

## **CALIFORNIA FOREST IMPROVEMENT PROGRAM (CFIP) REQUEST FOR RATE CHANGE**

### **Request**

The Forestry Assistance Staff is requesting the Board of Forestry to approve a rate increase in the Cap Rates in all conservation practice categories, except the Management Plan. The Management Plan rates were changed in 2013. Many practice rates have not been increased in over 15 years.

### **Current Status**

Catastrophic fires have severely damaged forestlands throughout California. Over the past few years, there has been little incentive to replant these lands due to the high cost of reforestation. This year, the State wants to address this major landscape concern. CAL FIRE has up to \$4.2 million from the Greenhouse Gas Reduction Fund (GGRF) for reforestation projects. CAL FIRE has proposed awarding \$3.6 million of reforestation funds to support the CFIP-based reforestation program through the Resource Conservation Districts. In addition, CAL FIRE will use an additional \$2.2 million of the GGRF for forest health and watershed restoration.

This GGRF budget item was based on the efficient and effective use of CFIP agreements to encourage landowners to replant damaged forests and to provide technical advisory assistance to small, private forest landowners. In the absence of increased staffing, CAL FIRE will depend on the Registered Professional Forester to provide both technical assistance and supervision to ensure the GGRF projects are successful.

To this end, CAL FIRE needs to support the best available foresters, contractors and materials to implement this new program. Using old, out of date payment rates will not support quality work.

### **Problem**

Landowners are very interested in this program; however, the current cost share caps will not provide the incentive for the landowners to successfully complete their projects. CFIP has a target of 75% to 90% cost share rate for activities. The higher rate is usually applied to situations where the property has been subject to natural disaster such as a fire. Current seedlings, site prep and planting expenses are as much as double the existing programs predetermined cost or "Cap Rate." The Cap Rate is the highest amount the State will consider as a basis for determining the cost share.

With the inadequate reimbursement rates, most RPFs are not inclined to participate in the program. All on-the-ground CFIP activities, such as site preparation, planting, pre-commercial thinning, pruning, etc., require supervision by an RPF. To ensure success, this may necessitate numerous trips over the life of the active project and therefore will also require greater RPF supervision reimbursement rates.

For example, the current cap rate for a 30 acre post-fire reforestation is presently calculated as \$26,750 but the true cost to the landowner is actually over \$38,200. Since our reimbursement of 90% based on the Cap Rate, the landowner would be reimbursed \$24,000 which is really only 63% of the actual cost. The landowner will need to absorb the cost. Many RPFs also feel the pressure to lower costs. When they do, they are less likely to take on additional work.

Itemized invoices to landowners from RPFs doing CFIP work also show a disparity between current supervision rates and real costs. Actual supervision costs need to reflect the increased costs of fuel, materials, insurance and wages over the last 15 years. Currently, landowners must make up the difference.

### **Solution**

The Forestry Assistance Staff is recommending a rate increase of the Cap Rate of the all the CFIP conservation practices. CAL FIRE'S proposed changes for cost share rates are attached. Our rate evaluation data is also available upon Board request.

Most practices have a “Light”, “Moderate” and “Heavy” rate that allow the inspecting public forester to determine the Cap Rate for the practice setting. These Cap Rate changes are based on receipts from past CFIP projects, public input from working professional foresters, and the USDA-NRCS payment schedule for FY14/15.

As part of any rate evaluation, CAL FIRE reviewed receipts from past projects over the past 10 years. CAL FIRE also requested information through California Licensed Foresters Association (CFLA) for costs associated with reforestation and fuels management practices. Although most foresters and contractors agreed the rates were low, only a few provided specific data. CAL FIRE then asked specific foresters who work with non-industrial landowner incentive programs, including Foresters Co-op, Jefferson Resources, Matt Greene, and Craig Blencowe.

In addition to reviewing past project costs, USDA-NRCS has developed payment schedules for all Farm Bill conservation practices used in its many incentive programs. They are annually updated throughout a region using an economist and practice specialists such as foresters, biologists, and engineers. The USDA Western Region payment schedule includes Washington, Oregon and California.

Although many of the USDA-NRCS conservation practices do not directly align with CFIP practice specifications, components of these practices provide CAL FIRE some baseline costs. These conservation practices are broken down into components and are well described on the NRCS website (<http://efotg.sc.egov.usda.gov/>). Attached are examples of conservation payment schedules based on select scenarios.

## **Recommendation**

Based on this evaluation, CAL FIRE recommends the Board of Forestry to approve the attached cost-share conservation practice Cap Rates for Site Prep, Trees and Planting, Tree Shelters, Pre-commercial Thinning, Pruning, Release, Follow-up/Slash Treatment and RPF supervision. Since the Cap Rate for Management Plans were updated by the Board in 2013, CAL FIRE will not request Management Plan rate changes.

Since the USDA-NRCS has formalized an annual process of updating their conservation practice payments, CAL FIRE will monitor their payment changes and update the Board when potential Cap Rates for similar conservation practices change more than 10%. In addition, CAL FIRE will report to the Board every 5 years on CFIP Cap Rate status.

