

Fiscal Estimate - 2011 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 11-3460/1	Introduction Number AB-0402	
Description Creating forest enterprise areas; the creation of a managed forest land board of review; review of certain decisions of the Department of Natural Resources regarding forestry practices on managed forest land; annual allowable timber harvests; management plans for large ownerships of managed forest land and for group enrollments; designation of additional managed forest land; leasing of managed forest land; the taxation of managed forest land; granting rule-making authority; requiring the exercise of rule-making authority; and making an appropriation		
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 checked="" type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input checked="" type="checkbox"/> Increase Costs 3. <input checked="" type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input checked="" 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 type="checkbox"/> Decrease Revenue <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input 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) (cw)		
Agency/Prepared By DOR/ Daniel Huegel (608) 266-5705	Authorized Signature Paul Ziegler (608) 266-5773	Date 12/5/2011

Fiscal Estimate Narratives

DOR 12/5/2011

LRB Number	11-3460/1	Introduction Number	AB-0402	Estimate Type	Original
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Assumptions Used in Arriving at Fiscal Estimate

This bill makes several changes and additions to the laws concerning the Managed Forest Land (MFL) program. Since most of the administrative functions related to the MFL program are handled by the Department of Natural Resources (DNR), the following parts of the bill are not discussed in this fiscal note: (1) the creation of a Managed Forest Land Review Board attached to the DNR, (2) the designation of forest enterprise areas and the payments by DNR to towns and counties with MFL land in these areas, (3) the review of MFL landowner forestry practices and landowner appeals regarding DNR decisions regarding those practices, (4) the contents of managed forest land management plans and the establishment of annual allowable timber harvests, (5) the leasing of MFL lands, and (6) the addition of land to existing MFL land parcels.

Land enrolled under the managed forest land (MFL) program is exempt from property taxes. In lieu of property taxes, MFL landowners are required to make certain annual payments to the municipalities where they have land enrolled under the program. The Department of Revenue (DOR) assists the DNR and local governments in the determination of and collection of these annual payments.

CURRENT LAW

An MFL landowner must make an annual "acreage share" payment to the municipality where the land is located. For MFL orders that took effect before April 28, 2004, the payment for 2009 to 2013 is \$0.67 per acre, equal to the original payment (\$0.74 per acre) multiplied by the ratio of the average statewide tax per acre on agricultural, agricultural forest, undeveloped, taxable forest land, and other land payable in 2007 divided by the corresponding average for 1986. For MFL orders that took effect on or after April 28, 2004, the payment for 2009 to 2013 is \$1.67 per acre, equal to the average equalized value per acre of taxable forest land in 2006 (\$1,927) times the net statewide tax rate for 2006/07 (17.2998 mills) times 5%. Acreage share payments are made by the owner to the municipality, which keeps 80% and shares 20% with the county. This payment is recalculated every 5 years, with the next recalculation due in 2012.

An MFL landowner must also pay an annual "closure fee" on land that is closed to public access. For MFL orders that took effect before April 28, 2004, the payment for 2009 to 2013 is \$0.90 per acre, equal to the original payment (\$1.00 per acre) multiplied by the same ratio used to adjust the acreage share payment. For MFL orders that took effect on or after April 28, 2004, the payment for 2009 to 2013 is \$6.67 per acre, equal to the average equalized value per acre of taxable forest land in 2006 (\$1,927) times the net statewide tax rate for 2006/07 (17.2998 mills) times 20%. This fee is also recalculated every 5 years, with the next recalculation due in 2012. All "closure fee" collections are remitted to the DNR for deposit in the state Conservation Fund.

PROPOSED LAW

The bill creates a third category of MFL landowners for purposes of calculating "acreage share" and "closure fee" payments for MFL orders that take effect on or after the effective date of the bill. The "acreage share" on such land will be set at the rate applied to land enrolled on or after April 28, 2004. The "closure fee" will be the greater of (a) the rate applied to land enrolled on or after April 28, 2004, or (b) 25% of the full value of the closed MFL land times the effective rate of taxation applicable to general property in the municipality where the MFL land is located.

The bill changes how "closure fees" are shared. Under the bill, it appears that the 20% of these fees are to

be paid to the DNR for deposit in the Conservation Fund, 48% are paid to the county, and 32% retained by the municipality.

The bill also specifies how counties may use their share of these "closure fees". If less than 40% of a county's total area consists of public access lands, at least five-sixths (83.33%) of the "closure fee" receipts must be used to acquire by purchase, lease, easement, or other agreement land that will be open to the public for hunting, fishing, hiking, sight-seeing, and cross-country skiing. If more than 40% of a county's total area consists of public access lands, at least five-sixths of the "closure fee" receipts must be used as described in the prior sentence or be used for activities to improve resource management activities such as forest growth and health, fish or wildlife habitat, or watershed protection.

FISCAL EFFECT

Based on data from the 2010/11 property tax rolls, about \$4,434,000 in "closure fees" were billed to MFL landowners in December 2010. Under current law, assuming that all of these fees are collected, the entire amount would be remitted to the DNR for deposit in the Conservation Fund. Under the bill, counties would have received about \$2,128,000, municipalities would have received about \$1,419,000, and the DNR would have received about \$886,800. Thus, if the bill had been in effect for the 2010/11 property tax year, the amount of the "closure fee" remitted to the DNR would have been about \$3,547,000 (\$4,434,000 - \$886,800) lower than under current law.

The DOR does not have information which would permit a reasonable estimate of the amount of land that will be enrolled under the MFL program if the bill is enacted and the amount of such land that may be closed to public access. The DOR is therefore unable to estimate the increase, compared to current law, in "closure fee" collections that the bill may engender.

The DOR does not have information which would permit it to estimate how counties would actually allocate their share of "closure fees" to the activities allowed under the bill.

ADMINISTRATIVE COSTS

The DOR, counties, and municipalities will incur one-time costs related to the creation of the third category of MFL landowners for "acreage share" and "closure fee" purposes. Because the calculation of the "closure fee" for this third category of MFL landowner will vary from year to year and from municipality to municipality, most of the expense will be related to this change. The DOR expects that its costs can be absorbed within current resources. While the DOR does not have information to estimate county and municipal costs, it is possible that these costs could be significant.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
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, ets.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		-3,547,000
TOTAL State Revenues	\$	\$-3,547,000
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-3,547,000	\$3,547,000
Agency/Prepared By	Authorized Signature	Date
DOR/ Daniel Huegel (608) 266-5705	Paul Ziegler (608) 266-5773	12/5/2011