

4-3-15
S. 49
Steve McLeod

Testimony of Steve McLeod for the Vermont Forest Products Association/ Vermont Traditions Coalition To Senate Agriculture Committee On Friday, March 20, 2015

Good morning.

Vermont Forest Products Association (VFPA) is a trade association representing all aspects of the forest product industry including timber landowners, timber harvesters, foresters, haulers, mills, and processors. VFPA is a charter member of Vermont Traditions Coalition that represents a broad based coalition of traditional rural land use organizations including organizations from sectors regarding forest products, agriculture, hunting, fishing, and trapping, snowmobiling, outdoor guiding, and lake interests. Vermont Traditions Coalition has voted in support of the position outlined below. VFPA's Board of Directors met last night and, after thorough discussion, developed the position below.

VFPA has three issues with the water quality legislative proposals (H-35 and S-49) that we'd like to address.

First, let's look at the per acre funding proposal that this Committee is discussing.

VFPA understands the rationale behind the Committee's desire to raise \$10-\$12 million to address water quality. Regarding the source of these funds, VFPA first supports taking part or all of the \$10-\$12 million out of existing state revenues. For example, the Vermont Housing and Conservation Board is funded well in excess of \$10-\$12 million, and water quality legislation is, after all, a conservation initiative.

However, VFPA also understands that the Committee seems to have pretty much chosen new revenues as the solution to Vermont's water quality issue. VFPA recognizes that the Committee is giving serious consideration to a per acre tax on all businesses including farm, maple, and forest landowners. VFPA opposes the per acre tax for numerous reasons.

Bottom line, the per acre tax singles out agriculture, maple, and forest products lands to carry a disproportionate share of the \$10-\$12 million. VFPA understands the concept that "everybody's in." And VFPA supports the concept that each Vermont residence should be part of the revenue answer.

Each Vermont business should also be "in", but should pay a relatively equal amount to what agriculture or forest landowners pay, such as \$100 per business or whatever amount raises the necessary total revenue.

Using acreage as the measure of what each business should pay singles out forestry, in particular, because occupational forestry frequently involves large acreages. Yes, forestland is more parcelized than it used to be, but there are still a number of large landowners who purchase the land for the purpose of attempting to make a living. Vermont's forests are important state assets, and this type of significant forest land investment should not be discouraged. The forest product industry is a \$1.5 billion

industry supporting 12,000 jobs and the mills, haulers, and processors that rely heavily on these large landowners for the raw materials that drive their businesses.

Yet the amount of acreage a timber investor owns no more dictates ability to pay than the amount of inventory a business carries dictates ability to pay. Indeed, an investment firm, bank, insurance business, pharmacy, or retail store may make substantially more profit than a forest landowner even though these businesses occupy a much smaller acreage.

So, if the Committee wants to require businesses to pay based on the ability to pay, the Committee would need to raise revenue by a method that relates to ability to pay. Failing a viable mechanism re: ability to pay, a second fair option is for everyone to pay an equally small amount so that "everybody's in", but nobody gets dinged too bad.

Under the acreage system, Plum Creek Timber Company is, by far, the largest contributor to the Clean Water Fund (approximately \$25,500 annually at the \$.30 per acre rate). Yet it is highly unlikely that Plum Creek's 85,000 acres of perpetual Vermont timberlands is the state's largest polluter or that Plum Creek's Vermont lands generate more income than any other business in Vermont.

But it's not just Plum Creek we're talking about. An owner of 10,000 acres pays \$2500 per year, while all non-working landscape businesses pay a nominal fee. An owner of 5000 acres pays \$1250 per year. And even an owner of 1000 acres pays \$250 per year.

The Vermont Council on Rural Development's now famous statewide Opinion Survey of just a few years ago concluded that Vermonters most cherish Vermont's working landscape. Working lands is what makes Vermont, Vermont. Forest lands make up the significant majority of the working landscape. The best way to maintain Vermont's working lands is to have favorable tax and regulatory climates. In response to the VCRD project of a few years back, Vermont has established the Working Lands Fund to provide grants to boost select working lands businesses so as to strengthen the working lands economy. Yet the acreage tax is a disincentive to all sizable working lands businesses.

Plus, forestry businesses are facing potential increased regulatory overhead. Forest Health Guidelines were adopted two years ago. A Forest Fragmentation bill that would have brought some forestry operations under Act 250 was defeated in the Senate after a protracted fight last year. Instead, the forest products industry has a Forest Fragmentation Study hanging over it's head. Mandatory Accepted Management Practices rather than the highly successful Guidelines approach of the last thirty years was proposed in the House Fish & Wildlife Committee as part of House Bill 35. After strong opposition from Forests, Parks and Recreation Department Commissioner Michael Snyder, opposition from former Commissioner Jonathan Wood, opposition from VFPA, and opposition from the Vermont Woodlands Association, the Mandatory AMP proposal was converted to still another study by the House. At a minimum, revised Accepted Management Practices are being developed, and they will be stricter and more detailed than present AMPs. And Forester Licensing has been proposed.

Plus, forestry is a volatile industry that is weather dependent, requires heavy capital investment, and is subject to highly fluctuating boom and bust markets. Total acreage doesn't equate to profitability because issues such as timber stand quality and accessibility, the amount the business is leveraged, and other factors all play into it.

Vermont's Current Use Tax Program is fair taxation based on the actual use of land rather than some theoretical sales value, not a gift or tax break from other taxpayers. The annual Current Use Tax Rate is computed by the Current Use Advisory Board based on careful study of the income working lands actually generate and the working lands' tax capacity. A per acre tax upsets this thoughtful equation.

Finally, the figure that forestry is contributing 14% of the phosphorus in the Lake Champlain Basin is being used. A review of the Pie Chart containing the 14% figure and underlying studies reveals that the 14% figure is from "Forests", not forestry. It is impossible to separate nature's natural runoff from runoff caused by timber harvesting, because both forms of runoff look the same. Indeed, the most recent study does not attempt to separate the two types of runoff.

Since only 1-2% of Vermont's forests are harvested each year, it stands to reason that the vast majority of the 14% is due to nature's runoff. So, the 14% figure does not represent the forest product industry's true contribution to phosphorus runoff. Plus, it is an undisputed fact that forests provide critical ecological filtering services that play an important role in reducing runoff. Viable forestry helps maintain the forest base.

In summary, VFPA first supports raising the \$10-\$12 million from existing funds. If you do decide to raise the funds from new revenues, VFPA supports a more equalized tax system that spreads the tax burden evenly.

There are two other issues that VFPA has with House Bill 35. However, I understand that the Committee may not have jurisdiction over these forestry issues.

In hopes that the Committee can address these issues, VFPA supports the absence of language in Senate Bill 49 proposing changes or studies of the Accepted Management Practices. This system has been successful for the last 30 years, and has support from the industry and the Department of Forests, Parks & Recreation. Plus, the department is revising the Accepted Management Practices anyway.

Finally, from a technical standpoint the wording of the silvicultural exemption in the Stormwater Management Section of House Bill 35 needs to be broadened to ensure that the current stormwater exemption remains intact. I have proposed language if the Committee is interested in addressing this issue.

Thank-you for the opportunity to testify to you today.