



# Classified Forest and Wildland Program Stakeholder Outreach

## What was the genesis of the outreach and report?

Staff from The Nature Conservancy met with Lieutenant Governor Ellspermann and her Legislative Director to introduce them to our organization and our freshwater work in agricultural landscapes. At the end of the meeting, the Lieutenant Governor raised the issue of the classified forest program. She asked if we would be willing to convene stakeholders and listen to thoughts, concerns, suggestions, regarding the classified forest program and to report back to her. This report is the result of those communications with the various stakeholders and experts. The Conservancy's work on this was led by Allen Pursell, Southern Indiana Ecoregional Director, with assistance from Lynn Dennis, Director of Government Relations.

## Background

### Who we consulted while preparing the report

We met with all of the groups and individuals listed to the right, identified as those representing a vested interest in the Classified Forest and Wildlands Program (CFWP). We began each meeting explaining how we came to this task of reviewing the CFWP and bringing the various stakeholders together in some manner to consider the issues and if there was a problem how it might be addressed. We generally began the discussion with stakeholders by exploring their thoughts, concerns, and ideas about the CFWP: good, bad, neutral? Then we posed the question: "If there is a demand for change of the Classified Program, what is the next best alternative to what currently exists?" We tried to move the response beyond black and white, such as "don't change it" or "do away with it." "Don't change it" might be the answer for many of the groups/ individuals we met, but we have tried to come away with

Purdue University, Prof. Larry DeBoer, Department of Agricultural Economics  
Purdue University, Prof. Shady Atallah, Department of Forestry and Natural Resources  
Indiana Forestry and Woodland Owners Association, Liz Jackson, Executive Director  
Indiana Hardwood Lumbermen's Association, Ray Moistner, Executive Director  
Indiana Department of Natural Resources, Jack Seifert, State Forester  
Indiana Association of Soil and Water Conservation Districts, Jennifer Boyle Warner, Executive Director  
Indiana Association of Consulting Foresters, Mike Warner, President  
Indiana Society of American Foresters, Bill Minter, Policy Chair  
Indiana Society of American Foresters, John Friedrich, President  
Association of Indiana Counties, David Bottorff, Executive Director, and Adam Johnson  
Perry County Assessor, Mendy Lassaline  
Indiana Assoc. of Cities and Towns, Rhonda Cook, Deputy Director and Chief Federal and State Policy Officer  
Brown County Commissioner, Joe Wray  
Brown County Treasurer, Mary Smith  
Brown County Assessor, Mari Miller  
Brown County Recorder, Sandy Cain  
Indiana Farm Bureau, Katrina Hall, Tax Policy Specialist

something more than that and have had some good discussions.

### What is the Classified Forest and Wildlands Program?

The Indiana Forest Classification Act was passed in 1921 “to encourage timber production and to protect watersheds” in response to dramatic and widespread clearing of forest in Indiana. By 1920, the year before the Act was adopted, forested land cover in Indiana had gone from almost 20 million acres to 1.4 million acres. Much of the land in southern Indiana had been cleared of trees, even where the slope was too steep or the soils so poor that a subsistence living could not be made. By the 1930s farmers were abandoning their severely eroded lands out of desperation. Today millions of acres have regained their forest cover and produce valuable hardwood timber and wildlife habitat, as well as filtering our air and purifying our water, providing outdoor recreation, mushrooms to hunt and wildflowers to enjoy. From that low of 1.4 million acres, Indiana now has 4.6 million acres of hardwood forest.



Indiana does not have a large public forest land base, and so the hardwood industry relies on private lands to provide most of the raw timber it requires. The economic impact of the sector is significant. According to the Indiana State Department of Agriculture, the value of the hardwood industry in Indiana is \$16.6 billion annually, while supporting 35,000 jobs.

Because most of the timber supporting this economic engine comes from private lands, programs like the CFWP are vitally important. The CFWP is relatively simple. In exchange for the \$1 per acre assessment, the landowner must conform to the following requirements:

- 1) The forest or wildlands must be at least 10 acres, and not have any buildings present.
- 2) Livestock cannot graze the forest.
- 3) The landowner, must:
  - a. Maintain the land according to its management plan.
  - b. Prevent excessive erosion and control the deposition of sediment off-site.
  - c. Submit a short standardized report to the DNR annually.
  - d. Pay a substantial penalty for withdrawing from the program.

### Optional Forest Certification

“Forest certification” is a national or international third-party verification system that ensures certain forests are being managed in an economically, socially, and ecologically sustainable manner. CFWP owners are automatically part of the certification programs unless they choose to opt-out. A perceived advantage offered by the certification programs is enhanced market access to fill demand from those buyers who are seeking certified wood. Since certification requires enhanced forest management activities better practices are expected to be a normal part of a landowner’s participation. While any private landowner could be certified outside of CFWP the cost would be prohibitive, so a distinct advantage of CFWP for those who want to be certified is the economy of scale it brings to such owners.

## Are some counties disproportionately affected by Classified Forest and Wildlands?

According to some simple metrics, six or seven of Indiana counties may be affected disproportionately compared to the rest of Indiana's 92 counties. If the number is limited to the top six they are Brown, Crawford, Harrison, Parke, Perry, and Owen. All of these counties have at least 10% of their land area in the CFWP and not surprisingly have large areas owned by the State of Indiana, primarily as DNR land, or contain substantial parts of the Hoosier National Forest. State of Indiana lands contribute no revenue to the counties, other than some income derived from timber sales on state forests. It should be noted that while Harrison County has more acreage of CFWP than any other Indiana county, it also has a substantial revenue stream from a riverboat casino. Significant State of Indiana properties in these counties include:

- Brown:** Brown County State Park, Yellowwood State Forest, T. C. Steele Historic Site, Monroe Reservoir and several state nature preserves and the Hoosier National Forest.
- Crawford:** Harrison Crawford State Forest, Patoka Lake Reservoir and State Area
- Harrison:** O'Bannon Woods State Park, Harrison Crawford State Forest, Corydon Capital State Historic site and several natural preserves
- Owen:** Owen Putnam State Forest, McCormick's Creek State Park, and several nature preserves
- Parke:** Turkey Run and Shades State Parks, a fish and wildlife area, a small state forest property and several nature preserves
- Perry:** No state lands until recently when the Bicentennial Nature Trust purchased land from former Governor Whitcomb on the Ohio River. The Hoosier National Forest has significant holdings in the county.

## RECOMMENDATIONS FOR CLASSIFIED FOREST AND WILDLANDS PROGRAM

### 1) Don't change the tax incentive structure.

Without exception those who represented forestry or hardwoods industry stated the need for the program to remain the same for several reasons.

- The program has nearly a century of success encouraging landowners to better manage their forest and produce higher value timber.
- The long-term intervals between financial returns unique to forestry make the carrying cost of annual property taxes especially burdensome compared to other agricultural pursuits. The importance of this cannot be overstated.
- CFWP lands consume less than their share of community services--such as policing, road maintenance and schools--compared to residential housing, which generally consumes more in services than the amount of property taxes they contribute.

Those who spoke in favor of changing the structure pointed out that this is probably the only tax in the State of Indiana that hasn't changed since 1921. Why should this one be the exception? Furthermore

many CFWP tracts pay only the minimum tax of \$5.00, which does not cover the cost of billing and processing the payment, yet officials feel it is important to bill property owners. For those few counties that may be disproportionately impacted by a large amount of CFWP lands within their boundaries and find themselves financially strapped, there was some sense that any change which increased the tax base beyond what it is now would be beneficial. It is important to point out however that even those in favor of changing the tax structure of CFWP thought the program provided a substantial benefit to the State of Indiana.

There were several suggestions that would enhance the program, yet maintain the \$1.00 per acre assessed value, including:

- Allowing counties to increase the minimum bill for CFWP landowners to better cover costs.
- Increasing the minimum acreage (currently 10 acres) of future CFWP tracts to increase administrative efficiency.

These are somewhat modest changes, but if the tax is increased substantially, classified forest owners will understandably want to get something more in return. Among the suggestions we heard were an enhanced forestry and wildlife cost-share program administered by DNR Forestry with assistance/support by the county soil and water conservation districts and funded by part of the increased tax.

## 2) Consider Payment in Lieu of Tax

One option that could be considered to provide relief to counties most affected by the CFWP would be to enact a payment in lieu of tax on DNR lands. As stated earlier there are 6 counties which have more than 10% of their land enrolled in the CFWP: Brown, Crawford, Harrison, Owen, Parke, and Perry. In addition to these classified lands, each of these counties has a significant amount of state-owned land. In total these counties have 5 state parks, 4 state forests, state recreation areas, nature preserves, and a state historic site in addition to thousands of acres of the Hoosier National Forest.

While the state lands provide economic return from recreation, tourism and timber associated jobs and industry, the tax burden is still spread across other property owners. If these counties begin to bump up against property tax caps, the burden will increase even more and local budgets could be dramatically impacted.

<b>County</b>	<b>Dept. of Natural Resources Acres</b>	<b>Classified Acres</b>	<b>Hoosier National Forest Acres</b>	<b>Total</b>
Brown	41,614	21,442	18,116	81,172
Crawford	1,666	22,635	24,286	48,588
Harrison	26,043	31,110		57,154
Owen	9,016	26,999		36,014
Parke	3,104	28,897		32,001
Perry	300	26,064	60,195	86,560

### 3) Increase the Number of District Foresters

There are currently 20 district foresters in Indiana serving over 14,000 tracts of Classified Forest and Wildland representing about 700,000 acres. The program has grown considerably in the past few years. For 2014, 387 tracts totaling 20,209 new acres were entered into the program. The motivation of landowners entering the program varies, and while reduction of their property tax liability is certainly one of the reasons, many enjoy the advantages of interacting with a professional forester and receiving forest management advice specific to their property.

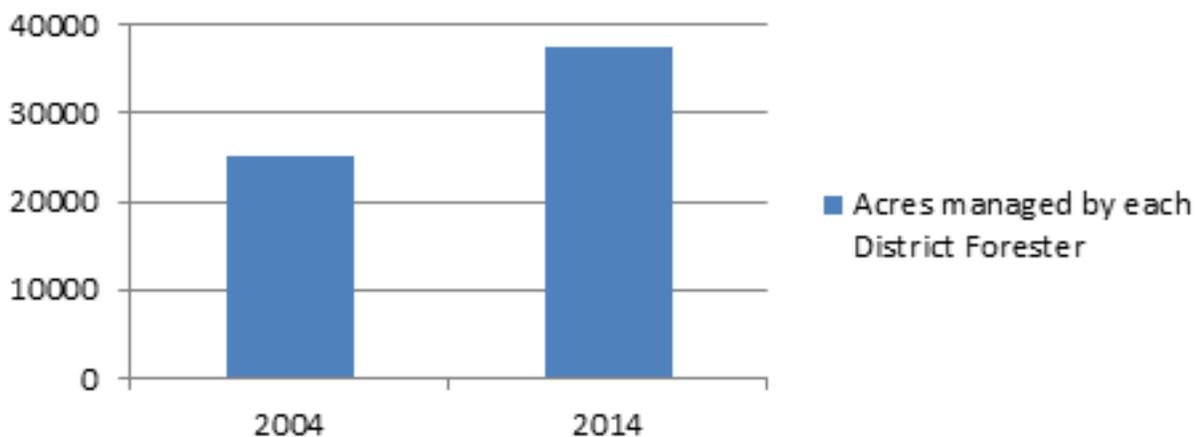
Property taxes on non-residential lands have increased rapidly over the past few years. In some counties there has been an increase in the number of forested acres assessed as “excess residential.” Previously these lands have been assessed as agricultural, causing some landowners to join the program solely for tax reduction purposes.

How much this actually occurs is unknown, but even where this is the case, the management of those forest lands normally improves since the CFWP requires a better standard of forestry than may otherwise exist. Anecdotally, it appears that appreciation of the value of the forest also grows as the landowner becomes better informed through interaction with the district forester and/or a consulting forester.

There is legitimate concern that while the amount of CFWP is growing, the number of district foresters servicing those landowners is not. In 2004 there were 18 district foresters covering 452,520 acres, or 25,140 each. At the end of 2014 each of the current 20 district foresters is now responsible for an average of 37,300 acres, a 48% increase in workload. If the ratio of district foresters to acres were equal to 2004 there would be 29 district foresters now rather than 20.

We propose that the number of district foresters be set by rule so that as the acreage of Classified Forest and Wildlands increases so does the number of district foresters. These district foresters would be additive to the Division of Forestry staff, specifically meaning that creating a district forester position at the cost of a different DNR position would not be acceptable as no gain would be achieved.

### **Workload increase for each District Forester in the past 10 years**



#### 4) Provide political and financial support for certification of Classified Forest and Wildlands.

It takes time to build an emerging market, and this is true of certified hardwoods. Few states have positioned themselves as well as Indiana to capture this market as it develops. Indiana, as well as at least two other states have joined the program because not only is there a firm belief that there are economic advantages for doing so but also greater benefits to the environment as well such as better wildlife management, and watershed enhancements that improve water quality and slow water runoff.

That said, there is a cost to maintaining Indiana's certification. Every five years the program must undergo an audit by outside experts to determine if the principles of sustainability are being met. The Division of the Forestry now shoulders this cost through its annual budget, but it is not unreasonable to think that if budgets are sufficiently tight as they are now, or someone decided that certification is an unnecessary expense that the audits might not be funded and Indiana's certification status lost. This would deal a blow to Indiana's position as a large producer of certified hardwoods from private forest lands. Once lost, certification might not be easily re-attained. For this reason we recommend that third-party certification of Classified Forest and Wildlands be required by rule subject to the continued endorsement of certification by the State Forester and that administration costs of the program be additional to the Department of Natural Resources' budget and funded by the general fund.



#### Questions?

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