

Fiscal Estimate - 2009 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 09-1131/1	Introduction Number SB-296	
Description Extensions of managed forest land orders		
Fiscal Effect		
State: <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		
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input 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 checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
Fund Sources Affected Affected Ch. 20 Appropriations <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(1)mv; 20.370(1)cr		
Agency/Prepared By DNR/ Joe Polasek (608) 266-2794	Authorized Signature Joe Polasek (608) 266-2794	Date 10/30/2009

Fiscal Estimate Narratives

DNR 10/30/2009

LRB Number	09-1131/1	Introduction Number	SB-296	Estimate Type	Original
Description Extensions of managed forest land orders					

Assumptions Used in Arriving at Fiscal Estimate

The bill allows the owner of managed forest land (MFL) to apply to DNR for a 10-year extension of a MFL order if 30% or more of the merchantable timber on 5 or more contiguous acres has been adversely affected by fire, ice, snow, insects, disease, wind, or flooding.

Assumptions/Methodology

The estimated state and local fiscal impact of this bill is based on the number of catastrophic loss claims submitted in the years 2000-2008 -- 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 2008 landowners made a total of 681 catastrophic loss claims. Claims range from year to year, from a high of 171 to a low of 33. Of the 681 claims made from 2000 through 2008, the Department identified 357 claims that would qualify for the 10-year MFL extension under the bill.

State Fiscal Impacts

MFL Application Fees: Under current law, the Department collects \$20 for each MFL entry petition for each county the land is located. This includes landowners re-enrolling their lands at the end of their designation period. The fee revenue is used to compensate the Department for charges incurred as a result of recording each order of MFL entry at the local Register of Deeds office. Owners that qualify for the 10-year MFL extension under the bill will not have to pay the \$20 fee since they are extending an existing MFL entry rather than re-enrolling into the MFL program. Therefore, the Department estimates that the bill would reduce application fee revenue by approximately \$700 annually [357 entries/10 years = 35 entries/year; 35 entries/year x \$20 = \$700].

MFL Plan Preparation Fee: A management plan is required for MFL designation. For new MFL entries, private sector foresters are responsible for writing the management plan, while the Department is responsible for preparing amendments to existing plans, at no cost to the landowner. Since amendments will be required for those MFL entries that qualify for the 10-year extension, the Department will incur costs associated with preparing the corresponding amendments. The Department assumes that it will amend 35 management plans per year; therefore, the annual cost to the Department in preparing these plans is estimated to be \$28,938 [35 plans/year x 24 hours x \$34.45/hour salary and fringe = \$28,938].

Closed Acreage Fee Revenue: The Department estimates that the bill will reduce closed acreage fee revenues, which are deposited into the Forestry Account. For the first 10 years following passage of the bill, the amount of fee revenue that will be lost will climb; however, the full impact will not be realized until 10 years after passage of the bill and every year thereafter, when the revenue loss is estimated to be \$143,875 annually. It is assumed that only small private landowners will close lands to public access and that large landowners will continue to keep lands open. Therefore, the Department estimates that a total of 24,935 acres of lands would be subject to the closed acreage fee as a result of the MFL extension that would be permitted under the bill. Landowners who qualify for an extension will continue to pay the closed acreage fee of \$0.90/acre for MFL land entered before 2005 instead of the current rate of \$6.67/acre, for a net savings of \$5.77 per acre. Therefore, closed acreage fee revenues are estimated to be reduced by \$143,875 annually when the full fiscal effect of the bill is realized in 10 years (\$5.77/acre reduction in fees x 24,935 acres = \$143,875).

Costs to Update Literature, Applications, and Websites: The Department assumes that it will incur one-time costs for updating all literature and websites associated with the MFL program. The Department estimates the costs associated with updating this information to be \$2,500 [(8,000 applications x \$ 0.1356 per application = \$1,100) + (40 hours staff time x \$34.27/hour salary and fringe = \$1,400)].

Local Government Fiscal Impact

Loss of Acreage Share Revenue: The Department estimates that the bill will reduce acreage share tax revenues for local municipalities. For the first 10 years following passage of the bill, the amount of tax revenue that will be lost will climb; however, the full impact will not be realized until 10 years after passage of the bill and every year thereafter, when the tax revenue loss is estimated to be \$46,062 annually. Landowners with MFL orders entered before 2005 pay an acreage share tax of 67¢/acre; while landowners with MFL orders entered 2005 and later pay an acreage share tax of \$1.67/acre. Since the MFL extensions allowed under the bill would be taxed at the lower rate, local municipalities would receive approximately \$46,062 less in annual acreage share tax revenue [46,062 acres (including both small family ownerships and large ownerships, including industrial lands) x \$1.00/acre less in acreage share taxes = \$46,062] when the full fiscal effect of the bill is realized in 10 years.

Private Sector Impact

The Department estimates that small businesses (i.e. certified MFL plan writers) would incur a loss of potential clients and business if the bill is enacted. Landowners are required to hire a certified plan writer for MFL entry purposes; however, Department foresters are required to amend plans for MFL entries already enrolled in the MFL program. Landowners who extend their MFL order period by 10 years will already be enrolled in the MFL program; therefore, changes to their management plans will be executed through Department-prepared amendments as opposed to certified plan writers preparing new management plans. The Department estimates that certified plan writers would incur annual losses of \$33,992 in MFL plan preparation revenues as a result of the bill [(average of 35 plans per year x \$466/cost per plan) + (2,494 acres per year x \$7.09/per acre) = \$33,992.

Long-Range Fiscal Implications

The annual costs determined in this fiscal estimate were determined by projecting estimated actual costs for a period of 10 years from the date of the first extension and averaging the costs back on an annual basis. It is assumed that after 10 years of implementation the costs will remain constant.

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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LRB Number 09-1131/1		Introduction Number SB-296	
Description Extensions of managed forest land orders			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): Estimated one-time costs of \$2,500 to update literature and web sites.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$28,900	\$
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$28,900	\$
B. State Costs by Source of Funds			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S	28,900	
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		-144,600
	TOTAL State Revenues	\$	-\$144,600
NET ANNUALIZED FISCAL IMPACT			
		State	Local
	NET CHANGE IN COSTS	\$28,900	\$
	NET CHANGE IN REVENUE	-\$144,600	-\$46,100
Agency/Prepared By		Authorized Signature	Date
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