

Forest Lands Taxation Advisory Committee Meeting Minutes September 9, 2021

Committee Members Present

Gordy Sanders
Paul McKenzie
Randy Mannix
Nancy Mehaffie
Sen. Mike Cuffe
Sen. Pat Flowers
Rep. Becky Beard
Rep. Marilyn Marler
Commissioner Greg Chilcott

Department of Revenue Staff

Scott Mendenhall-Deputy Director, DOR
Kory Hofland-Administrator, PAD
Robin Rude-Deputy Administrator, PAD
Bryce Kaatz-Unit Manager, PAD
Nick Gochis-Legal Services
Eric Dale-Unit Manager, PAD
Bonnie Hamilton-Management Analyst, PAD
Bill Billman-PAD
Ed Caplis-Director, TPR
Sheila Stenzel, PAD

Public

Megan Moore-LS

Presenters

Steven Hayes, University of Montana, Bureau of Business and Economic Research (BBER)
Mike Niccolucci, BBER
Todd Morgan, BBER
Vincent Corrao, Northwest Management
Ed Caplis, TPR
Scott Mendenhall, DOR

- I. Chairwoman Beard began the meeting at 9:01 with a roll call of committee members and introduction of the PAD personnel and presenters. At the last meeting, Deputy Director Scott Mendenhall suggested that changes to SB 263 may be able to be made in-house. Nick Gochis added that statutory changes would be needed in the next legislative session to change the cycle from 6 years to 2 years. Motion to accept minutes from the last meeting was approved.
- II. Members from BBER gave an overview of timber sales and cost data. Access to the PowerPoint presentation was requested as some of the slides were too small to read on the screen.
- III. Senator Pat Flowers asked why the trend from 2001 to 2011 was such that log prices trailed lumber prices. Some discussion occurred with Paul McKenzie stating that there isn't a great explanation as to why log/lumber prices did not trend more closely together. Mike Nicolucci stated that there should be an association between lumber and log prices but there isn't yet. He was asked by the US Forest Service to look into it. He also stated that logging & hauling costs have been collected since 2005.
- IV. Discussion continued regarding costs, safety, using expert opinions versus statistical analysis to determine cost models and how to determine costs associated with hauling, harvesting, private

mill costs, and indirect costs. There was discussion about using an income approach as well. Sen. Flowers asked the BBER representatives if they have a recommendation, and the suggestion was made that both a cost approach and a local market approach should be used to develop a methodology. Vincent Corrao suggested items such as sales, burn management and real estate should also be considered, as well as surveying sawmills and considering management costs.

- V. Mr. Mendenhall stated that they could use an internal white paper as a starting point for a sub-committee meeting on the following Monday. Ed Caplis stated that he believes analysis can and should be done in-house for economic and consistency reasons and should be systematic and verifiable.
- VI. After a short recess, the future schedule of the committee was discussed. It was suggested that the next meeting should be in November to allow the department to work on model suggestions. It was further suggested that a June meeting could be used to discuss harvest/sawmill productivity, with the September meeting next year as a deadline to determine an outline for what should be proposed to the legislature. Senator Mike Cuffe suggested that meeting every 3 months might be the way forward. Mr. Caplis stated he would put on paper an outline of when the committee should meet. Chairwoman Beard stated that 12 months from this meeting date the committee should be ready to present recommendations to the Revenue Interim Committee (RIC).
- VII. Sen. Flowers asked a question about potential bias between public versus private owners on stumpage price, which initiated more discussion regarding items such as delivered log price minus cost, over-supply of fast growing species causing mills to do well but loggers were not, and some recommendations that lumber price should not be used as a base for stumpage price. There was also discussion about using models involving productivity vs. sales vs. acreage or a combination of all three.
- VIII. Sen. Cuffe shared his experience as a mill owner, and discussed direct vs. indirect costs, including the human factor of mills closing due to a variety of factors. He discussed items such as lack of timber, large corporate involvement in local sawmills and their lack of interest in local effects of corporate decisions and lack or inadequacy of forest management as effects on local economies. Charwoman Beard stated the committee should be aware of connecting the dots between all these factors. She also requested more development from Mr. Caplis on the many factors suggested so far.
- IX. Todd Morgan suggested some items to be considered, including how many acres are taxable and how much revenue this provides, and also some history about how that has changed over 20 years. He also asked the question about how landowners can be encouraged to keep forest land. He also asked the committee to consider how longer haul distances affect private landowners.
- X. It was decided that the next meeting will be Wednesday November 10 at 9:00 AM as Thursday is a federal holiday. Meeting was adjourned at 11:28 AM.