



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

Senate Bill 1023 (Substitute S-3 as reported by the Committee of the Whole)

Senate Bill 1024 (Substitute S-2 as reported)

House Bill 5554 (Substitute S-3 as reported)

Sponsor: Senator Mike Prusi (S.B. 1023)

Senator Michelle A. McManus (S.B. 1024)

Senator Tom Casperson (H.B. 5554)

Senate Committee: Agriculture, Forestry and Tourism

House Committee: Agriculture and Resources Management (H.B. 5554)

## **CONTENT**

The bills would amend Part 525 (Disposal of Timber from State Lands) and Part 505 (Michigan Forest Finance Authority) of 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 satisfied 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 for obtaining and maintaining sustainable forest certification, in addition the Fund's current uses.
- Require the DNR to establish four forest pilot project areas, two in the Lower Peninsula and two in the Upper Peninsula, to demonstrate cost-saving techniques and improved forest health. (This requirement would be repealed after five years.)
- Expand the Michigan Forest Finance Authority board and require appointed members to represent particular interests.

The bills are tie-barred to each other.

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

Legislative Analyst: Claire Layman

## **FISCAL IMPACT**

House Bill 5554 (S-3) would 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 2003-04 is treatment on 63,000 acres, plus or minus 10%, with an average rate of 12.5 to 13 cords per acre for eventual timber harvesting. The third party certification of the State's forests, adherence to sustainable forestry practices, and the other

criteria included in the bill could increase or decrease the harvesting of timber compared with current levels, affecting revenue to the Forest Development Fund.

Senate Bill 1024 (S-2) would expand 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 (S-3) would establish four pilot programs in forest management. The contracts to complete the pilot projects and the expanded use of the Fund could lead to additional expenditures from the Fund or divert money from existing forestry programs.

The Governor has requested a supplemental appropriation of \$500,000 for FY 2003-04 from the Forest Development Fund to support forest certification activities. The Governor also indicated an intent to request an additional \$1,500,000 for FY 2004-05 to continue the certification project. The combined \$2,000,000 would be a one-time appropriation to implement the new program.

The Forest Development Fund has annual revenue of approximately \$20 million and annual expenditures of about \$23 million. The shortfall in revenue compared with expenditures has reduced a previous balance in the Fund. The DNR estimates a Fund balance of \$1,450,000 at the close of FY 2003-04, not including the additional appropriations mentioned above.

Date Completed: 5-5-04

Fiscal Analyst: Jessica Runnels