

APPENDIX G

Revenue and Cost Analysis of the Herger-Feinstein Quincy Library Group Forest Recovery Act for Fiscal Year 2002

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Revenue and Cost Analysis of the Herger-Feinstein Quincy Library Group Forest Recovery Act

Fiscal Year 2002, October 2001 through September 2002

U. S. Department of Agriculture
Forest Service
Herger-Feinstein Quincy Library Group Forest Recovery Act
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Background

President Bill Clinton signed the Herger-Feinstein Quincy Library Group Forest Recovery Act (HFQLG Act) on October 21, 1998. The act was a mandate to the U. S. Forest Service to set up a pilot project in the Lassen and Plumas National Forests and the Sierraville Ranger District of the Tahoe National Forest, also called the Pilot Project Area. The intent of the pilot project was to implement resource management activities described in the act, including construction of up to 300,000 acres of Defensible Fuel Profile Zones (DFPZs) and harvest 43,500 acres of small group selection over a five-year period, which would require significant removal of timber and biomass.

The Forest Service is required under the HFQLG Act to provide status reports to Congress. Section §(j)(1)(E) of the HFQLG Act states that "...status reports shall include at least the following...."

§(j)(1)(E) A comparison of the revenues generated by, and costs incurred in, the implementation of the resource management activities described in subsection (d) on the Federal lands included in the pilot project area with the revenues and costs during each of the fiscal years 1992 through 1997 for timber management of such lands before their inclusion in the pilot project.

The Center for Economic Development (CED) was contracted to analyze the revenues generated and costs incurred by the Forest Service related to the planning and implementation of the HFQLG Act during fiscal year 2002.

Program Planning

This section describes the planning and implementation process of the HFQLG Act to date. This information helps provide an understanding of revenues, expenses, and timber harvest volumes and areas as of FY 2002.

In FY 1999 and 2000, the planning of revenue-generating projects (timber sales) under the HFQLG Act was primarily limited to the eastside pine type non-spotted owl habitat region by a mitigation measure cited in the HFQLG Record of Decision (ROD). This mitigation measure prevented the harvest of any trees in suitable spotted owl habitat.

In early 2001, the ROD for the SNFPA was signed by Regional Forester Brad Powell, which provided the alternate spotted owl strategy to support the HFQLG ROD. This decision limited harvest to small diameter trees in DFPZs and to no more than 5000 acres of group selection projects already in the plan for FY 2001 and the first half of FY 2002. All of the GS groups were in non-spotted owl habitat in eastside forest types.

The SNFPA ROD did allow for an Administrative Study to be planned and designed to study the effects of DFPZ and GS treatments on California spotted habitat and owl

population dynamics. This study would allow for an estimated treatment of 70,000 acres of DFPZ's and 12,000 acres of group selection in spotted owl habitat.

The SNFPA ROD was signed too late to plan and advertise HFQLG project timber sales in FY 2001 and consequently, only 11 timber sales were advertised of which 4 were awarded in that year.

By mid-2001, an Administrative Study design was underway and drafts were being scientifically reviewed. However, significant design changes, followed by a decision to analyze all the projects of the Administrative Study in one Environmental Impact Statement, delayed earliest implementation until FY 2003. The consequence of this directional change was an approximate 20,000 acre decline in DFPZ, group selection, and individual tree selection projects, and an approximate 100,000 CCF (hundred cubic feet) decline in expected sawlog and biomass volumes for FY 2002.

Revenues and Expenses

For the first time since its inception in 1999, the Forest Service generated over a million dollars in revenue from implementation of the HFQLG Act during FY 2002. However, expenditures continue to exceed revenues by a margin of 20 to 1.

Revenues discussed in this document refer only to the dollar value of timber values that are derived from sales of National Forest timber through timber sale contracts and/or service contracts containing nested timber sales. The revenues here are residual dollar values of the purchased timber paid to the U.S. Treasury and are a competitive market expression of residual dollar value of timber remaining after the costs of harvesting, transporting logs, milling, remanufacture, transporting wood products, marketing, and profit and risk are deducted from the total dollar value of the timber. Revenues displayed in Figures 1 and 2 do not reflect the revenues infused into the community by businesses involved in processing forest products.

Expenses here only reflect expenditures of the USDA Forest Service or its contractors in the planning and implementation of projects designed to meet the intent of the HFQLG Forest Recovery Act. Expenses do not reflect the costs of wages, supplies, transportation etc. incurred in the process of manufacturing forest products.

During fiscal year 2002, HFQLG revenues generated from timber sales by the implementation of the HFQLG Act rose to approximately \$1.1 million. Revenues were realized from actual harvest on fifteen timber sales, and nine service contracts with nested timber sales awarded and under contract between fiscal years 1999 and 2002.

An additional 17 timber sales were advertised, 12 of which were awarded in FY 2002. Nine additional service contracts with nested timber sales were awarded that same year.

Sawlog and Biomass Volume

Biomass volume sold and awarded in FY 2002 to contractors reached 32,615 CCF and sawlog volume sold and awarded amounted to 32,581 CCF. Total biomass volume sold and awarded over the last four years (1999 through 2002) reached an accumulated total of 139,825 CCF and sawlog volumes sold and awarded reached a total of 111,394 CCF. When totaled together, the above volumes add up to 251,219 equivalent CCF for the pilot project with an average yearly production equaling 62,805 CCF per year.

Actual harvest production of sawlogs and biomass for the 2002 field season that were sold or awarded that year or previously, was 26,333 equivalent CCF on the Lassen, 20,144 equivalent CCF on the Plumas, and 34,402 equivalent CCF on the Tahoe National Forests with the grand total for the pilot project area amounting to 80,879 equivalent CCF in both biomass and sawlog volumes.

Acres Harvested and Treated

Acres harvested are derived from thinning in DFPZs, total or partial tree removal from group selection, and harvest of trees from individual tree selection prescriptions. For "total area harvested" the acre is counted only once after harvest is complete regardless of the number of harvest stages (i.e. removing sawlogs in one stage and biomass in another). For the "total area treated" estimate, an acre could be counted more than once; once for mechanical treatment if harvest or mastication took place, and additional times for individual treatments such as hand thinning, hand piling, mechanical piling, prescribed burning, etc.

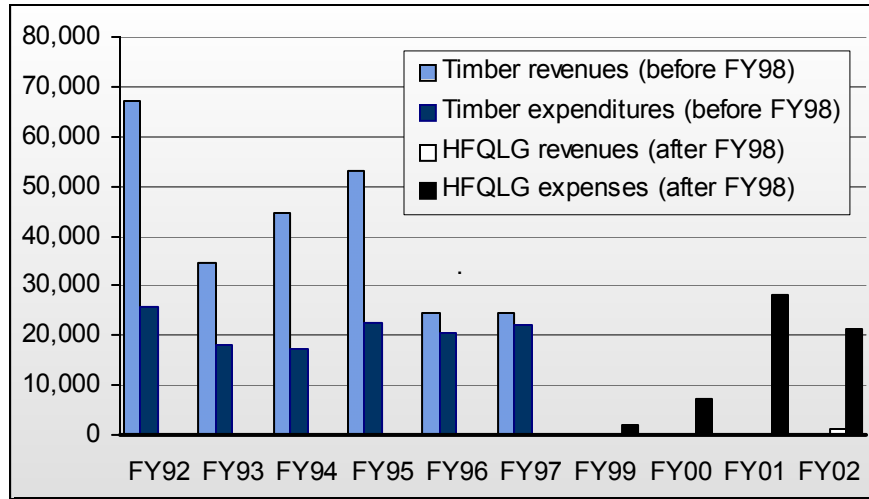
Total acreage harvested in FY 2002 came to 11,091. The total acreage treated in FY 2002 in the implementation of the HFQLG Act reached 23,231 acres. Acres treated include mechanical harvest, hand thinning, and fuels treatments that include hand piling, mechanical piling, pile burning, and prescribed burning.

Figure 1 - FY92 to FY97 Revenues and Expenses Associated with Timber Management Activities, and FY99 To FY02 Revenues and Expenses Associated with HFQLG Activities

	<i>FY92</i>	<i>FY93</i>	<i>FY94</i>	<i>FY95</i>	<i>FY96</i>	<i>FY97</i>	<i>FY99</i>	<i>FY00</i>	<i>FY01</i>	<i>FY02</i>
<i>TIMBER MANAGEMENT REVENUES AND EXPENSES</i>							<i>HFQLG REVENUES AND EXPENSES</i>			
Revenues (Thousand \$)	67,187	34,408	44,501	52,873	24,590	24,465	0	15	175	1,073
Expenses (Thousand \$)	25,856	18,194	17,376	22,596	20,490	22,207	1,943	7,182	28,267	21,557
<i>TIMBER MANAGEMENT ACTIVITIES:</i>							<i>HFQLG ACTIVITIES</i>			
Regeneration (Acres)	8,634	7,853	8,206	7,531	9,063	15,591	N/A	N/A	N/A	N/A
Site preparation (Acres)	6,176	5,264	4,667	2,363	3,321	3,321	N/A	N/A	N/A	N/A
Timber stand improvement (Acres)	10,045	10,600	8,740	13,866	15,062	22,646	N/A	N/A	N/A	N/A
DFPZ (Acres)	N/A	N/A	N/A	N/A	N/A	N/A	640	5,545	38,421	15,903
Group selection (Acres)	N/A	N/A	N/A	N/A	N/A	N/A	0	200	1,949	1,171
Individual tree selection (Acres)	N/A	N/A	N/A	N/A	N/A	N/A	172	944	528	824
Biomass volume offered (CCF)	N/A	N/A	N/A	N/A	N/A	N/A	4,278	45,030	145,558	40,747
Biomass volume sold & awarded (CCF)	N/A	N/A	N/A	N/A	N/A	N/A	4,278	41,992	60,940	32,615
Sawlog volume offered (CCF)	426,000	424,000	375,000	555,200	374,200	383,000	4,785	34,777	91,784	40,609
Sawlog volume sold & awarded (CCF)	329,400	535,200	332,600	316,400	242,600	353,400	4,785	30,169	43,859	32,581
Total area harvested (Acres)	55,689	70,885	57,922	47,317	38,917	32,223	0	380	3,716	11,091
Total area treated (Acres)	N/A	N/A	N/A	N/A	N/A	N/A	0	430	6,885	23,231

Notes: The Act required a comparison of FY92 - FY97; therefore, no figures for FY98 are displayed.
 Conversion factor to estimate MBF is 1 MBF = 2 CCF

Figure 2 - FY92 to FY97 Revenues and Expenses Associated with Timber Management Activities, and FY99 to FY01 Revenues and Expenses Associated with HFQLG Activities (Chart)



Note: The HFQLG Act required a comparison of FY92 - FY97; therefore, no figures for FY98 are displayed.