

Fiscal Estimate - 2017 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 17-5425/1	Introduction Number SB-803
Description eligibility for managed forest land program	
Fiscal Effect	
State:	
<input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate	
<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs
Local:	
<input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate	
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
5. Types of Local Government Units Affected <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	
Fund Sources Affected	
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	
Affected Ch. 20 Appropriations	
Agency/Prepared By	Authorized Signature
DNR/ Joe Polasek (608) 266-2794	Joe Polasek (608) 266-2794
Date	
2/19/2018	

Fiscal Estimate Narratives

DNR 2/19/2018

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Assumptions Used in Arriving at Fiscal Estimate

Since the Division of Forestry is not currently required to collect information from landowners regarding the location of their primary residence, the department has no historical data to determine the fiscal impact this legislation would have. It is likely that existing and potential enrollments would become ineligible for renewal or enrollment, respectively, and therefore would return or remain on the regular property tax roll, increasing and maintaining regular property tax revenue for municipalities and counties. It is also possible there will be an increase in land withdrawn from the program for subsequently no longer meeting the eligibility requirements after being entered and this would result to additional monies in the form of withdrawal tax to the municipality and county and potentially an increase in DNR staff enforcement effort.

The estimated state cost of ensuring future potential and actual owners of land designated as managed forest land have a principal dwelling or principal place of business located in this state is indeterminate, centered around the following unknowns:

1. Section 1 definition of "principal dwelling." The department interprets this definition to mean that an annual statement/certification of the location of the landowner(s)'s primary residence is required when considering land for entry into the MFL program and for each year that the land remains enrolled since the property tax exemption occurs each year. It is also possible that this definition could only require certification of primary residence location at the time of application for entry because of use of the phrase "the year" instead of "each year."

a. Based on department interpretation, annual mailings would be required since landowners would need to confirm/certify each year they have a primary residence located in Wisconsin. The average number of new order numbers in MFL over the last 10 years is approximately 1,600 per year, including both new entries and renewals (this does not include additions which may also trigger this requirement - see section 2 below). MFL orders can have multiple landowners and DNR interprets the draft language of these provisions to require a statement/certification regarding primary residence location from each landowner. Therefore, if a single mailing was used, the Department would expect to incur the costs of mailing over 1,600 letters in the first year, over 3,200 letters in the second year, etc.

b. In addition to costs associated with creating, printing, mailing and tracking responses to the letters, there would be an anticipated annual cost of enforcing against those landowners that did not comply with the request to certify their primary residence location. The next steps would be additional enforcement letters, a required notice of investigation sent by certified mail, and, potentially, withdrawal from the MFL program with assessment of a withdrawal tax and fee. The withdrawal tax would be collected by the municipality who would distribute 20% to the county. The DNR would retain the withdrawal fee.

c. In summary, the financial costs to the department depends primarily on mailing costs and amount of staff time needed for administration, follow up, and enforcement of the proposed new provisions.

2. Section 5 initial applicability. This provision makes it clear that new land designated for MFL enrollment after the effective date would be subject to the new provisions. It is less clear how these proposed new provisions should be applied to renewals, additions, and transfers. For the purpose of this estimate only, DNR would interpret this provision to apply to all new entries, renewals, and additions occurring after the effective date. The Department would not interpret this provision to apply to MFL transfers of orders entered before the effective date because there is not a new "designation", rather an existing MFL order is being assigned to a new landowner. The Department is uncertain whether this interpretation matches the intent of the drafters.

a. If the intent is that these provisions would not apply to some of the activities listed above, the fiscal impact would be lower. If the intent is that these provisions apply to more activities (i.e., that the provisions

also apply to transfers and additions to MFL land entered before the effective date), then the fiscal impact would be more significant. If these provisions apply to transfers and additions of existing entries; and if this bill is subject to 77.82(11) Wis. statutes; then SB 803 enacted would require DNR to obtain the acceptance of enrollees to this modification to their MFL contract consistent with the provisions of the bill or provide them a voluntary withdrawal of their land without penalty. Since there are currently 51,969 enrollments, the department estimates a one-time cost of \$27,868 in printing and postage costs, and an indeterminate estimate of withdrawal penalties and associated costs.

Long-Range Fiscal Implications