

**TITLE 312 NATURAL RESOURCES COMMISSION**

**Economic Impact Statement**

LSA Document #08-413

**IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses**

**Estimated Number of Small Businesses Subject to this Rule:**

Several small businesses in Indiana will be impacted by the proposed rule. Types of small businesses subject to this rule include: nurseries/nursery dealers, sawmills (primary and secondary), logging companies/timber buyers, arborists, campgrounds, and firewood producers/retailers. For the townships included in this rule proposal, 1,260 businesses are impacted by this rule. Table B-1 lists the number of businesses by county and business type impacted by the rule.

**Table B-1 Impacted Small Businesses by County and Type of Business<sup>1</sup>**

County	Nursery/ Nursery Dealer	Sawmill (Primary)	Sawmill (Secondary)	Logging Company/ Timber Buyers	Arborists	Campground	Total Small Business per County
Adams	25	0	9	1	0	1	36
Allen	264	13	54	6	8	2	347
Dekalb	26	1	16	8	0	4	55
Elkhart	14	0	50	0	0	0	64
Hamilton	118	0	10	0	4	0	132
Huntington	39	2	7	1	0	5	54
LaGrange	17	7	15	9	0	17	65
Marion	156	0	13	0	3	1	173
Noble	23	2	4	5	0	12	46
Porter	7	0	2	0	1	0	10
Randolph	6	0	1	0	0	1	8
St. Joseph	25	2	17	0	2	1	47
Steuben	25	8	7	9	4	20	73
Wabash	21	1	8	3	0	5	38
Wells	24	1	7	1	0	0	33
White	9	3	3	3	0	11	29
Whitley	35	3	8	2	0	2	50
Total	834	43	231	48	22	82	1,260

<sup>1</sup>Firewood producers are not included in the table as only two businesses were identified in the quarantined counties (Steuben, Wabash).

**Estimated Average Annual Reporting, Record Keeping, and Other Administrative Costs Small Businesses Will Incur for Compliance:**

In order to process regulated material from these or other quarantined townships, the small business may need to apply for and have in place compliance agreements approved by the DNR and may have to obtain certificates of inspection. Though the compliance agreement will be created and processed by the DNR, the small business owner will need to initiate the process by applying for and meeting guidelines set by the compliance agreement. It is estimated that each business will incur a cost of 0.5 man days to complete the paperwork to initiate a compliance agreement. Some businesses, primarily sawmills, logging companies, and firewood producers, will need a federal compliance agreement from the USDA/APHIS if they sell/move regulated items across the state line. Depending on the business in question, additional steps will be taken to mitigate the spread of the emerald ash borer.

Nurseries will need to ensure that they keep accurate records of recipients of ash tree stock being sold within these townships, ensuring that these trees do not leave the quarantined township. There is no anticipated cost for the nurseries (Table B-2) to maintain records of the sale of ash trees.

Sawmills will need to keep records of the origin of ash materials and how it is being mitigated to prevent development and spread of the emerald ash borer. Logging companies also need to keep records of the origin of

ash, whether it has been mitigated, and where the ash is delivered or sold. Both sawmills and logging companies will need to provide shipping documents and inspection certificates for the sale and movement of ash. They will also need to maintain records and have them available for inspection by the DNR or USDA/APHIS. To maintain and manage records, it is estimated that 0.5 man hours per shipment is required. The estimated number of man days for each sawmill or logging company to maintain proper management of all records within the business is 0.5 man days per month. Assuming that the average employee earns \$15 per hour, the annual reporting and record keeping costs to each sawmill and logging company would be \$720 per year (Table B-2).

Arborists will also need to have compliance agreements in place and record exactly how and where ash materials are disposed of. Industry chippers under compliance agreements with the DNR are responsible for keeping records. These records include routine engine maintenance, length of time the chippers are run, and how often chipper blades are sharpened, adjusted, or replaced. Paperwork and administrative impact is estimated to be less than six man days per year. Assuming that the average employee earns \$15 per hour, the annual reporting and record keeping costs to each small business would be \$720 per year (Table B-2).

Campgrounds (private and public) will not need compliance agreements. However, if they are in a quarantined township and sell firewood that may leave the quarantined area, they will need a compliance agreement and will be required to mitigate the firewood. It is estimated that campground owners will only sell firewood for use on their campground. The additional administrative cost for campgrounds is firewood management, which includes training staff to ask campers if they brought firewood, exchanging firewood with campers, and collection and burning of firewood left at campsites. These administrative costs are not the result of the quarantine but the result of emerald ash borer presence near their campground. Thus, there is no anticipated record keeping or administrative cost for campgrounds (Table B-2).

Firewood producers that move regulated materials outside of the quarantined areas would require a compliance agreement. The analysis by the Division of Entomology and Plant Pathology of registered businesses found two firewood producers in the quarantined area. The administrative costs for firewood producers in the quarantined areas are estimated to be the same as the sawmill/logging companies.

**Table B-2: Estimated Average Annual Administrative Cost for the Emerald Ash Borer Quarantine Compliance by Small Business Type<sup>1</sup>**

<b>Small Business Type:</b> Assumptions for administrative costs.	<b>Annual Average Administrative Cost:</b>
<b>Nursery/Nursery Dealer:</b> No administrative cost unless able to sell existing ash stock.	\$0
<b>Sawmills/Logging Companies:</b> Maintenance/management of records = 0.5 man days/month.	\$720
<b>Arborists:</b> Maintenance/management of records = 6 man days/year.	\$720
<b>Campgrounds:</b> No administrative cost unless selling firewood outside quarantined area.	\$0

<sup>1</sup>Firewood producers' administrative costs are the same as sawmills/logging companies.

**Estimated Total Annual Economic Impact on Small Businesses to Comply:**

Nurseries and nursery dealers in quarantined townships will most likely stop sale of ash seedlings or trees due to the emerald ash borer's impact in the market. The trees cannot be sold and moved outside the quarantined area because the only method to certify the tree free of the emerald ash borer would kill the tree. The economic impact to each of these small businesses in loss of revenue will be determined by how much ash material each business currently has in stock. Wholesale, a two inch caliper ash tree can be sold for approximately \$110. Retail, each tree may be sold for approximately \$175. Thus, the total annual economic impact may be a few hundred dollars to several thousand dollars from the loss of ash trees not sold and removed from inventory.

The impact of the emerald ash borer and the USDA/APHIS quarantine, which was instituted in 2006, has reduced if not completely eliminated the sale of ash trees in Indiana. Once the ash trees are removed, the nursery will have no further impact from the quarantine and will not have any economic impact to comply with the quarantine.

If logs move during the flight period of the emerald ash borer, adult borers may emerge from the logs awaiting processing. If the logs move during the nonflight period of the emerald ash borer to a sawmill and are not processed before the flight period, they are also a risk to spread the emerald ash borer. Primary sawmills, those that process logs into sawn lumber, are a risk of spreading the emerald ash borer from an infested forest. Secondary sawmills pose less of a threat of spread as these sawmills typically handle sawn lumber or other material that has already been mitigated in a manner that would decrease the likelihood of spreading the emerald ash borer. Logging companies/timber buyers also pose a threat of spreading the emerald ash borer by moving infested trees. The economic impact to these small businesses would only apply if the small business in question handles ash material.

The economic impact to sawmills and logging companies/timber buyers involves additions and changes to

the business operation to comply with the quarantine. These changes involve movement of logs from the forest to the sawmill in a manner to comply with the quarantine. It also involves handling and sawing of ash logs in a timely manner to comply with the quarantine. Making these additions and changes may incur additional operating costs for these small businesses. The business operation will change during the summer period because moving ash logs from or through quarantined townships requires complete enclosure of the logs in the transportation vehicle. With this requirement, sawmills and loggers may choose not to handle ash during the summer season, which is the flight period for the emerald ash borer. The annual economic impact for sawmills and logging companies/timber buyers to comply is estimated to be minimal, approximately \$720/year/business. This estimate does not include impacts should the business decide not to handle ash because of the emerald ash borer.

For arborists, it is estimated that the economic impact will occur through additional handling and hauling of regulated ash material. Arborists will need to ensure that ash materials being removed from private land will be mitigated (chipped to a size that makes the material unregulated) or disposed of at predetermined regulated destinations. The cost of that mitigation may be passed on to the consumer, or the arborist may be able to absorb the cost through the sale of mitigated ash material.

The DNR, Division of Entomology and Plant Pathology, has recently instituted a program to assist arborists and the chipper industry ensure compliance with the EAB rule. This program certifies the chipper once per year with the business having a one time cost of 0.5 man day per crew of two employees. At an estimated hourly wage of \$15 per hour per crew member, the estimated cost to small business per chipper would be \$120 per chipper. By placing chippers under compliance agreements for periods up to a year and monitoring the effectiveness of the chipper in question, the DNR is able to ensure that the industry is compliant with the rule and materials chipped by these chippers are deregulated prior to exiting the quarantined areas. The annual economic impact to arborists to comply with the rule is estimated to be minimal, approximately \$840/year/business. This estimate includes the cost of having each of the businesses chippers under a compliance agreement for mitigation of regulated articles.

It is estimated that only a few campgrounds would ask for compliance agreements to transport firewood and that this is not a major source of revenue for these vendors. It will be at the private campground owner's discretion as to whether firewood will be allowed to be imported from other counties/townships. A ramification to campgrounds may be a small loss in revenue due to some customers not visiting the site if they are not allowed to bring their own firewood. However, it is the decision of the campground to not allow firewood and not a quarantine requirement. The annual economic impact to comply for campgrounds is estimated to be minimal as campgrounds that sell firewood typically import firewood from surrounding areas and most likely this firewood would be obtained from an area that is under the same quarantine level as the campground itself.

The economic impact to firewood producers involves changes to business operations to comply with quarantine requirements. This includes ensuring that regulated articles are not being moved outside of quarantined areas without mitigation. The annual economic impact to comply is estimated to be minimal.

Table B-1 lists the total number of small businesses that may be impacted by this rule in the counties and townships that are proposed for quarantine. As stated above, nurseries/nursery dealers and campgrounds will not be impacted directly by the imposition of this rule. Nurseries and nursery dealers have already been impacted by the imposition of the federal quarantine instated by the USDA/APHIS and most heavily impacted by consumer awareness of the emerald ash borer and the possibility/probability of this invasive species infesting ash trees in Indiana. Campgrounds will not be economically impacted directly by the rule but by their willingness to comply with the rule to restrict movement of firewood into their private forests. If any economic impact would occur to private campgrounds, it would be in the form of lost business if customers refused to camp where they could not bring their own firewood. As shown in the Table B-3, sawmills (primary and secondary), logging companies/timber buyers and arborists will be impacted by the proposed rule. These companies will only be impacted if they utilize regulated ash material. Considering the current federal and state quarantines, many of the companies included in the table below (particularly secondary sawmills) may decide to stop using these materials in favor of nonquarantined materials.

The total potential economic impact to all small businesses in the proposed quarantined area is \$250,320, Table B-3. This analysis is based on the assumption that every small business in the quarantined area would require a compliance agreement and utilize regulated materials. It is the opinion of this department that in reality only one-half to three-fourths of the small businesses analyzed in the proposed quarantine area would require a compliance agreement, which would significantly reduce the potential economic impact to the small businesses in the quarantined area.

**Table B-3 Estimated Economic Impact to All Small Businesses in the Proposed Quarantined Area**

Business Type	Total # Small Business with Potential Impact in Counties/Townships Proposed for Quarantine	Cost per Small Business	Total
Nursery/Nursery Dealers	834	\$0	\$0

Sawmill (Primary)	43	\$720	\$30,960
Sawmill (Secondary)	231	\$720	\$166,320
Logging Company/Timber Buyers	48	\$720	\$34,560
Arborists	22	\$840	\$18,480
Campgrounds	82	\$0	\$0
Total	1,260		\$250,320

#### Justification Statement of Requirement or Cost:

The reported value of ash logs processed through Indiana mills on an annual basis is over eight million dollars, another 364 million dollars has been estimated to be invested in urban and street trees not on private property. Currently, the emerald ash borer has been found in 17 counties in the state of Indiana. By imposing this rule, the artificial and natural spread of this pest can be slowed. Counties that do not currently have an infestation of the emerald ash borer can be saved from the potential damage to their ash tree resource. By managing the artificial spread to nonquarantined counties/townships, the existing ash stands will continue to be utilized and the timber industry will be allowed to continue to support this faction of the economy in Indiana. The urban ash resource will continue to provide many benefits. Research will have time to develop more and better methods to manage this pest with the intent to maintain ash as a viable natural resource. Imposing this rule will also allow nonquarantined townships to continue to market ash materials to other states and encourage trade between the states and the markets outside of the nation. Without this rule, federal restrictions as well as further restrictions from nonregulated states may be placed on the state of Indiana, making it difficult to utilize existing ash in any form.

#### Regulatory Flexibility Analysis of Alternative Methods:

##### (A) Less stringent compliance or reporting requirements:

The compliance agreements are developed for each business with the intent to fit the requirements to each business operation to have minimal operational and economic impact but at the same time meet the biological needs of the rule. Thus, compliance agreements are made as flexible as biologically possible.

##### (B) Less stringent schedules or deadlines for compliance or reporting requirements:

For compliance, the biology of the emerald ash borer guides the establishment of time frames to operate under the quarantine. Until future research provides additional biological data to support amending the quarantine time frames, the current deadlines and schedule are as flexible as possible to manage the emerald ash borer effectively.

##### (C) The consolidation or simplification of compliance or reporting requirements:

The USDA/APHIS and the DNR write compliance agreements. Each agency reciprocates on these compliance agreements. The state of Indiana recognizes and adopts the USDA/APHIS compliance agreement to meet state needs for the small business. USDA/APHIS will also recognize a state of Indiana compliance agreement. When required, these agencies work together to develop compliance agreements in consultation with each other. The monitoring of small businesses is also managed jointly to avoid duplication. These agencies work to consolidate and simplify compliance agreements and reporting requirements for all small businesses.

##### (D) Establishment of performance standards:

The quarantine establishes performance standards to meet biological needs to manage the emerald ash borer. The standards are adapted to each small business' operational aspects to minimize impact to business but at the same time meet biological needs.

##### (E) Exemption of small businesses from part or all of the requirements or costs:

Each business operation is analyzed for the need to comply. Through analysis, the business operation may handle ash or ash products in a manner that complies with the rule. In this situation, they would be given a compliance agreement outlining the business operation and stating the operation method is in compliance with the rule. If the small business analysis finds that the business does not handle regulated material, the business does not need to meet the requirements of the rule and the rule has no impact. Analysis of the business is conducted upon request by DNR or USDA/APHIS at no cost to the business.

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