

Fiscal Estimate - 2005 Session

Original Updated Corrected Supplemental

LRB Number 05-2867/1		Introduction Number AB-457	
Subject Eliminate condemnation by nongovernmental entities			
Fiscal Effect			
State:			
<input type="checkbox"/> No State Fiscal Effect			
<input type="checkbox"/> Indeterminate			
<input checked="" type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Increase Existing Revenues	
<input type="checkbox"/> Decrease Existing Appropriations		<input type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriations		<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	
		<input type="checkbox"/> Yes <input type="checkbox"/> No	
		<input type="checkbox"/> Decrease Costs	
Local:			
<input type="checkbox"/> No Local Government Costs			
<input type="checkbox"/> Indeterminate			
1. <input checked="" type="checkbox"/> Increase Costs		3. <input type="checkbox"/> Increase Revenue	
<input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs		4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected			
<input checked="" type="checkbox"/> Towns		<input checked="" type="checkbox"/> Village	
<input checked="" type="checkbox"/> Counties		<input type="checkbox"/> Others	
<input type="checkbox"/> School Districts		<input type="checkbox"/> WTCS Districts	
<input checked="" type="checkbox"/> Cities			
Fund Sources Affected		Affected Ch. 20 Appropriations	
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS			
Agency/Prepared By DOT/ Tanace Matthiesen (608) 264-8716	Authorized Signature Julie Johnson (608) 267-3703	Date 6/24/2005	

Fiscal Estimate Narratives

DOT 6/24/2005

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Assumptions Used in Arriving at Fiscal Estimate

Utility companies typically move their facilities in anticipation of transportation projects. DOT believes the statutory change proposed will result in utility companies & railroads increasingly dependent upon DOT to acquire sufficient real estate along transportation projects to site facilities. If such is the case, DOT will be financially impacted due to the following:

- The entire duration of a transportation project will be extended; more projects will be delayed as time goes on. This will become increasingly expensive as the pressure to assist utilities and railroads increases.
- More utilities will be forced to locate along highway corridors.
- Acquisition costs may increase (additional right of way and/or non-exclusive rights to utility corridors). DOT's need to control utility corridors for increasing utility accommodations.
- The number and complexity of the real estate parcels will increase for DOT. The time to acquire the required real estate will increase, resulting in the need for more real estate staff and consultants.
- The labor costs to deliver the required real estate will increase, because of greater demand for labor to accommodate the increased workload.
- The cost of the real estate itself will increase relative to the increased size of the average parcel (more relocations and proximity damage).
- Increase in parcel severance damages will result in an increased condemnation rate (increase in appeals and litigation, for which DOT will be responsible as the condemning authority).
- Construction costs will rise based on increased time to site additional utility facilities concurrent with roadway construction.

Long-Range Fiscal Implications

BTS, Real Estate Acquisition Services Section, estimates that annualized State and local real estate acquisition and project costs could increase anywhere from \$1M in early years to at least \$40M over time as acquisition problems increase.

**SUPPLEMENT TO FISCAL ESTIMATE DOA-2048
ASSUMPTIONS USED IN ARRIVING AT FISCAL ESTIMATE - CONTINUED**

The impacts of AB744 on DOT are extremely difficult to project and quantify. DOT has prepared this estimate predicting that the fiscal impacts will become progressively worse as utilities and railroads run into increasing problems with acquisition. DOT will be increasingly forced to include utility issues in acquisition plans, thus shifting the costs to the transportation program. Below is the best possible estimate on potential impacts that will become more significant as time passes. This estimate is the result of collective discussions between the Bureaus of Highway Real estate, Highway Development and Rails and Harbors.

Fiscal Impact in early years

1. DOT will pay greater amounts for compensable utility relocations, because of increased problems in acquisition due to holdouts and project delays - and DOT's "quick take" condemnation authority. Assume costs will at least double:

$$\begin{aligned} \$1,000,000 \text{ (last year costs)} \times 2 &= \$2\text{M} \\ \text{Net increase} &= \$1\text{M annually} \end{aligned}$$

Assumptions: Fiscal Impact over time

1. DOT will be pressured to acquire more and more utility parcels because of their inability to negotiate and our need to keep projects on schedule. Assume that DOT's acquisition program, historically averaging about 2,000 parcels for state projects and 600 parcels for local projects, is increased by 50%, or by 1300 parcels. Also assume that cost of labor will increase by 20%:

$$\begin{aligned} \$2,300 \text{ (average labor costs/parcel)} \times 1,000 &= \$2.3\text{M} \times 1.20 = \$2.8\text{M} - \text{STATE} \\ &\times 300 = \$.7\text{M} \times 1.20 = \$.8\text{M} - \text{LOCAL} \\ \text{Total :} & \qquad \qquad \qquad \$3.6\text{M} \end{aligned}$$

2. There will be more and more pressure to locate utilities on and along highway right of way - forcing DOT to accommodate requests for increasing utility interests. Over time, DOT will find that it makes more sense on some corridors to acquire wider right of way for utility accommodation or adjacent easements, *rather* than seek reimbursements for non-compensable utility relocations on adjacent land interests. (Reimbursements to a specific utility would provide them exclusive rights to that interest and force DOT to be involved in acquiring or accommodating other utility needs). The argument could be made that DOT could then charge a fee to remain in that corridor - but would be significantly offset by the staff needed to manage and coordinate the leasing of a growing number of utilities. Assume that parcel acquisition will increase by 50% from current state and local program levels (1,300 parcels):

$$\begin{aligned} \$5,000 \text{ (average parcel acquisition cost)} \times 1,000 &= \$5.0\text{M STATE} \\ &\times 300 = 1.5\text{M LOCAL} \\ \text{Total:} & \qquad \qquad \qquad \$6.5\text{M} \end{aligned}$$

3. The largest impact on the DOT will be increases in costs for design modifications and for construction costs due to project delays. These impacts will increase contract costs over time as more projects are impacted by utility concerns. Assume the highway development program remains at the \$600M level and delays have a 5% cost impact:

$$\$600\text{M} \times .05 = \$30\text{M increase in contract costs}$$

5. TOTAL ESTIMATED INCREASE BASED ON ASSUMPTIONS:

$$1.(\$3.6\text{M}) + 2.(\$6.5\text{M}) + 3.(\$30\text{M}) = >\$40\text{M}$$

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
Eliminate condemnation by nongovernmental entities			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
All fiscal impacts of such a statutory change are expected to be long-term.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$2,800,000	
(FTE Position Changes)			
State Operations - Other Costs		37,200,000	
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$40,000,000	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S		40,000,000	
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$31,000,000	\$9,000,000
NET CHANGE IN REVENUE		\$	\$
Agency/Prepared By		Authorized Signature	Date
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