

**STATEMENT OF PETE BAILEY
NATIONAL FOREST HOMEOWNERS AND THE C2 COALITION
TO
THE U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON NATURAL RESOURCES
REGARDING THE CABIN FEE ACT OF 2011
SEPTEMBER 9, 2011**

Introduction

Good morning, Mr. Chairman and Members of the Committee.

I am Pete Bailey from Tacoma, Washington, and I am pleased to present this statement of the National Forest Homeowners and the C2 Coalition of Cabin Owner Organizations in support of the Cabin Fee Act of 2011. There are more than 14,000 cabin owners who have permits for recreation residences on the national forests and who have a vital interest in the legislation now being considered. I have had my cabin since October, 2000, on Lake Quinault in the Olympic National Forest.

We are especially appreciative to you, Mr. Chairman, for your support of this bill. As you know, it is very similar to the Cabin Fee Act of 2010 (H.R. 4888) that you introduced in the 111th Congress more than a year ago, along with 27 bi-partisan cosponsors. That bill was favorably reported by the Natural Resources Committee on September 16, 2010, but did not receive a floor vote. Senator Tester introduced S. 3929 as a companion bill in the Senate.

At the House hearing last year, testimony and written statements were submitted that included strong and touching statements from long-time cabin owners of modest means whose families for generations have tenaciously maintained their cabins through hardships and challenges but who are now concerned that their cabin stewardship is being jeopardized by sharply rising fees.

The 2011 Cabin Fee Act is very similar to the bill approved by this committee last year and this statement will later briefly compare the two bills. Suffice it to say for now that this year's Cabin Fee Act does not differ in any significant respect from last year's bill and is even more strongly supported by cabin owners.

Problems with CUFFA

Since the passage of the Organic Act in 1915, the Recreation Residence Program has been a valid use of National Forest lands, but it is now being threatened by the fee setting process mandated by the Cabin User Fee Fairness Act of 2000, commonly referred to as CUFFA. (Note: We will adopt the more commonly used terms "cabin program" and "cabin owners" instead of the more technically correct "recreation residence program" and "recreation residences.") Use of fee simple land appraisals to set value has not worked for more than 40 years due to interdependent equity interests whereby the permittee owns the cabin while the government owns the land. Both location and the cabin structure influence market rents and sale prices. Separating these two influences is difficult and subjective. *The Cabin Fee Act, which is supported by most cabin owners, acknowledges the real nature of a Program with interdependent interests and offers a new and badly needed system.* The Act will simplify and improve the fee-setting process. It will encourage better relationships between the Forest Service and permittees and will reduce agency administrative workload and expenses.

The Act institutes a fair and reasonable annual User Fee that recognizes the influence of cabin location by establishing a Transfer Fee upon sale. The Act provides fair compensation to the U.S taxpayer, while recognizing that cabin owners *convey value to the land and location at their expense*. Cabin owners must maintain the site and often remove dangerous trees and non-native vegetation, organize FireSafe efforts and often provide and pay for utility infrastructure including power, water systems, septic and sewer systems that become attached to the land and benefit all users of the forests.

Survey data compiled by the National Forest Homeowners indicate that almost 35% of cabin owners will reach their affordability breakpoint in the current CUFFA appraisal cycle. Excessively high fees will be disincentives to potential buyers and, as a result, we estimate roughly 15% of cabins (2,100) will have to be torn down or removed at the expense of the owners. This will cause U.S. Treasury revenue to decline approximately 30% from the total potential fee revenue under CUFFA, while local governments and communities will also suffer tax revenue losses. The loss of cabins will also reduce volunteer labor, forest stewardship and infrastructure support contributed by cabin owners.

The Cabin Fee Act of 2011

The Act establishes an affordable User Fee, indexed annually, that will help to maintain cabin value and not destroy the ability to sell the cabin if the current owner cannot or decides not to pay the fee. Instead of fees ranging from \$125 to an astonishing \$76,000 annually under CUFFA, annual User Fees will range from \$500 to \$4500 per year. Nine fee tiers will replace the current CUFFA fee structure. The User Fee tiers were determined by balancing the rights and privileges that all permit holders share, regardless of location, while acknowledging that location *does* influence the value of the permitted use. This balance of common rights with differences for location yields a fee structure where the highest fee is nine times the lowest fee. This contrasts with fees under CUFFA where the highest fees are more than 100 times greater than the lowest fees.

The Cabin Fee Act requires the assignment of each permitted lot to one of nine fee tiers, based on the rank order of current appraised values. The lowest 8% of appraised lot values are assigned to the \$500 tier. The highest 4% are assigned to the \$4,500 tier. Following this process, User Fee revenue is projected to be about \$30M when fully implemented. User Fees are adjusted annually by a rolling average of the IPD-GDP index. This broadly-used Department of Commerce index provides for a reasonable, straightforward method for increasing fees annually, while ensuring that user fees keep pace with the market.

The Transfer Fee is intended to capture the value influence of the National Forest location of these cabins and is paid when that value influence is actually realized at the time of sale. The Transfer Fee addresses the possibility of questionable “windfall” profits alleged by some. The Transfer Fee has two components. First, a flat fee of \$1,000 is collected for *all* cabin sales and transfers. Second, if the sale price exceeds \$250,000, an additional 5% is collected on the sale price exceeding \$250,000 up to \$500,000 and an additional 10% on sale amounts exceeding \$500,000.

Cabin marketability is not encumbered, because cabin owners will have full knowledge of the indexed annual User Fee and both a seller and buyer can factor the Transfer Fee into their negotiations at the time of sale. Moreover, the Act provides long-term annual revenues to the U.S. Treasury comparable to CUFFA, particularly after consideration of cost savings by the elimination of expensive appraisals and revenue lost from abandoned cabins that will occur if CUFFA stands unchanged.

With the elimination of the appraisal process under CUFFA, the Forest Service will save approximately \$1 million annually. The complexity and expense of the appraisal process will be replaced with a cost effective fee system and greatly simplified program administration.

We can compare this fee structure to the broader market of public and private cabin lease programs. A comprehensive market survey by the National Forest Homeowners reviewed over 11,000 cabins in programs similar in character to the Forest Service Recreation Residence Program. This survey examined *the market* for similar cabin programs and further validated the use of public forest lands for recreation residence purposes. While user fees ranged widely due to variations in permit and lease terms and location considerations, the *average* user fee was less than \$1,000. This is less than half the average fee of \$2,075 under the Cabin Fee Act. We offer this as clear evidence that the proposed fee structure provides a fair return to the U.S. Government and is based on sound market principles.

With predictable and affordable fees under the Cabin Fee Act, we expect all 14,150 current permits to remain active the Forest Service Program will stay within reach of the typical American family. By contrast, while CUFFA is expected to provide similar total revenue over time, we project that unaffordable high fees and uncertainty will result in a decline in the number of permit holders under CUFFA to less than 12,000 over the next decade, thus reducing family participation in the Program. This same pattern of permit loss is likely to be repeated in future appraisal cycles under CUFFA, further eroding the Recreation Residence Program.

A great strength of the Cabin Fee Act is its simplicity. The simple and straightforward fee structure provides long-term predictability and affordability for the cabin program *plus* significant administrative time and cost savings to the Forest Service. These cost savings allow for the redeployment of Forest Service resources away from managing appraisals, re-appraisals and permit fee appeals to a more productive delivery of programs and public services. The Cabin Fee Act provides a true win-win-win outcome for the cabin owner, for the U.S. Forest Service and for U.S. taxpayers.

In summary, the Cabin Fee Act of 2011 ensures the long-term viability of the Recreation Residence Program and produces cabin permit fees that will:

1. **be affordable** and determined by the true “cabin market;”
2. **be simple, understandable and predictable;**
3. **be revenue neutral** by maintaining current revenues and fair return to U.S. taxpayers;
4. **be implemented more efficiently**, saving time and money for the Forest Service;
5. **recognize the complexities of interdependent cabin ownership interests;**
6. **recognize the locational value of the cabin as sold**, fixing fees according to actual benefits received;
7. **protect the future ability to sell cabins.**

Comparison of 2010 and 2011 Cabin Fee Acts

There are three differences between the 2010 Cabin Fee Act and this year’s bill.

(1) *Reduced Tier Fee Structure.* The latest cabin appraisals completed by the Forest Service and reported in May, 2011, show that less revenue will be generated under CUFFA than had previously been projected. As a result, it is possible to reduce the tiered fees that would have been set under the 2010 Cabin Fee Act and still generate the same amount of revenue that can be projected under CUFFA.

(2) *Cap on Fee Increases.* Under the 2010 Cabin Fee Act it was possible that during the two or three year transition period from CUFFA to the Cabin Fee Act some cabin owners would have had to pay higher fees than CUFFA alone would have required. These increased fees would have been offset by later credits (or debits) against Cabin Fee Act fees once that legislation was finally and fully implemented. The 2011 Cabin Fee Act drops that complex offset procedure and simply provides that such transition fee increases cannot exceed 25% per annum.

(3) *Including All Cabins on All Forests.* The 2010 Cabin Fee Act would have applied only to cabins on those national forests that were taken from the public domain. The 2011 Cabin Fee Act drops that limitation and the legislation now applies to all cabins on all national forests.

These are positive improvements in the bill that make it more equitable for more cabin owners and more acceptable to all cabin owners.

Conclusion

We appreciate the opportunity to present this testimony on behalf of the National Forest Homeowners, the C2 Cabin Coalition and nearly 14,000 cabin owners throughout the nation. We believe the cabin program is not only an invaluable source of multi-generational family outdoor recreation but that it makes a significant contribution to the health of the national forests and the economic vitality of local gateway communities. Unfortunately, as a result of the appraisal based fee system imposed by CUFFA, many cabin owners are facing a dramatic escalation in their fees, threatening this historic program and jeopardizing its many contributions.

The Cabin Fee Act of 2011 will preserve the program as we have known it for nearly a century while continuing to provide a fair return to the Treasury. It is an equitable approach that properly balances the interests and needs of cabin owners with the public interest in obtaining a fair return on these public lands.