

# Meeting Re USFS Land Exchange

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**January 16, 2012, by Clarence Chapman**

## Why I am interested in the land swap

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1. The County Commissioners made statements in the press and in meetings that did not seem true to me, so I wanted to investigate them
2. The statements that the loss of WPT private taxes would reduce revenues to the county seemed untrue if the replacement Federal SRS funds were considered
3. Discussions I had with two of the three Commissioners seemed to have no effect upon their thinking. They seem to deny the validity of what present.
4. The Governor wrote to Brazell what appeared to have come from an Idaho County communication re the necessity to choose an option that would keep Idaho County's tax base whole (presumably the outrageous acre for acre option would be acceptable using this sole criterion). No consideration was made in his letter for the other costs or benefits associated with the various alternatives
5. Some of the land to be swapped is within a mile of my place and the logging trucks would probably use Deer Creek Road.
6. The commissioners seemed to be unconcerned about giving WPT a windfall (of nearly \$150 million) in a straight acre for acre trade
7. The commissioners have not been as responsive to the public as I think they should be; rather they have exhibited a "we know better than you" attitude while ignoring the facts and community preferences presented to them
8. Sharon Cox, County Treasurer, Patty Cox, SD 244, James Zehner, County Assessor, Kathy Ackerman, County Auditor, Idaho Department of Lands, and Teresa Trulock, USFS, have all been helpful in supplying the facts I have incorporated herein

# Agenda of Presentation

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- 1) Discussion of how timber land is taxed in Idaho
  - a) Category 6 (LP-Land Productivity option) vs. Category 7 (BLY-Bare Land Yield option) and 4 state stumpage value zones
  - b) Valuation categories in each option—good, average, fair
  - c) Tax assessment of 71 Parcels in the Lochsa checkerboard
- 2) Comparison of tax revenue to county on 38,827 acres
  - a) LP taxes per acre
  - b) PILT and Secure Rural Schools per acre
  - c) Comparison of above 2 types of ownership
- 3) Assumptions by Skipper, Jim and James in making their proposal to USFS
  - a) If WP Timber lands converted to USFS in Idaho County, county would lose \$100,000 revenue/Skip; \$75,000/James
  - b) Above statements assume no replacement revenue from USDA/USFS
  - c) SRS funding expires 12/2011, PILT expires 2012
  - d) History of SRS, PILT
  - e) Current legislative activity
- 4) Importance of influencing Congressional Delegation and Governor re importance of funding SRS and PILT as well as your desired ULLE alternative

# Idaho County Taxation of Timber land

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- 1) Taxation of **private** parcels greater than 5000 acres (66,335 acres):
  - a. Idaho Code Section 63-1704 mandates LP—productivity valuation
  - b. A productivity value is calculated and included in the assessed value
  - c. Owner pays property taxes of a little less than 1% of the productivity values which for the Lochsa area for 2011 are:
    - i. “Good” Timber = \$451/ acre
    - ii. “Average” = \$245/ acre
    - iii. “Fair” = \$110/acre
  - d. The Yield Tax does not apply
- 2) Taxation of **private** parcels > 5 and < 5000 acres (118,091 acres):
  - a. IC Sec. 63-1705 permits owner the choice of LP or Bare Land and Yield Tax
  - b. A landowner may not have parcels in both designations
  - c. The designation lasts for 10years
  - d. Owner pays property taxes at rates that reflect the bare forest land value which for the Lochsa area for 2011 are:
    - i. “Good” Timber = \$144/ acre (32% of LP)
    - ii. “Average” = \$91/ acre (37% of LP)
    - iii. “Fair” = \$46/acre (32% of LP)
  - e. The Yield Tax (paid only when harvested) is 3% of the stumpage value as determined by the State Tax Commission
  - f. When averaged over many years and several harvests, the LP and BLY about equate in cost to landowner
- 3) Federal payments on 4,431,805 acres of Forest (95% of ID Cty forest acres)
  - a. PILT (since 1976)—paid at per acre rate, but capped, not to exceed, about \$101/ each of 15,500 county residents = \$1,512,520 from DOI
  - b. SRS—Secure Rural Schools/25% payments(in some form since 1908) \$1.8636 /acre in Idaho County in 2011 (\$8,259,193/4,431,805 acres)
  - c. SRS and PILT have a multiplier effect of about 3.36 increasing their impact on the region to \$33 million

## SRS Impact upon Idaho County

By Robert Eyler, Ph. D., Economic Forensics and Analytics (eyler@econforensics.com)

Looked at losses starting in 2012

\$443 Mil/year in direct payments

Calculated a 3.36X multiplier effect

\$1.49 B/year lost sales revenue to business

Lose 5989 direct jobs, and

11,463 jobs total including indirect, induced

Idaho County is 2.1% of total US SRS in 2010

Idaho County direct business sales lost:

Road maintenance/construction      \$6.4 Million

Education      \$2.8

Government non-education      \$0.7

Total      \$9.9 Million

Idaho County total business sales lost:

Road maintenance/construction      \$6.6 Million

Education      \$2.8

Other (Rest. & Bars are 3<sup>rd</sup>)      \$23.9

Total      \$33.3 Million

Direct jobs (2.1% of 5989)      126

Indirect jobs (2.1% of 11,463)      240

Impact on taxes:

◦ Federal      \$3.178 million

◦ State and local      \$1.563 million

◦

Skip said "road budget will be down 50%"

◦ Road Districts other than County R & B down 97%

◦ County Road & Bridge down 68 % (state highway user fees are 24% & Cove Rd Maintenance is 5%)

◦ All budget road revenues down 84% if no SRS

Property taxes contribute only 2% of roads

## 2010 SRS impact on Roads in Idaho County

2010 SRS Impact	SRS	Total	<u>SRS</u>	Property	
<u>Account</u>	<u>Revenues</u>	<u>Revenues</u>	<u>%</u>	<u>Tax</u>	
County Road & Bridge (HWY users allocation & Cove Road Maintenance)	\$2,355,093	\$ 3,447,598	68%	\$1	
Kidder Harris	\$ 727,873	\$ 734,759	99%	\$ 6,098	
Grangeville Highway	\$ 605,974	\$ 647,112	94%	\$ 52,764	
White Bird	\$ 436,837	\$ 436,837	100%	\$ -	
Ferdinand	\$ 356,015	\$ 394,883	90%	\$ 30,360	
Deer Creek HD	\$ 307,761	\$ 308,005	100%	\$ -	
Cottonwood	\$ 281,512	\$ 304,371	92%	\$ 20,132	
Union	\$ 256,372	\$ 256,372	100%	\$ -	
Green Creek	\$ 247,618	\$ 263,577	94%	\$ 11,355	
Fenn	\$ 241,215	\$ 241,215	100%	\$ -	
Keuterville	\$ 232,677	\$ 252,284	92%	\$ 13,138	
Winona	\$ 140,138	\$ 140,138	100%	\$ -	
Doumecq	\$ 126,991	\$ 127,119	100%	\$ -	
Good Roads	\$ 87,561	\$ 87,561	100%	\$ -	
Total other than county	<u>\$4,048,544</u>	<u>\$ 4,194,233</u>	<u>97%</u>	<u>\$ 133,847</u>	3%
Total	<u>\$6,403,637</u>	<u>\$ 7,641,831</u>	<u>84%</u>	<u>\$ 133,848</u>	<u>2%</u>

# Comparison of Private Taxes with Federal Payments to Idaho County in 2011

- 1) ID County mil levy on 38,827 acres of WPT timber in 2011 for the County, Schools and Hospital total .0053662 on \$312.05/acre or \$1.6745 per acre
- 2) SRS payments from the USDA were \$1.8636/acre in 2011 and PILT (DOI) were \$.341 per acre for a total of \$2.20/acre
- 3) Federal lands brought in \$.53 per acre, 32% more than WPT lands in Lochsa
- 4) Had WPT acres been USFS in 2011, revenues to County would have been \$7,342 more, not \$100,000 less as claimed by Skip (recall that SRS would be \$.1891 higher than WPT and that PILT is capped)

## **WPT LLC's 71 Parcels in Checkerboard Tax summary for 2011**

1) Acres in Idaho County	38827
2) Assessed market value	\$12,116,380
3) Assessed market value per acre	\$312.05
4) Total gross tax (including IDL)	\$92,193
5) FPA and Forest Assessment	\$27,178 passed thru to ID Dept of Lands
6) Retained for Idaho County	\$65,015
County	\$27,740
SD 244	\$32,500
SGH	\$4,775

Even if there had been no PILT or SRS or 25% monies from the Feds, as there has been for over 100 years, the lost revenue would have been only \$65,015 or about \$4.20 per capita. PILT and SRS total \$635/capita.

By the way, in his "Guest Opinion" in the Free Press Skip said grazers would definitely have agreements with WPT by October 31. That did not happen.

# Pending Legislation for Federal Funding

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- 1) Senate—S.1692 -- Cosponsored by Senators Crapo and Risch (32 sponsors)
  - a) County Payments Reauthorization Act of 2011 is in first steps of legislative process
  - b) Provide \$1.5 billion over 5 years
- 2) House – The National Forest County Revenue, Schools and Jobs Act of 2011
  - a) Provides a County, Schools and Revenue Trust with an Annual Revenue Requirement (ARR)
  - b) 75% of ARR to be shared with counties, 20% to USFS as an interesting way to incentivize the USFS to increase logging
  - c) Draft, early stages, would require reconciliation with Senate
  - d) Crapo, Risch, Labrador and Simpson all favor reauthorization or SRS & PILT
  - e) Skipper says government is broke and these programs will not be funded
  - f) Road districts get 84% of monies from SRS, not 50% as per Skip
- 3) My Conclusion: Congress will pass some legislation, maybe later than desired, to fund counties at about 90% of current levels
  - a) Tax revenues or PILT/SRS payments are not the driving argument in ULLE
  - b) Commissioners should focus county on urging Congress to support the Reauthorization of County Payments in some form and fully fund them— just an increase of 5% would increase county revenues by \$412,000!
  - c) Housing construction drives timber market
    - i) 2011 starts of 600,000 are only 27% of 2.2 million in 2005
    - ii) Housing recovery will be slow and timber harvests in Idaho County will grow slowly as well

# An Analysis of the Upper Lochsa Land Exchange Effects on Idaho County

By Steven Peterson of the U of I

Report contains a number of weak or erroneous assumptions:

1. Concludes that the 39,371 acres (in the Lochsa checkerboard) are capable of producing 12 million board feet annually thereby creating 128 jobs
2. These jobs are 50 or so years away as the area has been harvested by Plum Creek and has very little mature timber currently
3. Peterson assumes economic recovery to 2005 levels—but no time frame
4. Peterson assumes that the USFS will not harvest the same acres at all
5. Peterson ignores the fact that USFS would trade 3100 acres of timber land that is ready to harvest and harvest would create jobs
6. Peterson assumes 10 direct jobs at state level—the state level growth is not necessarily linear as he assumes as these jobs may include some unused capacity and some overhead type positions
7. Peterson may be confusing BLY land property taxes with LP
8. Peterson cites the “Timbersheds Report” repeatedly and it is in error in:
  - a. Timber harvests on USFS did not drop to zero
  - b. USFS 2011 sales (51.5MMBF) on Clearwater and Nez Perce forests are twice the 2010 harvests on same (25.3MMBF) but the TS report states that harvests are declining throughout the West
9. Peterson says public policy and pressures to reduce harvest continue to mount ignoring Doc Hastings bill and 2011 increases

My recommendation: When writing to Senators, Representatives, Governor and others about the ULLE alternative, include in your letter your request to fully fund PILT and SRS and to increase USFS forest harvest to nearer the ASQ (Allowable Sales Quantity) of 216MMBF annually. Imagine an increase of over 1700 ID Cty jobs!

# Alternative F—Acre for Acre

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## **Alt. F does not serve us well as US Citizens, Idaho Residents or Idaho County Residents as it continues to cheat the taxpayer and the public**

- 1) The RR did not lay track but received alternate sections
- 2) WPT wants out of property taxes on recently harvested lands
- 3) Commissioners, in suggesting acre for acre, would give \$150 million more in timber to WPT than they give up
- 4) WPT who would not have to pay a yield tax when harvesting
- 5) WPT could subdivide to parcels of <5000 for taxing at BLY low tax, thus defeating Skip's attempt to retain a Category 6 tax base on WPT acres
- 6) Alternative F will likely reduce revenues to the county, while giving a windfall to a private company and encumbering our existing playground with problematic conservation easements
- 7) Oppose Alternative F—acre for acre—an abomination
- 8) Why pay \$150 million for property worth \$25-40 Million?
- 9) Jobs depend on demand & capacity not just supply
- 10) Jobs smaller in # over a long time or larger for a shorter time
- 11) Federal payments are more than Category 6 taxes
- 12) R Brazell cannot choose Alt. F—he must choose value-for-value (probably Alt. D)
- 13) An unlikely end run could occur, so be vigilant (antes?-no)
- 14) Write Rick & Teresa re alternative choices (NOT F) (A,E,D)
- 15) Good folks doing a tough job—help them make a good choice
- 16) Do your homework on SDEIS, state your concerns and why you are
- 17) Write Congress re no acre-for-acre & fund SRS & PILT
- 18) Write Commissioners or copy them on other letters so they know your preferences—keep them honest, alert
- 19) Not all personal interests will align-mill owner, logger, timber owner, hunter, fire wood cutter, Latah v Idaho county interest

## Alternative C & Probably D (D is USFS Preferred)

Per SDEIS Pg 47	<u>Sustainable harvest</u>		<u>Accelerated</u>	
	<u>Idaho</u>	<u>All N ID</u>	<u>harvest</u>	
	<u>County</u>	<u>Counties</u>	<u>All Counties</u>	
Timber acres in Idaho county	3100	9756	"Boom &	
BF growth /acre/year	300	300	Bust"	
Annual MBF	930	2927		
Jobs per MMBF	10	9	29	73
Forest service plan for NPNF				
NP harvest over 20 years (MBF)	11800	28300		
USFS harvest MBF/year average	590	1415		
Jobs per MMBF	10	6	14	13
Extra jobs due to trade		3	15	60
Forest Service				
Harvest of checker board			2430	
BF growth /acre/year			300	
Annual MBF			729	
Jobs per MMBF	10		7	7
Net jobs added by land swap	3		8	53
ID County share				17