**State of California The Resources Agency**

**Memorandum**

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| **To:** | Edith Hannigan  Executive Officer  Board of Forestry and Fire Protection | **Date:** August 25, 2022    **Telephone:** (916) 203-7455    **Website:** www.fire.ca.gov |

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| **Subject:** | Proposed changes to CFIP Practice Cap Rates based on public surveys and CFIP invoice review |
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The California Forest Improvement Act of 1978 (PRC 4790-4799.05) was created to provide cost-share incentives for California small non-industrial forest landowners to invest in their property for the restoration, improvement and maintenance of forestland. The Act also had further objectives, to promote a healthy forest products industry, and to provide additional benefits including employment opportunities in both rural and urban areas, renewable energy, protection and enhancement of air, water, and soil resources, fish and wildlife habitat, and opportunities for aesthetic and recreational enjoyment.

CAL FIRE’s California Forest Improvement Program (CFIP) has been in operation for over 40 years, providing forest landowner technical assistance, landowner education, and cost-share opportunities for forest health improvement on non-industrial forestland ownerships. In the past 4 decades, funding has been sporadic, and for decades was tied to the Forest Resource Improve Fund (FRIF), which was tied to state forest timber sales. FRIF funding is no longer utilized for CFIP contracts, and CFIP is funded through legislative budgetary actions. The 2021 Early Action funding, and additional funding for the Wildfire Resilience program in the 2021-2022 budget provided the largest pulse of funding for CFIP in the program’s history. With the release of Governor Newsom’s California Blueprint for 2022-2023, additional increased funding to CFIP is expected to continue for forest health improvement projects.

**Proposed CFIP Practice Cap Rate Adjustment:**

The Wildfire Resilience Program made an initial rate adjustment change on July 1, 2022, to allow for immediate relief from inflationary pressures, while allowing for additional time to delve deeper into the practice cap rates. The initial rate adjustment of 8.9% was based on the annual Consumer Price Index (CPI) for 2019-2021. The rate adjustment was presented to the Board of Forestry and Fire Protection in May 2022 and subsequently approved. The Wildfire Resilience Program reviews the CPI annually for each fiscal year to determine if rate adjustments are merited.

The Wildfire Resilience Program has conducted an online survey as well as email outreach to landowners and Registered Professionals (RPFs). A total of 14 individuals responded to the surveys. Results of the surveys as well as review of CFIP invoices provides a foundation for additional CFIP rate adjustments.

The survey found that some landowners and RPFs do not participate in the program due to insufficient practice rates. A review of CFIP invoices also found certain practice rates were exceeded on a regular basis.

Due to the nature of the responses, it was difficult to display the survey responses into a spreadsheet or similar document that could show the spread of rates discussed in the response. A majority of responses were still requesting rates higher than that proposed, however these were located in areas where regional costs are known to be higher, yet are not necessarily reflective of the costs where CFIP is most utilized. However, all respondents suggested a need for higher rates than our recent rate adjustment, so CFIP staff took a balanced approach on determining the rates below.

The following practices require increased rates: CFIP Forest Management Plan, RPF supervision, mechanical site preparation, mechanical precommercial thinning and release, and mechanical follow-up practices. A description of each practice as well as justification for a rate adjustment are described below.

CFIP Forest Management Plans

For any CFIP project to take place, as per the Public Resources Code 4799(a) (PRC §4799(a)), a management plan must first be prepared by an RPF. The majority of projects utilize the California Cooperative Forest Management Plan (CCFMP) template. The CCFMP also meets the guidelines of the American Forest Foundation and the NRCS Environmental Quality Incentives Program. The remainder of projects utilize existing non-industrial timber management plans (NTMPs) or CFIP mini-management plans. The CFIP mini-management plan is limited to landowners with less than 50 acres of forest land or projects addressing substantially damaged forest lands with conditions described in the Forest Practice Rules in 14 CCR 895.1.

In response to the survey, 70% of respondents replied the current CCFMP rates are inadequate. Some survey comments included:

* *Costs are up more than 8.9% over the last three years*
* *Most RPFs charge $85 to $100/hour so that would not cover the cost*
* *North coast area has increased by 30%*

The CFIP rate for preparation of a CFIP Forest Management Plan is currently $5445 plus $3 an acre for the first 160 acres, and $2.50 for each additional acre up to 1,000 acres. The new proposed rate was adjusted to $6000 plus $3 an acre for the first 160 acres, and $2.50 for each additional acre up to 1,000 acres.

The CFIP mini-management plan rate is currently 1,906 plus $1.40 per acre. The new proposed rate was adjusted to $2500 plus $1.40 per acre.

RPF Supervision

RPF supervision rates are based on a per-acre basis for CEQA review, contractor supervision, and other administrative tasks. The survey found that landowners are paying between $700 to $3000 to get their CFIP agreement submitted and approved. Current RPFs are charging $85-$150/hour.

The current RPF supervision rate is $163 per acre for the first 20 acres, and $82 per acre for each additional acre. The new proposed rate is $250 per acre for the first 20 acres, and $82 per acre for each additional acre. The rate for the first 20 acres is higher to compensate for the initial RPF supervision costs, and to compensate for the lack of economies of scale that are present in larger projects. As projects gets larger, costs begin to decline as supervision of larger projects is more efficient. As projects get more complicated, such as multiple practices on the same acre, additional RPF supervision is allowed.

Mechanical Site Preparation

Site preparation is the removal of vegetation and slash and preparation of the soil for reforestation. The practice may use either mechanical or chemical means to prepare the site. In response to the survey, 50% of respondents replied that the current heavy mechanical rate of $871/ac is inadequate. Survey comments included:

* *Our site prep costs are upwards of $2,000 per acre.*
* *In northern California, availability of contractors relative to demand is low.*
* *North coast cost of $1200/acre.*
* *Depends on if a salvage logging operation was completed. Costs can be substantially more (more than double) if material was left on site post fire.*
* *The prevailing cost has gone up about $300/acre and that is just for the fuel. If you add inflation across the board for parts, wages, insurance, and factor in market forces, the prevailing cost per acre has gone up even more, roughly $500/acre in this geographical region.*

The current mechanical site preparation rates are $381, $545, and $871 per acre for light, moderate, and heavy rates, respectively. The proposed rates were increased to $600, $900, and $1200 per acre for light, moderate, and heavy rates, respectively. The rates were increased based on comments as well as CFIP invoice review. The light and moderate rates were increased substantially more since the previous rates were infrequently used because they were too low.



Figure 1- Substantially damaged timberland caused by snow damage

In addition to increasing all three mechanical site preparation rates, an additional rate will be added named Substantially Damaged Site Preparation. The practice is limited to areas that are substantially damaged timberlands (14 CCR 895.1), where wildfire, insects, disease, wind, flood, or other blight reduced the stocking below the minimum standards of the California Forest Practice Rules. The practice involves the treatment and/or removal of large quantities of dead unmerchantable trees and snags to eliminate dangerous conditions and prepare the site for reforestation. Additional follow-up practices may be used to brush rake, pile and burn, chip, or masticate remaining brush and slash. This differs from the heavy site preparation rate because the dead unmerchantable material poses a safety risk and the volume of material exceeds the treatment costs of the heavy rate. The rate is negotiated between the RPF and Forestry Assistant Specialist (FAS). The rate must be justified by a contractor estimate. This is similar to forest land conservation measures which are negotiated because site conditions will vary depending on what caused the substantially damaged timberlands as well as site conditions.

Mechanical Precommercial Thinning and Release

Precommercial thinning involves reducing the number of small commercial tree species to a predetermined spacing to improve growth and/or to reduce fuel loads. Mechanical release involves removal of non-commercial tree species, shrubs/brush or grasses that are competing with previously planted or existing commercial tree species.

In response to the survey, 50% of respondents replied that the current heavy thinning and release rate of $871/ac is inadequate. Survey comments included:

* *Our rates for PCT are running over $2,000 per acre for TSI work. We used to get a guy with a saw for $40/hr. Now we are seeing rates of $75/hr. In addition, insurance rates have doubled in the last two years.*
* *In northern California, availability of contractors relative to demand is low.*
* *If hand crews are doing pct, in dense material, they can only do 2-3 acres per day. Crews are charging $54/hr/person plus foreman costs. For a 12-man crew in Shasta/Siskiyou, its $6000/day or $2-3k/ac.*
* *North coast actual cost is $1500 per acre.*
* *No, most of my bids are running over $1000 per acre.*

The current mechanical precommercial thinning and release rates are $381, $545, and $871 per acre for light, moderate, and heavy rates, respectively. The proposed rates were increased to $600, $900, and $1200 per acre for light, moderate, and heavy rates, respectively. The rates were increased based on comments as well as CFIP invoice review. The light and moderate rates were increased substantially more since the previous rates were infrequently used because they were too low.

Mechanical Follow-up

Mechanical follow-up involves the treatment of slash resulting from site preparation, thinning, release, and pruning practices. Follow-up may be completed with pile-and- burning, chipping, mastication, or removal. In response to the survey, 50% of respondents replied that the current heavy mechanical follow-up rate of $1089/ac is inadequate. Survey responses included:

* *A guy with a saw is going to lop about 1/4 to 1/3 acre a day. At $75/hr. for 24 hours, that is $1,800 minimum and that doesn't include the fact that we are now paying portal to portal time for most contractors, so only a 6 hour day is possible for a lot of areas*
* *This rate would cover most mastication operations less than 35% slope, but costs rise on steeper ground. For end-haul, trucking is $130-150/hr.*
* *North coast, equipment fuel labor close to 2 k per acre.*
* *Combined, the prevailing cost for release and follow-up is $1960/acre. The 90% reimbursement rate would give back to the landowner roughly $1,760. In my geographical location, with heavy vegetation and moderate slope (30%) the going rate for mastication is $2700/acre. The reimbursement rate is closer to 65%. The landowners want to believe that they are being reimbursed 75 to 90% of the actual prevailing cost, but that is not the case. This is my biggest discussion point when trying to sell the program.*

The current mechanical follow-up rates are $436, $762, and $1089 per acre for light, moderate, and heavy rates, respectively. The proposed rates were increased to $600, $900, and $1200 per acre for light, moderate, and heavy rates, respectively. The rates were increased based on comments as well as CFIP invoice review. The light and moderate rates were increased substantially more since the previous rates were infrequently used because they were too low.

Other Practices

The remaining practices, including tree planting, tree protection, and herbicide related practices, were evaluated for rate adjustments. It was determined that the heavy rates for these practices were rarely exceeded. However, all of the practices were adjusted so that the light and moderate practices were scaled more appropriately, and dollar values rounded up for clarity.



As per 14 CCR § 1530.1, by April 15 each fiscal year, the Director shall submit to the Board for its review a schedule of the prevailing costs of performing the practices eligible for cost sharing payments in various regions of the state. The schedule shall apply to all cost sharing agreements signed in the next fiscal year. At any time, the Director may submit amendments in the schedule to the Board for its review; such changes shall become effective upon Board approval or 75 days after submission to the Board unless the Board acts to change such amendments.

The Department requests that the attached cost share rates be approved and made effective upon Board approval.

As with all of CFIPs rate adjustments, amendments to existing contracts will not be allowed. CFIPs rates are published on our website and are included with each participants contracts, so participants are aware of the rates when they enter into an agreement.