



Economic Impact Analysis Virginia Department of Planning and Budget

4 VAC 10-40 – Reforestation of Timberlands Regulations
Department of Forestry
May 11, 2013

Summary of the Proposed Amendments to Regulation

The Board of Forestry (Board) proposes to amend its reforestation regulations to reword some language, delete several types of trees from the list of ground cover that does not qualify for incentive payments, and change the formula for maximum repayment under the reforestation incentive program.

Result of Analysis

Benefits likely outweigh costs for these regulatory changes.

Estimated Economic Impact

Currently, regulations that govern the Commonwealth's reforestation and timberland incentive program include a list of ground cover plants that do not qualify for reforestation incentive payments. The Board proposes to remove pond pine, Virginia pine and tulip poplar from this list. This change will benefit private landowners who might plant these types of trees in the future as they will be eligible for incentive payments to cover part of their planting and maintenance costs. This program is funded through a tax on forest products and most of the money budgeted each year is expended each year.¹ This being the case, total expenditures on this program are unlikely to increase much on account of this change. It is more likely that the total amount spent on incentives will be approximately the same but more individual landowners may apply for incentives. This may have the effect of driving down the amount of money that each applicant may get.

¹ Between 2005 and 2011, the percentage of money budgeted from the tax on forestry products that was actually disbursed in incentive payments ranged between 80% and 96%.

Current regulations set the amount of reimbursement under this program at 60% of land owners' actual costs or \$80 per acre, whichever is less. The Board proposes to change reimbursement to 75% of actual costs or a maximum dollar amount per acre to be set annually by the Board of Forestry and the State Forester. This change will benefit individuals who are interested in availing themselves of this program as it will give them a much more realistic picture of how much reimbursement they might be eligible for. From 2005 to 2011, reimbursement rates have ranged between \$22 and \$37 (between 32% and 48% of actual costs). These payments are far below those indicated in current regulations as payments are also constrained by a maximum budget. The new regulatory language directs interested parties to getting information on actual yearly incentives from the Board staff who will be able to give them more accurate information.

Businesses and Entities Affected

Board staff reports that this regulatory action will affect all private forest landowners who seek financial incentives through the reforestation and timberland incentive program. DOF staff also reports that the number of individuals who have submitted applications for reimbursement from the incentive program have ranged between 900 and 1,500 over the past five years.

Localities Particularly Affected

No locality will be particularly affected by these proposed regulations.

Projected Impact on Employment

This proposed regulatory action is unlikely to have any effect on employment in the Commonwealth.

Effects on the Use and Value of Private Property

By incentivizing reforestation, these proposed regulatory changes will likely lead to affected private property forests being slightly more valuable than they otherwise would be. Since participation in this program is voluntary, individuals would be unlikely to participate unless they perceived that participation would lead to more valuable forestland than non-participation.

Small Businesses: Costs and Other Effects

No small business is likely to incur and additional expense on account of these regulatory changes.

Small Businesses: Alternative Method that Minimizes Adverse Impact

No small business is likely to incur and additional expense on account of these regulatory changes.

Real Estate Development Costs

This regulatory action will likely have little effect on real estate development costs in the Commonwealth.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.04 of the Administrative Process Act and Executive Order Number 14 (10). Section 2.2-4007.04 requires that such economic impact analyses include, but need not be limited to, a determination of the public benefit, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has an adverse effect on small businesses, Section 2.2-4007.04 requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.