purchases western pine logs with bark attached seemed amenable to the creation of this rule. The company representative referred to the compliance agreement system and bark removal requirement as "reasonable." The expenses born by the company related to compliance agreements would be minimal, though they may see higher raw material prices if logs need to be debarked prior to import.

Local Governments:
This rule will not impact local governments. Local governments will not have any implementation or compliance costs.

Utility Rate Payers:
The rule will have no effect on utility rate payers.

The Department's Bureau of Plant Industry:
The Bureau of Plant Industry will be able to absorb costs related to inspections and compliance work in their current budget, based on the small number of businesses that are expected to be affected.

Benefits of Implementing the Rule and Alternative(s) to Implementing the Rule

This rule seeks to protect Wisconsin's pine resource and the industries that use Wisconsin-grown pine. The benefits of this rule are demonstrated by the impressive pine resource that Wisconsin currently possesses as well as the economic activity it generates. Based on Forest Inventory and Analysis (FIA) data from 2013, Wisconsin has the equivalent of over 45 million cords of pine growing stock (at least 5 inches in diameter). Using FIA data and calculating average value information for various pine products, a forest economist with the Department of Natural Resources (DNR) estimates the value of Wisconsin's pine resource at just over $3 billion. Pine species comprise nearly 11% of Wisconsin's forest area and an estimated 43 million pines stand on state forest land alone. In addition, an estimated $38 million of pine stumpage is harvested annually to help support Wisconsin jobs in logging, mill work, transportation, and support services. That number climbs to over $70 million if finished pine products are included.

If Wisconsin were to experience high levels of pine mortality, industries that benefit from healthy, productive pine forests such as recreation and tourism could be negatively impacted. In addition, other Wisconsin industries that may be impacted include those that utilize pine parts such as for seed collection, decoupage or craft supplies, pine straw mulch, wreaths and roping.

Implementation of this rule would not only protect the health of the pine resource, but would also prevent countless negative effects associated with mountain pine beetle mortality as observed in western states. Potential impacts include, but are not limited to, increased wildfire intensity, loss of tree species diversity, increase in tree removal costs, lower property values, loss of viable reforestation options, increased soil erosion, diminished air and water quality, and loss of wildlife habitat.

If this rule is not enacted, Wisconsin's pine resource will be increasingly vulnerable to the mountain pine beetle. If this pest becomes established it has the potential to kill millions of trees and adversely affect the forest products industry.

Long Range Implications of Implementing the Rule

In the long-term, implementation of this rule will benefit the environment, the citizenry, and businesses that use Wisconsin-grown pine. By placing restrictions on the import of mountain pine beetle infested material coming into the state, the potential for establishment of this pest is reduced. As a result the pine resource is protected from this destructive pest and the long term sustainability of Wisconsin's pine resource ensured.

Compare With Approaches Being Used by Federal Government

The federal government does not currently regulate the mountain pine beetle because it is a forest pest native to the western United States. The method of establishing a quarantine and restricting the import of regulated items though the use of compliance agreements, which this rule seeks to adopt, is widely used by the federal government.

Compare With Approaches Being Used by Neighboring States (Illinois, Iowa, Michigan and Minnesota)
Minnesota is currently the only state with an active exterior quarantine rule in place that limits the import of material that could harbor mountain pine beetle. Minnesota prohibits the import of pine wood or logs with bark attached from mountain pine beetle infested western states unless the items are delivered with a phytosanitary (plant health) certificate. Wisconsin's proposed rule outlines comparable import restrictions and exemptions.
Comments Received in Response to the Public's Economic Impact and DATCP Response
No comments were received in response either to the posting on the Department external website or the statewide administrative rules website.
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