



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill # SB0154

Title: Require new sustainable yield determination

Primary Sponsor: Vincent, Chas

Status: As Introduced

- | | | |
|-----------------------------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$350,000	\$150,000	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: SB 154 directs the Department of Natural of Natural Resources and Conservation (DNRC) to commission a new annual sustained yield study on forested state trust lands at least once every ten years. The fiscal impact of the bill is approximately \$500,000 in contracted services and other operating expenses over the 2015 biennium.

FISCAL ANALYSIS

Assumptions:

- A sustainable yield study is a large-scale data collection, data analysis, and computer modeling project to evaluate: (1) how much timber is growing on state trust lands; and (2) how much of that timber can be sustainably harvested on an annual basis, given applicable rules, regulations, and policies.
- Sections 77-5-221 through -223, MCA, direct DNRC, under the direction of the Board of Land Commissioners (Land Board), to recalculate the annual sustainable yield at least once every ten years.
 - The last annual sustainable yield was calculated in FY 2008 in conjunction with the Habitat Conservation Plan (HCP) and approved by the Land Board in FY 2012. The current annual sustainable yield is 57.6 million board feet.

- b. Since the last annual sustainable yield was calculated, DNRC has acquired approximately 62,500 acres of additional forested state trust lands through several acquisitions, including the Montana Working Forest Project. These lands were not included in the FY 2008 annual sustainable yield calculation.
- 3. For fiscal note purposes the assumption is a new sustainable yield calculation would be completed over two field seasons, concluding in FY 2015.
- 4. Under 77-5-204(4), MCA, funding required to complete a new sustainable yield calculation would be provided by an authorization to spend funds from the state special revenue fund forest improvement account. The account contains forest improvement fees collected as part of timber harvest contracts and is paid by the timber purchaser. Forest improvement fees are collected and used to improve the health, productivity, and value of forested trust lands. Statutory use for the fees includes disposal of logging slash, reforestation, acquiring access, maintaining roads necessary for timber harvest, other treatments necessary to improve the condition and income potential of state forests, and compliance with other legal requirements associated with timber harvest.
- 5. The new sustainable yield calculation would be commissioned in July 2013. Operating costs to DNRC would include:
 - a. \$250,000 (\$125,000 each in FY 2014 and FY 2015) would be used for contracted services to upgrade the sustainable yield model using the most current modeling software and to conduct the annual sustainable yield calculation. Cost under a contract would include modeling software, building and running the model, interacting with agency representatives, travel, and developing a comprehensive report.
 - ii. \$250,000 (\$225,000 in FY 2014 and \$25,000 FY 2015) for contracted services would also be needed to: (1) upgrade data systems including hand held data collection devices, software applications, training and protocols; and (2) collect plot data on newly acquired lands and on existing lands where updated inventory information is needed.

Fiscal Impact:

FTE	0.00	0.00	0.00	0.00
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Expenditures:

Personal Services	\$0	\$0	\$0	\$0
Operating Expenses	\$350,000	\$150,000	\$0	\$0
TOTAL Expenditures	\$350,000	\$150,000	\$0	\$0

Funding of Expenditures:

General Fund (01)	\$0	\$0	\$0	\$0
SSR(02) - Forest Improvement Acct	\$350,000	\$150,000	\$0	\$0
TOTAL Funding of Exp.	\$350,000	\$150,000	\$0	\$0

Revenues:

General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	(\$350,000)	(\$150,000)	\$0	\$0

Long-Term Impacts:

1. A new sustained yield study has the potential to increase annual state trust revenues for the trust beneficiaries. However, until the study is conducted and complete, the change in revenue for the following decade cannot be calculated.

Technical Notes:

1. Section 1(3) of SB 154 directs DNRC to set the annual timber sale target at 50 million board feet a year until the new study is completed. However, that is in conflict with the annual sustainable yield calculation of 57.6 million board feet currently in use by DNRC.

Sponsor's Initials

Date

Budget Director's Initials

Date