

**PRELIMINARY ECONOMIC ANALYSIS**  
**Forest Practices Rule Making**  
**Defining the Term “Conversion Activities”**  
By Donald Krug, Economist, Department of Natural Resources  
February 2008

**OBJECTIVES**

The Forest Practices Board is considering permanent rule making that will add a definition of “conversion activities” to Chapter 222-16 WAC. The objectives of this economic analysis are to determine whether the benefits of the proposed rules exceed the costs, and whether the compliance costs of the proposed rules will disproportionately affect the state’s small businesses.

Prior to rule adoption, the Administrative Procedure Act (chapter RCW 34.05)<sup>1</sup> requires completion of a Cost-Benefit Analysis (CBA) that demonstrates that probable benefits of the proposal exceed its probable costs and that it is the most cost-effective means of achieving the goal of the rule change. A Small Business Economic Impact Statement (SBEIS) is required by the Regulatory Fairness Act (chapter RCW 19.85)<sup>2</sup> to consider the impacts of state administrative rules on small businesses, defined as those with 50 or fewer employees. An SBEIS compares the costs of compliance for small businesses with the cost of compliance for the ten percent of businesses that are the largest businesses required to comply with the proposed rules.

This economic analysis combines the SBEIS and the CBA and complies with the legislative requirements for these analyses as part of the rule making process.

**HISTORICAL CONTEXT**

The Washington State Legislature passed 2SSB 5883<sup>3</sup> during its 2007 session. This legislation amends the procedures for notification of forest practices conversion activities. It references a definition of the term “conversion to a use other than commercial timber operation” found in RCW 76.09.020<sup>4</sup>, which states the term “means a bona fide conversion to an active use which is incompatible with timber growing and as may be defined by forest practice rules” (emphasis added) .

**PROPOSED RULES SUMMARY**

The proposed rulemaking provides a definition of the term “conversion activities” as follows:

**“Conversion activities”** means site preparation activities associated with conversions of forest land to a use other than commercial timber operation. These changes in land use may be occurring concurrently or after timber harvest on forest land and may include but are not limited to the following:

---

<sup>1</sup> For CBA requirements, see [Chapter 34.05.328 RCW - The Washington State Legislature](#).

<sup>2</sup> For SBEIS requirements, see [Chapter 19.85.040 RCW - The Washington State Legislature](#).

<sup>3</sup> 2ssb available at <http://www.leg.wa.gov/pub/billinfo/2007-08/Pdf/Bills/Senate%20Bills/5883-S2.pdf>

<sup>4</sup> Available at <http://apps.leg.wa.gov/RCW/default.aspx?cite=76.09.020>

- Preparation for, or installation of, utilities, except on easements providing utilities to other ownerships.
- Grading and filling.
- Preparation for, or construction of, any structure for which a landowner would be required to obtain local government approval.
- Construction of, or improvement of, roads to local governmental entity standards.
- Clearing for, or expansion of, a borrow pit for non-forest practices uses or to make a surface mine.

## **ECONOMIC ANALYSIS**

To comply with the Administrative Procedure Act and Regulatory Fairness Act this analysis identifies potentially affected industries, defines small and large businesses and determines if there is a disproportionate economic impact on small businesses. It also estimates the annual cost of compliance with the proposed rule changes.

### **Potentially Affected Industries**

The rule-complying community affected by the proposal includes landowners and businesses that own or control the cutting rights on forestland or those with the right to dispose of the timber.

### **Small Businesses versus Large Businesses**

The Regulatory Fairness Act defines a “small business” as one with 50 or fewer employees. This definition does not lend itself to commercial forestry, because a growing proportion of Washington’s commercial forest acreage is owned by investment-oriented firms that employ few people. Forest ownership acreage and the volume of timber harvested on an annual basis are generally more appropriate metrics for characterizing small businesses in the timber industry. In order to better portray the effects of proposed rule changes on small business, this economic analysis defines small businesses as those meeting the state’s eligibility criteria for small forest landowner status in the Forestry Riparian Easement Program; generally those who harvest an average of less than two million board feet per year from their own land. All other private landowners are categorized as “large businesses” for purposes of this analysis.

### **Benefits and Costs Included in the Analysis**

Benefits and costs were not determined for this proposed rulemaking because it does not have any affect on the rule-complying community. This is discussed below.

### **Involvement of Concerned Stakeholders**

The development of the legislation to amend the procedures for notification of forest practices conversion activities was accomplished through a stakeholder process. The DNR worked with representatives from small forest landowners, Washington State Association of Counties, departments of ecology and wildlife, Washington Forest Protection Association, conservation caucus and tribes in the writing of this legislation.

The goal of the stakeholder group was to eliminate landowner confusion about forest conversion harvests and to establish a process for state and local governments to share information and to assure that the appropriate protective measures are applied to forest practices activities.

## **ANALYSIS AND CONCLUSION**

The legislation that prompted this rule proposal benefited forest landowners by eliminating the requirement to file a development moratorium form with a Forest Practices Application or Notification. It also directed DNR to notify local governmental entities if unauthorized conversion activities during or after timber harvest on forest land is or has taken place.

The rule proposal, which is the subject of this analysis, clarifies for DNR field staff the types of activities that may indicate that a landowner is converting forest land to another use unlawfully. It does not change current practice, nor does it impose costs on the rule-complying community.