

**From:** [Miller, Elizabeth](#)  
**To:** [Johnson, Justin](#)  
**Cc:** [Markowitz, Deb](#)  
**Subject:** Re: Alternative proposals for funding county foresters in ANR budget  
**Date:** Saturday, February 23, 2013 1:18:28 PM

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Very interesting. Thank you. Let me chew on it.

Sent from my iPhone

On Feb 23, 2013, at 12:49 PM, "Johnson, Justin" <[Justin.Johnson@state.vt.us](mailto:Justin.Johnson@state.vt.us)> wrote:

For your reading pleasure, the tax department's take on how we might pay for county foresters through the formula rather than a fee.

House Ways and Means asked for this because the fee has next to no support in the committee.

As laid out I think this approach has a lot going for it.

Justin

Justin Johnson  
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Begin forwarded message:

**From:** "Johnson, Bill" <[Bill.Johnson@state.vt.us](mailto:Bill.Johnson@state.vt.us)>  
**Date:** February 23, 2013, 11:11:54 AM EST  
**To:** "Johnson, Justin" <[Justin.Johnson@state.vt.us](mailto:Justin.Johnson@state.vt.us)>, "Snyder, Michael" <[Michael.Snyder@state.vt.us](mailto:Michael.Snyder@state.vt.us)>  
**Cc:** "Peterson, Mary" <[Mary.Peterson@state.vt.us](mailto:Mary.Peterson@state.vt.us)>, "Porter, Louis" <[Louis.Porter@state.vt.us](mailto:Louis.Porter@state.vt.us)>  
**Subject:** **RE: Alternative proposals for funding county foresters in ANR budget**

Justin, Mike and all,

The idea that I spoke with Mike and Mary about earlier would replace the fee structure for getting the money with an approach to directly reduce the cost of the current use program by reducing the benefit level of participants. This would, in turn, free up funds within both the GF and ED

Fund (EF) that could be reallocated to other purposes including the county forester program within FP&R. How would you do this? It actually is conceptually very simple – you increase the use values at which participants are taxed by towns which reduces the foregone property taxes due to taxation at use value versus market value.

From a technical perspective this would be accomplished by the Tax Department sending to towns grand list values for current use properties that are higher than the use value set by the Current Use Advisory Board – instead of calling this a manipulation of the use values, we could look at it as the use value plus an administrative “surcharge”. How much would the surcharge have to be to produce \$1.4 million in GF savings? We would have to run some scenarios which we have not done so far - we have only talked but this in conceptual terms. If there is interest, we could determine the surcharge in about a day or less. At the same time, it would have to be fairly high as 1.4 million is about 10% of the GF appropriation that is needed to fund the FY 14 holdharmless payments to municipalities to make them whole for foregone municipal taxes. In other words, in order to get the \$1.4 million we would have to reduce the benefit level by about 10%. To put this into perspective though one should consider that the average participant now receives about an 88% reduction in their property taxes at use value compared to what they would pay at market value so the benefit level, while diminished, would still be very high despite the reduction in benefit.

While the program was structured differently in the 1990s, the reduction in benefit I describe above is much like the “prorated” benefits that participants received for 5 years during the last recession when current use last received appropriation cuts. Of course the prorated benefits for several of the years in the 1990s were much more substantial than the reduction I describe above.

An important side effect of levying an administrative surcharge would be that not only would you reduce the GF needed to fund the program but also the EF (you could target just the GF but it would require that current use properties be taxed at the local level based on one value for municipal taxes and another for education – this could be done but is would be complicated). If you also reduced education tax benefits by about 10% this would reduce the foregone EF revenues by more than \$4 million which is nearly a half cent on the base education tax rates.

There are both good and bad side effects to this approach for raising the necessary funds.

Good ....

<!--[if !supportLists]--> <!--[endif]-->By using a uniform proration “factor” to reduce benefits, all participants receive the same percentage reduction in benefits so arguably this would be “fairer” than the proposed fee structure that hits lower acreage and lower value parcels much harder than larger, more valuable parcels.

<!--[if !supportLists]--> <!--[endif]-->It is simpler than assessing a fee that will be difficult to collect as all participants benefits are reduced automatically and an annual fee would become quite problematic over time.

<!--[if !supportLists]--> <!--[endif]-->There would probably be an “easy-out” included with the proration that would result in some additional program cost savings over the next few years as some participants would leave the program.

<!--[if !supportLists]--> <!--[endif]-->You could do this for all enrolled land or you could do it by only adjusting the forest land use value with a surcharge but the surcharge on only forest land would have to higher to raise the entire \$1.4 million.

<!--[if !supportLists]--> <!--[endif]-->You could conceivably reduce the amount of the projected increase in the education base tax rates for FY 14 and into the future as long as the surcharge was levied.

<!--[if !supportLists]--> <!--[endif]-->If you are going to get all the current use advocates upset with a fee, you might want to think about getting some useful savings on the education side – they are already mad, so ...

Bad ...

<!--[if !supportLists]--> <!--[endif]-->Right now the municipal holdharmless reimbursement grants are based on prior year enrollment and benefits so to get GF saving in FY 14, we would have to move the reimbursement to the current year.

Administratively, we could do this as we have reduced the time needed to process annual changes to the program but the towns will object as they will say that the state is not reimbursing them for a year’s foregone taxes – that is, we “skipped” a year’s reimbursement.

<!--[if !supportLists]--> <!--[endif]-->We will be criticized for “politically” manipulating the use values set by the Board but this brings us to the idea of a “surcharge” on top of the use values.

<!--[if !supportLists]--> <!--[endif]-->Since this wouldn’t pass until late in the session, we would have to send “revised” current use grand list values to the towns in late spring and this will means that many towns will have to redo the grand list values for current use properties since statutorily we are required to send them the

value by March 15<sup>th</sup> annually.

<!--[if !supportLists]--> <!--[endif]-->The surcharge will be portrayed as a huge increase in taxes for properties in the program as the surcharge will likely increase taxes by more than 50%. Course, the fee has more or less the same effect and you have to remember that the benefit level for the average participants is nearly 90% to begin with so the increase is large on a percentage basis but moderate when viewed in terms of absolute tax increase – i.e., the benefit level even after the surcharge is very high.

So, this is an overview of how it could be done and some of the pluses and minuses that accompany an approach like this. If there is additional interesting in pursuing something like this, let me know and we could work up some specific numbers. Also, if there is interest, it would be good to get Deb Brighton involved in working on the specifics of how we would roll this out.

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**From:** Johnson, Justin  
**Sent:** Thursday, February 21, 2013 11:19 AM  
**To:** Johnson, Bill; Snyder, Michael  
**Cc:** Peterson, Mary; Porter, Louis  
**Subject:** Alternative proposals for funding county foresters in ANR budget

Michael, Bill

As you are both aware the Governor's budget proposed a change in the way county foresters are funded in ANR's budget, shifting the majority of the funding from the General Fund to a per acre fee accessed on people with land enrolled under the forestry rate in current use.

Because the of some internal discussions between our agencies and the Agency of Administration, we were late settling on the fee proposal so it didn't make it into the fee bill. This meant, unfortunately, that the proposal was somewhat of a surprise to the Ways and Means committee. I'm sure you are well aware that the proposal hasn't met with a lot of support in the committee.

Having said that, I think the committee is very supportive of the County Foresters and the important work they do, and the Chair of the committee has asked us to provide some options other than the fee, in particular they have asked what a 'tweak' to the use value formula might look like. I would ask you both to respond as quickly and completely to that request as you can.

The proposal that was included in the Governor's budget enabled us to

fund the foresters and contribute to the overall balanced budget. If there is another way to support the county forester program, not cost the budget bottom line – and get the support of ways and Means, then we should do our best to find it.

Thanks for your time. Let me know if I can help

Justin

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