Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2007 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **07-2731/1**	Introduction Number **SB-204**

Description
The removal of nonconforming outdoor advertising signs

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 20.395 (3)

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOT 7/17/2007

LRB Number **07-2731/1**	Introduction Number **SB-204**	Estimate Type **Original**
Description The removal of nonconforming outdoor advertising signs		

Assumptions Used in Arriving at Fiscal Estimate

There are approximately 4300 nonconforming signs along Wisconsin's highways. These signs are 37% of the inventory of off-premise outdoor advertising signs regulated by the department.

For purposes of analysis, assume the intent of the authors is to allow any repairs or maintenance, subject only to the limitation on cost of those activies in relation to the replacement cost of the sign.

If this bill were enacted, a process for establishing the value of a nonconforming sign and determining when repairs and maintenance on a sign exceeds 50% of its replacement value will be needed. Essential components of this process include:

... obtaining and verifying a replacement value* for each sign from the sign owner
... developing and implementing a method of capturing and tracking the damage, repair, and customary maintenance costs for each nonconforming sign, which will involve creating a document, both hard copy and electronic, for use by sign owners to inform the department about damage to, destruction of, and maintenance to their sign
... distributing the document to all sign owners and educating each sign owner in its use
... entering the sign's value and other related information into the database, including downloading detailed photographs
... building a new feature into the existing sign database to preserve these sign values and the accumulated costs of repairs and maintenance for each sign

A conservative estimate of the time needed to accomplish all of the above tasks for each nonconforming sign is three hours, or 12,900 hours to accomplish this work. This represents approximately 7 FTE positions, using 1800 hours available in one FTE position.

Assuming these tasks could be performed under contract at a value of $85,000 per each FTE position, this would cost the department $595,000. As an alternative, permanent FTE positions could be created to perform this work. Other methods of accomplishing the work would be explored, which would reduce costs.

If this bill became law, the department would recoup these costs by seeking an increase of the annual sign and permit fee for nonconforming and grandfathered signs through the administrative rule process. The impact would be an increased annual fee for this type of sign. Current fees of $50 per year would be projected to be $190 per year.

*This bill does not define replacement value. Therefore, for the purposes of this bill, we assume that the method adopted by administrative law judges when deciding sign cases is acceptable. Basically, the cost to replace each sign component at current, new prices and the labor to install the components creates the sign's current replacement value.

Long-Range Fiscal Implications

The intent of both Wisconsin and Federal law is to control outdoor advertising and allow this advertising in only certain (commercial or industrial) areas and with certain other restrictions on size, spacing and other criteria. To allow outdoor advertising signs to remain indefinitely in agricultural and forested areas, or other non-commercial areas, is inconsistent with the public policy intent of those laws.

The provision of law that allowed existing uses to remain for the remainder of their normal service life was an accommodation that recognized the pre-existing investment and allowed for a transition over time that benefited the sign owners while avoiding the need for an upfront, immediate buyout of the sign owners interest to remove existing signs that no longer conformed to the standards set by the law. Such a policy change would have required a substantial public investment, and, as with other planning and zoning decisions, typically is resolved by allowing for a transition period during which only minimum maintenance is allowed.

Given that these signs are generally located along busy highway corridors that continue to see higher usage, and in locations where the law no longer allows construction of new signs, the value of the signs has grown significantly. When these signs must be acquired, the value of the signs is not determined based on the depreciated value of the structure that was in place at the time the law was changed, nor even at the current replacement costs of the materials and labor to construct that sign. Rather, the value continues to increase based on the ability to generate greater revenues from the sign because they are protected from new competition by the law. These escalating costs end up being borne by taxpayers when there is a need to eventually acquire a sign for a highway project. Were the original intent of the law followed, to allow the signs to remain only for their normal service life with limited routine maintenance, the signs would eventually be eliminated without the cost to the taxpayers. Had there been an expectation that the signs would be allowed to be maintained indefinitely, it would have been wise to purchase all the signs at the time the law was enacted, when the values were lower and to achieve the public benefits sooner.

The effective elimination of the ability to affect changes over time through this type of grandfathering or nonconforming status also has implications for other public decisions related to community planning and land use.

Annualized costs to the department as described above in the assumptions section are calculated to be $595,000.

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Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

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Description The removal of nonconforming outdoor advertising signs		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
II. Annualized Costs:	**Annualized Fiscal Impact on funds from:**	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	$	$
(FTE Position Changes)		
State Operations - Other Costs	595,000	
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	**$595,000**	**$**
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S	595,000	
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		
TOTAL State Revenues	**$**	**$**
NET ANNUALIZED FISCAL IMPACT		
	State	Local
NET CHANGE IN COSTS	$595,000	$
NET CHANGE IN REVENUE	$	$

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