

### Fiscal Estimate - 2007 Session

Original       Updated       Corrected       Supplemental

LRB Number <b>07-3709/2</b>	Introduction Number <b>SB-550</b>	
<b>Description</b> extensions of managed forest land orders		
<b>Fiscal Effect</b>		
<b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs      4. <input checked="" type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory		
<b>5. Types of Local Government Units Affected</b> <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.370(5(bz); 20.370(1)(mv)		
<b>Agency/Prepared By</b> DNR/ Joe Polasek (608) 266-2794	<b>Authorized Signature</b> Joe Polasek (608) 266-2794	<b>Date</b> 5/8/2008

## Fiscal Estimate Narratives

DNR 5/8/2008

LRB Number	07-3709/2	Introduction Number	SB-550	Estimate Type	Original
<b>Description</b> extensions of managed forest land orders					

### Assumptions Used in Arriving at Fiscal Estimate

SUMMARY OF BILL. SB 550 would allow landowners to receive a ten year extension on their existing MFL orders if they had a "catastrophic loss" on their MFL acreage within 15 years before the date of the expiration of the original order. Landowners would continue to receive the benefits of their existing tax rate during the period of the extension.

FISCAL IMPACT. The estimated state and local fiscal impact is based on the number of catastrophic loss claims submitted in the years 2000 through 2006 -- the years in which the Department's Forest Tax Section tracked catastrophic loss cutting reports separately from regular cutting reports. From the years 2000 through 2006, landowners made a total of 614 catastrophic loss claims. The number of catastrophic loss claims varied by year and ranged from a high of 171 in one year to a low of 50 in another. The claims made in each calendar year were separated by the year of entry to determine the number of MFL landowners who would be eligible for an extension under SB550. Of the 614 catastrophic loss claims submitted from 2000 through 2006, the Department selected a subset of 314 relating to orders entered in the ten-year period from 1987 through 1996 that would qualify for an exemption under the SB 550 criteria.

State Fiscal Effect.

MFL Application Fees. Under current law, the DNR collects \$20 from MFL landowners for each county in which their MFL land is located to cover the cost of recording orders of designation at the county register of deeds office. Extensions to an existing MFL order would also require recording of the extension with the Register of Deeds office, however, the Department lacks the authority under Ch. NR 46, Wis. Admin. Code, to collect the \$20 per county fee from landowners seeking an extension due to catastrophic loss. Therefore, the Department estimates that unless and until NR 46 was amended, it would incur non-reimbursed costs of approximately \$600 annually related to recording MFL extensions [(314 entries/10 years = 31 entries/year x \$20 = \$600)].

MFL Plan Preparation Fee. Under current law, the Department amends management plans at no charge for MFL entries for events other than new enrollments, such as plan amendments due to land ownership changes and new stand conditions, e.g., storm related events, invasive plant invasions, forest health issues, changing growth rates, etc. (The opportunity to prepare management plans for new enrollments is available to private sector foresters.) Because SB550 would extend existing MFL order periods, the Department assumes that it must – at no charge – amend existing plans rather than creating new plans for new MFL entries. The Department assumes that, on average, it would write 31 management plans annually (assuming 314 plans over a 10 year period) at an annual cost of approximately \$25,600 – assuming that each MFL plan takes an average 24 hours to prepare at a cost of \$34.45 per hour (31 plans x 24 hours x \$34.45/hr. = \$ 25,600).

Closed Acreage Fee Revenue. The Department estimates that the forestry account of the Conservation Fund will receive approximately \$22,200 less annually under SB550, assuming that MFL orders extended for 10 years would otherwise have been re-entered in the program at a higher closed acreage tax rate. MFL orders extended under SB550 will be taxed at the original closed acreage tax rate of \$0.90 per acre rather than the current \$6.67 closed acreage tax rate. The subset of 314 MFL entries referenced above encompasses 42,667 total acres (or 4,267 acres per year based on the ten-year span of the entries), approximately 90% of which is closed to public access. The loss in closed acreage fees would be \$5.77 (\$6.67 - \$0.90) per acre for a total of approximately \$22,200 (4,267 acres x \$5.77 per acre x 90% = \$22,200).

Computer Software Redesign. The Department estimates that it would incur one-time costs related to updating the computer data systems that are used to track MFL entries, including entry years. The Department estimates these costs will be \$34,000 (400 hours x \$85/hour for a computer contractor = \$34,000).

Costs to Update Literature, Applications, and Websites. The Department also assumes that it will incur one-time costs associated with updating all literature and websites associated with the MFL program. The Department estimates the costs associated with updating this information to be approximately \$2,500 (8000 applications x \$ 0.1356 per application = \$1100 and 40 hours x \$ 34.27 per hour = \$1,400).

#### Local Government Fiscal Effect

Loss of Acreage Share Revenue. The Department estimates that local municipalities would have an annual loss of approximately \$4,300 in acreage share payments, assuming the MFL landowners would have re-entered the parcels in the MFL program if not for the SB 550 related extension. Landowners with MFL orders entered before 2005 pay an acreage share tax of 67¢ per acre; landowners with MFL orders entered 2005 and later pay an acreage share tax of \$ 1.67 per acre. MFL extensions under SB 550 would be taxed at the lower rate. Local municipalities would receive approximately \$4,300 less in tax revenue under SB 550 based on the average annual acreage entry of the 314 entries referenced above (4,267 acres x \$1.00/acre = \$4,300).

#### **Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>07-3709/2</b>		Introduction Number <b>SB-550</b>	
<b>Description</b> extensions of managed forest land orders			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  Department of Natural Resources would have one time costs of \$36,500 in redesigning computer software programs, web sites and literature.			
<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	\$25,600		\$
(FTE Position Changes)			
State Operations - Other Costs	600		
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$26,200</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S	26,200		
<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			
PRO/PRS			
SEG/SEG-S			-22,200
<b>TOTAL State Revenues</b>	<b>\$</b>		<b>-\$22,200</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	State	Local	
NET CHANGE IN COSTS	\$26,200		\$
NET CHANGE IN REVENUE	\$-22,200		-\$4,300
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DNR/ Joe Polasek (608) 266-2794		Joe Polasek (608) 266-2794	5/8/2008