Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2015 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 15-3256/1	Introduction Number SB-434

Description
Taxes on managed forest lands, eligibility for the managed forest land program, management plans for managed forest land, sale or transfer of managed forest land, productivity of managed forest land, closed managed forest land, forest production areas, natural heritage inventory, wildlife action plans, providing an exemption from emergency rule procedures, and granting rule-making authority

Fiscal Effect

State:
☐ No State Fiscal Effect
☐ Indeterminate
☐ Increase Existing Appropriations
☐ Decrease Existing Appropriations
☐ Create New Appropriations
☐ Increase Existing Revenues
☒ Decrease Existing Revenues
☒ Increase Costs - May be possible to absorb within agency's budget ☒ Yes ☐ No
☒ Decrease Costs

Local:
☐ No Local Government Costs
☐ Indeterminate
1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☒ Increase Revenue ☐ Permissive ☒ Mandatory
4. ☒ Decrease Revenue ☐ Permissive ☒ Mandatory
5. Types of Local Government Units Affected
☒ Towns ☒ Village ☒ Cities
☒ Counties ☐ Others
☐ School Districts ☐ WTCS Districts

Fund Sources Affected
☐ GPR ☐ FED ☐ PRO ☐ PRS ☒ SEG ☐ SEGS 20.370 (1)(mv)

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
DNR/ Joe Polasek (608) 266-2794	Joe Polasek (608) 266-2794	12/7/2015

Fiscal Estimate Narratives

DNR 12/7/2015

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Assumptions Used in Arriving at Fiscal Estimate

1. The proposed bill broadens the individuals who can submit a cutting notice that would not require DNR approval. This includes individuals with a 2- or 4-year degree who also have 5 years of experience preparing management plans or marking timber.
Under current law, no additional staff time is incurred by DNR because it obtains lists of accredited individuals from the identified groups. However, the provision included in the bill will create additional administration time in order to collect/request information from individuals regarding their education and work experience, and to determine what qualifies as work experience to determine if the 5 year requirement has been met. This would create an additional 1/4 FTE of time at an annual salary/fringe cost of $18,500.

2. The proposed bill requires DNR to notify the person who filed the cutting notice via certified mail or email of the approval or denial of a cutting notice no later than the end of the next business day of DNR's decision.
Currently the standard operating procedure is to mail the original cutting notice back to the landowner and submitter if different as indication of approval so that the landowner has the cutting notice to use for submittal of the cutting report after the harvest is completed.

Approximately 3,000 cutting notices are submitted annually. The use of certified mail would increase DNR administration and cost because it takes more time and money to send something certified than in regular first class mail.

For certified mail, the Department pays $ 6.735 plus first class postage. If DNR processes approximately 3,000 cutting notices per year, it translates to $20,200 in supplies costs plus an additional 1/4 FTE of time at an annual salary/fringe cost of $18,500.

3. The proposed bill requires that DNR may conduct activities related to the Natural Heritage Inventory (NHI) program on private property only with the permission of the landowner and further requires that the DNR shall not restrict an approved cutting notice based on NHI.

At this time it is difficult to estimate the fiscal impact for this provision.

4. The proposed bill eliminates the assessment of yield taxes (MFL) and severance taxes (Forest Crop Law) after timber harvesting occurs.
This provision has a negative fiscal effect on towns/counties. The payment of yield/severance taxes is considered a deferred property tax payment and these monies are returned to the towns/counties on an 80/20 split.

This provision would also reduce DNR administration because DNR would no longer need to develop yield/severance tax invoices and track payment of those invoices.

Based on a 5 year average, towns/counties would see an annual reduction of 1.5 million dollars. DNR staff time would be reduced by 1/2 FTE of time at an annual salary/fringe cost of $37,000, plus an additional reduction of $5,000 of operational costs.

5. The proposed bill eliminates buildings/improvements from being eligible to be enrolled in the MFL.

This provision removes all buildings and associated structures from being eligible to be on MFL land unless they are specifically allowed or needed for sound forestry practices.

Also, this provision should place more lands on the regular property tax rolls. DNR sampled the number of MFL Orders for the years 2008 through 2013 and found that 14% of all MFL Orders had cabins or another type of building or structure located on MFL lands. If building sites averaged between one (1) or more acres, over 280 acres annually would return to the regular property tax rolls during re-enrollment of MFL lands and be taxed as residential lands, thus increasing regular property taxes for local municipalities. The overall fiscal impact of this provision is considered to be indeterminate.

6. The proposed bill allows land to be added to an existing MFL order as an addition regardless of when the MFL order was enrolled; eliminating the withdrawal and re-designation process for 2004 and earlier orders.
This provision simplifies state law with regard to withdrawals and re-designations and creates efficiencies. The overall fiscal impact of this provision is considered to be indeterminate.

7. The proposed bill causes MFL to be treated as a contract between the state and the landowner(s). The provision allows for an owner to determine, if changes are made to the law, if they do not want to change their order/management plan the landowner can voluntarily withdraw without a withdrawal tax and fee.

While the full fiscal impact cannot be determined at this time this provision would increase administration by DNR because whenever the law changed, DNR would have to reach out to all landowners to affirm a landowner's desire to change their contract or voluntarily withdraw.

8. The proposed bill states that for applications to renew enrollment into the MFL program, a new management plan would not need to be developed (the existing management plan would satisfy the requirement) if the existing management plan meets certain conditions.
This provision still requires a landowner to hire a Certified Plan Writer (CPW) to develop the MFL renewal application, but removes the requirement for the CPW to develop a management plan (CPW would not have to do forest reconnaissance or develop a management schedule).

Although there would be a reduction in plan reviews, this appears to increase DNR administration by placing onus on the DNR Forester to be sure the plan is up-to-date when the renewal gets close and because the DNR Forester will need to schedule practices into the future for the renewal.

Currently between 45% and 50% of those landowners seeking enrollment into the program are re-enrollees (approximately 675 plans). 675 plans x 8 hours/plan = 5,400 hours or approximately 3.0 FTE of time (1,820 hrs./FTE). Annual salary/fringes costs associated with the 3.0 FTE are estimated at $222,000 ($74,000/FTE).

9. The proposed bill allows an owner of closed MFL land to permit individual(s) to access their closed MFL land to conduct recreational activities if the individual(s) perform land management activities on the land.

This provision provides a specific exemption to the current prohibition on leasing MFL lands. The provision considered to have a minor fiscal impact on the Department.

10. The proposed bill allows MFL landowners to sell/transfer any portion of their MFL order so long as the land transferred and the land remaining meet all of the MFL eligibility requirements.

Transfers that are not in accordance with state law one of the most common causes for withdrawal from MFL. This provision should reduce the number of such withdrawals allowing more land to remain in the MFL program. The administration time from DNR may not ultimately be affected because while there may be fewer enforcement cases, there will likely be more transfers of ownership to process thus potentially resulting in no net change.

11. The proposed bill allows MFL landowners to voluntarily withdraw from the MFL program when their lands no longer meet productivity requirements as the result of a natural disaster.

The provision indicates that if land is damaged by a natural disaster, the DNR shall establish a time period that the owner will have to restore the productivity. If unable to successfully complete the restoration the landowners can request the department to withdraw all or part of the lands without a withdrawal tax and fee.

This provision will reduce the amount of withdrawal taxes towns/counties receive if numerous "partial" voluntary withdrawals occur without the assessment of withdrawal taxes. The DNR cannot estimate this number at this time.

This may increase DNR administration because DNR Foresters will have to spend more time evaluating productivity to determine what portion of parcels are eligible for continued enrollment.

12. The proposed bill contains two similar provisions which allow landowners to voluntarily withdraw from the MFL program when their lands are unsuitable for producing merchantable timber.

These two provisions allow for "partial" voluntary withdrawals for lands unsuitable for producing merchantable timber (without a withdrawal tax and fee).

These two provisions will reduce the amount of withdrawal taxes towns/counties receive if numerous "partial" voluntary withdrawals occur without the assessment of withdrawal taxes. The DNR cannot estimate this number at this time.

13. The proposed bill allows MFL landowners to voluntarily withdraw one to five acres if the purpose of the withdrawal is for a land sale or construction.

This provision allows for voluntary withdrawals of 1-5 acres for land sales or the purposes of construction with the assessment of a withdrawal tax and fee. This can happen once during a 25 year order and twice during a 50 year order.

This provision will likely increase DNR administration because the number of voluntary withdrawals to be processed will likely increase. It is difficult to determine how many landowners will take advantage of this provision at this time.

14. The proposed bill creates a single withdrawal tax calculation to be used for all withdrawals regardless of the type of order and limits the withdrawal tax multiplier to a maximum of 10 years.

This provision will slightly reduce DNR administration and reduce the amount of withdrawal tax the towns/counties receive.

Using historical data, there would be an estimated reduction in withdrawal tax to towns/counties of $700,000, from $2.6 million to $1.9 million.

15. The proposed bill allows landowners to close as much acreage as desired to public recreation, with the exception of "business entities" that will be subject to a 160 acre closed acreage maximum.

This provision eliminates the closed acreage maximums for MFL landowners. The provision eliminates any reference to the 160 acre maximum for 2005 and later orders and the 80 acre maximum for 2004 and earlier orders except for those defined as a business entity.

Although it is not known how many landowners would take advantage of this provision it is assumed there would be an increase in closed acreage and therefore an increase in the amount of closed acreage fees to the towns/counties.

16. The proposed bill shifts the closed acreage fees from going to the forestry account to going to the local municipality and county on an 80/20 split.

This provision indicates that the municipal treasurer will not return all of the closed acreage fee to the department so that the monies can be credited to the conservation fund, but instead the municipal treasurer pays 20% of the closed acreage fees received to the county treasurer and deposits the remaining 80% in the municipal treasury.

From a statewide perspective this would be a positive fiscal impact for the towns/counties because they would be receiving additional tax revenue. However, when coupled with the provision eliminating yield and severance tax (see item #4 above), depending on the open/closed ratio, some municipalities will lose revenue.

Also, this provision will reduce revenues deposited into the forestry account. In FY15 there were approximately $8.6 million dollars of closed acreage fees.

17. The proposed bill changes the minimum acreage for enrollment into the MFL program from 10 to 20 acres.

This provision would increase the minimum parcel size to 20 acres and allow a one-time renewal for those parcels between 10 and 20 acres.

Although potentially not for several years due to the one time renewal provision, lands not re-enrolled will be placed back on the regular property tax roll resulting in a net increase in annual municipal property taxes of approximately $120,000.

This could create an administrative inefficiency by having to keep track of two acreage requirements for a significant time into the future. Costs are considered to be indeterminate.

18. The proposed bill contains a provision which provides the DNR with emergency rule making authority for a specific provision within the bill.

This provision would create an additional 1/4 FTE of DNR staff time at an annual salary/fringe cost of $18,500.

19. In addition to the MFL-related provisions within this proposed bill, there are two non-MFL provisions, one related to the Wildlife Action Plan and one related to state forest master plans.

The provision relating to the Wildlife Action Plan indicates this plan cannot require action by property owners or the department and that the DNR may not require the plan be used as guidance on official DNR forms. No fiscal impact.

The provision relating to state forest master plans require the DNR shall propose a variance to the master plan of all northern state forests except for Governor Knowles and the southern forests before March 1, 2017 so that 75 percent of the land is classified as forest production area.

This provision would create an additional 3/4 FTE of DNR staff time at an annual salary/fringe cost of $55,500.

20. The proposed legislation will require changes and upgrades to our IT systems that help us manage and administer the program.

Additional one-time IT development and programming costs are estimated to be 3,000 hours, or $225,000.

Long-Range Fiscal Implications

As more MFL acreage is enrolled as closed, the associated fee revenues to local units of government will increase.

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Fiscal Estimate Worksheet - 2015 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):

One-time IT development and programming costs of $225,000

II. Annualized Costs:	**Annualized Fiscal Impact on funds from:**	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	$333,000	$-37,000
(FTE Position Changes)	(4.5 FTE)	(-0.5 FTE)
State Operations - Other Costs	20,200	-5,000
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	**$353,200**	**$-42,000**
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S	353,200	-42,000

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 (Forestry)		-8,600,000
TOTAL State Revenues	**$**	**$-8,600,000**

NET ANNUALIZED FISCAL IMPACT

	State	Local
NET CHANGE IN COSTS	$311,200	$
NET CHANGE IN REVENUE	$-8,600,000	$6,520,000

Agency/Prepared By	**Authorized Signature**	**Date**
DNR/ Joe Polasek (608) 266-2794	Joe Polasek (608) 266-2794	12/7/2015