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FISCAL IMPACT REPORT

SPONSOR Balderas DATE TYPED 2/8/05 HB 383

SHORT TITLE Timber Harvesting Program SB _____

ANALYST Rosen

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	\$125.0		Indeterminate	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Responses Received From

Economic Development Department (EDD)

Energy, Minerals and Natural Resources Department (EMNRD)

SUMMARY

Synopsis of Bill

House Bill 383 appropriates \$125.0 from the general fund for expenditure in FY06 to pay for administrative and personnel costs of a timber harvesting and processing program in Mora, Rio Arriba and Taos counties.

Significant Issues

It is not clear if a timber harvesting program currently exists, who will administer the program and specifically how the funds will be used.

According to EDD, these three counties have identified small diameter timber initiatives as an economic development strategy.

FISCAL IMPLICATIONS

The appropriation of \$125.0 contained in this bill is a recurring expense to the general fund. Any

unexpended or unencumbered balance remaining at the end of FY06 shall revert to the general fund.

ADMINISTRATIVE IMPLICATIONS

Indeterminate

OTHER SUBSTANTIVE ISSUES

EMNRD reports in 2004 its Forestry Division provided leadership to work with federal land management agencies, state agencies, conservation and environmental groups and citizens to develop the New Mexico Forest and Watershed Health Plan. This plan recognized that New Mexico's forests are in an "unhealthy" condition due to overly dense stands of small diameter trees. In the past fires naturally thinned the forest. The New Mexico Forest and Watershed Health Plan recommends that agencies coordinate their efforts to thin the dense forests to remove fuels thereby reducing the most intense and destructive fires. Mora, Rio Arriba, and Taos counties have a large forestland base in need of treatment.

EMNRD indicates state and federal agencies are actively conducting thinning projects near communities most at risk from catastrophic wildland fire. These thinning are very expensive because the area is primarily made up of small diameter trees that have a low value. New industries are needed to help reduce the cost of the thinning.

According to EMNRD, since 1999 its Forestry Division has joined with the U.S.D.A. Forest Service to create the Southwest Sustainable Forests Partnership to encourage the development of new forest industries that utilize small diameter trees. This effort requires specialized knowledge in forestry and forest products and a regional approach to take advantage of large, interconnected markets. Federal grants have been provided to communities and businesses throughout the state to encourage small diameter industries. These efforts have concentrated on rural communities located near forests and have a historic forest industry workforce. Entities in this area have received federal flow through grant funds to forest industries from EMNRD.

EMNRD notes that to be successful, businesses must create new, value added forest products and increase efficiency. Although it is unclear how these funds will be used, the Forestry Division will be available to provide technical assistance to EDD to help implement the timber harvesting program if this bill passes.

ALTERNATIVES

Given its expertise in forestry management, make the appropriation to EMNRD for enhancement of its existing Southwest Sustainable Forests Partnership and related federal flow through grants.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

EDD reports the small business entrepreneurs of the three counties might miss an opportunity to start and grow their business ideas related to the small diameter timber initiatives.

JR/njw