

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL
- CORRECTED
- UPDATED
- SUPPLEMENTAL

LRB # 1001/3

INTRODUCTION # AB-537

Admin. Rule #

Subject
Creation of an ethanol production incentive program

Fiscal Effect

State: No State Fiscal Effect

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

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

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

Decrease Costs

Local: No local government costs

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

Fund Sources Affected

- GPR
- FED
- PRO
- PRS
- SEG
- SEG-S

Affected Ch. 20 Appropriations

s.20.505(1)(dm)

Assumptions Used in Arriving at Fiscal Estimate:

This bill creates an ethanol production incentive program to be administered by the department. Currently there are no operating ethanol plants in Wisconsin. An existing smaller plant in Plover Wisconsin could be operational in within 6 months with production capacity of 4 million gallons annually. A large plant with capacity of 40 million gallons is under consideration in western Wisconsin. The national market for ethanol used in reformulated gasoline is likely to increase in coming years as the alternative oxygenate MTBE is being removed from the market due to ground water contamination problems. This suggests that additional ethanol production capacity will be needed over the next several years. With a similar incentive program, Minnesota has developed a thriving ethanol industry that includes 15 plants generating 200 million gallons annually. Wisconsin's agricultural base should be able to supply similar capacity.

The bill appropriates \$2 million GPR annually beginning in fiscal year 2000-01. It is unlikely that any capacity beyond the two plants identified above could be operational by that time. Since the bill restricts the maximum amount to \$500,000 per entity, the FY01 incentives are not likely to exceed \$700,000. It cannot be determined at this time how quickly additional capacity could be developed. However, only four production facilities generating 2.5 million gallons each would be required to fully consume the proposed appropriation.

The department estimates approximately 500 staff hours would be needed on a 1-time basis to develop administrative rules and application materials. Approximately 200 staff hours per year would be required to process new applications, review production audits, and calculate the quarterly payments. Plant inspections would be contracted for as needed at an estimated cost of \$25,000 annually. This assumes a similar production environment as in Minnesota.

Long-Range Fiscal Implications:

Unknown

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Date

11/2/99

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

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Subject

Creation of an ethanol production incentive program

I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):
 Approximately \$14,000 including .25 FTE and misc. expenses for printing and travel

II. Annualized Costs:		Annualized Fiscal impact on State funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$ 5,500	\$ -
(FTE Position Changes)		(.10 FTE)	(- FTE)
State Operations - Other Costs (inspections)		25,000	-
Local Assistance			-
Aids to Individuals or Organizations		2,000,000	-
TOTAL State Costs by Category		\$ 2,030,500	\$ -
B. State Costs by Source of Funds			
GPR		\$ 2,000,000	\$ -
FED		35,500	-
PRO/PRS			-
SEG/SEG-S			-
State Revenues	<small>Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</small>	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	\$2,030,500	\$ _____
NET CHANGE IN REVENUES	\$ _____	\$ _____

Prepared By: / Phone # / Agency Name	Authorized Signature/Telephone No.	Date
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