



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #530

Forestry Staffing (DNR -- Forestry and Parks)

[LFB 2005-07 Budget Summary: Page 341, #3 (part #15)]

CURRENT LAW

In addition to managing state forest land, the Division of Forestry within DNR operates three tree nurseries, and oversees efforts relating to the prevention, detection, and suppression of forest fires. Further, DNR foresters assist private landowners with a variety of forest and timber management activities on private land, and provide support to Counties for the operation and management of county forest lands.

GOVERNOR

Eliminate 40.75 positions for work related to forest management on private lands (34.75), forestry education and public awareness (4.0), statewide forestry skills training (1.0), and data management in the Karner blue butterfly program (1.0). Transfer \$2,267,600 from salary and fringe benefits to supplies and services in 2006-07. The funding would be available for the Department to contract for forestry services as necessary.

DISCUSSION POINTS

1. In his 2003-05 biennial budget, the Governor proposed deleting 20.0 SEG positions from the forestry account, and transfer the salary and fringe benefit funding associated with those positions to supplies and services to allow DNR to hire consulting foresters to complete managed forest law (MFL) plans for non-industrial forest landowners enrolling in the MFL program. However, at that time, comparisons between plans completed by DNR forestry staff and those contracted to consulting foresters indicated that reducing DNR staff to pay for contracted services was not likely to generate efficiencies. Further, it appeared unlikely that the resources available

from the private sector would be sufficient to meet the Department's needs. Consequently, the Joint Committee on Finance and the Legislature restored the 20 positions (with associated funding).

2. The Department contracts with private consultant foresters for a variety of services that would otherwise require the efforts of a DNR forester. The following table shows projects contracted for by the Division of Forestry for this purpose in 2003-04 and for 2004-05 through April.

TABLE 1

Division of Forestry -- Contracted Services

<u>Activity</u>	<u>2003-04</u>	<u>2004-05</u>
MFL plans	\$550,400	\$284,600
Educational Workshops	13,000	51,600
State Land Timber Sale Establishment	12,800	0
State Land Surveying/Mapping	9,100	1,400
Forestry Staff Training	<u>1,700</u>	<u>5,800</u>
	\$587,000	\$343,400

3. Under 2003 Act 228, fees associated with enrollment in the Managed Forest Law program increased in recognition of the forestry staff time required to evaluate and process new entries into the program. The fee for filing a petition to enroll in the program without providing a management plan prepared by a certified plan writer (or DNR) increased from \$100 to \$300. In addition, renewal requests that did not contain forest management plans prepared by either a certified plan writer or DNR are also subject to the \$300 fee. At \$300, the fee remains at less than half the average cost to DNR of preparing an MFL plan. A new SEG continuing appropriation was created under Act 228 within the forestry account to receive MFL application fees for proposals that are submitted without timber management plans, with all revenues collected (\$280 per application) to be used by DNR to contract with private foresters for MFL plan development. Revenues as a result of this change are estimated at \$1.12 million annually.

4. In general, the Division of Forestry relies on contracts with the private sector to reduce field forester staff workload by both providing services to the Department directly, and by undertaking some of the lower-risk and higher-profit activities that DNR foresters might otherwise be called upon to assist with. For example, most timber sale work on private land (and some sales on public land) is managed by consulting foresters, rather than DNR staff. Field foresters report being frequently approached by private landowners for assistance with conducting timber sales or contracting for timber management work required under their MFL timber management plans. Whenever possible, DNR refers these requests to private consulting foresters. In areas where there may not be enough consultants to meet demand, or in instances where the management action is a priority but the value of the harvest may not be sufficient to interest a forestry consultant, a DNR

field forester may assist the land owner free of charge. Also, the majority of the initial guidance and consulting work provided to landowners who are making decisions on how to manage their forested property (which is considered risky in terms of likelihood to generate a profit) tends to be handled by DNR foresters.

5. While DNR frequently refers private landowners to consultant foresters, in some instances, DNR contracts directly for services. These have included specialized landowner educational workshops, employee training, tree planting on state land, timber stand improvement and some timber sale work on state lands, the collection of forest inventory data, and the development of managed forest law plans for private forest landowners applying for entry into MFL.

6. As capacity in the private consulting forestry sector has increased over the last decade, costs associated with contracting for certain services have stabilized, and services have become more widely available in many areas of the state. Forestry staff indicate that in some cases it is now possible to contract for consultant foresters to prepare managed forest law plans at approximately the same cost as it would cost the Department to have a DNR forester do the work, when salary, fringe benefit, and supplies costs are factored in. This has generally been the case in areas where there are higher concentrations of consultant foresters available to do the work, where the property for which the plan is being prepared is nearby, and for which a relatively standard plan is required.

7. The Department indicates that maintaining a balance between work done by consultants and by DNR foresters allows the Department to reject contractor bids that are judged to be too expensive, and to provide adequate services in areas not generally served by consultant foresters (as requiring a consultant to travel can significantly increase the cost of contracting for a management plan). The Department indicates that maintaining this flexibility between offering services through DNR foresters and contracting with consultant foresters when their services are available and moderately priced has allowed DNR to allocate resources more efficiently, and to meet increasing demand for services by contracting when possible and allocating field forester hours towards work that is less compatible with contracting.

8. Funding to contract for MFL plans was appropriated at \$800,000 annually in 2004-05, and new revenues provided for this purpose are estimated to increase to \$1.12 million annually under the bill. With an average MFL plan costing approximately \$770, this would allow DNR to contract for approximately 1,450 MFL plans annually from consultant foresters. However, it should be noted that despite having the funding available to contract for over 1,000 MFL plans in 2003-04 and 2004-05, actual contracting levels were much lower (approximately 800 in 2003-04 and an estimated 400 to date in 2004-05). This would seem to reinforce the argument that, in general, the amount of funding currently available for contracting is sufficient to meet the Department's desired contracting goals. Forestry staff indicate that the main limiting factors in their ability to contract for the preparation of MFL plans is not inadequate funding, but rather a poor matchup between locations with available consultant foresters and areas where MFL plans are needed. Frequently, the MFL plan writing workload is not located in areas where there may be contractors available to

undertake the work.

9. Forestry staff express some concern about placing too strong an emphasis on contracting at the expense of available field forestry staff. Without the flexibility to provide services through DNR foresters, the forestry staff are concerned that they would be forced to rely on consultant foresters to meet more of their needs in terms of field work (such as tree planting, timber stand improvement, some timber sale work on state lands, the collection of forest inventory data, and the development of managed forest law plans). When services are required in areas not generally served by consultant foresters, or when DNR is competing against private landowners for consultant services, costs can be prohibitively expensive. Being required to pay more for a private contractor than a comparable field forester would reduce the overall pool of resources that would otherwise be available to complete forestry workload. Further, significantly reducing DNR field forestry staff could require the Department to contract for services not typically provided by the private sector, potentially increasing over all costs.

10. As with DNR field foresters, there are a limited number of consultant foresters available to provide services. For example, DNR already relies on consultant foresters to establish timber sales on private land. If DNR were to attempt to significantly increase its efforts to contract for other services (such as additional MFL plan development or timber sale work on state forest land), it would, to a certain extent, be drawing consultants away from other necessary forest work they are currently providing to private land owners and may contribute to the problem of backlogged actions required of MFL participants. Without sufficient forestry staff to address areas not served by consultants, backlogged practices are likely to increase.

11. Due to field forester vacancy rates, an increased demand for new MFL plans, and a high demand for forest fire prevention and control work in recent years, less attention has been focused on the enforcement of existing MFL contracts. Landowners with property enrolled in forest tax law programs receive a significant reduction in property taxes. In return, landowners are required to follow a forest management plan which includes the periodic harvest of timber. A severance tax is assessed on this lumber, and the revenue is divided between the municipality where the property is located and the county. To date, DNR has accumulated a backlog of timber thinning projects on land entered under forestry tax law programs.

12. In its February, 2002, audit of the forestry account, the Legislative Audit Bureau noted that as a result of the increased amount of time required to process MFL applications and other demands on forestry field staff, substantial backlogs in completing mandatory forest practices had developed. Through 2000, 12,404 practices required on 187,165 acres had not yet been completed. In addition, 655 of these (or 5.3%) have been overdue for 10 or more years. The oldest of the overdue practices dated back to 1987. Further, DNR argues that addressing the rising workload in forest tax law programs has required the agency to reduce its management efforts on state owned forest land as well as consultation and educational efforts targeted towards non-industrial private forest land owners who may not be enrolled in a forest tax law program.

13. Several changes that have occurred since the audit took place in 2002 have allowed

DNR to address portions of this backlog of MFL practices. The provision of annual funding to contract for MFL plans with private consultant foresters has allowed DNR to reduce its own workload associated with plan preparation and instead focus on working with landowners to address concerns related to backlogged practices. Also, the implementation of new MFL application deadlines under 2003 Act 228 led to a drop in new applications in 2004 and 2005, further freeing up forestry staff who otherwise would have been assisting with writing or reviewing new management plans. As a result, the original pre-2002 backlog identified by LAB has been reduced to 3,147 backlogged practices associated with 48,200 acres. Forestry staff indicate that a portion of these practices are backlogged due to unusual challenges, such as unmerchantable timber, lack of market interest, or inability to consistently regenerate the forest type. However, while progress has been made addressing the backlog identified by LAB in 2002, additional practices have since come due, adding to the workload. As of January 1, 2005, there were a total of 6,016 overdue mandatory practices associated with 94,600 acres (this total includes the outstanding 3,147 backlogged practices mentioned earlier).

14. As the intent of the managed forest law program is to promote sustainable forestry and to maintain the production of forest products, the existence of a backlog of mandatory practices may mean that some forestland is not being adequately managed, and that the objectives of the program are not being met. In addition, as previously mentioned, the backlog has financial implications for local units of government. According to the LAB analysis, 38% of the existing backlog consisted of uncompleted timber harvests (from which local governments would receive a portion of the revenues generated).

15. Competing demands on field forestry staff have led to a backlog of uncompleted timber harvests on state owned land as well. The Department indicates that there is an estimated backlog of timber harvest and inventory work on over 170,000 acres of state-owned land. As a result of the drop in demand for MFL plans and the availability of funding for contracting with consultant foresters to complete a portion of the work related to MFL plans, DNR has indicated that it would be redirecting some forestry staff away from preparing MFL plans and towards addressing backlogged harvests on state forest land during 2005. DNR anticipates reallocating approximately 3.5 positions for this purpose, and expects that their efforts could lead to the establishment of approximately 4,000 additional acres of timber sales annually, beyond originally anticipated harvest levels. However, it could take 40 full-time foresters at least five years to address the backlog of timber harvests on state-owned land.

16. It could be argued that as no savings are achieved under the bill as a result of the reduction of the 40.75 FTE, and as the potential exists that requiring DNR to contract for private consultant forester services at the levels provided under the bill could potentially lead to inefficiencies and higher costs than maintaining the 40.75 forestry staff, it may be advisable to not adopt the Governor's recommendation. To date, revenues available to the Division of Forestry have been sufficient to support their opportunities to contract for consultant forester services. On the other hand, proponents of contracting argue the availability and affordability of consultant foresters could improve within a few years to meet the demand created if a stable source of ongoing funding for contracting is made available.

17. While the majority of the positions eliminated would be forester positions providing services to private land owners, 6.0 of the positions eliminated have other responsibilities. In addition to 34.75 field foresters, the bill deletes 4.0 positions for work related to forestry education and public awareness, 1.0 position related to statewide forestry skills training, and 1.0 position for data management in the Karner blue butterfly program. The funding associated with these positions (\$355,600 in 2006-07) would be transferred from salary and fringe benefits to supplies and services, and would be available for the Department to contract for forestry services as necessary. If the Committee wished to increase funding available for contracting for private consultant foresters without decreasing the number of forester positions providing services to landowners, the Committee could chose to eliminate these 6.0 positions that were not providing field forestry assistance and transfer \$355,600 in 2006-07 from salaries and fringe benefits to supplies and services funding, increasing revenues available to contract for private consulting forester services.

ALTERNATIVES

1. Adopt the Governor's recommendation to eliminate 40.75 positions for work related to forest management on private lands, forestry education and public awareness, statewide forestry skills training, and data management in the Karner blue butterfly program. Transfer \$2,267,600 from salary and fringe benefits to supplies and services in 2006-07. The funding would be available for the Department to contract for forestry services as necessary.

2. Modify the Governor's recommendation by eliminating 6.0 positions for work related to forestry education and public awareness (4.0), statewide forestry skills training (1.0), and data management in the Karner blue butterfly program (1.0). Transfer \$355,600 from salary and fringe benefits to supplies and services in 2006-07. The funding would be available for the Department to contract for forestry services as necessary (34.75 foresters would be retained).

Alternative 2	SEG
2006-07 POSITIONS (Change to Bill)	34.75

3. Maintain current law. (The Department would retain the 40.75 forestry positions.)

Alternative 3	SEG
2006-07 POSITIONS (Change to Bill)	40.75

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