Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2003 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **03-1946/2**	Introduction Number **AB-276**

Subject

Managed forest land located in cities

Fiscal Effect

State:

- ☐ No State Fiscal Effect
- ☐ Indeterminate
  - ☐ Increase Existing Appropriations
  - ☐ Decrease Existing Appropriations
  - ☐ Create New Appropriations
  - ☐ Increase Existing Revenues
  - ☒ Decrease Existing Revenues
  - ☒ Increase Costs - May be possible to absorb within agency's budget ☒ Yes ☐ No
  - ☐ Decrease Costs

Local:

- ☐ No Local Government Costs
- ☐ Indeterminate
  1. ☒ Increase Costs — ☒ Permissive ☐ Mandatory
  2. ☐ Decrease Costs — ☐ Permissive ☐ Mandatory
  3. ☐ Increase Revenue — ☐ Permissive ☐ Mandatory
  4. ☐ Decrease Revenue — ☐ Permissive ☐ Mandatory
  5. Types of Local Government Units Affected
     ☐ Towns ☐ Village ☒ Cities
     ☒ Counties ☐ Others
     ☐ School Districts ☐ WTCS Districts

Fund Sources Affected

☐ GPR ☐ FED ☐ PRO ☐ PRS ☒ SEG ☐ SEGS

Affected Ch. 20 Appropriations

20.370(5)(bv) and (1)(mu)

Agency/Prepared By	Authorized Signature	Date
DNR/ Joe Polasek (608) 266-2794	Joe Polasek (608) 266-2794	5/12/2003

Fiscal Estimate Narratives

DNR 5/12/2003

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Assumptions Used in Arriving at Fiscal Estimate

Bill Summary: Under current law, an owner of 10 or more contiguous acres of forest land in a town or village may apply to the Department of Natural Resources (DNR) to enroll the land in the Managed Forest Law (MFL) program. The application is for 25 or 50 years and must include a forestry management plan demonstrating the owner's commitment to use the land for forestry purposes. At least 80% of the acreage must be capable of producing a minimum of 20 cubic feet of merchantable timber per acre per year. If the DNR finds that the land qualifies and approves the management plan, the plan is accepted into the MFL program.

Land enrolled under the MFL program is not subject to general property taxes. Instead, an owner of the land under the MFL program must annually pay $0.83 per acre to the municipality, which must forward 20% to the county. An owner of MFL land who chooses to close the land to public access must pay an additional $1.12 per acre to the municipality, which must remit the entire amount to DNR. The state annually pays municipalities with MFL land $.20 per acre, 20% of which the municipality must pay to the county.

Under the bill, land in cities could be enrolled under the MFL program.

Assumptions: Based on acreage data from the Department of Revenue (DOR) and DNR, about 25% of privately owned forest land in Wisconsin is enrolled under special forest laws, including the MFL program. 2001 DOR data indicates that about 14,300 acres of forest land lies in cities. However, the Department assumes that forest land owners in cities would not enroll their land at this same rate under the MFL program, because of the time commitment and loss of development potential. It is estimated that the Department would receive 10 entries per year of 10 acres each in size. Thus, 100 acres of forest land in cities would be enrolled under the MFL program each year.

Local Fiscal Effect: Based on the assumption that 100 acres would be enrolled under the MFL program and using the state average equalized value of forest land in cities in 2001 of $2,137 per acre, $213,700 (100 X $2,137) in value would be removed from the city tax rolls each year. At the 2001 city average net tax rate of .02384 ($23.84 per $1,000 equalized value), about $5,094 ($213,700 X 0.02384) in taxes would be initially shifted to other property owners. This shift would be partly offset by the cities' share of the landowner payments of $66.40 (100 X $.83 X 80%) and DNR payments of $16 (100 X $0.20 X 80%). Further offsets could occur through higher state shared revenue payments and school equalization aid payments. There would also be the offset in future years from yield payments when owners harvest their timber beginning in about the fifth year after entry. Half of this total payment would go to the cities. However, estimating the amount of revenue from this source is very difficult because it is not possible to estimate the age and condition of the timber on these properties, nor the average price at the time of the sale. The assumption is that the proposed change would have no net revenue impact on local governments.

Costs to the local municipality would include administration of the books and are assumed to be $200 ($20/entry x 10 entries).

State Fiscal Effect: 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 minimal staff time processing, $150 supplies/services and $0.20/acre aid payments x 100 acres). There are three state fiscal effects: (1) The state would make a payment of $0.20 to local governments, for a total of $20 (100 X $0.20), of which cities would retain $16 and $4 would be forwarded to counties. (2) The state forestry property tax, which is imposed at a rate of 0.0002 ($0.20 per $1,000 equalized value) would decline by $42.74 ($213,700 X 0.0002). (3) Assuming 100% of MFL land in cities would be closed, annual closure and application fees to the state would be $1,112 (100 ($1.12) + 10 ($100)).

Long-Range Fiscal Implications

The greatest impact will be on the cities with high tax rates and landowners are forgoing 90 to 95% (or higher) of the property taxes. Since this is 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.

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Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

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

None.

II. Annualized Costs:	**Annualized Fiscal Impact on funds from:**	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	$1,330	
(FTE Position Changes)		
State Operations - Other Costs	150	
Local Assistance	20	
Aids to Individuals or Organizations		
TOTAL State Costs by Category	**$1,500**	**$**
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S	1,500	

III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)

	Increased Rev	Decreased Rev
GPR Taxes	$	$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S	1,120	
TOTAL State Revenues	**$1,120**	**$**

NET ANNUALIZED FISCAL IMPACT

	State	Local
NET CHANGE IN COSTS	$1,500	$200
NET CHANGE IN REVENUE	$1,120	$

Agency/Prepared By	**Authorized Signature**	**Date**
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