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## FISCAL IMPACT REPORT

SPONSOR: Tripp DATE TYPED: 03/15/03 HB 910/aSCONC

SHORT TITLE: Watershed Restoration SB \_\_\_\_\_

ANALYST: Valenzuela

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
	NFI				

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

Department of Game and Fish (DGF)  
 Energy, Minerals and Natural Resources Department (EMNRD)  
 Department of Environment (NMED)

### SUMMARY

#### Synopsis of SCONC Amendment

The Senate Conservation Committee (SCONC) amendment to House Bill 910 adds language to include stakeholder groups in the development of the comprehensive strategy. The current bill focuses primarily on governmental agencies. The change would include private and non-profit sectors.

#### Synopsis of Original Bill

House Bill 910 would require the EMNRD Secretary to develop a statewide watershed restoration strategy to reestablish the natural ecology of watersheds throughout New Mexico. The strategy formulation should be inclusive of other state and federal agencies, political subdivisions of the state and soil and water conservation districts. Key considerations for the strategy shall consider incentives to encourage business formation for thinning projects, incentives to encourage biomass energy use, and the use of inmates in these cleanup efforts.

Significant Issues

Though the focus of this bill is watershed restoration, the bill recognizes the interrelation of numerous entities and issues involved in this important policy issue. The focus of this strategy is on restoring ecosystems that evolved with frequently occurring, low intensity fires. These fires typically occurred at intervals of between 1 to 35 years and served to reduce growth of brush and other understory vegetation while generally leaving larger, older trees intact.

Fire suppression activities and past forest management practices over the past 100 years have excluded fire from many of these fire-adapted ecosystems. In absence of fire, many of these lands have become subject to an over-accumulation of shrubs and small trees, diminishing ecosystem diversity, health, and resiliency and fueling conditions for unnaturally intense fires that threaten communities, air, soil, water quality, and plant and animal species.

The bill would require EMNRD to provide incentives to private businesses to develop capabilities in forest thinning and woody vegetation removal from watersheds (e.g., forested, mountainous lands, riparian areas). Several state and federal agencies have contracted with private companies to improve and clean up watersheds. The cost, roughly \$750 to \$1,500 per acre treated, tend to be prohibitive. Therefore, much effort has been devoted to finding economic value in the biomass materials removed. One such initiative, led by the Forestry Division and federally funded, is called the Four Corners Sustainable Forests Project. It is designed to develop practices, technologies and technical assistance that support sustainable community-based enterprises capable of using small diameter trees harvested from forest restoration and fire mitigation projects. But, to date, markets for small diameter lumber have not grown to a level to support harvest of such material. Small diameter material, however, may become more economically feasible if assessments for its use more comprehensively evaluate tradeoffs and risks to watershed and species values, public health and safety, and other factors that may benefit from reducing fuels in fire-adapted ecosystems, such as reduced fire suppression costs.

As mentioned, the understory biomass has little to no value; disposing of it is a key concern for forest improvement projects. The bill seeks to better understand what value can be created from this biomass material. In related bills, Senate Bill 769 appropriates \$300.0 from the general fund to EMNRD to assess the feasibility of using biomass for electricity production. House Bill 146 proposes an energy production incentive of 1 cent per kWh for biomass projects that produce electricity.

The Inmate Work Camp program was established in 1997 within EMNRD's Forestry Division. The program provides a work force to help improve forest health and the safety of citizens living in and near forested lands. Project work is conducted only on public lands. IWC was developed through the combined efforts of the Corrections Department (DOC) and the Forestry Division. Projects are conducted from two field locations: one in Los Lunas and a new unit in Grants. The Los Lunas program employs 13 full-time employees to manage eight minimum security inmate crews. The Grants IWC fields two crews consisting of female inmates. Since its inception, EMNRD reports the IWC crews have conducted 171 natural resource projects for 24 different operators, treated 73.8 miles of fuel breaks near homes located in the forest, responded to 54 wildfires, improved 8,049 acres of wildlife habitat, reduced tree overcrowding through thinning on 8,423 acres, conducted 12 wildfire rehabilitation projects on 1,907 acres, provided support on prescribed fire projects for 3,473 acres, and planted 17,245 trees.

**FISCAL IMPLICATIONS**

House Bill 910 does not contain an appropriation. The bill requires a level of effort on behalf of EMNRD which can be absorbed by the agency.

A comprehensive watershed strategy could have positive fiscal implications for current state agency efforts related to watershed improvements. Several state agencies use some portion of its budget or receive federal funds to complete projects that benefit watersheds. For instance, the Department of Environment receives approximately \$2 million every year through the federal Clean Water Act Section 319 (H) non-point source pollution program. The LFC, as well as other interim legislative committees, have received testimony about better aligning these funds to generate more federal funds.

A strategy that includes a focus on sharing or maximizing resources could improve state efforts. Currently, it does not appear that collaboration among state agencies has been always been considered. The Forestry Division 20-community strategy, however, now encourages state agencies to consider complementary projects.

**MFV/njw:yr**