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Senate Bills 1023 and 1024 (as enrolled)
House Bill 5554 (as enrolled)

Sponsor: Senator Mike Prusi (S.B. 1023)
Senator Michelle A. McManus (S.B. 1024)
Representative Tom Casperson (H.B. 5554)

Senate Committee: Agriculture, Forestry and Tourism

House Committee: Agriculture and Resource Management

Date Completed: 3-10-05

PUBLIC ACTS 123 & 124 of 2004
PUBLIC ACT 125 of 2004

CONTENT

The bills amended the Natural Resources and Environmental Protection Act to do the following:

- **Require the Department of Natural Resources (DNR) to manage the State forest in a manner consistent with principles of sustainable forestry.**
- **Require the DNR to seek and maintain third-party certification that the management of the State forest satisfies the sustainable forestry standards of a credible, nonprofit, nongovernmental certification program.**
- **Require the DNR to adopt a forestry development, conservation, and recreation management plan for the State forest.**
- **Require that proceeds from timber sales be deposited in the Forest Development Fund.**
- **Allow money in the Fund to be used to obtain and maintain certification of sustainable forestry standards.**
- **Require the DNR to establish four forest pilot project areas to demonstrate cost-saving techniques and improved forest health.**
- **Require the DNR to enter into a five-year contract for each pilot project area.**
- **Expand the Michigan Forest Finance Authority board and require appointed members to represent particular interests.**

Senate Bill 1023 and House Bill 5554 amended Part 525 of the Act, which the House bill renamed, "Sustainable Forestry on State Forestlands". (Part 525 previously was titled, "Disposal of Timber from State Lands".) Senate Bill 1024 amended Part 505 (Michigan Forest Finance Authority).

The bills took effect on May 28, 2004, and were tie-barred to each other.

House Bill 5554

Sustainable Forestry Management

The bill requires the DNR to manage the State forest in a manner consistent with principles of "sustainable forestry", which is defined as forestry practices that are designed to meet present and future needs by employing a land stewardship ethic that integrates the reforestation, managing, growing, nurturing, and harvesting of trees for useful products with the conservation of soil, air and water quality, wildlife and fish habitat, and visual qualities. The bill defines "state forest" as all State land owned or controlled by the DNR that is designated as State forest by the Department Director.

In complying with this requirement, the DNR must manage the State forest with consideration of its economic, social, and environmental values, by doing all of the following:

- Broadening the implementation of sustainable forestry by employing an array of economically, environmentally, and socially sound practices in the conservation of forests, using the best scientific information available.
- Promoting the efficient use of forest resources.
- Broadening the practice of sustainable forestry by cooperating with forestland owners and wood producers, and consulting foresters.
- Planning and managing plantations in accordance with sustainable forestry principles and in a manner that complements the management of, and promotes the restoration and conservation of, natural resources.

The Department also must conserve and protect forestland by doing all of the following:

- Ensuring long-term forest productivity and conservation of forest resources through prompt reforestation, soil conservation, afforestation, and other measures.
- Protecting the water quality in streams, lakes, and other water bodies in a manner consistent with the DNR's best management practices for water quality.
- Managing the quality and distribution of wildlife habitats and contributing to the conservation of biological diversity by developing and implementing stand and landscape-level measures that promote habitat diversity and the conservation of forest plants and animals, including aquatic flora and fauna and unique ecosystems.
- Protecting forests from wildfire, pests, diseases, and other damaging agents.
- Managing areas of ecologic, geologic, cultural, or historic significance in a manner that recognizes their special qualities.
- Managing activities in high conservation value forests by maintaining or enhancing the attributes that define them.

The Department is required to communicate to the public by: publicly reporting its progress in fulfilling its commitment to sustainable forestry; providing opportunities for people to participate in the commitment to sustainable forestry; and preparing, implementing, and keeping current a management plan that clearly states the

long-term objectives of management and the means of achieving them.

Also, the DNR must monitor forest management by promoting continual improvement in the practice of sustainable forestry and monitoring, measuring, and reporting performance in achieving the commitment to sustainable forestry.

In addition, the Department is required to consider the local community surrounding State forestland by requiring that forest management plans and operations comply with applicable Federal and State laws; and that the forest management operations maintain or enhance the long-term social and economic well-being of forest workers and local communities.

Third-Party Certification

The bill requires the DNR to seek and maintain third-party certification that the management of the State forest, and other State-owned land owned or controlled by the Department, satisfies the sustainable forestry standards of at least one credible nonprofit, nongovernmental certification program and Part 525.

Beginning January 1, 2006, the DNR must ensure that the State forest is certified.

The bill also requires the Department to commence a review and study to determine the appropriateness of certifying parks and recreation areas, State game areas, and other wildlife areas on State-owned land owned or controlled by the DNR. Within one year after the bill's effective date, the DNR must report and recommend to the Legislature the appropriateness and feasibility of certifying that land.

Management Plan

The bill requires the Department to adopt a forestry development, conservation, and recreation management plan for State-owned land owned or controlled by the DNR. Parks and recreation areas, State game areas, and other wildlife areas on that land must be managed according to their primary purpose. The DNR may update the plan as it considers necessary or appropriate. The plan and any plan updates must be consistent with principles of sustainable forestry, and designed to assure a stable,

long-term, sustainable timber supply from the State forest as a whole.

The plan and any updates must include all of the following:

- An identification of the interests of local communities, outdoor recreation interests, the tourism industry, and the forest products industry.
- An identification of the annual capability of the State forest and management goals based on that level of productivity.
- Methods to promote and encourage the use of the State forest for outdoor recreation, tourism, and the forest products industry.
- A landscape management plan for the State forest incorporating biodiversity conservation goals, indicators, and measures.
- Standards for sustainable forestry consistent with the bill's requirements.
- An identification of environmentally sensitive areas.
- An identification of the need for forest treatments to maintain and sustain healthy, vigorous forest vegetation and quality habitat for wildlife and environmentally sensitive species.

Timber-Harvesting

After the forestry development, conservation, and recreation management plan is adopted, the DNR must harvest timber from the State forest and other State-owned land owned or controlled by the Department in compliance with the plan and any plan updates.

Unless otherwise dedicated by law, the proceeds from the sale of timber from this land must be forwarded to the State Treasurer for deposit into the Forest Development Fund.

Report

The bill requires the DNR, by January 1 of each year, to prepare a report and submit it to the Natural Resources Commission, the Senate and House standing committees with primary jurisdiction over forestry issues, and the Senate and House Appropriations Committees. The report must detail the following from the previous State fiscal year:

- The number of harvestable acres in the State forest, as determined by the certification program.
- The number of acres of the State forest that were harvested, and the number of cords of wood harvested.
- The number of acres of State-owned land owned or controlled by the DNR other than State forestland that were harvested, and the number of cords of wood harvested.
- Efforts by the DNR to promote recreational opportunities in the State forest.
- Information on the public's use of the recreational opportunities offered by the State forest.
- Efforts by the DNR to promote wildlife habitat in the State forest.
- The status of the forestry development, conservation, and recreation management plan and whether the DNR recommends any changes to it.
- The status of certification efforts and, beginning in 2006, a definitive statement of whether the DNR is maintaining certification of the entire State forest.
- A description of any activities that have been undertaken on forest pilot project areas.

Senate Bill 1023

The bill added Section 52511 to the Act to require the Department of Natural Resources to establish four forest pilot project areas by December 31, 2006. The pilot project areas must be designed to demonstrate cost saving techniques and improved efficiency in forest treatment techniques while improving the overall health of the forest. The DNR must establish the pilot areas on scientific silvicultural specifications, such as residual basal areas and diameter class specifications, consistent with principles of sustainable forestry. (House Bill 5554 defines "residual basal areas" as the sum of the cross-sectional area of trees four inches or more in diameter, measured at breast height (4.5 feet from highest ground at the base of the tree) left standing within a stand after a harvest. "Diameter class specifications" means a classification of trees based on the diameter at breast height.)

Each forest pilot project area must include between 200 and 640 acres. Two of the areas must be located in the Lower Peninsula, and two in the Upper Peninsula.

At least one area must be composed primarily of hardwoods, and at least one composed primarily of softwoods.

The bill requires the DNR, upon establishing the forest pilot project areas, to solicit contract bids for the management of each area. The Department must enter into a five-year contract for each area, covering all of the following forest management activities: marking of timber; harvesting of timber; and reforestation of timber cutover areas.

A contract must include performance measures as required by the DNR to ensure compliance with the bill's requirements. The contract also must require the contractor to report to the DNR before the termination of the contract on the cost-saving techniques and forest treatment techniques employed, and the success of those techniques.

Activities conducted within forest pilot project areas must comply with Part 525.

Section 52511 will be repealed on December 31, 2011.

Senate Bill 1024

Board

Part 501 of the Act states that the purpose of this part and the Michigan Forest Finance Authority created under it "is to preserve existing jobs, create new jobs, and alleviate and prevent unemployment through the retention, promotion, and development of forestry and forest industries and to protect the health and vigor of forest resources..." by doing all of the activities specified in the Act. Under the bill, these include implementing a system of forest management that is consistent with principles of sustainable forestry and with Part 525.

The Authority is governed by a board of directors, which previously consisted of the DNR Director, the State Treasurer, and three residents of the State, appointed by the Governor with the advice and consent of the Senate. The bill retains the DNR Director and the State Treasurer, adds the Director of the Department of Labor and Economic Growth, and increases the number of appointed board members to six. The

appointees must include the following individuals:

- A representative of the forest products industry in the State.
- A commercial logging contractor.
- An owner of nonindustrial, private forestland.
- Someone from the wood products manufacturing industry.
- A representative of hunters, anglers, and other outdoor recreation interests.
- A person from a college or university in the State with knowledge and expertise in forest management.

As formerly provided, the appointed members are to serve three-year terms. In making the initial appointments, however, the Governor must designate two to serve for three years, two to serve for two years, and two to serve for one year.

The bill requires the State Treasurer to serve as the chairperson of the board.

The bill increases from three to five the number of members that constitutes a quorum for the transaction of business, and whose concurring vote is required for a board action.

Fund

Part 505 provides for the establishment of the Forest Development Fund, which receives money from bond proceeds and from contracts for the cutting and sale of timber on tax-reverted land. Under the bill, the Fund also may receive revenue from any other source.

Under Part 505, the Authority is to use money in the Fund to pay the principal of and interest on Authority-issued bonds or notes, and for reforestation, forest protection, and timber stand improvement. The bill also allows the Authority to use Fund money to obtain and maintain certification of sustainable forestry standards in the State forest.

The bill requires the Auditor General to audit the expenditures of the Fund at least once every three years.

Timber

Part 505 provides that, in order to provide security for indebtedness of the Authority, the Department may convey to the Authority title to timber on tax-reverted land, and on other land in the State forest system from which revenue derived from the sale of timber was previously deposited in the Forest Management Fund created in former Public Act 268 of 1945. The Authority then may release and reconvey timber on that land if requested by the DNR. Under the bill, the Department also may convey title to timber, and the Authority may release and reconvey timber, on other land as provided by law.

Consistency with Part 525

The Act requires the Authority to finance only forest management operations and practices that follow the guidelines, rules, and objectives prescribed and approved by the DNR. The bill refers to operations and practices consistent with Part 525. Also, under the bill, funds managed by the Authority must be applied in a manner consistent with Part 525, and contracts for the cutting and sale of timber must be consistent with Part 525.

MCL 324.52511 (S.B. 1023)
324.50501 et al. (S.B. 1024)
324.52501-324.52507 (H.B. 5554)

BACKGROUND

According to the website of the Department of Natural Resources, forestry certification is the following:

- Review of on-the-ground forest practices against standards that address environmental, social, and economic issues.
- Provision of an independent, third-party view attesting how effectively current management maintains forest health and productivity.
- Periodic reverification and recertification after initial certification of the forest.

Two forest certification programs are the Sustainable Forestry Initiative (SFI) and the Forest Stewardship Council (FSC). According to the DNR, the SFI program has its origins in the United States. This program is focused on applied forest

management and maintenance of a high standard of forestry performance. The FSC program is an international system that emphasizes social values, and is focused on minimizing the negative impacts of forest practices.

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FISCAL IMPACT

House Bill 5554 will have an indeterminate fiscal impact on State government. Revenue from the harvesting of timber on State land is deposited into the Forest Development Fund. The target for prescribing treatment, such as marking timber for harvest or removing brush, on State forestland is established annually in the appropriations process. The target for FY 2004-05 is treatment on 63,000 acres, plus or minus 10%, at the current average rate of 12.5 to 13 cords per acre. The third-party certification of the State's forests, adherence to sustainable forestry practices, and the other criteria included in the bill may increase or decrease the harvesting of timber compared with current levels, affecting revenue to the Forest Development Fund. An annual appropriation of \$1.5 million from the Forest Development Fund and 3.0 FTEs has been enacted to implement and maintain sustainable forestry certification.

Senate Bill 1024 expands the purposes for which the Forest Development Fund may be used to include obtaining and maintaining certification of sustainable forestry standards in the State forest, and Senate Bill 1023 establishes four pilot programs in forest management. The contracts to complete the pilot projects and the expanded use of the Fund may lead to additional expenditures from the Fund or divert money from existing forestry programs.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.