

Fiscal Estimate Narratives

SHS 12/6/2007

LRB Number	07-1073/4	Introduction Number	SB-331	Estimate Type	Original
Description The regulation, preservation, and restoration of historic buildings; the supplement to the federal historic rehabilitation tax credit and the state historic rehabilitation tax credit; requiring the certification of downtowns; promoting certain downtown areas in this state; highway projects involving business and downtown areas; and granting rule-making authority; and making appropriations					

Assumptions Used in Arriving at Fiscal Estimate

Tax Credit Programs

In the last five years, our existing GPR-funded staff reviewed an average of 21 income-producing tax credit projects (eight over \$1 million and 13 under \$1 million) and 200 residential tax credit projects annually.

Income-Producing Tax Credit Projects

Based on the experience of Missouri and our experience following the enactment of the Wisconsin state tax credit program, we expect up to a tripling of our existing income-producing tax credit review workload. That would result in the review of about 42 new income-producing tax credit projects annually.

For income-producing projects over \$1 million, the bill provides for a \$20,000 fee to review each such project. The tripling of projects above \$1 million to 24 in total (i.e. 8 existing and 16 new) would generate \$480,000 of revenues (i.e. 24 x \$20,000). For income-producing projects below \$1 million, the bill provides for a two percent fee based on the qualified expenses (but not less than a \$300 fee) to review such projects. The average cost of projects now under \$1 million is \$206,000. The tripling of projects under \$1 million to 39 in total (i.e. 13 existing and 26 new) would, therefore, generate \$160,700 of revenues (i.e. 39 x \$206,000 x .02).

Based on our experience with existing projects, one project review requires (a) 80 hours of the time of a Historic Preservation Architect (at a salary cost of \$2,400), six hours of the time of a Historic Preservation Specialist (at a salary cost of \$110) and five hours of the time of a Operations Associate B (at a salary cost of \$72). That \$2,582 salary total plus fringes at the Society's rate of 57.1% (\$1,474) and the travel related to each project (\$500) results in a total cost to review each income-producing project of \$4,556 – rounded to \$4,600. That estimated cost is regardless of the size of the income-producing project.

Based on these assumptions, we would generate \$640,700 of total revenues related to income-producing tax credit projects. Because the bill provides for the transfer of 50% of the fees generated for income-producing projects to the Department of Commerce, we would net \$320,300 of revenues for income-producing projects. We would incur \$142,600 of costs to review the new income-producing tax credit projects (i.e. 42 x \$4,600).

Residential Tax Credit Projects

Based on the experience of Missouri and our experience following the enactment of the Wisconsin state tax credit program, we expect up to a tripling of our existing residential tax credit review workload. That would result in the review of about 400 new residential tax credit projects annually. For residential tax credit projects, the bill provides for a \$150 to review each such project. The tripling of residential tax credit projects to 600 would generate \$90,000 of revenues (i.e. 600 x \$150).

Based on our experience with existing projects, one project review requires (a) 10 hours of the time of a Historic Preservation Architect (at a salary cost of \$300), two hours of the time of a Historic Preservation Specialist (at a salary cost of \$37) and three hours of the time of a Operations Associate B (at a salary cost of \$43). That \$380 salary total plus fringes at the Society's rate of 57.1% (\$217) results in a total cost to review each residential project of \$597 – rounded to \$600.

Based on these assumptions, the Society would generate \$90,000 of total revenues related to residential tax credit projects. We would incur \$240,000 of costs to review the new residential tax credit projects (i.e.

400 x \$600).

Positions

Based on the above hours to review tax credit projects, the Society would need 7,360 of new hours of the time of Historic Preservation Architects (i.e. 42 projects x 80 hours or 3,360 hours for income-producing projects plus 400 projects x 10 hours or 4,000 hours for residential projects). That 7,360 hour total equates to 3.5 FTE Historic Preservation Architect positions. Based on the above hours to review tax credit projects, the Society would need 1,052 of new hours of the time of a Historic Preservation Specialist (i.e. 42 projects x six hours or 252 hours for income-producing projects plus 400 projects x two hours or 800 hours for residential projects). That 1,052 hour total equates to a 0.5 FTE Historic Preservation Specialist. Based on the above hours to review tax credit projects, the Society would need 1,410 of new hours of the time of an Office Associate B (i.e. 42 projects x five hours for income-producing projects plus 400 projects x three hours for residential projects). That 1,410 hour total equates to a 0.7 FTE Office Associate B position. The bill, however, only provides for a 1.00 FTE PRS Society position authorization but no dollar figure for income-producing tax credit projects.

Apart from the \$500 travel cost mentioned above to review each income-producing tax credit project, we estimate a need for a \$2,000 average cost to cover ongoing copying, telephone and other supplies and services costs annually for each new full or partial position or a total of \$12,000 (i.e. six individuals x \$2,000) and \$15,700 to cover ongoing overhead costs related to the new positions. In addition, we estimate a need for \$2,000 on a one-time basis to cover computer and office equipment for each new full or partial position or a total of \$12,000 (i.e. six individuals x \$2,000).

State Historic Building Code

The bill provides that the Department of Commerce must consult with the Society on several matters relating to the State Historic Building Code and to cooperate with the Society in the development of an informational pamphlet. The Society can meet those responsibilities with existing staff.

Survey of Rural Historic Buildings

The bill increases the Society's GPR (1)(a) appropriation by \$75,000 in each year of the biennium to enter into a contract to identify and document historic properties in rural areas of the state. The Society envisions that project as including the (1) identification of possible areas with concentrations of rural historic buildings, (2) identification of specific such buildings and (3) development of information about each building including its style and age and taking photographs of each one. Based on past limited efforts, the Society estimates that funding would allow for the survey work to be completed in three to four counties annually. [Such work has only been completed in three counties and sometime ago.]

Long-Range Fiscal Implications

The bill would necessitate continuing annualized non-salary and fringe costs for the survey of rural historic buildings (\$75,000), travel for the review of each income-producing tax credit project (\$21,000) and other supplies and services support for new full and partial positions (\$27,000) or a total of \$123,700 as well as the need of the PRS funding to cover any future approved salary and fringe benefit increases.

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): The Society estimates a need for \$2,000 on a one-time basis to cover computer and office equipment for each new full or partial position or a total of \$12,000 (i.e. six individuals x \$2,000).			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$361,600		\$
(FTE Position Changes)	(4.7 FTE)		
State Operations - Other Costs	123,700		
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$485,300		\$
B. State Costs by Source of Funds			
GPR	75,000		
FED			
PRO/PRS	410,300		
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	\$75,000		\$
GPR Earned			
FED			
PRO/PRS	410,300		
SEG/SEG-S			
TOTAL State Revenues	\$485,300		\$
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$485,300		\$
NET CHANGE IN REVENUE	\$485,300		\$
Agency/Prepared By		Authorized Signature	Date
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