



Jeff Mursau

STATE REPRESENTATIVE • 36TH ASSEMBLY DISTRICT

Senate Bill 543 – Managed Forest Law Update

Senate Committee on Workforce Development, Forestry, Mining and Revenue

By Representative Jeff Mursau

March 19, 2014

Chairman Tiffany and Committee members,

Thank you for being here to listen to public testimony regarding Senate Bill 543, a Managed Forest Law reform bill.

We drafted SB 543 on behalf of the Wisconsin Council on Forestry, an organization of which I belong. The bill was written to reflect the recommendations produced by the Council and its members representing a wide range of forest stakeholders.

The Council, by statute is charged with advising the governor, legislature, Department of Natural Resources, and other state agencies on a host of forestry issues in the state, including:

- The practice of sustainable forestry, as defined in state statute 28.04 (1) (e)
- Protection of forests from fire, insects, and disease
- Reforestation and forest genetics
- Management and protection of urban forests
- Public knowledge and awareness of forestry issues
- Forestry research
- Economic development and employment in the forestry industry
- Marketing and use of forest products
- Legislation affecting management of Wisconsin's forest lands
- Staffing and funding needs for forestry programs conducted by the state

Current Council priorities include:

- Timber supply
- Managed Forest Law program
- Forest certification
- Deer impacts on Wisconsin forests
- Forestry education

Members of the Council, by statute include:

- Urban and community forestry
- Lumber industry
- Legislators
- Nonprofit conservation representative
- Chief State forester
- Forest products companies that manages forest land
- Paper and pulp industry representative
- Society of American Foresters

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- Consultant foresters
- Schools of forestry
- Timber producers
- County foresters
- US Department of Agriculture
- Secondary wood industry
- Non-industrial, private forest land owners

The council proposed 24 revisions to Wisconsin managed Forest Law statutes, 17 of which had broad consensus. SB 543 reflects those 17 consensus items.

The managed forest law was created in 1985 to replace an increasingly less popular Forest Crop Law. Both laws were intended to encourage healthy forest ecosystems and a steady stream of fiber to one of the top economic drivers in Wisconsin while at the same time providing recreation opportunities for the general public. Beginning in 1986, MFL stemmed the loss of industrial fiber supply by allowing landowners to close a portion of their enrolled property from public access and in exchange pay more in property taxes than MFL landowners who leave all their land open to public access for hunting, fishing, hiking, cross country skiing and sight-seeing.

The number of acres in MFL grows continually as does the public's willingness to actively manage their woods for ecological and economic health. The driving reasons people enroll their properties in MFL and the challenges of state and local government administration have changed over the years. From time to time, the last being in 2003/04, the state needs to adjust and adapt the MFL program maximize benefits and minimize costs for the government, its citizens and the private sector land stewards who are all protecting and growing our natural resource and economy through the Managed Forest Law program.

SB 543 will:

1. Reduce and restructure withdrawal taxes and fees for landowners who cannot finish an enrollment while ensuring disincentives remain against casual withdrawals; and
2. Change the procedure to allow counties to collect MFL yield taxes and withdrawal fees; and
3. Eliminate the yield tax *comparison* requirement for determining *withdrawal taxes*; and
4. Allow small acreage withdrawals without full withdrawal; and
5. Allow the sale or transfer of a portion of a MFL property without having to withdraw the entire property prior to ownership transfer; and
6. Allow lands to remain in MFL, or allow exempt withdrawal, if natural events cause them to no longer meet the 80% productivity requirement; and
7. Allow exempt withdrawal of limited unproductive acreage if splits in ownership cause lands to no longer meet the 80% productivity requirement; and
8. Increase minimum acreage entry size allowed from 10 acres to 20 acres; and
9. Allow additions to existing MFL entries regardless of entry year; and
10. Eliminate lands with improvements with assessed values; and
11. Shift the large landowner content of NR 46.18 (4) administrative code into the MFL subchapter of statute chapter 77; and
12. Allow electronic signature/approval by DNR and landowners on revised management plan documents for existing participants; and
13. Eliminate the application referral process; and
14. Revise the current application process for renewal of MFL lands; and
15. Require landowners to identify access for the public that is equivalent to the landowner's access to lands open to the public or deny the ability to enroll (or keep) MFL lands as open; and
16. Repeal prohibition on recreational leasing for small landowners; and
17. Modify DNR oversight intensity in on-the-ground-management for large landowners whose property is certified by third party certifiers.

While SB 543 is not a perfect reflection of the council's intent, I have worked with LRB, Legislative Council and the Assembly Committee on Environment and Forestry to make sure AB 700, the companion bill to SB 543, better reflects the intent of the council and concerns raised by stakeholders.

These proposals focus on modernizing and streamlining MFL and ensuring the program provides balanced benefits for landowners, the public, the forest products industry and the State of Wisconsin for another 30 years.

Thank you for being here today to hear this bill. Other members of the council and the Department of Natural Resources are here today that can also testify to the details and the stakeholder benefits from these reforms.

I would be happy to try to answer any questions you may have.

**Committee on Workforce Development,
Forestry, Mining, and Revenue**

Testimony: SB 543

3/19/2014

Thank you, Chairman Tiffany and members of the Committee, for the opportunity to testify today on behalf of SB 543 regarding changes to the Managed Forest Law (MFL).

Wisconsin's Managed Forest Law is recognized as one of the most effective programs in the nation for encouraging sustainable forestry on private woodlands. The Managed Forest Law creates a strong incentive for private landowners to support our forest economy while also contributing to wildlife habitat enhancement, protecting water quality and creating recreation opportunities. With over 3 million acres enrolled, the MFL helps maintain healthy and sustainable forests in Wisconsin and benefits our economy and our environment by encouraging sustainable forestry practices.

The MFL is now over 25 years old. The forestry community in Wisconsin has recognized the need to make changes to this program to ensure it stays effective and achieves its purpose.

In 2012 the Wisconsin Council on Forestry (the Council) began working to develop modifications to Wisconsin's Managed Forest Law. The intent of the charge was to generate a set of revisions that could be introduced through legislative procedures to ultimately amend the MFL. This legislation reflects the hard work of many stakeholders through Council on Forestry over the last two years.

The legislation before you today contains many provisions that together we believe balance the needs and interests of forest landowners and the public. The bill includes provisions that:

- *Ensure public access is provided to lands enrolled as open to the public.*
- *Allows landowners enrolled in the program as "closed" to lease their lands for recreational uses.*
- *Places reasonable limits on the withdrawal penalty for enrollments that are terminated before the end of an enrollment period*

- *Simplifies the calculation and collection of yield taxes paid when timber is harvested.*
 - *Provides for simplified re-enrollment process for enrollments that have completed their 25 or 50 year term.*
 - *Increases minimum acreage entry size AND provided renewal allowance for acreage between 10 and 15 acres with 100% historical mandatory practice compliance*
 - *Revise the current application process for renewal of MFL lands*
 - *Allow the sale or transfer of a portion of a MFL legal description without having to withdraw the entire legal description prior to ownership transfer*
 - *Allow lands to remain in MFL, or allow withdrawal of lands without penalty if natural events cause lands to no longer meet productivity requirements*
 - *Require lands with improvements such as cottages be removed from the program and placed under normal taxation*
 - *Allow additions to existing MFL entries regardless of entry year*
-

Overall, we believe this package of changes balances the needs of everyone with a stake in our private forestlands and helps assure the MFL will remain a success for the next 25 years and beyond.

Again, I would like to thank the Committee for your consideration of this bill. I encourage your support for SB 543.

Representative Fred Clark



SB 543 - MFL

Senate Committee on Workforce Development, Forestry, Mining and Revenue

Department of Natural Resources Testimony
Robert (Bob) Mather
Bureau of Forest Management

Mr. Chairman and Committee Members:

My name is Bob Mather and I am the Bureau Director with the Bureau of Forest Management at the Department of Natural Resources. I appreciate the opportunity to appear before you to be able to testify on behalf of the Department. The Department is testifying for information only, and I am more than willing to help answer questions you may have or provide context on potential impacts of this draft legislation.

The Managed Forest Law which was first enacted in 1985 is the keystone tool available to encourage sustainable forest management of Wisconsin's privately owned forest lands. The law provides a property tax benefit in exchange for a long term commitment to practice sustainable forestry. The MFL has been a very successful tool and currently has over 49,000 entries which encompass approximately 3.3 million acres of private forest land.

These well managed lands provide significant benefits to Wisconsin's citizens including wildlife habitat, recreational opportunities, protection of water quality, and a significant amount of the raw forest products produced on private lands that are critical to keep one of the largest sectors of Wisconsin's economy -- forest products -- strong.

This legislation is related to recommendations made by the Governor's appointed Council on Forestry. One of the current Council's priorities includes ensuring the Managed Forest Law (MFL) Program, administered by the Department is an up to date, efficient and effective program for our citizens and the forest products industry.

The Council's report entitled "The Managed Forest Law, A Summary of Recommend Program Revisions" dated June 19, 2013 included 24 topics related to the Managed Forest Law Program. The Council considered that any modifications to the MFL Program should accomplish objectives such as:

- reduce DNR administration cost, conflict, and/or law complexity;
- maintain public, non-MFL stakeholder, understanding and support;
- maintain municipality and local government support; support the core MFL purpose of sound forest management and commercial timber production (as ref. Wis. Stat. 77.80);
- encourage continued program enrollment and discourage non re-enrollment;

- address concerns of MFL forest land owner stakeholder groups; and
- address concerns of industry stakeholder groups.

Using this approach, the Council came to a consensus to recommend modifications to the MFL Program on 21 of these 24 topics. This bill focuses on implementing those recommendations.

With respect to one of the Council's stated objectives for modifications to the MFL, the proposed legislation if passed will create some administrative efficiencies and thereby enable the Department to redirect resources to serve a larger number of private forest landowners, increasing the acreage of land that is sustainably managed to provide economic, environmental and social benefits to the people of Wisconsin..

The department wants to recognize the hard work of Council members and other stakeholders who rolled up their sleeves to work on this complex law, and to the bipartisan set of legislators on the Council who are spearheading this effort.

Thank you for the opportunity to testify on this bill. I am happy to answer any question you may have about the bill.



Wisconsin County Treasurers' Association

March 19, 2014

SENATE BILL 543 – MANAGED FOREST LAND OPPOSITION TESTIMONY

Given to: Senate Workforce Development, Forestry, Mining & Revenue

Given by: Wisconsin County Treasurers' Association
Lynn Neeck, Legislative Committee Member

Thank you Chairman Tiffany and Committee Members for the opportunity to address you today regarding Senate Bill 543/Assembly Bill 700. My name is Lynn Neeck. I am the Price County Treasurer and am here today representing the concerns of the Wisconsin County Treasurers' Association.

The Wisconsin County Treasurers' Association is not here to dispute Senate Bill 543 in its entirety. There are several matters this bill addresses that we are satisfied with; such as, requiring the owner of open managed forest lands to ensure public access by refusing to allow the open land to be surrounded by managed forest closed lands thus eliminating public access. We are also not opposed to exempting the withdrawal tax on voluntary withdrawal of land due to natural disaster as long as natural disaster is clearly defined and withdrawing 1 to 5 acres for constructing improvements. **Our concerns are with the calculation of the withdrawal and yield tax being forced upon the county treasurers when MFL is a Department of Natural Resources administered program, the conditions for exemption of the withdrawal tax of MFL lands being voluntarily withdrawn for environmental, ecological, economic or other concerns, and lastly, when calculating the withdrawal tax limiting the number of years in the calculation formula to 10 years maximum.**

In the northern counties of Wisconsin there are hundreds of thousands of acres in National Forests, State Forests, and Managed Forest Land programs. In counties such as Price County this makes up 73% of the property, leaving only 27% of the land that is taxable. Programs such as the MFL program place a substantial tax burden on the few taxable parcels in these northern counties. I have attached a spreadsheet comparing Exempt Acreage to the number of taxable parcels to which the tax burden is shifted. As property taxes increase, more and more land owners place their property in the MFL or Ag Use programs, only increasing the burden more. The acreage tax Price County receives for its 127,014 acres of MFL land is \$30,464.46 compared to \$1,033,753.18 ($\$181,998,800 \text{ value of MFL} \times .00568 \text{ co mill rate}$) that is shifted to the taxable properties and this is only the county's portion of the levy, \$3.3 million is being shifted for all taxing jurisdictions. Similarly, Buffalo County has 76,634.74 acres in MFL with an assessed value of approximately \$3000/acre ($\$229,904,220$) an average mill rate of .020/1000 shifting roughly \$4.5 million dollars onto the taxpayers.

→ Addressing the first concern—County Treasurers taking on the duties of calculating and distributing the withdrawal and yield taxes for the DNR. The MFL program is a DNR administered program, therefore the DNR should calculate and distribute all taxes and fees associated with the program. To shift their duties as an unfunded mandate to the counties is not acceptable.

→ The second concern of allowing voluntary withdrawal from MFL **exempting the withdrawal tax** for economic, ecological, environmental and “other” concerns is a very broad scope. What criteria are set for determining economic, ecological, environmental and “other” concerns?

- The WCTA foresees this part of the bill as a means for people to withdraw from the MFL program while **dodging the withdrawal tax** which is part of the original contract they signed when entering into the program.
- The likelihood of preferential treatment could easily factor into this situation.
- The owner entered into the MFL program knowing what the requirements are.
- The owners are able to sell the property without withdrawing the property from MFL and transfer the MFL contract to the new owners.
- If the property is being managed properly according to DNR standards, there should not be any environmental, ecological or “other” concerns.
- The only situations the Wisconsin County Treasurers would support are: the exemption of the withdrawal tax in the case of Natural Disaster which is defined by the Governor declaring an area a natural disaster and the withdrawing of 1 to 5 acres for constructing an improvement. Any other reason would not be fair to other taxpayers.

→ WCTA’s biggest concern with the bill is calculating the withdrawal tax based on a maximum of 10 years or less. The Wisconsin County Treasurers’ Association feels very strongly when an owner withdraws property from MFL the calculation needs to include the number of years the owner was actually in the program. If an owner is in the program for 23 years of a 25 year contract and decides to withdraw from the MFL program, they need to compensate for the number of years the property was in the program.

- I liken the MFL contract to a mortgage—if I take out a 25 year mortgage and have financial hardships, the bank is not going to say to me, “You only have to pay 10 years of your mortgage due to the hardships you are having”. No—either I sell my home and pay off the mortgage or the bank forecloses on me and recoups the mortgage by some other means.
- The taxpayers located in the municipality where the property is being withdrawn have taken on the burden of the tax shift when the property is entered into the MFL contract.
- Therefore, the owner of the property in MFL needs to complete their contract, sell the property in which the MFL contract is transferrable to the buyer or pay the withdrawal tax.
- The municipalities stand to lose the most in this situation as the municipalities receive 80% of the withdrawal tax.

The Wisconsin County Treasurers’ Association respectfully asks the Committee to consider reviewing this bill more closely and consider eliminating the 3 provisions stated above from Senate Bill 543.



Wisconsin County Treasurers' Association

March 2014, Seminar

Resolution No. 2014-01

Re: Concerns on DNR Program Administration of MFL Withdrawal in AB700 and SB543

WHEREAS, Wisconsin Department of Natural Resources (DNR) is the administrator of the Managed Forest Land (MFL) program; and

WHEREAS, as administrator of the MFL program responsibilities include the calculation of Withdrawal taxes and Yield tax; and

WHEREAS, AB700/SB543 is shifting the calculation and distribution of withdrawal and yield taxes onto the county; and

WHEREAS, the counties do not have the MFL contracts in their possession to determine the number of years a parcel is in the MFL program for calculating withdrawal tax or the information relating to cutting occurring on MFL parcels for calculating yield tax; and

WHEREAS, there are no provisions in place for collecting the withdrawal and yield taxes and fees when these taxes and fees are not paid by the land owner; and

WHEREAS, the county still only retains 20% of the withdrawal and yield tax while still paying out 80% to the municipalities; and

WHEREAS, the calculation of the withdrawal tax is using a ten year maximum when the parcels are contracted in the MFL program for 25 or 50 years; and

WHEREAS, AB700/SB543 exempts withdrawal tax on voluntary withdrawal if DNR determines parcel is unsuitable for the production due to *other than* natural disaster; and

NOW THEREFORE BE IT RESOLVED, the Wisconsin County Treasurers' Association is in opposition to shifting the calculation and distribution of withdrawal and yield taxes onto the county when the administration of the MFL program falls under the DNR and there are no means for enforcing the collection of these taxes and fees in the bill.


BE IT FURTHER RESOLVED, the Wisconsin County Treasurers' Association is in opposition of withdrawal tax calculation being based on a maximum of ten years versus the actual years in the MFL program.

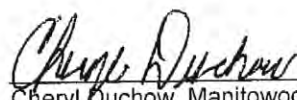
BE IT FURTHER RESOLVED, the Wisconsin County Treasurers' Association is not opposed to voluntary withdrawal tax exemption due to natural disasters and for the purpose of removing up to five acres for the purpose of constructing a building, but is opposed to exemption of withdrawal tax on a voluntary withdrawal due to economic and other concerns.

BE IT FURTHER RESOLVED, that a copy of this resolution be forwarded to Senators and Representatives.

Respectfully submitted this 11th day of March, 2014.

RESOLUTIONS COMMITTEE


Yvonne Ritchie, Barron County Treasurer


Cheryl Duchow, Manitowoc County Treasurer


Lynn Neeck, Price County Treasurer


Sherri Hawkins, Green County Treasurer

Exempt Acreage vs Taxable Parcels

County	# of Acres MFL-O @ .79/acre	# of Acres MFL-O @ 2.14/acre	# of Acres MFL-C @ 1.87/acre	# of Acres MFL-C @ 10.68/acre	Other Exempt- Fed	Other Exempt- State	Other Exempt-Co	Total Exempt Acres
Calumet	301.38		2,989.89	196.00		11,884.91	592.37	15,964.55
Fond du Lac	128.00	10.00	3,498.49	383.29	2,118.30	27,994.93	2,199.26	36,332.27
Kenosha			526.33	204.00		1,655.50	522.86	2,908.69
Milwaukee					66.00	16.00	2,569.00	2,651.00
Ozaukee	283.55		1,266.67	106.00	636.69	3,271.58	1,439.91	7,004.40
Racine	23.00		1,034.54	81.00	55.12	3,220.36	2,433.44	6,847.46
Rock	151.00	30.00	4,642.58	662.49	161.86	7,909.30	1,359.77	14,917.00
Sheboygan	1,115.39	95.00	7,401.23	983.89	706.57	24,138.23	10,354.30	44,794.61
Washington	197.75		5,191.39	442.81	205.77	14,100.46	1,600.45	21,738.63
Adams	35,405.01	388.08	47,950.59	14,828.52	983.50	17,269.48	2,985.94	119,811.12
Ashland	48,056.45	8,360.23	10,645.54	10,825.47	218,595.18	17,029.99	40,078.94	353,591.80
Bayfield	45,387.75	7,040.82	19,239.29	6,828.73	291,320.17	24,504.40	174,147.32	568,468.48
Buffalo	1,008.51	0.33	53,087.45	21,082.47	16,372.61	14,372.81	290.85	106,215.03
Burnett	6,749.01	2,149.33	11,204.80	6,722.13	7,135.79	71,337.17	113,058.29	218,356.52
Florence	45,687.19	3,554.05	17,499.29	9,052.24	84,900.10	22,476.21	35,846.80	219,015.88
Forest	89,865.12	6,667.29	21,862.68	8,568.07	358,940.64	25,062.05	12,695.73	523,661.58
Iron	53,110.48	5,715.64	14,340.51	9,543.69	9,583.99	92,286.32	78,401.04	262,981.67
Langlade	46,581.09	6,663.25	43,030.12	17,527.59	32,825.24	18,112.14	131,149.03	295,888.46
Lincoln	34,734.29	14,354.98	56,967.13	23,335.46	43.50	15,173.80	103,030.02	247,639.18
Marathon	11,157.47	4,300.42	54,148.03	29,635.03	236.86	28,707.85	29,863.02	158,048.68
Marinette	25,796.24	2,745.66	56,405.14	31,158.14	14.33	40,601.31	243,528.43	400,249.25
Oconto	4,764.41	1,812.11	31,379.33	15,542.59	141,240.32	7,149.77	44,069.12	245,957.65
Oneida	140,639.55	4,227.76	33,698.77	17,963.21	11,776.47	121,833.34	83,695.46	413,834.56
Pepin	1,786.76	158.97	13,889.81	3,975.68		5,275.84	232.66	25,319.72
Portage	2,590.30	743.83	31,184.81	14,031.04	11.99	34,822.40	2,904.87	86,289.24
Price	52,055.86	12,879.00	36,453.46	25,625.63	151,796.28	28,783.42	93,343.44	400,937.09
Rusk	37,696.59	9,875.28	19,279.01	13,614.33	101.61	19,051.25	90,985.19	190,603.26
Sawyer	84,420.87	4,953.88	19,242.97	8,138.98	155,074.23	85,451.23	118,472.36	475,754.52
Trempealeau	2,705.53	1,275.89	28,619.01	13,505.06	4,369.38	7,983.22	1,491.82	59,949.91
Vilas	12,153.31	1,749.64	14,858.09	5,466.22	52,654.64	153,424.84	41,862.60	282,169.34
Washburn	15,549.10	4,790.31	22,152.63	11,397.73	925.82	11,366.64	150,509.29	216,691.52

Tax Shift onto Taxable Parcels

# of Residential Pcls	# of Commercial Pcls	# of Manufact Pcls	
7,746	382	24	
36,426	3,195	237	
58,615	3,738	186	
248,028	21,961	1103	271,092
31,635	2,186	188	
69,332	4,580	328	74,240
57,910	3,878	275	
42,512	3,230	315	
48,986	2,908	322	52,216
26,608	930	34	
9,738	835	63	10,636
16,477	1,051	13	17,541
6,303	640	38	
20,875	828	39	
6,600	238	12	
11,156	608	21	11,785
8,157	566	15	
13,503	876	49	
17,153	1,089	70	
50,272	4,107	371	
34,564	1,893	123	
27,763	1,483	86	
38,520	2,310	61	
3,417	374	23	
25,561	2,181	162	
12,416	819	111	13,346
11,069	800	49	
20,060	1,541	33	
11,378	1,283	134	
33,774	1,620	26	
16,501	969	41	

*acreage obtained from Dept of Revenue 2012 Final Statement of Assessments

Price County Acreage

816,000 Total number of acres in Price County

278,836 acres Public Lands

151,626 National Forest

92,160 County Forest

28,500 State Forest

56,644 acres Agricultural (pays taxes based on use rather than assessed value)

34,098 acres Ag Forest (taxes based on 50% of market value)

328,569 acres Privately owned Forest in which: (197,391 acres Productive Forest)

61,007 acres MFL-Closed

64,649 acres in MFL-O

5,522 acres in PFC/FCL

(Total 131,178) or approx. 40% the acreage is in MFL/FCL

95,840 acres

11,891 acres roads

83,949 acres swamp/undeveloped (taxes based on 50% of market value)

*** 219,404 acres Residential (18,628)/ Commercial (1,453)/ Manufacturing (1,040)/ Productive Forest (197,391)/ and other (893) that the tax burden is shifted to pay property tax.**

27% of the land in Price county is fully taxed (total assessed value x mill rate)



Top 10 Acreage Owners in Price County

TOP 10 ACREAGE HOLDERS	ACRES	# of Parcels
1 USA LAND	151,557.830	331
2 PRICE COUNTY Forest, Hwy, Forest Spec Use	92,362.292	435
3 STATE OF WISCONSIN	27,963.247	303
4 NORTHWOODS ATP LP	17,364.900	435
5 PLUM CREEK	16,872.370	441
6 WILDLIFE INC	7,356.280	190
7 FIFIELD CRANBERRIES	2,470.500	64
8 DEMETER AGRICULTURAL PROP, LLC	2,186.882	60
9 ROBERT MEETZ	1,999.140	67
10 LONGVIEW REALTY	1,799.740	47



Wisconsin Woodland Owners Association, Inc.

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www.wisconsinwoodlands.org



March 19, 2014

WVOA Testimony to the Senate Committee on Workforce Development, Forestry, Mining and Revenue in Support of Senate Bill 543

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I am Nancy Bozek, Executive Director of the Wisconsin Woodland Owners Association (WVOA) and I represent thousands of Wisconsin's private woodland owners. Many WVOA members currently hold Managed Forest Law (MFL) contracts with the Wisconsin Department of Natural Resources and many others are contemplating whether or not to enter this program. In general, WVOA supports Senate Bill 543.

Specifically, WVOA supports the following provisions:

- Ability of landowners to add smaller parcels of land to existing MFL orders simplifying the administrative process for the landowner and WI DNR.
- Reinstatement of the option to lease closed lands for uses compatible with the practice of forestry. We support additional clarification of this provision to note that it does not pertain to those under the "large" MFL landowner program. When leasing was repealed in 2007, it created a lasting negative impression for private woodland owners on how the government views MFL contracts and the landowner's ability to manage their own land while practicing sustainable forestry.
- Transfers and sales of MFL parcels whether or not they conform to a legal description.
- Revised method of calculating the withdrawal tax creates a more transparent and administratively simplified procedure. A more equitable balance is created by capping the tax for a 10 years period.
- Buildings and surrounding lands being removed from the MFL program, if this only applies to new entries. By removing these improvements from MFL, we hope the MFL tax rates can be lowered to better reflect productive forest lands. It is unclear in the bill if this provision will only apply to new entries or be retroactive?
- Assisting landowners affected by natural disasters by allowing a period of time to restore the productivity of the land to meet MFL requirements or by allowing for a voluntary withdrawal of the land from MFL and exempting the landowner from paying a withdrawal tax or fee.

WVOA has some additional thoughts on current and proposed MFL provisions for the committee's consideration:

- In SB 543 the definitions created for "buildings", "natural disasters" and "improvements – fencing" raised some questions in regard to hunting stands or blinds, what about drought, hail, excessive deer populations or invasives/exotics and deer fencing to encourage reforestation. Could these definitions be created by WI DNR rule making process?
- WVOA supports increasing the minimum eligibility from 10 acres to 15 acres for new applications and allowing those currently in the MFL program with 10 acres and following their management plan the option to continue and renew their MFL contracts. WVOA's experiences show that landowners generally start with smaller tracts of land and aspire to purchase more acreage over time.

- WWOA does not directly object with the treatment of separating out the small and large landowners; we are concerned that all landowners within the MFL program be treated equitably.
- WWOA supports returning a portion of the closed MFL acre fees from the Forestry Account directly to the towns and counties to spend as they see fit.
- WWOA does not support an MFL Board or funding of this Board. It is redundant, since Wisconsin has an extensive Stewardship program and the Forestry Account currently funds this debt service at \$13.5 million per year.
- The MFL program currently provides approximately one million acres of public access for hunting, fishing, hiking, sight-seeing, and cross country skiing. WWOA does not support lifting the 160 acre cap for closed MFL lands.
- DNR's WisFIRS program uses computerized template paragraphs to write the landowner's management plan. It has come to our attention that the Division of Forestry has been modifying these templates which not only affects newly written plans but all plans using that template paragraph. WWOA opposes the modification of existing plans without the landowner's knowledge.

The Governor in his State of the State address proposed reducing property taxes as a result of the State's surplus. Yet, lands that have been entered into the MFL program since 2004 and are closed to public access saw a 28% tax rate increase starting in 2013. Tax rate increases of this magnitude make it difficult, if not impossible, for woodland owners to manage their forest lands as business under IRS codes.

In the past decade, the government has made numerous and significant changes to the MFL program leaving MFL landowners wondering if this is a one-sided contract? The landowner's financial burden to enter and participate in this incentive program has accelerated at an unprecedented rate. I am unaware of any other state or federal government incentive program that requires landowners to bear the burden of so many additional costs in order to enter and participate. This is at a time when, WI DNR assistance to MFL contract holders has been greatly decreased, and yet the MFL tax rate continues to increase. WI DNR states that they cannot continue to provide services to MFL landowners because they have other work priorities including better management of state lands, increased fire control and working with the "unengaged" landowners. While we support their role to educate more landowners about sustainable forestry, we also believe that landowners enrolled in this program need DNR's technical assistance.

It is the MFL purpose, *to encourage the management of private forest lands for the production of future forest crops for commercial use through sound forestry practices*, which has kept Wisconsin's forest products industry viable during this worldwide economic downturn. In 2009 landowners participating in the MFL program supplied more than 33% of the timber product output or wood harvested in Wisconsin. MFL participants should be commended for their participation in this vital economic program for the benefit of the State of Wisconsin.

WWOA recognizes the value of the MFL program and is committed to working with the legislature, Council on Forestry, WI DNR and others so that our forests will continue to be healthy and productive while providing a high quality of life to our citizens and visitors alike.



March 18, 2014

Senator Thomas Tiffany
Room 409 South
State Capital
PO Box 7882
Madison, WI 53707-7882

Senator Alberta Darling
Room 317 East
State Capital
PO Box 7882
Madison, WI 53707-7882

Dear Senator Tiffany, Senator Darling and Members of the Committee on Workforce Development, Forestry, Mining and Revenue:

We are contacting you on behalf of the Wisconsin Society of American Foresters (WI SAF) regarding the Managed Forest Law (MFL). We support efforts to strengthen the viability of this program.

The Society of American Foresters (SAF) is the national scientific and educational organization representing the forestry profession in the United States. Founded in 1900 by Gifford Pinchot, it is the largest professional society for foresters in the world. WI SAF is one of the 33 state and multi-state societies that make up the Society of American Foresters. Our 400+ members represent all segments of the forestry profession in Wisconsin including natural resource professionals in public and private settings, researchers, CEOs, administrators, educators, forest technicians and students. WI SAF members, in their various professional jobs, play a major role in managing the over 16 million acres of forest land in Wisconsin.

The MFL purpose of encouraging the management of private forest lands for the production of future forest crops for commercial use through sound forestry practices is at the core of our profession. The sustainable supply of timber from these lands supports our State's forest industry which in turn provides the markets we need as forest managers to achieve our goals. These goals include meeting a variety of forest land owner objectives, along with providing compatible recreational use opportunities, protecting watersheds, and developing wildlife habitat, to name a few.

We ask that you support legislation, such as Assembly Bill 700/Senate Bill 543 with its intent of promoting a continued working MFL program attractive to land owners and supportable by all stakeholders and the citizens of Wisconsin.

Thank you for the opportunity to offer this letter of support for the MFL. We hope you would feel comfortable sharing it with your fellow legislators.

Sincerely,

Thomas J. Hittle
WI SAF State Chair

Julie M. Peltier
WI SAF State Chair Elect

Bill O'Brien
WI SAF Policy and Legislation
Committee Chair

Jim Kerkman
WI Council on Forestry, WI SAF
Representative



Wisconsin Consulting Foresters(WCF) Letter of Support for
2013 Assembly Bill 700/Senate Bill 543

March 6, 2014

Dear Senator Darling and Representative Nygren:

Wisconsin Consulting Foresters (WCF) is a 501.c.6 non-profit trade association whose members provide professional forestry services to clients throughout Wisconsin. WCF provides a voice for forestry professionals that serve woodland owners of Wisconsin. Our members contribute greatly to the application of forest management on privately owned lands and enrolling lands into the Managed Forest Law program. We are intimately involved with the Managed Forest Law program and have been actively involved with the recommendations that encouraged this Bill.

Wisconsin Consulting Foresters (WCF), following review of 2013 Assembly Bill 700/Senate Bill 543, wish to express our support for this Bill and its amendments. The Managed Forest Law program has proven to be an effective tool in engaging and educating private woodland owners, ensuring sustainable forest management practices on private woodlands, and providing a continued source of raw forest products to the forest products industry. Assembly Bill 700/Senate Bill 543 will promote efficiency and correct inconsistency in the program.

Allowing small parcel withdrawals, decreasing the early withdrawal penalty, and repealing the ban on leasing will make this program more attractive to prospective new enrollees. The exemption to withdrawal lands that are degraded due to natural events is critical, especially given the continued spread of Emerald Ash Borer and its potential impact to the MFL program. Eliminating the application referral process and the many administrative items will further efficiency and continuity of the program.

Our members strongly support action that will increase the acres of sustainably managed forestland in the State of Wisconsin. WCF feels Assembly Bill 700/ Senate Bill 543 will move the Managed Forest Law program in a positive direction, increase program enrollment, and ultimately provide a continued sustainable flow of timber products to our industry.

Sincerely,

Kimberly K. Quast, Chair
Wisconsin Consulting Foresters (WCF)



March 18, 2014

Follow-up to Testimony on Senate Bill 543

Current MFL Property Rates Disincentives Entering the Program and Good Land Use

Landowners get better tax incentives if they enter their woodland in to other, less sustainable land use. Here is a personal example of an experience I had with a landowner during my volunteer work as a Woodland Advocate in Westford Township in Richland County:

In 2009 this landowner paid \$71.94 per acre on 28.45 acres of UVA "Productive Forest" for a total of \$2046.69. In 2010 he fenced the land, at a cost less than one years' Productive Forest taxes on that land, put cattle in it, and, starting in 2010 as the land is now classified in UVA "Ag Pasture", paid \$1.38 per acre on the same 28.45 acres for a total of \$39.26. More than a \$2000 decrease for pasturing his woodland! I know this person well and tried to dissuade him from putting the woodland in pasture, which is a dubious management practice, and spoke to him about entering MFL as a way of decreasing the tax burden on his woodland. His response? He listened, looked in to MFL, saw the yearly tax rates; yield taxes and restrictions of MFL and decided it was a lousy deal compared to the pasture option. Even "open" MFL, where the landowner gives up his property to public recreation is \$.76 more per acre than the pasture rate! He gets a lower rate than "open" MFL, gives up nothing and is required to do nothing by pasturing!

This is just one example and reason why I urge you to incentivize sustainable woodland management and lower MFL rates to be more in line with Ag UVA rates as part of this bill. MFL rates should be similar to Ag use rates to encourage sustainable forestry and conservation as a vital part of Wisconsin's economy.

Douglas Duren
Wisconsin Alliance of Woodland Owners



Testimony on Senate Bill 543
Senate Committee on Workforce Development, Forestry, Mining and Revenue

Wisconsin Alliance of Forest Owners
March 19, 2014

Mr. Chairman and Committee Members:

My name is Doug Duren and I'm representing the Wisconsin Alliance of Forest Owners, a newly formed trade association that represents the interests of Wisconsin's private woodland owners, including the over 40,000 enrolled in MFL. We are tree farmers who manage 59% of Wisconsin's forest land and who provide 67% of the raw material needed to support Wisconsin's \$20 billion forest industry. Additionally, our woodlands are directly tied to two of the State's other biggest economic engines: our woods provide the beautiful backdrop for the Wisconsin tourism economy and also the wildlife habitat and hunting grounds for our State's hunting economy and heritage. No other rural land type offers more to Wisconsin's diverse economy, legacy and future than private woodlands. Thank you for the opportunity to provide testimony on this bill.

THE MANAGED FOREST LAW (MFL) HAS BEEN A GOOD PROGRAM

Since its inception almost 30 years ago, tree farmers have embraced the MFL program as a means to allow them to sustainably grow trees and keep land in forest. In exchange for committing to keep their land as a productive forest for the next 25 years, they were provided a differential tax rate that recognized that growing a crop of trees requires a long term commitment. These tree farmers also agreed, in return, to follow a management plan that commits them to providing the raw material needed to sustain our forest products industry. But, as we can all agree, revisions to the program are needed.

WAFO POSITIONS ON THIS BILL

First, WAFO wants to acknowledge the work done on MFL by many fine people over the past several years. Awareness has increased on the need to revise the program and some good progress has been made on developing proposed changes. However, this bill, although a step in the right direction, needs additional work.

Elements of SB 543 WAFO Supports

- Reinstating the ability of landowners in MFL to once again **lease their lands, which provides controlled public access for recreation and hunting**. Many landowners entered their lands into MFL with the understanding that they could lease their lands to obtain supplemental income

between harvests. When the leasing ban was placed in the budget in 2007, business plans that included leasing, were destroyed. No other rural agricultural or other land program requires giving up that basic property right.

- Revising the archaic regulations on the **transfers and splitting of lands** enrolled in MFL.
- **Reduction in the withdrawal penalty**, although penalties proposed still greatly exceed those applied to other rural agricultural lands.
- Providing **recognition that natural disasters can affect tree production** and allowing landowners more flexibility to restore production or withdraw non-productive lands from the program.
- Provisions related to **small land withdrawals and adding land to existing contracts**.

What WAFO Does Not Support

- **Preventing landowners who happen to own more than 1000 acres of forest lands from having the ability to lease their properties.**
- **Requiring access for landlocked parcels entered as open that are similar to that which is available to the landowner.** Many landowners, who had been advised they could legally entered their lands as open under previous rules, would now be forced to make changes that could very well be impossible to accomplish. Once again the law is proposed to be changed without landowner recourse.
- **Removing language allowing DNR to write management plans.** This change moves DNR foresters further away from working directly with landowners. DNR field foresters have provided much needed assistance to landowners. Moving away from that model is something we cannot support.

Where SB 543 Falls Short

- **No reduction of the special state tax added to lands enrolled as “closed”.** WAFO strongly recommends that the growing of timber be recognized as an agricultural crop. MFL tax rates need to be compatible with those applied to other agricultural lands if we expect landowners to grow the fiber needed by our forest products industry in a profitable manner. We support the current tax of \$2.14/acre that is directed to local municipalities. However, adding an additional \$8/acre state tax adds expense that prevents tree farmers from managing their crop as a viable business.
- **Recognizing MFL agreements as contracts.** Virtually all the landowners who’ve enrolled land in the MFL believed they had a contract with the state. As evidenced by past and now proposed



law changes, this is clearly not the case, and many changes have been made that are detrimental to the interests of the landowner. There is no certainty provided to landowners that the rules won't once again change to their disadvantage once lands are enrolled in MFL. Therefore we support any future change to MFL that is more restrictive should only be applied to new contracts, whereas any changes that benefit landowners should apply to existing MFL contracts as well as new contracts. In short, existing contracts can become less restrictive, but not more.

- **Special yield taxes** are required to be paid on timber which is harvested from lands enrolled in the MFL. Yield taxes are not required on other agricultural lands that receive more preferential tax treatment and should not be required on timber sales. Nor should income received from the sale of timber be excluded from recent changes made to the Manufacturing and Agricultural Tax Credit.

Thank you for this opportunity to testify. Please know we very much want to work with you and other stakeholders to make the MFL an improved and sustainable program.

Respectfully submitted,

Douglas J Duren
Wisconsin Alliance of Forest Owners

Testimony on Assembly Bill 700 *SB 543*
Senate Committee on Environment and Forestry March 19, 2014

Mr. Chairman and Committee Members:

My name is Robert Benson and I am a private woodland owner who owns 220 acres in Buffalo County and am in the process of acquiring 150 acres in Iowa County. I have had various entries in MFL and currently have acreage enrolled in MFL.

I want to thank the committee for all their time and energy trying to make this a better program for all stake holders. Everyone deserves a lot of credit for working to get changes made even though we think this bill needs improvement. I would like to speak to the financial penalty of removing the land before the completion of the contract.

I believe that the purpose of the MFL Program is to promote a sustainable forest through responsible management practices by the landowner.

We lost our son to cancer four years ago and our daughter-in-law cannot make the five hour drive with our grandchild to enjoy our property up north. Therefore, we decided to sell this property to keep my promise to our son of "doing the things I did with him, with his children".

Here is my example of our land enrolled in MFL, **and the penalty** we were told we would owe. Show and discuss split...remember, both parties want to put it back in MFL and continue with the current plan.

Thanks to all the hard work done. This bill addresses the problem but could go further.

Most of the MFL programs are 25 years in duration. A lot can change in one's life in 25 years that is not within their control. Therefore, I believe that a penalty should be imposed, but it should be less than the 10 years proposed. It should be equivalent to the penalty that is imposed on Agriculture Land that is taken out of production and converted to residential use. The penalty is calculated based on approximately 5% of the fair market value of the property. In my example, it would be ($\$3000 \times 76.5 \times 5\% = \$11,475$), opposed to \$38,000. I currently grow corn, beans and trees. Why are we penalized any differently than any other growers taking their land out of production? Remember, that the present MFL penalty is imposed at the current tax rate and not at the rate when the person put their land in the program. Most people do not understand this, as they feel it will be an average of the tax savings over the period of the AGREEMENT (CONTRACT) not based on the current tax rate! They further ASSUME it is a contract, and not an agreement that can be changed by one side...THE DNR. It needs to be explained to them that this is an agreement that can change, but we need to think about grandfathering people in for the term of their contract if it affects them adversely. - Cost WI Dept. of Revenue *\$382,35*

Again, things change in one's life, and the program should not be a punitive program but one that allows people to feel that they have done something better for the future forest. It should allow them to feel that they have left the land a little better after they are gone than when they arrived.

Robert Benson,
Woodland owner
Member of Wisconsin Woodland Owners
Member of Wisconsin Alliance of Forest Owners



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Laehn/Kross

M.
Tra



Cynthia Seals - Revenue Auditor *Costs - \$382,35 - Dec. 20, 2012 - received Feb. 6, 2013*
 WI Dept of Revenue - Local Government Services
 (608) 261-5341
 (608) 264-6887 Fax
 cynthia.seals@revenue.wi.gov

MANAGED FOREST LAND WITHDRAWAL WORKSHEET

Wisconsin Department of Revenue and Department of Natural Resources

DOR Case #: E0113003 DNR Order #: 06-009-1996

PART ONE					
Owner:	Robert F Benson				
Address:	W11430 Red Cedar Drive Lodi, WI 53555		2012 Assessment Year		
Tax District Name:	Lincoln		Year of Entry:	1996	
County Name:	Buffalo				
Co/Munic Code:	06 018				
Legal Description:	Township 22, Range 11W				
SECTION	DESCRIPTIONS	ACRES	ASSESSED VALUE	TAX	
1	FR W 1/2 N 1/2 NE 1/4	4.47	13,400	232.47	
1	FR E 1/2 N 1/2 NW 1/4	36.00	54,000	936.84	
1	FR W 1/2 N 1/2 NW 1/4	36.00	54,000	936.84	
TOTAL ACRES		76.47			
			TOTAL ASSESSED VALUE	121,400	
				TOTAL TAX	2106.15
Net Property Tax Rate in District:			0.0173488		
Number of Years in MFL:			18		
Total (Tax times number of years)			37910.70		
ENTIRE ORDER WITHDRAWN					

Town of Cassian

Oneida County

Breakdown of Taxes per Land Assessment Classification

Tax Rate (\$/\$1000) : \$12.95

Land Assessment Classification	Total Acres Assessed	Average Net Tax per Acre
Agricultural	996	\$0.65
Agricultural Forest	431	\$12.37
Productive Forest	8,761	\$26.45
Undeveloped	3,888	\$4.59

Breakdown of Taxes per Agricultural Grade vs Pasture Lands

Agricultural Land Breakdown	Tax per Acre
Grade 1 Crop	\$2.15
Grade 2 Crop	\$1.88
Grade 3 Crop	\$1.47
Pasture	\$0.55

Town of Superior

Douglas County

Breakdown of Taxes per Land Assessment Classification

Tax Rate (\$/\$1000) : \$15.37

Land Assessment Classification	Total Acres Assessed	Average Net Tax per Acre
Agricultural	7,245	\$1.62
Agricultural Forest	2,521	\$7.60
Productive Forest	24,498	\$14.61
Undeveloped	3,804	\$6.84

Breakdown of Taxes per Agricultural Grade vs Pasture Lands

Agricultural Land Breakdown	Tax per Acre
Grade 1 Crop	\$2.80
Grade 2 Crop	\$2.46
Grade 3 Crop	\$1.90
Pasture	\$0.72

Town of Addison

Washington County

Breakdown of Taxes per Land Assessment Classification

Tax Rate (\$/\$1000) : \$15.78

Land Assessment Classification	Total Acres Assessed	Average Net Tax per Acre
Agricultural	13,982	\$3.85
Agricultural Forest	867	\$38.13
Productive Forest	15	\$67.25
Undeveloped	2,405	\$12.29

Breakdown of Taxes per Agricultural Grade vs Pasture Lands

Agricultural Land Breakdown	Tax per Acre
Grade 1 Crop	\$4.34
Grade 2 Crop	\$3.67
Grade 3 Crop	\$2.68
Pasture	\$1.07

Town of Erin

Washington County

Breakdown of Taxes per Land Assessment Classification

Tax Rate (\$/\$1000) : \$14.28

Land Assessment Classification	Total Acres Assessed	Average Net Tax per Acre
Agricultural	5,806	\$3.28
Agricultural Forest	958	\$43.09
Productive Forest	632	\$80.71
Undeveloped	3,900	\$32.66

Breakdown of Taxes per Agricultural Grade vs Pasture Lands

Agricultural Land Breakdown	Tax per Acre
Grade 1 Crop	\$3.93
Grade 2 Crop	\$3.32
Grade 3 Crop	\$2.42
Pasture	\$0.97

Town of Burlington

Racine County

Breakdown of Taxes per Land Assessment Classification

Tax Rate (\$/\$1000) : \$17.87

Land Assessment Classification	Total Acres Assessed	Average Net Tax per Acre
Agricultural	10,393	\$3.29
Agricultural Forest	993	\$51.63
Productive Forest	689	\$73.10
Undeveloped	2,599	\$11.25

Breakdown of Taxes per Agricultural Grade vs Pasture Lands

Agricultural Land Breakdown	Tax per Acre
Grade 1 Crop	\$4.67
Grade 2 Crop	\$3.94
Grade 3 Crop	\$2.86
Pasture	\$1.15

Town of Nelson

Buffalo County

Breakdown of Taxes per Land Assessment Classification

Tax Rate (\$/\$1000) : \$18.92

Land Assessment Classification	Total Acres Assessed	Average Net Tax per Acre
Agricultural	13,092	\$2.76
Agricultural Forest	6,892	\$32.82
Productive Forest	2,354	\$65.49
Undeveloped	2,572	\$17.34

Breakdown of Taxes per Agricultural Grade vs Pasture Lands

Agricultural Land Breakdown	Tax per Acre
Grade 1 Crop	\$3.99
Grade 2 Crop	\$3.25
Grade 3 Crop	\$2.45
Pasture	\$0.97

MODIFICATIONS

Tax Rates/Fee Structure

Proposed Revision 1: Change in rate or how rates are calculated for open/closed acreage.

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, some 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 ±: 2,138,000 acres (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 or 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 by some that per acre property tax rates much above the open rate are not conducive to economically and sustainably managing forested properties for timber. There is also concern regarding tax revenue amount and shifting of tax burdens if rates were lowered.

Retroactive / Prospective: The 2005 and later tax formula was made effective for all lands enrolled or re-enrolled in MFL on or after April 28, 2004, setting some precedent that any new tax rate or formula also be made prospective after the effective date of the law change, although there is no recommendation on this from the 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.

Forestry Account under Current Law

1/30/2014

Forestry Account Conditions		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Projections Thru FY 2017		<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
1	OPENING BALANCE	23,780,383	26,816,540	26,567,718	10,656,658	8,043,836	5,482,682
2	REVENUES						
3	Mill Tax	82,653,208	80,038,997	79,338,050	81,797,530	83,024,493	84,269,860
4	MFL-Closed Fees ¹	4,389,734	6,388,632	7,846,056	8,601,039	9,259,468	9,939,044
5	Timber Sales	6,466,034	6,455,547	6,800,000	5,900,000	5,500,000	5,500,000
6	All Other	7,624,252	6,296,320	6,296,320	6,296,320	6,296,320	6,296,320
7	Total Revenue	101,133,228	99,179,496	100,280,426	102,594,889	104,080,281	106,005,224
8	Total Available	<u>124,913,611</u>	<u>125,996,036</u>	<u>126,848,144</u>	<u>113,251,547</u>	<u>112,124,117</u>	<u>111,487,907</u>
9	EXPENDITURES						
10	DNR Expenditures/Authority/Estimated	95,126,348	96,194,305	105,612,011	103,173,511	106,020,911	106,020,911
11	Pay Plan/Health Ins Reserves			1,433,724	2,847,400	1,433,724	2,847,400
12	Encumbrances/Continuing Appns			9,665,051			
13	Lapsed Appropriation Authority			(3,200,000)	(3,500,000)	(3,500,000)	(3,500,000)
14	Total DNR Expenditures	95,126,348	96,194,305	113,510,786	102,520,911	103,954,635	105,368,311
15	Other Agency Expenditures	2,970,723	3,234,013	2,680,700	2,686,800	2,686,800	2,686,800
16	Total Expenditures & Reserves	<u>98,097,071</u>	<u>99,428,318</u>	<u>116,191,486</u>	<u>105,207,711</u>	<u>106,641,435</u>	<u>108,055,111</u>
17	Closing Balance Under Current Law	<u>26,816,540</u>	<u>26,567,718</u>	<u>10,656,658</u>	<u>8,043,836</u>	<u>5,482,682</u>	<u>3,432,796</u>

¹100% of MFL-Closed fees (\$1.08/acre for pre 2005 MFL entries and \$8.54/acre for 2005 and later MFL entries) are deposited into the Forestry Account.

Forestry Account
 FY 13 Revenue and expenditures DRAFT
 02/07/14

(#) Appropriation

Revenues to the Forestry Account:	Revenue	Purpose
Mil Tax*	\$80,034,996	An annual property tax of two-tenths of one mil for each dollar of the assessed valuation for the purpose of acquiring, preserving and developing the forests of the state. *Mil Tax Rate was lowered to 0.1679% (\$0.1697 per \$1,000 of property value) as a result of 2005's Act 25.
Federal Revenue	\$8,313,947	Funding provide by Cooperative Forestry Assistance grants, other Federal assistance.
Timber Sales	\$6,371,150	Money generated from the sale of timber from state forest lands
Managed Forest Law & Forest Crop Law	\$5,702,045	Recording and Closed Acreage Fees for State and Federal programs designed to protect and improve the management of privately owned forest land.
Other Revenues (does not include opening balances)	\$7,068,340	Recreation admission and use fees; the sale of forest products; the sale of nursery stock; investment income; and a variety of miscellaneous fees and sales.
Total Estimated Revenue	\$107,490,478	

**Expenditures
(FY2013)**

Forestry Division - Spending Authority:	Expenditures (FY2013)	Purpose
Forestry Program Operations (166,179)	\$45,992,664	The Forestry program is responsible for developing and implementing a balanced management and protection program for the state's forest resource. Forestry plans, coordinates and administers statewide Private Forest Management programs(MFL), State and County Forestry, Fire Protection, Urban Forestry, Forest Product Services, Forest Health, State Nurseries programs for the protection, sustainability, improvement, perpetuation and use of Wisconsin's forests.
Forest Aids for County Forests, FCL, MFL (571)	\$1,392,750	Payments to towns and villages for every acre of Managed Forest Law, Forest Crop Law, & County Forest in the municipalities. (\$691,750 MFL/FCL, \$711,000 CFL)
Resource Aids (>40,000 ac. tax law) (566)	\$1,237,500	Payments to those counties having more than 40,000 acres enrolled in either the Forest Crop Law or the Managed Forest Law.
Resource Aids - Forestry Education & Professional Development (544)	\$26,250	Provide Grants for individuals pursuing Master Logger certification and safety training through the Wisconsin Professional Logger Association.
Forestry Education & Curriculum (180)	\$347,574	Work with UW-Stevens Point to create K-12 forestry curriculum.
Wisconsin Forest Landowner Grant Program (557)	\$887,048	A 50% Cost Sharing grant to private forest landowners to encourage sustainable forestry practices. Assistance is provided for development of sustainable forestry management plans, tree planting and improvement of existing timber stands.
Urban Forestry Grant Program (587)	\$477,437	Grants provided to local units of government for Urban Forestry projects such as tree planning, tree inventories and Emerald Ash Borer response and planning.

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Local Fire Suppression Grants (545)	\$164,665	Grants to Fire Departments to enhance their ability to suppress forest fires for the purchase of equipment and training.
County Forest Administrator Grant (560, 572)	\$1,538,944	The County Forest Administrator grant provides funding to counties with lands enrolled in the county forest law to assist with the salary & fringe benefit cost of a county employed professional forester.
County Forest Loans (567)	\$739,813	Interest-free loans to those counties with designated County Forests. A county may request up to \$0.50 per acre of forest land. 20% of a counties timber sale revenue is dedicated to repayment.
County Forest Project Loans (568)	\$697,244	Interest-free loans for forestry operations to those counties with designated County Forests. Used for land acquisition and capital development projects. 20% of a counties timber sale revenue is dedicated towards repayment.
Res. Aids - Co. For. Wildlife Habitat (564)	\$117,817	Grant funds to counties with County Forests for the development of wildlife habitat. Eligibility is capped 5 cents per acre of CFL land.
Forestry Facility Maint, Develop, Acquisition, Principle repayment, and interest (764,781)	\$1,898,087	Supports the construction, improvement, and maintenance of facilities associated with Forestry Account funded programs. Forestry facilities such as ranger stations, nurseries, and state forest buildings.
Land Acquisition & Development (774)	\$379,209	Used for acquisition and development of nurseries and fire control facilities specifically ranger stations and fire towers.
Taxes and Assessments (169)	\$27,975	Taxes associated with land purchases (property tax payment for the 1st year of ownership - property tax shared w/previous owner). Special assessment such as curb & gutter and water.
Sub-total	\$55,924,976	

Departmentwide - Spending Authority:

Departmental Administration Operations (861,961)	\$10,652,757	Partial support for the overall administration of the Department, including the Secretary's Office and the Bureaus of Finance, Technology Services, Legal Services, Management & Budget, and Human Resources, the Bureaus of Communication & Education, Community Financial Support and Customer Service & Licensing.
Lands Program Management Operations (161)	\$145,816	Partial support of the Lands Program for regional directors and regional land managers.
Southern Forest Operations (161)	\$5,114,439	Manage and operate the following properties: Northern Kettle Moraine State Forest, Southern Kettle Moraine State Forest, Point Beach State Forest, Bong Recreation Area, Havenwood Forest, Cedarburg Bog, Lowes Lake, and Lapham Peak.
Endangered Resources Operations (161)	\$265,141	Partial support of the operation of the Bureau of Endangered Resources.

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Facilities and Lands Operations (161)	\$2,773,059	Partial support for the following activities: budgeting and construction of capital development projects, management of Department facilities, Department land acquisition, development of basic land management policies for all Department properties, management and maintenance of specific properties, and property master planning and feasibility studies.
Science Services Operations (361)	\$576,317	Supports research such as: Silviculture , Sustainable Forest Mgmt, Forest Birds in the Great Lakes Region, Social Aspects of Forestry, Deer-Forest relationships, Sustainable Forest Biomass Harvesting and Economics, carbon cycling, etc.
Ice Age Trail Grants to Non-profit's (559)	\$74,200	Grant for activities related to the development, maintenance, protection and promotion of the ice age trail area.
Urban Open Space Foundation Grant (558)	\$74,200	A grant for urban forest protection, water resource enhancement or other urban open space objectives. Most recent uses have supported river clean up in the Milwaukee area.
Sub-total	\$19,675,928	

Resource Debt Service - Spending Authority:

Stewardship Debt Service (767)	\$13,500,000	Payment of Stewardship debt service; frees an equal amount of GPR funding that would be used to pay the debt service. The justification for the use of the Forestry Account is the amount of forest land purchased with Stewardship funding.
Resource Aids - Payment in lieu of taxes (584)	\$1,087,158	All moneys received from the federal government attributable to payments associated with national forest lands for distribution to towns, villages and cities in proportion to the level of municipal services provided.
Sub-total	\$14,587,158	

Resource Debt Service - Federal Pass Through

Aids in Lieu of Taxes (555,579)	\$5,921,922	Provides payments to taxing jurisdictions to offset the loss of property tax for state owned lands in each municipality. The remaining PILT is appropriated from GPR funding.
Resource Aids - national forest income aids (582)	\$1,903,001	Received from the federal government for allotments to counties containing national forest lands, and designated for the benefit of public roads in such counties, shall be distributed in proportion to the national forest acreage in each county as certified by the U.S. Forest Service.
Sub-total	\$7,824,923	

Other Agencies - Spending Authority:

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DATCP - Gypsy Moth (772)	\$1,641,300	Utilized to eradicate gypsy moth along the leading edge of the infestation.
UW - WI. Environmental Education Board 9164)	\$322,958	The Wisconsin Environmental Education Board (WEEB) awards matching grants to public agencies and nonprofit corporations to develop and distribute forestry environmental education programs.
UW - Forestry Cooperative Grants (169)	\$133,255	The UW Center for Cooperatives provides grants to persons to form forestry cooperatives under ch. 185 that consist primarily of private, non-industrial owners of woodland.
Tourism - Kickapoo Reserve operations & Aids in Lieu of Taxes (261,262)	\$710,671	Supports administrative functions for the Kickapoo Reserve Management Board. The Board is responsible for managing the land in the Kickapoo River valley to preserve and enhance its unique environmental, cultural and scenic features; providing facilities for the use and enjoyment of visitors to the Reserve; and promoting the Reserve as a destination for vacationing and recreation.
Historical Soc. - N. Great Lakes Center (164)	\$58,742	Supports one FTE for interpretative programming at the Northern Great Lakes Center in Ashland, WI.
Lower WI. Riverway Board (161)	\$48,441	The Lower Wisconsin State Riverway Board is authorized to issue permits for activities which comply with the applicable performance standards for lands within the Riverway.
Sub-total	\$2,915,366	

Dedicated Appropriations

Dedicated Spending (105,106,165,173,178,186,189,565,570,766)	\$1,416,463	Various appropriations that are dedicated within the Forestry Account. Includes appropriations for forest fire emergencies (reimbursements from other states), Cooperating Foresters, Parks & Forest campground Reservations fees, and other fees.
Sub-total	\$1,416,463	

Expenditure of Federal Funding

Federal core and competitive grants (181)	\$2,046,785	Expenditure of Federal grants received for forest fire management, forest health, urban forestry and cooperative forest management (private forestry)
Forest Fire Emergencies (187)	\$0	Time and expenses that Department employees spent fighting forest fires on lands outside of Wisconsin and which are federally reimbursed. Money's received are used to address forest fire emergencies within the state.
Resource acquisition and development (782)	\$2,500,250	Expenditure of funding from the federal government Forest Legacy Program for land acquisition and development and the improvement of land and facilities. Used to purchase easements on large blocks of "working" forest lands.
Sub-total	\$4,547,035	

IS AN MFL ENTRY A CONTRACT OR AN AGREEMENT?

77.82 (11) DURATION. An order under this subchapter remains in effect for the period specified in the application unless the land is withdrawn under s. 77.84 (3) (b) {delinquent taxes} or 77.88 {forced withdrawals}. **An amendment to or repeal of this subchapter does not affect the terms of an order or management plan, except as expressly agreed to in writing by the owner and the department and except as provided in sub. (11m) {special lower Wisconsin River requirements}.**

March 3, 2014

Honorable Scott Walker
Office of the Governor
P.O. Box 7863
Madison, WI 537027

Dear Governor Walker:

After reading your response to my letter of January 2014, I am sure it was the work of an assistant who did not in any specific way address the concerns I expressed in my letter. I've enclosed a copy of my letter and the response I received. The letter did state that you want to make sure the DNR is "user friendly" and accountable to citizens and businesses. The new MFL rules and taxation are certainly not any of these.

You also stated in your letter that the DNR "needs to use a balanced and science-based approach to protecting our valuable resources." The new MFL regulations are contrary to the science and mathematics of economics and ecosystems.

Please think about these contrasting options for a 40 acre parcel. I can graze the same 40 acre parcel for a slightly lower tax rate than the old MFL rate. I can sell milk or young stock every year for a profit. Under the new regulations and tax rate for MFL, I can only sell timber every 20 or 25 years at a loss.

In both cases I am raising a "crop." Why the difference in the tax rate and regulations between the two? The new MFL tax rate and regulations now make raising trees a losing enterprise, and as such cannot be classified as a business. Why the discrimination of one "crop" over the other? Both trees and dairy products are essential to our state's economy.

The loss of one of the finest forestry incentive programs in the history of WI (MFL) is a serious problem. Many land owners in the MFL program will not re-enroll or will withdraw from the program due to a huge increase in taxes and the high cost of increased regulations.

What can be done by your office to correct these changes that seem absolutely counter to your direction of lowering taxes and decreased government interference in business?

The forest land owners who have worked so hard to raise quality timber over many years need your support and should not be penalized by the new economically harsh and unacceptable changes in the MFL program that were initiated under the Doyle administration.

Respectively,

A handwritten signature in cursive script that reads "Richard H. Kalvelage". The signature is written in black ink and is positioned above the typed name.

Richard H. Kalvelage

Mlynnwat@att.net

608-877-1009



WISCONSIN STATE SENATE
DALE W. SCHULTZ

March 19, 2014

Thank you Chairman Tiffany and Members of the Senate Committee on Workforce Development, Forestry, Mining and Revenue.

Senator Schultz is unable to join you today as he had a previous commitment at UW-Richland this morning. However, he asked me to deliver the following remarks on his behalf. While I'm unable to answer questions, I'm happy to take your remarks and questions back to Senator Schultz.

The timber industry in Wisconsin has historic and economic significance. The rapid expansion of timber cutting and the need to move towards sustainability and sound conservation practices, lead to establishment of the Forest Crop Law and more recently the Managed Forest Program. As this bill comes from the Governor's Council on Forestry, it seems the Council recognized that the Managed Forest Program has a number of problems, as well as concerns requiring consideration by the Legislature. I have a deep appreciation for the work of Representatives Clark and Mursau, and while ideas that surface in AB 700 and SB 543 merit further exploration, it's my feeling the substitute amendment needs further work.

Specifically, I have the following concerns:

Public Access per the term equivalent is vague and undefined: To keep lands enrolled in Managed Forest Land at the lowest tax rate, some MPL property owners may have to let MFL users use their private driveway if that is the only access that exists. Leaving the terms "public access" - "access"- "equivalent" undefined benefits no one. Greater clarity benefits everyone.

Penalties are excessively ominous: It's unclear whether the \$250 penalty proposed "for each failure" means a husband and wife could each be fined \$2500.00 if as MFL owners they both refuse to give 10 individuals permission to come onto their MFL property designated as "open."

No right to challenge tax: Whenever taxes are demanded by government, taxpayers must be afforded a process to challenge the amount levied, and here, an opportunity to demand a hearing to challenge to yield is missing. A landowner unable to pay property taxes, isn't a criminal, yet this bill sends the message to delinquent taxpayers, telling them they have no rights to a hearing.

Deer stands out; all "buildings must go": Deer stands now situated on MFL property will need to be removed by MFL owners who want to remain enrolled and in compliance and not be found in violation at \$250 per violation. I suspect that there are many deer stands, outbuildings and other types of hunting shelters on MFL which are not even owned by those who own the land.

Bullying or collaborative partnership? The sub would weaken the partnership of landowners and the DNR that has taken years to establish. With the DNR as "enforcer" rather than "partner" and "taker" rather than "giver", efforts to increase timber production and make more lands available and accessible to hunters and other may be lost.

I have a number of questions which I have posed to the DNR regarding this proposal, and I have provided Senator Tiffany with a copy of my inquiries. I would be happy to entertain any questions you might have; feel free to provide questions to my staff, and I'll be happy to respond.

Again, I apologize for not being here in person today.

Thank you Mr. Chairman and members.

Dale W. Schultz, State Senator
17th Senate District



WISCONSIN STATE SENATE

DALE W. SCHULTZ

To: WI DNR Attention Secretary Stepp or Mike Bruhn
From: Senator Dale W. Schultz
Date: March 18, 2014
Re: Inquiries related SB 543 (ASA 1 to AB 700) Managed Forest Law Program changes

LOOKING FOR DATA

1. Number (or estimate) of MFL enrollees who have MFL lands that presently designated "open" but landlocked?
2. Number of MPL enrollees who own some property designated an open MFL, but the land designated as open is surrounded by MFL? Explain how such circumstances came to be created? (Agreed upon by DNR and landowner? Modification not properly reviewed?)
3. Number of properties that are designated open, enrolled in the MFL program, but access equivalent to that used by the owner would involve use of lands that are not encompassed by an MFL agreement?
4. Does DNR have proof of instances where enrollees who refused to grant permission to persons who sought to enter upon/recreate on MFL property, and could not enter because MFL open property was surrounded by closed MFL? If so, how many instances?
5. Would a landowner's failure to allow free access without restraint to MFL property users to MFL property designated as open, be deemed by DNR, a failure to comply with one's MFL management plan?
6. Map of MFL parcels where property tax status is delinquent (two years unpaid).

TAXPAYER'S RIGHTS RE YIELD TAX

7. Under the sub, the county in which MFL is located will determine the amount of tax and assess the tax and the fee against a MFL owner, and when timber is cut from MFL, the county will determine the yield tax and assesses the yield tax. Under current law, the DNR performed these responsibilities.
 - a. What is the current process for a landowner to challenge yield tax estimate (pre-cut) and, or yield tax (post-cut)? What would be the procedure followed by a landowner to challenge yield tax under the substitute amendment to AB 710?
 - b. Will Boards of Review now be where a landowner can challenge the amount of tax?
 - c. Or will a landowner present challenge to the County Board or a Committee of the County Board?

ACCESS ISSUES

8. Under the sub, "...each owner of managed forest land shall permit public access" [section 77.83(2)(a)]. The sub further specifies that "an owner of managed forest land that is designated as open shall ensure that the public has access to land" [section 77.83(2)(d) 1. a.] for purposes of hunting, fishing, hiking, sightseeing, and cross-country skiing [section 77.83 (2)(a)].

Note: That the sub uses the term "each owner" in the one section and "an owner" is the other section.

The sub specifies that "an owner's failure to complete a forestry practice" directs a municipality to impose – "shall impose a noncompliance assess of \$250 against the owner for each failure." [Section 77.876 (1)].

- a. If husband and wife landowner deny access to MFL lands designated as open to 10 persons could the husband and wife each be assessed \$2500 for non-compliance and the spouse be assessed \$2500? Is the public access requirement a forest practice?
- b. If husband and wife landowner deny access to MFL lands designated as open to 10 persons on the basis that 10 persons were granted permission to use the property and are using the property and more persons on the property, in the landowners opinion could result in unsafe condition, could the husband and wife each be assessed \$2500 for non-compliance and the spouse be assessed \$2500?
- c. If timber is not timely cut, and 30 trees were to be cut, would each tree constitute a failure?
- d. Would each deer stand found on a MFL property after June 2, 2014 constitute a violation of law?
- e. If a birdwatcher or turkey hunter brought onto MFL property and used while there a camouflage shelter for their person and left their shelter on the property for one or more days, would the landowner be subject to violation of section 77.81 (1d) or would the hunter be subject to violation of this section or another section; perhaps 77.82(1)(bp)]?
- f. Will the MFL owner(s), or will MPF users, bear responsibility for the following types of conduct:
 - Enter onto MFL lands without the landowner's permission
 - Leave litter or fixtures or other items on MFL property that are "structures"
 - Position a deer stand or turkey blind

CERTIFICATION

9. DNR's website on the Managed Forest Law Program Summary states that "CPW is a DNR certified, private consulting forester hired by landowners to prepare their MFL management plan. According to the analysis of the sub, "the substitute amendment repeals all of the provisions relating to DNR's preparation and completion of plan" further states that that a landowner who cannot locate an independent plan writer who is certified by the DNR. Please highlight statute(s) which authorizes DNR to certify plan writers, and highlight any statutes which outline the process an aggrieved property owner would rely upon to file a complaint against a DNR certified plan writer.
 - a. Number of complaints that have been received by the DNR regarding one of its certified plan writers (from the time certification was established by the DNR).
 - b. Number of complaints received by the DNR regarding a non-certified plan writer?
 - c. Number of persons who were decertified as the result of a complaint.