

Populating Committees for Three Remaining MFL Issues
Wisconsin Governor's Council on Forestry

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November 12, 2013

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Expected Outcomes:

1. CoF will support or modify the proposed process
2. CoF will support or modify the process for populating the committees
3. CoF will consider whether or not to add additional unrepresented stakeholder groups to the committees
 - a. If a stakeholder group is added, agreement from organization asked to participate will be solicited.
4. CoF will support or modify the Division of Forestry's role in this effort

Background:

In the Council's process to develop and recommend changes to the Managed Forest Law (MFL), three proposed revisions emerged where consensus could be reached at a broad concept level only. The three issues are:

1. *Change in the rate for open/closed acreage* – Proposed Revision 1

CoF Conclusion: The CoF concluded that the rates, how they are calculated, and how the fees are distributed needs to be examined. There was Council consensus that consideration should be given to allocating some portion of the closed acreage fee to local municipalities. In the end CoF believes MFL rates need to be attractive to landowners to incentivize enrollment and foster sustainable forest management while at the same time providing the public with a return consistent with their investment in the program.

2. *Allow landowners to open or close lands regardless of acreage* – Proposed Revision 17

CoF Conclusion: The CoF hesitantly, by consensus, agreed that this modification addresses the process of "gerrymandering" ownerships to increase closed acreage. The CoF also agrees with the value of MFL lands open for public use and as such recognizes the conflict with this and the proposed modification

3. *Require modified management plans for DNR designated large ownerships to include the establishment of an allowable harvest calculation* – Proposed Revision 13

CoF Conclusion: The CoF reached a consensus on the recognition that the continued production of timber on large ownerships be addressed within the parameters, requirements, and intent of the MFL to include considerations for timber volume and the time component of timber being on the market. The CoF consensus included awareness that this issue may warrant further analysis.

(Additional information on the above issues is provided in the Appendix)

At the September CoF meeting, Jane and Henry reported they had met with Deputy Secretary Matt Moroney and Darrell Zastrow of the WDNR to get some direction on moving forward with the three outstanding items. The decision was made to create a separate committee for each item which would include various stakeholders in addition to Council members. At the September CoF meeting Rep. Mursau stressed the importance of having a diverse group of individuals on each committee so that the outcome isn't viewed as more favorable for one group. The focus needs to be centered on the overall best outcome for the state.

If a committee is not able to come to consensus on a revision, then CoF's consensus will remain at the broad concept level and it will be up to the legislature to determine final details of revisions, if they choose to do so.

Proposed Process:

2 committees instead of 3:

Since Proposed Revisions 1 and 17 are connected, it is suggested that one committee develop recommendations for both issues. As a result there will be 2 committees.

Committees would meet for one day between November 18th and December 20th and be expected to develop revisions and forward to CoF those revisions on which the committee was able to reach consensus. At the January meeting, CoF will decide whether or not they support the committees' proposed revisions. If a committee is not able to come to consensus on a revision, then CoF's consensus will remain at the broad concept level and it will be up to the legislature to determine final details of revisions, if they chose to do so.

Date for meetings tentatively to be held in Central Wisconsin

December 9 - Rates and Open/Closed Acreage Committee

December 10 - Require modified management plans for DNR designated large ownerships to include the establishment of an allowable harvest calculation

Proposal for Populating Committees

By EOB on November 15st, Council members will provide names and contact information of an individual (1 name per committee per council member) who will represent their organization to Terrisa Mulder. Individuals should meet the following criteria:

- a. Not involved in previous CoF MFL Revision effort led by Tom Hittle,
- b. Able to attend on the date that will be provided
- c. Represents interests of the organization
- d. Collaborator
- e. Problem solver

Since the committees will meet on different days, one individual representing one organization could participate in both committees.

Additional Stakeholder Groups for Consideration:

These three issues impact stakeholders outside of those represented by the CoF membership. The following 3 categories of stakeholder groups have been identified as not having representation on CoF and from which the CoF may want to solicit participation in this effort. The organizations listed below the category heading are organizations from which CoF may want to solicit participation. If it is decided to include any of these stakeholders, the intent is to solicit one person for each category, not one from each of the listed organizations.

- 1. Conservation Organization
 - a. Wisconsin Wildlife Federation
 - b. Conservation Congress
 - c. Statewide hunting organization: Ruffed grouse Society, WI Bear Hunters Association, White Tails Unlimited or Wild Turkey Federation
- 2. Local Government
 - a. Towns Association (An individual other than Rick Staldeman who was involved in the initial effort. Town government is not represented on the Council)
 - b. WI Counties Association
 - c. Great Lakes Indian Fish & Wildlife Commission or an Indian tribe with land in MFL
- 3. Other:
 - a. WI Taxpayers Alliance
 - b. "Silent Sports" groups – X-C Skiers, hikers (no organized group)
 - i. Board member from Friends of Wisconsin State Parks

Division of Forestry Role

The Division will act in a support role for this effort in the following ways:

1. Will provide a professional facilitator (non-DNR) for each committee.
2. Will provide one staff person to each committee answer technical questions. This person will not advocate for any positions.
3. Will arrange meeting logistics

The committee will be responsible for producing the documents necessary for communicating the proposed revisions on which they reach consensus.

Appendix

Proposed Revision 1: Change in rate for open/closed acreage

Note: In early issue identification efforts, Council members were asked to rank issues to be addressed for possible modification. This issue occurred more often (seven times) than any of the other 29 issues in Council members' list of the top five to potentially be addressed for modification. Issues occurring at least three times in the Council member's list of their "top 5" were selected for additional analysis by the Council's MFL Committee.

Current Situation: MFL landowners pay an acreage share tax in place of regular property taxes. MFL landowners who close land to public recreation also pay a closed acreage fee. There are two acreage share and closed acreage fee formulas, depending if lands were enrolled in MFL in 2004 and earlier, or 2005 and later. Statewide data is used to determine the acreage share tax rate and closed acreage fees for both sets of formulas. Since assessed values, equalized values, tax rates, and other tax values differ depending upon land location within the state, using a statewide value can show greater MFL tax rate benefits in some parts of the state and lower MFL tax rate benefits in other parts of the state. Conversely, local municipalities may see that property tax revenues are greatly reduced with lands being enrolled in MFL, while other municipalities see a minimum reduction in property tax revenues. The open and closed per acre rates are summarized as follows looking back to 2003 and ahead to 2017.

| EFFECTIVE DATES | Enrolled 1987 - 2004 | | Enrolled 2005 or Later | |
|-----------------|----------------------|--------|------------------------|---------|
| | OPEN | CLOSED | OPEN | CLOSED |
| 2003 - 2007 | \$0.83 | \$1.95 | \$1.46 | \$7.28 |
| 2008 - 2012 | \$0.67 | \$1.57 | \$1.67 | \$8.34 |
| 2013 - 2017 | \$0.79 | \$1.87 | \$2.14 | \$10.68 |

Open Acreage share tax = 5% of average statewide tax on productive forest land (\$42.70/acre)

Closed acreage fee = 20% of average statewide tax on productive forest land (\$42.70/acre)

Under current law, local municipalities normally keep 80% of the open acreage tax and the remaining 20% is remitted to the County. The entire amount of the closed acreage fee is remitted to the County, who then remits the entire amount to the State's Forestry Account for allocation by the Legislature.

| | |
|-----------------------------|---|
| Current MFL Open Acres ±: | 1,107,000 acres (82% enrolled 1987 – 2004) |
| Current MFL Closed Acres ±: | <u>2,138,000 acres</u> (65% enrolled 1987 – 2004) |
| Total MFL Acres: | 3,245,000 acres |

Concern has been expressed by some that the current closed acreage fee, in particular, is too high and can lead to landowners seeking other tax treatments and pursuing land management which can have negative impacts on forest sustainability. Property taxes on land categorized for taxation purposes as Agricultural Forest can be lower than the MFL per acre closed rate in parts of Wisconsin. Concern has also been expressed that per acre property tax rates much above the open rate are not conducive to economically and sustainably managing forested properties for timber. Conversely, a minimal difference between the open and closed rates may negate the incentive to have lands open for public recreation, a recognized and valued component of the MFL. There is also concern regarding revenue amount and shifting of tax burdens if rates were lowered. The rates have just been adjusted for 2013 and will become evident for the first time for landowners with tax bills this upcoming fall. The increase this year will be about 19% for the pre 2005 enrollments and around 28% for the 2005 and later enrollments.

Proposed Revision 13: Require modified management plans for DNR designated large ownerships to include the establishment of allowable harvest calculations.

Note: In early issue identification efforts, Council members were asked to rank issues to be addressed for possible modification. This issue was combined with three other modifications which as a group occurred five times in Council members' list of the top five to potentially be addressed for modification. Issues occurring at least three times in the Council member's list of their "top 5" were selected for additional analysis by the Council's MFL Committee.

Current Situation: Landowners who qualify as a large landowner are expected to follow their own management plans. DNR can audit those plans and other program criteria to ensure that lands continue to meet the conditions of the MFL program. Harvesting occurs according to the large landowner's management plan and silvicultural forest type prescriptions approved by the DNR as part of the requirement that a large landowner submit a formal Managed Forest Law Management Commitment. There are approximately 144 large account landowners with 750,000 (±) acres.

Proposed Revision 17: Allow small landowners to close lands regardless of acreage

Note: In early issue identification efforts, Council members were asked to rank issues to be addressed for possible modification. This issue was combined with the modification to assure access to MFL "open" lands. Together these issues occurred five times in Council members' list of the top five to potentially be addressed for modification. Issues occurring at least three times in the Council member's list of their "top 5" were selected for additional analysis by the Council's MFL Committee. Removing the 160 acre cap is provided as an alternative to limiting the ability of owners to close land using the collection of personal identification data.

Current Situation: Under current law, landowners enrolled in the MFL are allowed to close 160 acres of land to public recreation, of which only 80 acres or two legal descriptions per municipality may be lands enrolled in 2004 or earlier. This acreage limitation encourages landowners to subdivide property into different ownerships in order to legally close as much land as possible. In some situations, lands are subdivided and land-locked properties are created. The land-locked properties are taxed under MFL as open to public recreation; however there is no legal entry into the lands, making it inaccessible to the public. Landowners whose intent is to close as much land to public recreation as possible have many legal means to create different ownerships in order to close 160 acres per ownership per municipality. The ability to create different ownerships results in the majority of lands enrolled in MFL by non-industrial private landowners to be closed to public recreation. The additional number of owners in entities such as LLCs, Trusts, Partnerships, etc. also increases the number of MFL applications.