

Fiscal Estimate - 2003 Session

Original Updated Corrected Supplemental

| | |
|---|---|
| LRB Number 03-0670/2 | Introduction Number SB-5 |
| Subject Suspension of portion of gypsy moth rules (JCRAR) | |
| Fiscal Effect | |
| State: | |
| <input checked="" type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <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 5. Types of Local Government Units Affected <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input checked="" type="checkbox"/> Decrease Revenue <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts | |
| Fund Sources Affected | |
| <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS Affected Ch. 20 Appropriations | |
| Agency/Prepared By DNR/ Joe Polasek (608) 266-2794 | Authorized Signature Joe Polasek (608) 266-2794 |
| Date 2/7/2003 | |

Fiscal Estimate Narratives
DNR 2/7/2003

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|---|---------------------------------|-------------------------------|
| LRB Number 03-0670/2 | Introduction Number SB-5 | Estimate Type Original |
| Subject | | |
| Suspension of portion of gypsy moth rules (JCRAR) | | |

Assumptions Used in Arriving at Fiscal Estimate

The original eligibility requirements for the cost shared gypsy moth suppression program included that parcels proposed for treatment be of at least 40 contiguous acres and of a compact and regular shape. There was the exception reducing the minimum acreage to 20 where the land proposed was publicly owned and separated from habitat favorable for gypsy moth, which could harbor a population of the pest that could cause re-infestation. The Joint Committee on Review of Administrative Rules redefined eligible parcels as being of 20 acres. If the description of eligible parcels as being 20 acres is interpreted to mean that separate smaller spray blocks could be "added up" to equal 20 acres, the impact on the cost and effectiveness of the suppression program would be great and not to the benefit of the public. This fiscal analysis assumes this interpretation, and that the minimum 20 acres are not required to be contiguous and compact and regular in shape.

a) Cost Increase

The cost of the program to counties and landowners would at least double and could as much as quadruple if the suppression program includes spray blocks of less than 20 acres even if they are combined on application forms to total 20 or more acres.

The cost increase would be due primarily to the withdrawal of cost sharing from the USDA Forest Service. For the purposes of this estimate, this impact is characterized as a reduction in revenue. The federal government currently provides reimbursement to counties, municipalities and landowners for approximately half of the cost of treatment and administration. The Forest Service has voiced concerns that there would be no appropriate role for federal support of a suppression program that includes spray blocks smaller than 20 acres. This is because the Forest Service must show participating programs provide effective control and are economically sound. Their analysis indicates that spray blocks smaller than 20 acres are unlikely to be successful and drive up costs disproportionately for the entire state program and thus for the federal cost sharing program. We believe that we would not jeopardize federal cost sharing if the minimum 20 acres were required to be contiguous and compact and regular in shape as other states participating in the cost-sharing program for suppression have similar requirements. This is not how the bill is currently written, however.

- Example of cost increase with and without federal cost-sharing using number of acres requested for treatment in 2003 and assuming costs of treatment and local administration remain similar to those costs for the 2002 spray project. Not included in this calculation are additional costs resulting from inclusion of small spray blocks as described below.

Cost for spray treatment in 2002 = \$23.84/acre
 Average cost for local administration = \$13.09/acre

| | | | |
|------------------------------|---------------------------------|-------------|-------------|
| Cost of Local Administration | Total Cost of 50% of Total Cost | | |
| 29,000 acres | 29,000 acres | \$691,360 | \$1,070,970 |
| x \$23.84 /acre | x \$13.09 /acre | + \$379,610 | x 0.50 |
| \$691,360 | \$379,610 | \$1,070,970 | \$535,485 |

Total Cost of Treatment of 29,000 acres = \$1,070,970
 Value of Federal Cost Share of 50% for 29,000 acres = \$535,485

In this example, the projected loss of revenue without cost sharing, equals \$535,485

In addition to losing federal cost sharing for the entire program, inclusion of separate spray blocks that only together

equal 20 acres will increase treatment costs for participants in other ways. Costs of applying the insecticide will go up due to the increased difficulty and flight time necessary to treat these small blocks. If the use of helicopters becomes necessary to service spray blocks under 10 acres, the cost of the spray treatment will approximately double for all participants due to the higher cost of helicopters relative to airplanes. Treatment of 1-3 acres would probably require the use of ground-based equipment. Treatment using this equipment is typically \$200 to \$600 per tree. Since it is uncertain what the increased costs will be, no additional costs were entered on the fiscal note.

The cost of local administration will go up if larger spray blocks are fragmented into many smaller blocks. Fragmentation of large spray blocks is likely to be a problem in counties where each landowner is billed separately and there is thus a pressure not to cooperate with neighbors to form large spray blocks. Each spray block requires a minimum amount of administrative work to be done but the amount of work does not increase proportionately with increasing acreage. The amount of administrative work and associated costs at the county level would increase if the number of small spray blocks increased even if the overall number of acres decreased. It is estimated that the combined effect of these increases could increase the costs at the local level anywhere from 5% to 30%. Using the cost of treatment in the example above, the increase in Local Government costs would range from \$53,500 - \$321,300. Since the fiscal estimate form does not allow a range, this cost is identified as \$187,400 on the worksheet. It should be noted, however, that any increase in costs would be dependent on a multitude of variables, and is difficult to estimate.

b) Efficacy of Treatment

Treatment of separate spray blocks that together total 20 acres is less likely to be successful in preventing defoliation than that of single larger blocks. The pesticides used in the suppression program degrade within a week allowing re-infestation of the treated area from surrounding infestations. Caterpillars can walk or disperse on the wind up to 200 feet within the boundaries of a sprayed block. This means that spray blocks smaller than 20 acres or those that are not compact can be completely re-infested and defoliated following treatment. Larger spray blocks may have some re-infestation and defoliation along edges but the interior of blocks larger than 20 acres is protected. The suppression program does not provide compensation if the spray application is a failure, though increasing the failure rate by allowing parcels of a size that is recognized as marginally effective may lead to a demand for compensation for failures.

c) Legality of Treatment

The Wisconsin Department of Agriculture, Trade and Consumer Protection has concerns that treating separate spray blocks that only together equal 20 acres is likely to lead to overspraying and pesticide drift issues. On very small blocks (1-5 acres) drift off the block is close to a certainty if treated from the air as it would be in the suppression program. There are legal requirements in Wisconsin that spray programs prevent overspraying onto non-participating property and avoid significant drift. DATCP may prohibit a program where overspraying is likely to occur.

Long-Range Fiscal Implications

The long-range fiscal implications are a continuation of those described above for the immediate impact.

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

| | | | |
|--|--|--|-----------------|
| LRB Number 03-0670/2 | | Introduction Number SB-5 | |
| Subject | | | |
| Suspension of portion of gypsy moth rules (JCRAR) | | | |
| 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 | | | |
| Local Assistance | | | |
| Aids to Individuals or Organizations | | | |
| TOTAL State Costs by Category | | \$ | \$ |
| B. State Costs by Source of Funds | | | |
| GPR | | | |
| FED | | | |
| PRO/PRS | | | |
| SEG/SEG-S | | | |
| 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 | | \$ | \$187,400 |
| NET CHANGE IN REVENUE | | \$ | \$-535,485 |
| Agency/Prepared By | | Authorized Signature | |
| | | | |
| | | Date | |

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2/7/2003