



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #441

County Forest Acreage Share Payments (Natural Resources -- Forestry and Parks)

[LFB 2021-23 Budget Summary: Page 425, #1]

CURRENT LAW

Under s. 28.11 of the statutes, counties may enroll county-owned lands in the county forest program. Under the program, counties are required to manage forestland for the production of merchantable timber. Counties are required to follow a DNR-approved forest management plan and to open the lands to public recreation. In general, lands held by the public are not taxable. To compensate municipalities for forgone tax revenue, DNR makes annual payments to municipalities of 30¢ for each acre of county forestland within their bounds. In 2019-20, DNR paid \$720,300 from the forestry account of the segregated (SEG) conservation fund for county forest acreage share payments.

DISCUSSION POINTS

1. Publicly held lands and conservation-related tax incentives remove properties from local tax rolls, reducing the revenues that a local government can collect. To compensate local governments for forgone revenues, DNR pays aids that differ based on the form of ownership, date of public acquisition or tax-exempt enrollment, and the tax status of the property prior to acquisition. These aids are described in further detail below.

2. County forests are the largest form of public land ownership in the state. As of July 1, 2020, approximately 2.4 million acres across 30 counties were enrolled in the county forest program. While these lands produce merchantable timber and raise revenues for the counties, they are not included in the property tax rolls for municipalities and school districts. Chapter 345 of the Laws of 1963 required DNR to make acreage share payments to municipalities equal to 15¢ per acre of county forest land within their boundaries. Chapter 215 of the Laws of 1971 increased acreage share

payments from 15¢ to 20¢ per acre. 1989 Wisconsin Act 31 increased these aids to 30¢ per acre, where they stand today. Table 1 shows the total acreage enrolled as county forest and amount of acreage share payments made to each county in fiscal year 2019-20.

TABLE 1

County Forest Acreage

<u>County</u>	<u>Acreage</u>	<u>Current Law Payment</u>	<u>AB 68/SB 111 Payment</u>
Adams	140	\$42	\$88
Ashland	40,305	12,092	25,392
Barron	16,305	4,891	10,272
Bayfield	175,749	52,725	110,722
Burnett	111,516	33,455	70,255
Chippewa	34,654	10,396	21,832
Clark	134,742	40,423	84,888
Douglas	280,091	84,027	176,457
Eau Claire	52,712	15,814	33,209
Florence	36,395	10,918	22,929
Forest	14,823	4,447	9,338
Iron	175,303	52,591	110,441
Jackson	122,663	36,799	77,277
Juneau	17,799	5,340	11,213
Langlade	130,877	39,263	82,453
Lincoln	100,843	30,253	63,531
Marathon	30,474	9,142	19,199
Marinette	229,939	68,982	144,861
Monroe	7,441	2,232	4,688
Oconto	43,766	13,130	27,573
Oneida	82,930	24,879	52,246
Polk	17,183	5,155	10,825
Price	92,302	27,691	58,151
Rusk	89,324	26,797	56,274
Sawyer	115,197	34,559	72,574
Taylor	17,688	5,306	11,143
Vernon	1,942	583	1,223
Vilas	41,151	12,345	25,925
Washburn	150,196	45,059	94,623
Wood	<u>37,826</u>	<u>11,348</u>	<u>23,831</u>
Total	2,402,274	\$720,682	\$1,513,432
Difference			\$792,750

3. Assembly Bill 68/Senate Bill 111 would reestimate funding in the Chapter 20 appropriations schedule for county forest aids but would not amend statutory references to increase the county forest acreage share payment. The administration intends to increase acreage share

payments from 30¢ under current law to 63¢. This would increase the amount paid for county forest acreage share payments from approximately \$712,600 under current law, to \$1,496,500, an increase of \$783,900. Table 1 shows the projected payments to each county under the proposal. (The amounts in Table 1 are based on certified county forest acreage for fiscal year 2019-20 and differ from the estimates in AB 68/SB 111. County forests regularly add, subtract, and swap forestland parcels, so it is difficult to precisely estimate the number of acres in future years. Aids payments are made from a sum-sufficient forestry account SEG appropriation, meaning the budgeted amounts are estimates of payments provided by law.)

4. In addition to county forest aids, the statutes provide aids to municipalities to compensate for forgone property tax revenue. These aids vary by the form of enrollment, date of entry, and tax status of the property prior to removal from the tax roll. These aids may be fixed per-acre payments or may vary based on the relative change in statewide property values. Aids include (a) aids in lieu of property taxes; (b) Forest Cropland (FCL) and Managed Forestland (MFL) acreage share payments; (c) FCL and MFL aids to towns; and (d) FCL and MFL aids to counties.

5. *Aids in Lieu of Property Taxes.* Since 1956, the DNR has paid aids in lieu of property taxes on Department-held lands. Chapter 400 of the Laws of 1963 expanded aids in lieu of taxes, requiring DNR to pay aids to municipalities of 30¢ per acre of most Department lands within their boundaries. Subsequent legislation would change the basis on which aids in lieu of taxes are paid. The statutes provide for fixed-rate per-acre payments only for lands acquired prior to 1969. The per-acre value was increased three times, first by Chapter 90 of the Laws of 1973, which increased aids to 50¢ per acre, then by 1987 Wisconsin Act 27, which set aids at 80¢ per acre, and finally by 1997 Wisconsin Act 27, which raised aids to 88¢ per acre.

6. For lands purchased after June 30, 1969, and prior to December 31, 1991, DNR pays municipalities aids in lieu of taxes based on a 10-year declining payment schedule as provided in s. 70.113(2) of the statutes. In the first year after the acquisition of a property, DNR paid municipalities the assessed value of the property, multiplied by the county, local, and school tax rate. Each year thereafter, this amount was reduced by 10 percentage points until the 10th year after acquisition, or until the value became 50¢ per acre. For instance, in the second year after a property was purchased, DNR was to pay 90% of the first year's payment; in the third year after a property was purchased, DNR was to pay 80% of the first year's payment, and so on, until, in the 10th year after a property was purchased, and each year thereafter, DNR pays 10% of the first year's payment. DNR pays a minimum of 50¢ per acre on these properties.

7. Since 1992, when DNR acquires land, the Department pays aids to approximate the tax that would be due on the estimated value of the property at the time it was purchased, adjusted annually to reflect changes in the equalized valuation of all land, excluding improvements, in the taxation district. The municipality then pays each taxing jurisdiction, including the county and school district, a proportionate share of the payment, based on its levy. Prior to July 1, 2011, aids in lieu of taxes were based on the purchase price. For lands acquired since 2011, DNR pays aids based on the lower of the equalized value of the property in the year prior to purchase by DNR or the purchase price paid by DNR. If DNR purchases a property for less than the property's estimated fair market value, including properties given to DNR as a gift, the purchase price is considered to be the estimated

fair market value of the property as shown on the property tax bill prepared for the prior year.

8. *FCL and MFL Acreage Share Payments.* Under the FCL and MFL programs, private forest owners pay a reduced property tax rate in exchange for managing forests using sustainable practices and to produce merchantable timber. The tax rates, called acreage shares payments, vary based on the programs properties are enrolled in, the date of enrollment, and whether a property is open to public recreation. Acreage share payments are made to the local treasurer of the municipality that contains the FCL or MFL properties. The town treasurer retains 80% of each acreage share payment and remits 20% to the county treasurer.

9. Properties that were enrolled in FCL as of December 31, 1971 pay 10¢ per acre. This rate is fixed and has been in place since the FCL program was established in 1927. Properties enrolled in the program on or after January 1, 1972, pay \$2.52 per acre. This rate is re-assessed every 10 years based on the growth in equalized value of residential, commercial, manufacturing, agricultural, undeveloped, agricultural forest, and productive forest land property classes. The FCL program was closed to new entries on January 1, 1986; however, current entries continue to pay acreage share payments based on date of enrollment.

10. 1985 Wisconsin Act 29 created the MFL program to replace the FCL program. Under the program, property owners who enrolled forestland before April 28, 2004, were required to pay an acreage share of 74¢ for each acre enrolled in the program and an additional \$1.00 for each acre closed to the public. These rates are re-assessed every five years based on the growth in the average tax per acre of certain property classes relative to 1986. For forestland enrolled in MFL on or after April 28, 2004, property owners pay an acreage share equal to 5% of the average property tax per acre of productive forestland on each acre that is open to the public. Property owners pay an acreage share equal to 20% of the average property tax per acre of productive forestland for each closed acre. These rates are re-assessed every five years. Current rates are in effect through tax year 2022 and require payment of \$2.04 for each open acre and \$10.20 for each closed acre.

11. *FCL and MFL Aids to Towns.* Since 1927, the state pays aids to towns for lands enrolled in FCL and MFL. These payments were originally equal to 10¢ per acre of land enrolled in FCL. Chapter 215 of the Laws of 1971 increased these payments to their current rate of 20¢ per acre. Under 1985 Act 29, DNR also pays 20¢ per acre aids to towns for MFL lands within their boundaries. Similar to acreage shares paid by property owners, municipalities retain 80% of FCL and MFL aids and remit 20% to the county.

12. *FCL and MFL Aids to Counties.* DNR pays aids to counties with greater than 40,000 acres in FCL and MFL. Aids are paid in proportion to the number of FCL and MFL acres they contain. Since fiscal year 2009-10, \$1,237,500 is budgeted annually for these aids. Table 2 compares each forestry-related aid, including the type of payment and method of assessment. As shown in the table, most acreage aids fall into three categories: fixed per-acre payments, fixed per-acre payments that are periodically re-assessed, and variable payments based on property tax assessments.

TABLE 2

Aids Paid on Tax-Exempt and Tax-Preferred Forests

Program	<u>Date of Entry</u>	<u>Payment Type</u>	<u>Payment</u>	<u>Payer</u>	<u>Assessment Basis</u>
County Forest Acreage Share		Fixed per acre	\$0.30	DNR	Fixed payment, set by 1989 Act 31.
Aids in Lieu of Taxes					
	Before July 1, 1969	Fixed per acre	\$0.88	DNR	Fixed payment, set by 1997 Act 27.
	July 1, 1969 thru December 31, 1991	Assessment, based on a declining payment schedule	Variable, based on property value	DNR	The property tax assessment in the year of acquisition, reduced by 10% in each year following acquisition until the tenth year; fixed thereafter with a minimum payment of \$0.50 per acre.
	January 1, 1992 to present	Assessment, adjusted annually	Variable, based on property value	DNR	The property tax assessment in the year of acquisition, adjusted annually based on the change in equalized value of all land, excluding improvements, in the taxing jurisdiction.
FCL Acreage Share Payments					
	Before January 1, 1972	Fixed per acre	\$0.10	Property Owner	Fixed payment, set by Chapter 454 Laws of 1927.
	January 1, 1972 thru December 31, 1985	Fixed per acre, re-assessed every 10 years	\$2.52 thru 2022	Property Owner	Fixed payment, adjusted every ten years based on the change in equalized value of residential, commercial, manufacturing, agricultural, undeveloped, agricultural forest, and productive forest property classes.
MFL Acreage Share Payments					
	Open acreage, January 1, 1986 thru April 27, 2004	Fixed per acre, re-assessed every 5 years	\$0.74 thru 2022	Property Owner	Fixed payment, adjusted every five years based on the change in equalized value of agricultural, swamp or wasteland, and productive forestland property classes.
	Closed acreage, January 1, 1986 thru April 27, 2004	Fixed per acre, re-assessed every 5 years	\$1.75 thru 2022	Property Owner	Fixed payment, adjusted every five years based on the change in equalized value of agricultural, swamp or wasteland, and productive forestland property classes.
	Open acreage, April 28, 2004 to present	Fixed per acre, re-assessed every 5 years	\$2.04 thru 2022	Property Owner	5% of the average statewide property tax per acre of property classified as productive forest land.
	Closed acreage, April 28, 2004 to present	Fixed per acre, re-assessed every 5 years	\$10.20 thru 2022	Property Owner	20% of the average statewide property tax per acre of property classified as productive forest land.
FCL and MFL Aids to Towns		Fixed per acre	\$0.20	DNR	Fixed Payment, FCL rate set by Chapter 215 Laws of 1971; MFL rate set by 1985 Act 29.
FCL and MFL Aids to Counties		Variable acreage payments	Varies between counties	DNR	\$1,237,500 is divided annually between all counties with more than 40,000 acres of FCL and MFL land in proportion to the number of FCL and MFL acres they contain.

13. As shown in the table, county forest acreage share payments can be categorized as fixed per-acre payments. Periodically the Legislature has increased the per-acre payment. However, over time, the real value of these aids is eroded by inflation. The administration intends that the increase in county forest acreage shares would adjust for inflation, which has eroded the real value of the per-acre payments. As noted above, county forest acreage shares were raised from 20¢ per acre to 30¢ per acre by 1989 Act 31. Since 1989, the consumer price index (CPI) has increased by approximately 110%. The Committee could consider increasing county forest acreage share payments from 30¢ per

acre to 63¢ per acre and reestimating aids payments by \$783,900 [Alternative 1].

14. The CPI is intended to reflect changes in the price that consumers pay for a broad selection of common household goods. However, property taxes are based on a measure of the market value of a property. Since 1989, the total equalized value of all land in the state excluding improvements has increased by approximately 329%. The Committee could consider increasing county forest acreage share payments by 329%, from 30¢ to 99¢ and reestimating aids payments by \$1,632,200, to \$2,344,800 [Alternative 2].

15. While revenues to the forestry account have been strong in recent years, a \$2 million increase in aids may be difficult to maintain if timber sales revenues, camping fees, or other forestry revenues were to decline in future biennia. To limit forestry expenditures, the Committee could consider increasing county forest acreage shares to 50¢ per acre [Alternative 3]. This is the minimum per acre aids in lieu of property tax payment DNR pays on lands acquired between 1969 and 1991. DNR would be estimated to pay \$1,187,700 SEG in 2021-22, an increase of \$475,100 over current estimates.

16. Alternatively, the Committee could consider increasing county forest acreage share payments to 88¢ per acre [Alternative 4]. This is the per acre aids in lieu of property tax payment DNR pays on all lands acquired prior to 1969. DNR would be estimated to pay \$2,090,300 SEG in 2021-22, an increase of \$1,377,700 over current law estimates.

17. As described above, several aids paid to municipalities to compensate for lost tax revenue related to public lands are adjusted periodically as the real value of the aids declines. DNR aids in lieu of taxes on lands acquired since 1992 are adjusted annually based on changes in equalized values. FCL acreage shares are re-assessed every 10th year and MFL acreage share payments are re-assessed every fifth year. County forest acreage shares, however, have not been adjusted since 1989.

18. In addition to increasing the per-acre payment, the Committee could consider requiring that county forest acreage shares be adjusted every fifth year based on either: (a) the change in equalized value of all land in the state, less improvements, relative to 2022 [Alternative 5a]; or (b) the change in equalized value of productive forestland, relative to 2022 [Alternative 5b], akin to MFL acreage shares. For perspective, between 2015 and 2020, the equalized value of all unimproved land in the state increased by 15.3% while the equalized value of productive forestland increased by 2.3%.

19. The Committee could take no action [Alternative 6]. Acreage share payments would remain fixed at 30¢ per acre, and total payments would vary as counties acquire and sell land.

ALTERNATIVES

1. Increase county forest acreage shares from 30¢ to 63¢. Reestimate aids by \$783,900 SEG, to \$1,496,500 in each year of the biennium.

ALT 1	Change to Base
SEG	\$1,567,800

2. Increase county forest acreage shares from 30¢ to 99¢. Reestimate aids by \$1,632,200 SEG, to \$2,344,800 in each year of the biennium.

ALT 2	Change to Base
SEG	\$3,264,400

3. Increase county forest acreage shares from 30¢ to 50¢. Reestimate aids by \$475,100 SEG, to \$1,187,700 in each year of the biennium.

ALT 3	Change to Base
SEG	\$950,200

4. Increase county forest acreage shares from 30¢ to 88¢. Reestimate aids by \$1,377,700 SEG, to \$2,090,300 in each year of the biennium.

ALT 4	Change to Base
SEG	\$2,755,400

In addition to any of the above,

5. Require that the county forest acreage shares be reassessed every five years based on:
 - a. The change in equalized value of all property in the state, less improvements, relative to 2022.
 - b. The change in equalized value of all productive forestland in the state, relative to 2022.
6. Take no action.

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