



## Fiscal Estimate Narratives

DNR 4/28/2003

LRB Number	03-1465/1	Introduction Number	AB-303	Estimate Type	Original
<b>Subject</b>					
Requirements for acquisitions under stewardship program					

### Assumptions Used in Arriving at Fiscal Estimate

The bill requires that fair market value be based on a highest and best use statement provided by local zoning administrators and that appraisals for DNR stewardship grants or the Department's purchase of land utilize those statements. It also specifies that the value of other lands donated to grant recipients may not be used to calculate acquisition costs when determining grant awards. The bill requires DNR to provide assessment information to JCF on land purchases requiring Stewardship expenditure greater than \$250,000. If the purchase price is 4 times the assessed value and is approved by JCF then the taxation district must automatically do a reassessment. If the purchase price exceeds the assessed value by 5 times then the Department may not expend the Stewardship funds for the acquisition. The bill also requires that after June 30, 2004 the Payment in Lieu of Taxes will be based on the most recent assessment rather than the purchase price paid by the Department. The bill prohibits purchasing easements with a term greater than 30 years, any land that would land-lock adjoining property and any land purchases by the Department in counties where more the 50% of the county is in public ownership. The bill requires that all stewardship grants be approved by the Natural Resources Board and requires that the Department notify in writing each county, city, village or town in which the Department intends to buy land at least 30 days prior to the purchase.

The assumption that this bill will have a fiscal effect on the Department is based on the fact the Department would no longer have authority to purchase easements with a term greater than 30 years. This would disqualify the Department for cost-share assistance from federal programs such as the Farmland Protection Program, the Forest Legacy Program and the Land and Water Conservation Fund. The reduction in federal revenues to the Department is estimated at between \$3 and \$7.5 million annually. The range is based on the actual year to year range in revenues received from these programs.

The assumption that this bill will decrease state costs and decrease local government revenues is based on the provision that Payment In Lieu of Taxes (PILT) would be based on assessed value at the time of purchase rather than the purchase price. Assessed value is lower than the purchase price on many of the Department's purchases. This is especially true of water-front lands, agricultural lands and forest land. The actual fiscal impacts identified in this analysis are based on the fact that the Department's PILT payment increases approximately \$700,000 each year as a result of the previous years land acquisition activities. If the bill is implemented it is estimated that the Department's cost and local government revenues would both decrease by a range of 40%-60%. This is due to the difference between purchase price and assessed value at the time of purchase. The assumption is an estimate based on the Department's statewide land acquisition program. Individual transactions and individual local governments could be affected disproportionately to the rest of the state. For instance, in urbanizing areas there could be a significant difference between the assessed value and the market value of agricultural land. A 2002 study completed by the Department of Revenue indicates that the assessed value of agricultural land has been steadily declining since 1996 and the fair market value has been steadily increasing. The greater the difference between purchase price and assessed value, the greater the reduction in costs to the Department and revenues to the local governments.

### Long-Range Fiscal Implications

The long range implications are the state cost and local government revenues decreases would be compounded over time assuming that funding for land acquisition at the state level remained relatively steady from year to year.

## Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 03-1465/1		<b>Introduction Number</b> AB-303	
<b>Subject</b>			
Requirements for acquisitions under stewardship program			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
	State Operations - Salaries and Fringes	\$	
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		-350,000
	Aids to Individuals or Organizations		
	<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$-350,000</b>
<b>B. State Costs by Source of Funds</b>			
	GPR		-350,000
	FED		
	PRO/PRS		
	SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		-5,000,000
	PRO/PRS		
	SEG/SEG-S		
	<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-5,000,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$-350,000	\$
NET CHANGE IN REVENUE		\$-5,000,000	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DNR/ Joe Polasek (608) 266-2794		Joe Polasek (608) 266-2794	4/22/2003