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BILL



ANALYSIS

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Senate Bill 1023 (Substitute S-1)
Senate Bill 1024 (Substitute S-1)
House Bill 5554 (Substitute-S-1)
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 (H.B. 5554)

Date Completed: 4-21-04

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.

- Expand the Michigan Forest Finance Authority board and require appointed members to represent particular interests.**

House Bill 5554 (S-1) is tie-barred to House Bill 5552, which would revise the membership of the Michigan Forest Finance Authority, and House 5553, which would establish four forest pilot project areas. The Senate bills are tie-barred to each other. A more detailed explanation of each bill follows.

House Bill 5554 (S-1)

Sustainable Forestry Management

The bill would rename Part 525 of the Act "Sustainable Forestry on State Forestlands". It would require the DNR to manage the State forest in a manner consistent with principles of "sustainable forestry", which would be defined as forestry practices designed to meet present and future needs by employing a land stewardship ethic that integrated 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. "State forest" would mean all State land owned or controlled by the DNR. In managing the

State forest, the Department would have to consider 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 with foresters.
- Planning and managing plantations in accordance with sustainable forestry principles and in a manner that complemented the management of, and promoted the restoration and conservation of, natural resources.

The Department would have to 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 waterbodies 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 promoted 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.

The Department would have to communicate to the public by publicly reporting its progress in fulfilling its commitment to sustainable forestry; by providing opportunities for people to participate in the commitment to sustainable forestry; and by preparing, implementing, and keeping current a management plan that clearly stated the long-term objectives of

management and the means of achieving them.

Also, the DNR would have to 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.

Further, the Department would have 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.

The Department could promulgate rules to implement Part 525.

Third-Party Certification

The Department would have to seek and maintain third-party certification that the management of the State forest satisfied the sustainable forestry standards of at least one credible nonprofit, nongovernmental certification program and Part 525 of the Act.

Beginning January 1, 2006, the DNR would have to ensure the entire State forest was certified.

Management Plan

The Department would have to adopt a forestry development, conservation, and recreation management plan for the State forest. Parks and recreation areas, State game areas, and other wildlife areas within the State forest would have to be managed according to their primary purpose. The DNR could update the plan as it considered necessary or appropriate. The plan and any plan updates would have to be consistent with sustainable forestry standards as required for certification, and would have to be designed to assure a stable, nondeclining, sustainable timber supply from the State forest as a whole.

The plan and any updates would have to 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 State forestlands 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 third-party certification requirements.
- An identification of environmentally sensitive areas designated as natural areas under the Act.
- 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.

After the plan was adopted, the Department would have to harvest timber from the State forest in compliance with the plan and plan updates.

Report

By January 1 of each year, the DNR would have to prepare and submit to the Natural Resources Commission, the Senate and House standing committees with primary jurisdiction over forestry issues, and the Senate and House Appropriations Committees, a report that detailed the following from the previous State fiscal year:

- The number of harvestable acres in the State forest, as determined by the third-party certification process.
- The number of acres of the State forest that were harvested.
- The number of cords of wood harvested from the State forest.
- Efforts by the Department to promote recreational opportunities and wildlife habitat in the State forest.
- Information on the public's use of the recreational opportunities offered by the State forest.
- The status of the plan and whether the DNR recommended any changes to it.

- The status of third-party sustainable forestry certification efforts and, beginning in 2006, a definitive statement of whether the DNR was maintaining certification of the entire State forest.
- A description of any activities that had been undertaken on forest pilot project areas.

Proceeds of Sale

Unless otherwise dedicated by law, proceeds from the sale of timber from the State forest would have to be forwarded to the State Treasurer for deposit into the Forest Development Fund established by Section 50507 of the Act (a section that Senate Bill 1024 (S-1) would amend).

Senate Bill 1023 (S-1)

The bill would amend Part 525 to require the Department of Natural Resources to establish four forest pilot project areas by December 31, 2006. The pilot project areas would have to be designed to demonstrate cost saving techniques and improved efficiency in forest treatment techniques while improving the overall health of the forest. The DNR would have establish the pilot areas on scientific silvicultural specifications, such as residual basal areas and diameter class specifications. (House Bill 5554 (S-1) would define "residual basal areas" as the sum of the cross-sectional area of trees four inches or greater 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" would mean a classification of trees based on the diameter at breast height.)

Each forest pilot project area would have to include between 200 and 640 acres. Two of the areas would have to be located in the Lower Peninsula, and two in the Upper Peninsula. At least one area would have to be composed primarily of hardwoods, and at least one composed primarily of softwoods.

After establishing the forest pilot project areas, the DNR would have to solicit contract bids for the management of each. The Department would have to 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 for the management of a pilot area would have to include performance measures as required by the Department to ensure compliance with the bill's requirements. The contract would have to 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 would have to comply with Part 525.

Senate Bill 1024 (S-1)

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 specified things." Under the bill, these would include implementing a system of forest management consistent with principles of sustainable forestry and with Part 525.

Currently, the Authority is governed by a board of directors consisting 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 would increase the number of appointed board members to five. The appointees would have to 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.

As currently provided, the appointed members would serve three-year terms. In

making the initial five appointments, however, the Governor would have to designate two to serve for three years, two to serve for two years, and one to serve for one year.

Under the Act, three members of the board constitute a quorum for the transaction of business; under the bill, four members would constitute a quorum, and an action of the board would require a concurring vote by four, instead of three, members.

Financing

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

Fund

Part 505 required the Authority to establish 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 could receive revenue from any other source.

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

The Auditor General would have 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 could convey title to timber, and the Authority could release and reconvey timber, on other land as provided by law.

Fiscal Analyst: Jessica Runnels

MCL 324.52501 et al. (H.B. 1022)
Proposed MCL 324.52511 (S.B. 1023)
MCL 324.50501 et al. (S.B. 1024)

Legislative Analyst: Claire Layman

FISCAL IMPACT

House Bill 5554 (S-1) 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%, 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 could increase or decrease the harvesting of timber compared with current levels, affecting revenue to the Forest Development Fund.

Senate Bill 1024 (S-1) would expand the purposes for which the Forest Development Fund could be used to include obtaining and maintaining certification of sustainable forestry standards in the State forest, and Senate Bill 1023 (S-1) 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 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 Department of Natural Resources estimates a Fund balance of \$1,450,000 at the close of FY 2003-04.

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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.