

ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

FISCAL ESTIMATE
DOA-2048 N(R10/94)

Subject

Bill to allow Managed Forest Land to be located in cities

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

- Increase Costs - May be possible to Absorb Within Agency's Budget Yes No
 Decrease Costs

Local: No local government costs

- | | | |
|--|---|--|
| <p>1. <input checked="" type="checkbox"/> Increase Costs
 <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> | <p>3. <input type="checkbox"/> Increase Revenues
 <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> | <p>5. Types of Local Government Units Affected:
 <input type="checkbox"/> Towns <input type="checkbox"/> Villages <input checked="" type="checkbox"/> Cities
 <input checked="" type="checkbox"/> Counties <input type="checkbox"/> WTCS Districts
 <input checked="" type="checkbox"/> School Districts <input checked="" type="checkbox"/> Others VTAE</p> |
| <p>2. <input type="checkbox"/> Decrease Costs
 <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> | <p>4. <input checked="" type="checkbox"/> Decrease Revenues
 <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory</p> | |

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

20.370(1)(mu), (1)(cr), & (5)(bv)

Assumptions Used in Arriving at Fiscal Estimate

SUMMARY OF BILL -

This bill permits landowners within cities to participate in the Managed Forest Law (MFL) program. Under the MFL, landowners with land designated as managed forest land pay an annual acreage share instead of the property taxes that normally would be payable, which, in effect, is a reduced property tax rate. Only small acreages would qualify for entry in the managed forest law each year. The entries would concentrate in those cities that have a greater percentage of rural area and woodlands. The average entry would probably be the 10 acre minimum. All the costs and revenues have been annualized but many are cumulative. Interest from some developers may occur where the penalty may be offset by the value of land when it is developed and could be absorbed by the new landowners.

FISCAL IMPACT -

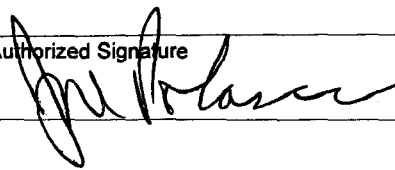
Assessed values within city limits address many additional values beyond the use of the land. Privacy for residential areas, access to utilities, aesthetics, and views are the major considerations. The average 1992 savings, based on the Legislative Audit Bureau's audit of the Managed Forest Law, was 79% for lands in towns and villages.

The assumption is that there would be 10 entries of 10 acres each designated as MFL lands each year (100 acres total) and withdrawal penalties would not be a factor for about 5 years. It is assumed that most of these entries would be in cities where the assessed value of vacant forest land is at the high end of the range in suburbs of large cities. It is assumed that 4 of these parcels are assessed at \$30,000 per acre with property taxes of \$500/acre, 3 parcels assessed at \$20,000 per acre with property taxes of \$350 per acre, and 3 parcels assessed at \$700 per acre with property taxes of \$12/acre. This would be a total estimated lost tax revenue to cities of \$30,860 (4 parcels X 10 acres X \$500 = \$20,000, plus 3 parcels X 10 acres X \$350 = \$10,500, plus 3 parcels X 10 acres X \$12 = \$360). Increased income to the state would be \$300 annually (\$1.00/acre closed fee x 100 acres and \$20 application fee x 10). The annual tax loss to cities would be offset by increases of \$0.20/acre from state aids payment x 100 acres and \$0.74/acre open fee x 100 acres, or \$94. The affected cities, counties and school districts would receive slightly reduced municipal and school aids. After a few years, the withdrawal fees would replace some of the lost revenue. Any lost revenue is cumulative in that additional entries would add to the total lost revenue each year of their contract.

Due to the relatively low acreage that would be entered, the state cost impacts would be minor. Total state costs are estimated at \$1,500 annually (\$1,330 and 0.03 FTE processing time, \$150 supplies/services and \$0.20/acre aid payments x 100 acres). Costs to the local municipality would include administration of the books, and are assumed to be \$200 (\$20/entry x 10 entries).

Long-Range Fiscal Implications

The greatest long range fiscal impact will be on the cities where tax rates are high and a landowner may be forgoing 90 to 95% of the property taxes or even over 99%. Since this a cumulative issue with new lands being entered each year and contracts running for 25 or 50 years, the impact grows with each year and the increased acreage and forgone tax.

Agency	Prepared By	Phone No.	Authorized Signature	Phone No.	Date
DNR	Joe Polasek	(608) 266-2794		(608) 266-2794	02/15/1999

FISCAL ESTIMATE WORKSHEET

1999 Session

Detailed Estimate of Annual Fiscal Effect
DOA-2047 (R10/94)

ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No. AB 104	Amendment No.
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Subject

Bill to allow Managed Forest Land to be located in cities

I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal affect):

None

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringes	\$1,330	\$0
(FTE Position Changes)	0.03	0.00
State Operations - Other Costs	\$150	\$0
Local Assistance	\$20	\$0
Aids to Individuals or Organizations	\$0	\$0
TOTAL State Costs by Category	\$1,500	\$0
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$0	\$0
FED	\$0	\$0
PRO/PRS	\$0	\$0
SEG/SEG-S	\$1,500	\$0
III. State Revenues:	Increased Rev.	Decreased Rev.
<small>Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</small>		
GPR Taxes	\$0	\$0
GPR Earned	\$0	\$0
FED	\$0	\$0
PRO/PRS	\$0	\$0
SEG/SEG-S	\$300	\$0
TOTAL State Revenues	\$300	\$0

NET ANNUALIZED IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	<u>\$1,500</u>	<u>\$200</u>
NET CHANGE IN REVENUES	<u>\$300</u>	<u>(\$30,800)</u>

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