

Fiscal Estimate Narratives

DNR 3/29/2005

LRB Number	05-0195/3	Introduction Number	AB-254	Estimate Type	Original
Subject					
Management of state forest lands					

Assumptions Used in Arriving at Fiscal Estimate

Bill Summary: The bill covers a number of issues impacting the Forests of Wisconsin including the management of emergencies that threaten both public and private forested lands of the state, the management of state owned forested lands, and the right to practice forestry within the state.

Fiscal Estimate: The cost of implementing the bill is estimated to be an annual increased cost of \$2,328,200 and 33.75 FTE; annualized increased revenues of \$5,996,900; one-time costs of \$1,269,500 and 18.4 FTE; increased costs of \$2,959,500 and 43 FTE/year for 5 years; and increased revenues of \$8,566,000/year for 5 years. More detail on the assumptions behind this fiscal estimate follow below.

Section 1 (23.114 WI Stats.) In this section, the chief state forester would manage emergencies that threaten state forest lands other than those declared by the Governor. After discussion with the author of this bill, it was determined that for this portion of the bill, the term "state forest lands" is intended to include all forestlands in the state of Wisconsin impacting over 16 million acres of urban and rural forests. It is not clear which lands are to be included in this section.

The section of the bill also requires that the chief state forester report directly to the Secretary of the Department.

Fiscal Estimate Section 1 (23.114 WI Stats.): No fiscal effect is identified regarding emergency management authorities for the chief State Forester. However, if an emergency developed it is assumed that programs similar to gypsy moth would need to be developed. For example DNR and DATCP are utilizing approximately 11 FTE's at a cost of 748,000 and \$849,000 for limited term assistance, education, surveys, etc. to cooperatively manage the gypsy moth programs.

Section 2 (23.135 WI Stats.) The bill requires that an inventory be undertaken and maintained on all forested lands owned by the Department greater than 10 acres in size. It also requires the Department to prepare a report every 15 years that contains a projection of the long-term health effects and economic effects on the forested lands where the Department prohibits the use of active management techniques.

Fiscal Estimate Section 2 (23.153 WI Stats.): Current inventory data on "state forest land", including "forested" acres is completed on 1,083,812 acres of the 1,374,244 acres or 78.9%. An additional 290,000 acres needs recon inventory. Given that a significant percentage of this acreage is non-forested, it is estimated a forester could do the field work and enter the data at a rate of 120 acres per day. It is therefore estimated that it would take approximately 2417 days of dedicated staff time to complete the work (2417 x 8 hrs. = 19,336 hrs. @ 1820 hrs./FTE = 10.6 FTE). Cost to hire full time DNR staff to complete this is: 10.60 FTE's x \$68,825 (includes fringe and expenses) = \$729,545 one-time cost.

It should be noted that the division has identified, through this bill and the certification process, that the division's current forest inventory needs to be updated and remain current. A 15 year cycle would meet the needs of the Department and the certification of the state's forests. 1,374,244 acres/15 years = 91,616 acres per year. Assuming 100 acres of recon per day it would require 916 days per year x 8 hrs per day = 7,328 hrs @ 1820 hrs/FTE = 4 FTE. At \$68,825 x 4, the annual cost would be \$275,300.

For State lands, approximately 547,826 of the total 1,374,244 acres (39.9%) are non-forested including grass, open water, brush, developed and agriculture and would not be considered available for "active" management and would be excluded from the harvestable acreage on the property. The remaining 826,418 acres are classified as "forested". The property objectives and presence of designated natural areas, wild river zones, wilderness areas, developed recreation areas and old growth management determine how much of the "forested" acreage (826,418) might be available for "active" management. This is typically

determined during the Master Planning process. It is estimated that 78% of the forested acreage, or 647,500 acres, is available for "active" management.

It is not clear in what format the long-term health and economic effects report is requested, however a report by land classification (e.g. state natural areas, wild river zones, wilderness, etc.) might be the most practical. It is assumed such a far-reaching report would require a reevaluation of the forested acres not being actively managed plus staff time to compile the data. This would require a one-time concentrated effort to determine baseline data. Currently it is estimated there are approximately 178,000 acres of forested land in DNR ownership not being actively managed (826,418 forested acres minus 647,500 being actively managed). To collect and upload the data at 100 acres per day, it would require approximately 14,240 hours of staff time (7.8 FTE). Cost at \$68,825/FTE + 80 hours of staff time to compile the report = \$540,000 one-time.

Section 3 (28.025 WI Stats.) The bill requires the Department to develop an annual allowable harvest for all Department owned forested lands greater than 10 acres in size. The Department must report annually by January 1 to the Council on Forestry if the timber harvest for the previous year on each of those parcels was less than 90 percent or more than 110 percent of the established allowable harvest. The Council on Forestry shall then prepare a report to the Governor and the appropriate standing legislative committees with recommendations on methods of ensuring that the timber harvest for that parcel is consistent with the annual allowable harvest.

Fiscal Estimate Section 3 (28.025 WI Stats.): Development of an annual allowable timber harvests (AAC) for a parcel implies the property is large enough to regulate. Individual State Forests and some of the larger Wildlife properties are large enough to develop such sustainable target figures. Isolated parcels encompassed within those properties are included with the total property AAC and managed as a part of the larger property.

Smaller Fish, Wildlife, Parks, and other properties are similar to these isolated parcels in that they are too small to have a regulated annual harvest. Harvest activities on these properties is much more sporadic and depends primarily on the attributes of the forest stand (age, density, health) and the silvicultural prescription of the forester working with the property manager and within the property objectives. Even on larger properties, harvest activities on timber types that are less than 400 acres in size are based solely on the forester's prescription.

The DNR could report on harvest activity comparisons with AAC for larger properties. On smaller properties, harvest activities can be reported but it will not be possible to compare them to regulated AAC figures. Generalized harvest figures by property type (Wildlife areas, Fisheries areas, Natural Areas, etc.) could be compiled and compared with anticipated harvests from these miscellaneous DNR properties. Cost is \$29.82/hr. at the senior level forester including fringe x 80 hrs. = \$2,385 annually.

It is important to note that the larger public lands in Wisconsin are managed under "area control", whereby a certain number of acres (as opposed to volume) will be targeted in a specific year. Harvest scheduling identifies those forest stands to be "examined for harvest", and does not equate to how many acres will be harvested. For that reason, comparisons to AAC on the larger properties will include two figures; the actual harvest acres, plus acreage where the forest recon was updated because the stand had not developed as anticipated and was not ready for a silvicultural prescription to be implemented.

Peaks and valleys in harvest activity due to insect and disease, storm damage, market fluctuations and staff vacancies are common. State timber harvest record keeping is also based on completed timber sales, not on what was actually harvested in a particular year. There are no centralized ledgers tracking a running total of wood harvested. Completing a number of sales in any one year may therefore distort harvests beyond the 110% figure, even when the actual acreage harvested has remained constant over a period of years. Comparing the timber sale establishment activity (acres established + recon updated in lieu of sale establishment) with the AAC would be more reflective of the effort to put timber on the market in a particular year.

Under this bill, the Council on Forestry would be drafting reports regularly even when the harvest was regular and sustainable over a 3-4 year stretch. This would require significant administrative time. Speculation is that it would take approximately 100 hours of DNR staff time annually to prepare the background information for the Council's reports on the various properties / parcels. Cost is \$29.82/hr at the senior level forester including fringe x 100 hrs. = \$2,982 annually.

This bill appears to encourage active and increased timber management on forested lands under DNR management. There are fiscal impacts of doing so. Annual timber harvests on State Forests have averaged 1.63% of the total estimated harvestable acreage in the last five calendar years. Expanding that figure to all

DNR forested lands would indicate an estimated harvest on State lands of 10,550 acres annually. (1.63% x 647,500 acres available for harvest). Over the last 5 years the State Forests and other State lands have averaged 8565 cut acres annually. This would indicate a shortfall of 1,989 acres per year (attributed only to the extra harvests needed on uninventoried land).

Cost to establish and administer the additional 1,989 acres annually would be 3.75 FTE x \$68,825 per FTE = \$258,093.

Potential revenues for establishing and administering an additional 1,989 acres annually would be 1989 acres x \$511.27/acre = \$1,016,916/yr.

In addition to the effort detailed above to address those uninventoried State lands, there remains a backlog of timber harvest and inventory work to complete. AB254 requires the Department to maintain the "allowable timber harvest" on all lands. At present, there is an estimated 170,175 acres of backlogged timber sale/inventory work on State land. To address this over a 5 year time frame, it would require 43 FTE at a cost of \$2,959,475, and would generate additional revenue of \$8,566,000/year for 5 years.

To sustain the level of activity required in this bill and to prevent future backlog of timber sales it is estimated that there is a need for activity on 18,000 acres requiring 35 FTE. Currently, there is 10 FTE worth of activity on 8,500 acres. There would be a net need of 25 FTE costing \$1,720,625. Potential revenues would be \$9.2 million annually or \$4.98 million more than currently being generated.

Section 4 through Section 9 (28.04 WI Stats.) The bill changes the word "Department" to the word "Division" in all of Chapter 28.04. The interpretation by Department legal staff is that these sections apply only to those lands designated as state forest identified in 28.03 WI Stats. All other forested lands owned by the Department are not impacted by this proposed change.

Fiscal Estimate Section 4 through Section 9 (28.04 WI Stats): No fiscal cost is associated with this portion of the bill.

Section 10 (28.05 WI Stats.) The bill establishes authority for the Department to develop a program to utilize private cooperating foresters as agents of the state to assist with the harvesting and sale of timber from state forest lands in exchange for a portion of the proceeds.

Fiscal Estimate Section 10 (28.05 WI Stats.): This has fiscal ramifications since the revenues from timber sales currently are deposited into the conservation account of the program charged with management of the property. For example, revenues from timber sales on Wildlife areas go into the Fish & Wildlife Account, timber sales on Natural Areas goes into Endangered Resources). The accounts in the conservation funds are critical for funding operations of the various DNR disciplines. By paying a portion of the proceeds to a consultant forester it would effectively require additional harvesting to generate the same amount of revenue into the conservation fund. Currently, a DNR forester's time in establishing and administering a sale is not billed back to the individual program in charge of the property.

The costs of hiring a private consultant would vary with the breadth of the tasks requested. On one end it might entail hiring a private forester to simply mark a designated area for harvest. Applied more intensively, it could include establishing sale boundaries, marking for harvest, determining volumes, and administering the sale. It is estimated costs of a private consultant forester would be 5% to 30% of the total sale value. How much this would impact the fiscal outlook for AB254 would depend on to what extent and what intensity private foresters are used. This is difficult to anticipate. A certain amount of administrative time would still be required by Department employees to work with and oversee the consultant foresters.

This tool is likely to have limited applicability, at least in the short-term, given the fact that the Forestry Division is facing ever-increasing workloads and staff reductions in private forestry that necessitate an increase in the capacity of the private sector to accomplish the sizable unmet workload in just one component of that area. The ability to fulfill the need for private sector foresters in private forestry could be compromised if those same resources are pulled away for use on state lands. Furthermore, there are some real questions about the efficiency of using private sector contractors for this kind of work under many situations, given the increased administrative workload this would entail. Assuming private consultant foresters are readily available and costs for setting up sales is similar between Department foresters and consultants, for purposes of this fiscal impact it is estimated that contracting with private consultant foresters would be \$0 for the Department.

It should be noted that increased timber sale activity on Department lands would cost an estimated at \$258,000 and 3.75 FTE, whether by Department personnel or contracting services. There would be an

increase of timber sale revenue to the conservation fund estimated at \$1,016,916.

Section 11 through Section 13 and Section 15(59.69, 60.61, 62.23 & 823.075 WI Stats.) The bill provides that a forestry operation may not be declared a nuisance if the forestry operation conforms to generally accepted forestry management practices. Also, under this bill, no political subdivision may enact a zoning ordinance that prohibits forestry operations that are in accordance with generally accepted forestry management practices. Note: This identical language is found in 2005-2006 AB 59.

Fiscal Estimate Section 11 through Section 13 (59.69, 60.61, 62.23 & 823.075 WI Stats.): Implementation of the bill would require maintenance of information and guidelines such as that contained in the Wisconsin Forest Management Guidelines (Wisconsin Department of Natural Resources publication PUB-FR-226) that defines generally accepted forest management practices. These practices change over time in response to new scientific information, changes in technology, or changes in society. Maintenance could occur through typical Department procedures for updating Handbooks using interdisciplinary teams. It is estimated that the work of such a team would approximate the salary and support costs of one FTE = 68,825 annually.

Section 14 (94.025 WI Stats.) This section is connected with section 1, relating to emergencies on state forest lands. The chief state forester would specifically be the authority for managing invasive species or pest infestations that threaten forestlands.

Fiscal Estimate Section 14 (94.025 WI Stats.): No fiscal effect is identified regarding emergency management authorities for the chief State Forester.

Long-Range Fiscal Implications

There will be some fiscal impact every 15 years to update and compile data for the required reports. In addition, there will be a large fiscal impact to address timber sale backlog, keep reconnaissance current and sustain increased timber sale activity.

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-0195/3		Introduction Number AB-254	
Subject			
Management of state forest lands			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
There will be a one-time cost associated with this bill of \$1,269,400 and 18.4 FTE. In addition, there will be an increased cost of \$2,959,500 and 43 FTE/yr for 5 years and an increased revenue of \$8,566,000/yr for 5 years.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$2,328,200	
	(FTE Position Changes)	(33.8 FTE)	
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$2,328,200	\$
B. State Costs by Source of Funds			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S	2,328,200	
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S	5,996,900	
	TOTAL State Revenues	\$5,996,900	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
	NET CHANGE IN COSTS	\$2,328,200	\$
	NET CHANGE IN REVENUE	\$5,996,900	\$
Agency/Prepared By		Authorized Signature	Date
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