

**STATEMENT OF DOUG GANN
NATIONAL FOREST HOMEOWNERS AND THE C2 COALITION
TO
THE U.S. SENATE SUB-COMMITTEE ON PUBLIC LANDS AND FORESTS
REGARDING S.1906, THE CABIN FEE ACT OF 2011
MARCH 22, 2012**

Introduction

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

My name is Doug Gann from Kirkland, Washington and my family's cabin is located on the Wenatchee National Forest in the State of Washington. I'm pleased to present this statement on behalf of the National Forest Homeowners and the C2 Coalition of Cabin Organizations in support of the Cabin Fee Act. More than 14,000 cabin owners have permits for recreation residences on the National Forests and all have a vital interest in this legislation.

Over the last several years, long-time cabin owners of modest means, whose families have loved and maintained their cabins for generations, have expressed deep concern that their cabin stewardship is being jeopardized by sharply escalating fees, some of which are excessive, above market, and unfair.

Problems with CUFFA

Since the passage of the Organic Act in 1915, the Recreation Residence Program has been a longstanding valid use of National Forest lands, but is now being threatened by the fee setting process specified in the Cabin User Fee Fairness Act of 2000, commonly referred to as CUFFA. (Note: We will refer to the more commonly used terms "cabin program" and "cabin owners" instead of the more technically correct "Recreation Residence Program" and "recreation residence permit holder"). The current use of a fee simple land appraisals to set fees as mandated by CUFFA, fails to determine actual market value because the highly restricted nature of the permit use is not valued in the CUFFA appraisal process. Also, both location and the cabin structure influence market value and sale prices. Interdependent equity interests where the permittee owns the cabin while the government owns the land are difficult and subjective to separate. The lack of private recreation land suitable for appraisal comparisons also contributes to very inconsistent appraisal results, sometimes resulting in user fees which are well above market value, while in other cases user fees are set potentially below market value.

The Cabin Fee Act (CFA) will simplify and improve the fee-setting process. It will encourage better relationships between the Forest Service and cabin owners and will reduce agency administrative workload and expenses. The CFA 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; remove dangerous trees and non-native vegetation. They 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, indicates almost 35% of cabin owners will reach their affordability breakpoint in the current CUFFA appraisal cycle over the next few years. These cabin owners will attempt to sell their cabins when fees reach a level which is beyond what the cabin owner can afford, or is willing to pay for the benefit received. Some of the cabin owners may be able to sell their cabin to owners of greater means, while others won't be able to sell their cabin, at any price. When these folks can't sell, we estimate 10-15% of cabins (upwards of 2,000) will have to be torn down and removed at the owner's expense. Under CUFFA, U.S. Treasury revenue will decline approximately 20-30% from the total potential fee revenue since it's the highest permit fees which will be lost, not the average fees. In addition to Federal Government fee revenue loss, local governments and communities will also suffer tax revenue loss, loss of tourism dollars, and other related economic benefits derived from cabin owners. Cabin losses will also reduce volunteer labor, including substantial involvement in youth programs and first responder services, forest stewardship, and infrastructure support provided by cabin owners.

The Cabin Fee Act

This Act establishes an affordable User Fee, indexed annually, that provides predictable fee increases, while helping to maintain cabin value and not destroying the ability to sell the cabin if the current owner cannot, or chooses not to pay the fee. Instead of fees ranging from \$125 to an astonishing \$76,000 annually under CUFFA, annual User Fees under the CFA will range from \$500 to \$4,500 per year. The lowest tier of \$500 is sufficient to cover the estimated cost to administrator this program, while the highest tier of \$4,500 is supported by what the market will bear for premium cabin locations. The User Fee range was 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 7% are assigned to the \$4,500 tier. Following this process, User Fee revenue is projected to be about \$32.5M when fully implemented, more than twice the \$14M fee revenue collected in 2008 from this program.

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 a \$1,000 additional fee which is collected when a cabin changes ownership and a permit is issued to the new owner. 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.

Cost estimates by the Congressional Budget Office (CBO) show CFA fee revenue will be equal to CUFFA fee revenue over a 10-year period (2013-2022). In addition, elimination of the appraisal process under CUFFA will save nearly \$1 Million annually, allowing these resources to be put to better use by the Forest Service. 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 the CFA fee structure to the broader market of similar public and private cabin lease programs. A comprehensive study conducted for the NFH examined *the market* for cabin programs similar to the Forest Service Recreation Residence Program. The 11,000 cabins reviewed by the study validate the use of public forest lands for recreation residence purposes. While user fees vary by location, permit, and lease term considerations, the *average user fee of approximately \$1,000 was less than half the average fee of \$2,250 under the Cabin Fee Act*. We offer this as clear evidence that the proposed CFA fee structure provides a more than fair return to the U.S. Government and is supported by sound market principles.

With predictable and affordable fees under the Cabin Fee Act, we expect all 14,000 current permits to remain active, keeping the Forest Service Program 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 the typical American family's 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 and producing less revenue than the proposed CFA fee system over a longer period of time.

The 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, as well as, 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 outcome for the cabin owner and the U.S. Forest Service.

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

- 1) Are affordable as determined by the 'cabin market';
- 2) Are simple, understandable and predictable;
- 3) Are revenue neutral, maintaining current revenues and fair return to the U.S. taxpayer;
- 4) Impose fees for actual benefits received;
- 5) Maintain the ability to sell cabins.

Recommended Changes

Cabin owner support for this bill was confirmed by a NFH survey which found that 95% of cabin owners were dissatisfied with the current CUFFA fee system and that 93% supported the CFA as a replacement. While this bill has broad support, recent discussion with the Forest Service has led us to support several changes to improve the bill further, which we feel confident can be addressed during the mark-up of the bill. They are:

- (1) Modification of the Transfer Fee. The bill calls for a fee of \$1,000 to be paid when a cabin changes ownership and a permit is issued to the new owner, plus a surcharge of 5-10% of the cabin sale price if a cabin sells for an unusually high price. The intent of the surcharge is to discourage cabin owners from over improving cabins or buyers from paying a premium for choice locations, while collecting additional fees in these rare situations. Market surveys show only 3% of cabins sell each year and less than 7% of sales are for amounts that would trigger the transfer fee surcharge, so the total number of transactions subject to the surcharge is very small. Discussions with the Forest Service suggest the administrative burden placed on the Forest Service to implement this fee creates a *greater problem* than the problem this provision was intended to solve. The cabin owner's support removing the surcharge portion of this fee, while retaining the \$1,000 fee.
- (2) Additional fee tier. To help mitigate a slight reduction of revenue from the transfer fee revision, as well as to ensure that user fees apply fairly to cabins with premium locations, the cabin owners support an additional fee tier of \$5,000. Slight changes to the percentage of permits assigned to each tier will be necessary to re-allocate permits across the full \$500-\$5,000 range, while maintaining a reasonable distribution which places most fees in middle tiers, with fewer placed in the lower or higher end of the range.
- (3) The cabin owners also seek several technical language changes required to clarify the intent of certain aspects of this bill, as well as, satisfy other concerns raised by the Forest Service. Of significant importance is language pertaining to the *25% cap on annual fee increases* during the transition from current fees to assigned CFA fees that provide for fee amounts to be "phased in" for those facing higher fee increases.

Summary and Conclusions

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 and this historic program is threatened and its many contributions are in jeopardy.

The Cabin Fee Act will preserve a nearly century old, cherished program while continuing to provide a fair return to the Treasury. It is an equitable approach that balances the interests and needs of cabin owners with the public interest in obtaining a fair return on these public lands.

We ask for your support to pass and enact into law the Cabin Fee Act of 2012 (S.1906).

Thank You.

Cabin Fee Act Questions and Answers National Forest Homeowners & Cabin Coalition 2

- 1. Aren't cabins on the National Forest a *privileged* use?** Participation in the Recreation Residence Program is *not* restricted. Until recently, cabins have been bought and sold with regularity and the program has been *broadly* available to all interested people. Congress has recognized cabins by law as an appropriate and authorized recreational use since at least 1915 and as one among the many multiple uses of the National Forests. Most cabin owners are middle class and have small rustic cabins that are used as family gathering places where their children and grandchildren can experience and develop an appreciation for the outdoors and good forest stewardship. The Recreation Residence Program provides an opportunity for members of the public to have cabins on the National Forest, but excessive and inconsistent fees for this opportunity using the procedures under CUFFA are undermining the very purpose of the Program. CUFFA does nothing to further the availability of the Program to the general public or maintain the long-term public interest and general affordability.

- 2. If the fee determination system is changed for cabin owners won't other special use permit holders want a change as well?** The Recreation Residence Program is a unique private/public relationship that is not for profit. Other special use permittees, such as, ski resorts, grazing rights and utility companies are intended to profit from their uses. It makes little sense to equate such commercial uses with non-commercial uses of the Cabin Program.

- 3. CUFFA works fine, why are changes needed?** More than 95% of cabin owner respondents to the 2009 NFH Cabin Sales and Appraisal Survey¹ said that they were dissatisfied with the appraisal process under CUFFA. Even Forest Service field staff have recognized the concerns of cabin owners and suggested that we seek legislative change. Mr. James Sauser, USFS Region 6 Special Uses, has been quoted in news articles² about the failures of the appraisal process, “the appraisals are time consuming and result in fees that are either too high or too low“. Finally, the 10-year appraisal cycle can take more than five years to implement. In fact, due to Forest Service budget deficiencies, the process in Region 5 is expected to take nine years to complete³. Even those involved with the creation of CUFFA recognize it does not produce results that make sense.⁴ Change is needed!

- 4. CUFFA determines ‘market value’ by appraisal. How does the CFA address ‘market value’ concerns?** CUFFA *attempts* to define ‘market value’ within the appraisal process. However, the process compares the permitted cabin lots to fee simple ownership of land, effectively ignoring the negative restrictions imposed by the permit and its inherent risks. This approach results in

¹ Sales Data and Appraisal Survey Report, NFH & Cabin Coalition 2, November, 2009.

² The Seattle Times, Wednesday, September 9, 2009, [Soaring Forest Service leases to drive families out of cabins they've had for generations.](#)

³ Recreation Residence Assessment, Pacific Southwest Region, USDA Forest Service, June 10, 2009, Updated November 12, 2009, Pg. 9, First Paragraph.

⁴ See Statement of Mary Clarke Ver Hoef, former National Forest Homeowners Board of Directors, now Executive Director.

an inflated 'market price' for such a restricted use. The 5% fee factor, said by some to adjust appropriately for the restrictions, is much too high a factor. Simply changing the percentage will not produce fair results. A fee that is fair at the high end results in a low end fee that is too low. Conversely, a fee that is fair at the low end will result in a high fee that is unjust. It is all too common that the geographic proximity to resort areas unfairly results in high fees for modest cabin tracts. The Comparison of Recreational Land Lease⁵ study clearly demonstrates that the CFA produces above 'average market revenues' for similar leased (or permitted) recreation land use and that CUFFA far exceeds 'market' rates.

Our ability to keep a cabin in place on public land is subject to the terms of a permit. We don't have any sort of leasehold or ownership interest in the underlying land, so we have no property interest and therefore a land value appraisal process is clearly inappropriate. The CFA establishes a fair market fee for our term special use permits now and into the future. The fee structure will maintain Program affordability for average Americans and ensure cabin marketability, while also providing the revenue due the U.S. taxpayer for the benefits received from the use of public lands. This will best help ensure the long-term viability of the Program.

5. **Only a few appraisals are very high. Why change the appraisal system based on a few outliers?** Current appraisal data show that over 20% of all fees are or will be \$4,000 annually or higher. Survey data⁶ suggests \$3,000 to \$4,000 is the point where most cabin owners question the value and affordability of owning a cabin. This implies that at least 20% of all cabin owners are at or above their breakpoint under CUFFA. This large segment of cabin owners is simply not an outlier. This overly generalized statement is inaccurate given the current appraisal data. These comments ignore the continued expansion of excessive fees in future appraisal cycles and the associated negative impact on affordability for average Americans.
6. **Don't cabin owners reap a 'windfall profit' when their cabins sell?** The Forest Service (FS) has cited high cabin sales prices where the sale price appears to be beyond the value of the cabin structure. The FS contention is that the location (i.e., the land which is not owned by the seller) was the major contributor to the sales price, hence the 'windfall'.

These cases are few and far between, so establishing a fee setting mechanism using such outliers is unfair to other cabin owners. The Sales Data and Appraisal Survey Report states a *projected* average sales price for all respondents of \$163,525⁷. Plus, the review of actual cabin sales from 2000 to 2009 revealed an average sales price of only \$138,421⁸, with 92% of all sales under \$250,000. We adopted the Transfer Fee provision to address this concern in the few cases that it occurs. More importantly, *cabin owners contribute to land and location values at their expense*. In complying with the terms of the permit, cabin owners are responsible for removing near-by diseased or hazard trees, plus noxious and non-native vegetation. Utility

⁵ Comparison of Recreational Land Leases, National Forest Homeowners, January 2010.

⁶ 'Breakpoint Data', from Sales Data and Appraisal Survey Report, NFH & Cabin Coalition 2, November, 2009.

⁷ Sales Data and Appraisal Survey Report, NFH & Cabin Coalition 2, November, 2009. Item #16.

⁸ Sales Data and Appraisal Survey Report, NFH & Cabin Coalition 2, November, 2009. Item #14.

infrastructure, *provided by the cabin owner*, becomes part of the land, including water systems, septic systems and sewer capital expenses and hook-ups. Plus, on many forests, cabin owner purchased water rights are being required to name the U. S. government as the owner with no compensation for the cost involved.

Furthermore, the location value contribution is minimal at the low and mid-range sale prices simply due to the cost of re-construction. The average 1,200 sq. ft. cabin built at a cost of \$200.00/sq. ft. would be valued at \$240,000. This acknowledges that many cabins are historic, rustic and include unique interiors. Supplies and contract labor must travel long distances and/or by unusual means (water or pack animal) to remote sites, substantially adding to the cost. No new cabin sites are being added to the Program, creating a scarcity that also artificially adds to the value of the cabins. This illustrates that there are a lot of factors that should be considered before the charge is made that cabin owners are reaping a 'windfall profit'.

When researching this issue, we identified a second reason cabins may sell for an unusually high price, that is where a cabin owner may have "over improved" a cabin. Adding on, or building a cabin which is significantly larger and utilizes superior materials compared to the typical cabin is out of character with the *rustic cabin in the woods* generally associated with this program. While this is the rare exception, it provides a deterrent to discourage cabin owners from over improving cabins.

- 7. Isn't it only the wealthy cabin owners that have high fees under CUFFA?** This is an inaccurate and unfair characterization. The vast majority of cabin owners are middle class.⁹ Survey data¹⁰ confirms that there are *many* cabin owners with CUFFA fees starting at \$5,000 and higher, who are *not* wealthy and very much fit the picture of average Americans. This mischaracterization diverts the discussion away from the real issue, which is the extreme variation in fees under CUFFA from \$125 - \$76,000 for a recreation residence's restricted use of public lands. An individual's financial status or 'ability to pay' should not be the litmus test for determining a fair fee for a use.
- 8. How many cabin owners are very upset over CUFFA appraisals? Isn't it just a relatively small minority?** No, it is not a small minority. In fact, a recently completed survey found that 95.3% of participating cabin owners were dissatisfied with the current appraisal process under CUFFA and that 92.7% supported the User Fee / Transfer Fee proposal that is contained in the Cabin Fee Act (CFA).¹¹
- 9. Isn't the average cabin permit fee under CUFFA actually quite reasonable (\$2,500-\$3,000) in view of the special privilege of having a cabin on a magnificent national forest?** Looking at an average fee confuses the overall issue. Under the current system, some fees are so low that they certainly fail to cover the costs to administer the Program. Some fees are so high that all

⁹ 2009 NFH [Economic Impact Survey Final Report](#).

¹⁰ Sales Data and Appraisal Survey Results, Item 9, November, 2009.

¹¹ Sales Data and Appraisal Survey Results, Item 9, November, 2009.

cabin value is lost. In some states, for example, some are paying less than \$500 while in other regions those with very similar amenities are paying over \$6,000. Most cabin owners seriously consider selling their cabin (or even abandoning it) when their annual fee exceeds \$3,000 to \$4,000.¹² This is true particularly when use is limited by weather to three or four months a year. Many cabins become accessible only after July 4th and heavy snow can fly in September. Also, many cabins on lakes with dams face serious drawdown beginning in September resulting in a less desirable location and loss of access when it is by water only. Furthermore, the Forest Service provides no services or amenities and the cabin owner must provide his or her own structures and improvements, pay state and county taxes, in addition to the permit fee, and provide for his or her own maintenance and security. Please refer to the 'Comparison of Recreational Home Site Leases' for a more complete evaluation of average 'lease' fees on public and private lands.¹³ Finally, the results from the current appraisals thus far show a vast range of fees based upon location that has no relationship with the cabin's use of the forest.

10. Do cabin owners know what they really want? Yes, cabin owners want to keep their cabins. They want to keep them affordable for their family using a fee determination method that is simple, understandable and relatively predictable. Through numerous communications and meetings, NFH and Cabin Coalition 2 have engaged, informed and polled cabin owners from across the United States. 92% support the Cabin Fee Act as the *replacement* for CUFFA.

11. Cabin Owners supported CUFFA, so why did they wait so long to object? Yes, CUFFA was supported. But what was supported and the end result were not the same. Key language was dropped from the final legislation under the premise that its purpose was addressed elsewhere. When adjustments for the permit restrictions were removed from inside the appraisal process itself, the "Fee Fairness" of the 2000 CUFFA legislation was gutted. A FS report published in July 2009 confirmed, "It is worthy of note that CUFFA, as drafted at the time of the hearings, included detailed language requiring significant adjustments *in the appraisal process* for permit restrictions as well as directing the appraiser as to appropriate weight to be placed on comparable sales."¹⁴ (*Emphasis added*).

The concept that a fee simple value can be made equivalent to the value received in a special use permit, without the consideration of the many and varied use restrictions is clearly false. The restrictions have never been part of the appraisal and we continue to hear that the 5% factor adjusts for all the restrictions. Full adjustment for the fair market value of *all* the restrictions is what we sought in 2000. But, this is not what resulted. The long delay in implementing the Rules and Regulations meant that appraisals did not begin until 2007, at which time it became very clear that the CUFFA 2000 legislation was seriously flawed. It subsequently produced a range of annual fees from \$125 to \$76,000, an extreme range that is difficult to comprehend let alone justify. In fact, Congress, the Forest Service and the cabin

¹² Sales Data and Appraisal Survey Results, Item 8, November, 2009.

¹³ Comparison of Recreational Home Leases, National Forest Homeowners, Jan. 2010.

¹⁴ Pacific Northwest Region Briefing Paper "Cabin Users Fee Fairness Act of 2000 (CUFFA)", July 17, 2009, pg. 5 last paragraph.

community failed to understand fully the ultimate impact of the legislation (as passed) until it was applied on the ground. The primary sponsor of the CUFFA Bill, Senator Larry Craig, reaffirmed that the intent of CUFFA was to include all permit restrictions and limitations in the CUFFA appraisal process in his letter to Undersecretary Mark Rey on July 2, 2008¹⁵.

12. How many cabin owners truly want and would support this sweeping change? How can Congress be confident that cabin owners will be satisfied? As with any change there will inevitably be some who will not be satisfied; however, without change we believe the long-term viability of the Cabin Program is threatened. With that said, an overwhelming majority of cabin owners surveyed, more than 95%¹⁶, want to see a change from the appraisal process. We have reviewed and considered all suggestions for changing the fee methodology. Eight cabin organizations and our sharpest minds have been engaged in an intensive review and formulation process. Professional, legal and appraisal consultation has informed the development of the User Fee / Transfer Fee proposal. Plus, cabin owner “Think Tanks” in several geographical areas have also reviewed and commented on the work. The result is solid support from cabin owners across the country for Cabin Fee Act of 2011.

13. This fee proposal is too complicated. Won't it be just as hard to administer as CUFFA? On the contrary, once fee tiers and transfer fee percentage thresholds are set, the implementation and administration of this system is easy and predictable and provides fee certainty into the future. In addition, this process saves the substantial costs in time and money that are spent on the appraisals. The current appraisal process may seem simple conceptually, but we clearly see now that ‘the devil’s in the details’. The appraisal process is very subjective, often requiring repeat appraisals. It is time consuming and expensive to implement and administer for both Forest Service and cabin community personnel alike. An excellent example of how complex this process can be has been demonstrated on the cabin tract at Lake Wenatchee, WA.¹⁷

14. What is the purpose of the fee tiers anyhow? The fee ranges were determined by balancing the permitted rights and privileges, which all permit holders share, with the recognition that location and associated amenities influence the value of the permitted use. The proposed CFA places the vast majority of annual user fees in the \$1,000 to \$3,000 range, which we believe represents the fair value of the permitted use.¹⁸ Fewer permits are assigned to the \$500 and \$4,500 tiers, which recognize the lower and higher end outliers. In developing the proposal, long-term predictability was a key component, as was an affordable annual fee. The CFA provides for affordable, predictable fees going forward, unlike the current appraisal methodology which could have dire impact every ten years. Annual fee affordability helps maintain the marketability of cabins. Predictable fees and marketability of cabins will help ensure the long-term viability of the Program, which has been the focus of cabin owner leadership during development.

¹⁵ Senator Craig letter to Undersecretary Mark Rey, July 8, 2008.

¹⁶ Sales Data and Appraisal Survey Results, Item 9, November, 2009.

¹⁷ Okanogan-Wenatchee N.F. Orders New Appraisal For Recreation Residence Fees, USDA Forest Service, News Release, Jan. 29, 2010.

¹⁸ Comparison of Recreational Home Leases, Jan. 2010. See average fees comparison.

- 15. Why should one pay a transfer fee for an intra-family transfer or opening of a trust?** In both these cases there is a transfer of value to another party (a family member or a trustee). To charge no fee under these circumstances would be to create a special and privileged group. The CFA applies a \$1,000 transfer fee to all transfers, including when little or no money changes hands.
- 16. What will be the fiscal impact of the Cabin Fee Act over the next 5-10 years? Will it generate net revenue comparable to that projected from CUFFA appraisals?** The Congressional Budget Office (CBO) has formally assessed the CFA bill in the U.S. House of Representative (H.R.3397) and informally reviewed Senate CFA Bill (S.1906). The CBO found the Senate CFA Bill will at least equal the future fees collected by the Forest Service under CUFFA. Net revenue neutrality will be maintained currently and over the long-term, because the projected CUFFA revenues are overstated. Cabins will be abandoned under CUFFA when the owner can't afford the high fee and also can't sell because of the high fee. This impacts net revenues under CUFFA, which will diminish over time, due to the gradual abandonment of cabins nationwide. Over a longer period of time, we believe the CFA will turn revenue positive for the U.S. Taxpayer by retaining all 14,200 cabins in the Cabin Program.
- 17. Isn't it risky to change from a familiar appraisal process, however flawed, to a new, untried system? How can we be sure it will not be worse than the status quo?** There is a risk in any change we make in our lives. The simplicity of the Cabin Fee Act virtually guarantees stable and predictable fees for cabin owners and reliable revenues for the Forest Service and US taxpayer. It ensures lower administrative costs to the FS, reduces risk of unknown future financial events and provides certainty for all parties. There may be some administrative issues that must be addressed. That is why we have been trying to engage the Forest Service in meaningful discussions about issues relating to administration. Finally, for cabin owners across America, the *status quo is not acceptable*¹⁹ and it should be a concern for the Forest Service, as administrators of the Cabin Program for the public. High annual permit fees will result in the eventual loss in revenue as fee payments decline and cabins are removed from the National Forest.
- 18. Wouldn't the CFA just replace the current set of unhappy cabin owners with two new sets (those who would have to pay more and those who would pay a fee upon sale of the cabin)?** The User Fee / Transfer Fee proposal that the CFA embodies has been vetted nationwide and there have been relatively few complaints regarding the above concerns. If our proposal were enacted in its entirety, less than 20% of the permit fees would be subject to a minor increase. Does an increase from \$250 to \$500 seem unfair? We agree with the Forest Service that the \$500 dollar first tier fee is the minimum required to administer the Program effectively. We believe the federal government should at least be compensated at this minimum level for their

¹⁹ Sales Data and Appraisal Survey Results, Item 9, November, 2009.

costs to run the Program, which include costs associated with issuing a new permit upon cabin sale.

19. Have other alternative appraisal approaches been considered? Wouldn't it be better than the User Fee / Transfer Fee mechanism? Many alternatives have been explored. Other approaches fail to provide simplicity, predictability, cost savings and revenue neutrality that the User Fee / Transfer Fee model offers.

20. Are there other ways to reduce costs to the Forest? Yes, greater responsibility by cabin tracts for self-inspections for compliance, work certifications, clearing land, trail and road maintenance could be considered and it should be noted that many of these commonly occur. In addition, elimination of the appraisal process under CUFFA will save nearly \$1 Million annually, allowing these resources to be put to better use by the Forest Service. The complexity and expense of the appraisal process will be replaced with a cost effective fee system and greatly simplified program administration.

References:

(These reference documents were submitted at the hearing on the Cabin Fee Act by the House Natural Resources Subcommittee on National Parks and Forests and Public Lands on April 22, 2010.)

- 1 Sales Data and Appraisal Survey Report, NFH & Cabin Coalition 2, November, 2009.
- 2 The Seattle Times, Wednesday, September 9, 2009.
- 3 Recreation Residence Assessment, Pacific Southwest Region, USDA Forest Service, June 10, 2009, Updated November 12, 2009.
- 4 Statement of Mary Clarke Ver Hoef, former National Forest Homeowners Board of Directors, now Executive Director, Feb. 2010.
- 5 Comparison of Recreational Land Leases, National Forest Homeowners, January 2010.
- 6 'Breakpoint Data', from Sales Data and Appraisal Survey Report, NFH & Cabin Coalition 2, November, 2009.
- 7 2009 Economic Impact Survey, Final Report, National Forest Homeowners, April 2009
- 8 Pacific Northwest Region (Forest Service) Briefing Paper "Cabin Users Fee Fairness Act of 2000 (CUFFA)", July 17, 2009.
- 9 Senator Craig letter to Undersecretary Mark Rey, July 8, 2008.
- 10 Okanogan-Wenatchee N.F. Orders New Appraisal for Recreation Residence Fees, USDA Forest Service, News Release, Jan. 29, 2010.