



STATE OF MICHIGAN

DEPARTMENT OF NATURAL RESOURCES

LANSING



JENNIFER M. GRANHOLM  
GOVERNOR

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DIRECTOR

August 25, 2009

The Honorable Michelle McManus, Chair  
Senate Appropriations Subcommittee  
on Natural Resources  
S-2 Capitol Building  
P.O. Box 30036  
Lansing, Michigan 48909-7536

The Honorable Michael Lahti, Chair  
House Appropriations Subcommittee  
on Natural Resources  
S-1489 House Office Building  
P.O. Box 30014  
Lansing, Michigan 48909-7514

Dear Senator McManus and Representative Lahti:

Pursuant to Section 804, PA 252 of 2008, the report of the Department of Natural Resources' (DNR) timber treatments, during the third quarter of Fiscal Year 2008-09, is attached.

If you have any questions, please feel free to contact me.

Sincerely,

Sharon M. Schafer, Chief  
Budget and Support Services  
517-373-1750

Attachment

- cc: Senate Appropriations Subcommittee Members
- House Appropriations Subcommittee Members
- Mr. Bill Bowerman, Senate Fiscal Agency
- Mr. Josh Sefton, Senate Fiscal Agency
- Dr. Kirk Lindquist, House Fiscal Agency
- Mr. Robert Emerson, State Budget Director, Department of Management and Budget (DMB)
- Mr. Jacques McNeely, DMB
- Ms. Jennifer Harrison, DMB
- Director Rebecca Humphries, DNR
- Ms. Arminda Koch, Resource Management Deputy, DNR
- Mr. Rodney Stokes, Chief of Staff, DNR
- Mr. Daniel Eichinger, Legislative Liaison, DNR
- Ms. Lynne Boyd, DNR
- Mr. Mark Bouvy, DNR

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**Department of Natural Resources  
Timber Report  
Third Quarter Fiscal Year (FY) 2008-2009**

**Background**

In December 2005, Michigan's state forest system was certified under both the Sustainable Forestry Initiative (SFI) and the Forest Stewardship Council (FSC) third party forest certification protocols. Forest certification protocols require public participation in forest management planning and forest operations. Certification is essential in order for primary wood producers in Michigan to have continued access to national and international markets. The Department of Natural Resources' (Department) investment in forest certification strengthens Michigan's forest products sector. The Department's compartment review process has been audited by both the SFI and the FSC and has been recognized as a key public participation mechanism that meets requirements for forest certification.

**Third Quarter FY 2008-2009 Timber Treatments**

State forest planning and activities, including timber treatments, are conducted within the framework of SFI and FSC forest certification principles and standards. Timber treatments in a given year are based on decisions made two years prior to the treatments through the compartment review process.

The Fiscal Year 2008-2009 Plan of Work currently identifies 64,481 acres for timber sale preparation that were approved through the compartment review process. Managers had developed work plans to put up for sale all of these acres with current resources. These acres included 3,552 acres from the red pine project acres funded through the Michigan Forest Finance Authority.

Governor Granholm's May 5<sup>th</sup> EXECUTIVE ORDER 2009-22, IMPLEMENTATION OF EXPENDITURE REDUCTIONS UNDER SECTION 20 OF ARTICLE V OF THE MICHIGAN CONSTITUTION OF 1963, removed funding for the Michigan Forest Finance Authority (21<sup>st</sup> Century Jobs Fund) and the red pine project, and instituted six furlough days. Impacts of the executive order include reduced contract expenditures and restricted compensatory time or overtime for state employees. This has reduced staff time available to prepare timber sales and eliminated the option of additional contracting. The final impact on timber sale acreage prepared is uncertain at this time.

Timber sale preparation is done by Department staff and through timber marking contracts with private consultants. Through the third quarter of Fiscal Year 2008-2009, 12,202 acres of timber sale preparation-marking contracts were awarded.

The Department submitted 16,010 acres of timber sales through the third quarter of Fiscal Year 2008-2009, with an estimated volume of 238,994 cords. Typically, fewer sales are prepared in the first three quarters due to seasonal work adjustments with other programs.

Of 503 offerings to-date through the third quarter, 65 received no bids. This 13% no bid percentage is up from the 9% for FY 2008 and significantly below the 24% for FY 2007. We will continue to monitor the situation and take steps to ensure that our minimum bids adjust accordingly.

<b>FY 2008-2009</b>	<b>Total Sales offered in the quarter</b>	<b>Offerings with no bids</b>	<b>Percent (%) of sales that were no-bid</b>
<b>1<sup>st</sup> Quarter</b>	90	7	8%
<b>2<sup>nd</sup> Quarter</b>	219	25	11%
<b>3<sup>rd</sup> Quarter</b>	194	33	17%
<b>Total</b>	503	65	13%