

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 23, 2007
POSITION: Support
SPONSOR: Department of Forestry and Fire Protection

BILL NUMBER: SB 930
AUTHOR: D. Cogdill

BILL SUMMARY: Forest Resources Improvement Fund

Existing law requires that funds held in the Forest Resources Improvement Fund (FRIF) may only be spent to operate demonstration state forests managed by the Department of Forestry and Fire Protection (CDF), and that any funds in excess of the amount needed for the demonstration state forests be deposited in the General Fund. This bill would require that a two-year reserve be accumulated in the FRIF before any of the funds in excess of those needed to fund demonstration state forests are transferred to the General Fund.

FISCAL SUMMARY

Under this bill, the General Fund would not receive transfers from the FRIF until a two-year reserve is established in the fund. CDF anticipates FRIF revenues will resume in 2007-08 and expects annual revenues to be approximately \$7.5 million per year. In 2006-07, FRIF program expenditures are budgeted at approximately \$9 million; \$6.6 million General Fund and \$2.4 million FRIF. Assuming current expenditures for FRIF programs remain constant, under current law the General Fund could expect to receive a transfer of approximately \$5.1 million from FRIF at the end of 2007-08. Under this bill, the General Fund would receive a transfer of approximately \$1.2 million in 2008-09 and the full transfer of \$5.1 million annually would begin in 2009-10. The estimated two-year General Fund revenue loss would be \$9 million. This bill would not result in additional support costs to run the programs.

COMMENTS

Finance supports this bill because it would ensure stable funding for critical resource protection and improvement programs regardless of timber harvesting fee revenue.

In 2003, an injunction was filed to halt timber harvesting at the Jackson Demonstration State Forest, which provided the bulk of FRIF revenue. CDF's Pest Management, State Nurseries and Seed Bank, and Fire and Resource Assessment Programs were traditionally funded by the FRIF, but required General Fund support in recent years due to the revenue shortfall. The 2006 Budget Act provided funding for these programs from the General Fund with the provision that excess FRIF revenue be deposited in the General Fund to offset these costs because they were traditionally funded by the FRIF. Timber harvesting is expected to resume at the Jackson Demonstration State Forest during 2007-08, restoring FRIF revenue. This bill would allow the FRIF to fund these programs up to two out of every ten consecutive years and would only authorize FRIF reserves in excess of the sum of the two previous years' appropriations to be transferred to the General Fund.

We note that this bill would also allow FRIF to fund public education, research, and monitoring activities related to demonstration forests.

(Continued)

Analyst/Principal Date Program Budget Manager Date
(0634) M. Almy Karen Finn

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

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BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)

AUTHOR

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP	2006-2007		2007-2008		2008-2009		
	RV	98	FC	FC	FC	FC			
3540/Forest&Fire	SO	No	-----	See Fiscal Summary	-----			0001	
3540/Forest&Fire	SO	No	-----	See Fiscal Summary	-----			0928	
T00001/Transfer	RV	No	U	\$0 U	\$5,100 U		\$3,900	0928	
F00928/Transfer	RV	No	U	\$0 U	-\$5,100 U		-\$3,900	0001	

<u>Fund Code</u>	<u>Title</u>
0001	General Fund
0928	Forest Resources Improvement Fund