

Fiscal Estimate Narratives

DNR 5/13/2003

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|---|-----------|---------------------|--------|---------------|----------|
| LRB Number | 03-1310/2 | Introduction Number | AB-323 | Estimate Type | Original |
| Subject | | | | | |
| Various changes to laws regarding managed forest land | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

All costs figures are calculated using 2002 data unless otherwise stated. All state revenues are currently deposited in the Forestry Account of the Conservation Fund.

The increase of the MFL application fee to \$300: 4,000 new applications/year (a two-year average) times \$200/application (increase over current \$100 fee) will generate additional revenue of \$800,000/year. Very few MFL applicants submitted an approvable management plan with their application in 2003 (less than 60), thereby reducing the fee to only \$20. The bill authorizes these funds be used by the DNR for contracting with private consultant foresters to prepare MFL management plans. The current cost of \$700/management plan would allow the Department to contract for an additional 1140 management plans/year on approximately 95,000 acres of private land.

The development and implementation of a certified plan writer program: cost estimated at \$20,000 for start up (course development) through contracting of services with the UW. Afterwards, we assume that the contractors would pay registration fees to attend, which would cover most of the cost of the training.

Changing the due dates for applications would have no fiscal impact, it will only improve workload efficiency.

Increasing the allowable closed acreage to 160 acres: no discernible net fiscal impact; the number of applications may go down slightly due to increased size of individual applications (less landowners splitting ownership to get around 80 acre closure limit), thus less in application fees, but this may be offset by additional landowners who had not considered entering because of the limit of 80 acres closed (and did not want to split their ownership).

Modifying the acreage share payment to 5% of the statewide average tax for productive forest, swamp or waste land: little fiscal impact at this time, formula change not due to be implemented until January 2008. Based on current tax data (2001) it will be very close (within a few cents/acre) of what landowners are paying under the current formula.

If the average property taxes change significantly in the future, the new formula will reflect this change in the acreage share payment.

Modify the closed acre fee formula to 20% of the average statewide tax/acre on class 5 and 6 lands: effective in 2008, this will create estimated additional revenue of \$4 million in 2009 at current levels of closed acres. Over time this amount should increase as more lands enter the program. These funds are to be made available in a grant program for local governments, and others, to increase the amount of forestland open and available to the public for nature-based recreation. Creation of this public access grant program administrative rule and guidelines costs DNR staff time an estimated one time \$5,040 (120 hours of FTE time at \$42.00 in salary and benefits). Any annual grant operational time/costs are difficult to identify in advance of establishing grant rules, however, they will be realized by DNR real estate and grants programs starting in 2010.

Increasing the fee for ownership transfers by \$80: will increase State revenues by approximately \$104,000/year, based on the current numbers of MFL transfers (1300/year). This will help cover administrative costs to associated with transfers.

Implementation of a withdrawal fee of \$300: will increase State revenues by approximately \$80,000/year based on the current number of withdrawals (267/year). This will help cover administrative cost to the DNR associated with withdrawals.

Exempting a landowner from paying the 5% yield tax payment for harvests within the first five years of entering into the program: will decrease the number of destructive timber harvests occurring before entry into the law, and will decrease revenues to municipalities and counties. A high number of industrial forest land acres are currently converting from FCL to MFL. It is estimated that the loss of revenue from industrial lands because of this exemption will be \$75,000/year for the State and \$75,000/year split 80/20 between the municipalities and the counties. This change will have little impact after the first few years once all the conversions are complete.

Additionally, based on 2003 private non-industrial MFL entries and the scheduled number of harvests occurring within the first 5 years on these entries, another loss of revenue can be expected of \$62,000/year for the State and \$62,000/year split 80/20 between the municipalities and counties.

This Bill requires that 100% of the withdrawal taxes and yield taxes paid to the State by landowners be distributed by DNR to municipalities and counties. Based on 2001 data, this will result in a total decrease in revenues to the State of approximately \$863,000 (approximately \$450,000 in yield tax and \$413,000 in withdrawal tax) and an increase in revenues to municipalities and counties of \$863,000 annually.

Failure to pay personal property taxes on MFL lands: additional financial benefit will be gained by local government by withdrawing landowners from the program for failure to pay personal property taxes. A much greater percentage of personal property taxes will be paid on time. Townships will need to notify DNR of delinquent taxes, but they will then get the benefit of an increase in personal income taxes paid or an increase in withdrawal taxes paid to them. There is no way to estimate the dollar value of this benefit at this time.

The non-compliance assessment fee of \$250 per occurrence to be paid to the municipality by a landowner when they fail to complete a mandatory forestry practice as outlined in their plan within a specified time period: this fee will not create much revenues for the municipalities (estimated at 12/year for \$3,000), however, it will provide needed incentive to landowners to complete their practices on time. Since most of these practices involve harvesting the greater benefit to the local governments will be in increased timely yield tax payments.

Long-Range Fiscal Implications

The greatest impact will be on the increased revenues to municipalities and counties, doubling the revenues from yield taxes, collection of personal property taxes, non-compliance fees collection, availability of public access grant funds, and more equitable acreage share tax formula.

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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| LRB Number 03-1310/2 | | Introduction Number AB-323 | |
| Subject | | | |
| Various changes to laws regarding managed forest land | | | |
| I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): | | | |
| \$25,040 for development of rules and programs for certifying plan writers and establishing a public land grant program. | | | |
| 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 | | 984,000 | -1,000,000 |
| TOTAL State Revenues | | \$984,000 | \$-1,000,000 |
| NET ANNUALIZED FISCAL IMPACT | | | |
| | | State | Local |
| NET CHANGE IN COSTS | | \$ | \$ |
| NET CHANGE IN REVENUE | | \$-16,000 | \$732,000 |
| Agency/Prepared By | | Authorized Signature | Date |
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