

Fiscal Estimate - 2019 Session

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

LRB Number 19-4937/1	Introduction Number AB-0974	
Description creating a Great Lakes erosion control revolving loan program, providing an exemption from emergency rule procedures, granting rule-making authority, and making an appropriation		
Fiscal Effect State: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Create New Appropriations </div> <div style="width: 33%;"> <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues </div> <div style="width: 33%;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <div style="display: flex; justify-content: space-around;"> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No </div> <input type="checkbox"/> Decrease Costs </div> </div> Local: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No Local Government Costs <input 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 </div> <div style="width: 33%;"> 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 </div> <div style="width: 33%;"> 5. Types of Local Government Units Affected <div style="display: flex; justify-content: space-between;"> <div> <input type="checkbox"/> Towns <input type="checkbox"/> Counties <input type="checkbox"/> School Districts </div> <div> <input type="checkbox"/> Village <input type="checkbox"/> Others <input type="checkbox"/> WTCS Districts </div> <div> <input type="checkbox"/> Cities <div style="border-bottom: 1px solid black; width: 50px; text-align: center;">0</div> </div> </div> </div> </div>		
<div style="display: flex; justify-content: space-between;"> <div> Fund Sources Affected <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 (9)(pq) </div> <div> Affected Ch. 20 Appropriations </div> </div>		
Agency/Prepared By DNR/ Paul Neumann (608) 266-0818	Authorized Signature Paul Neumann (608) 266-0818	Date 3/12/2020

Fiscal Estimate Narratives

DNR 3/12/2020

LRB Number	19-4937/1	Introduction Number	AB-0974	Estimate Type	Original
Description creating a Great Lakes erosion control revolving loan program, providing an exemption from emergency rule procedures, granting rule-making authority, and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

The bill establishes a new revolving loan program to assist municipalities and homeowners where the structural integrity of municipal buildings or homes are threatened by shoreline erosion on Lake Michigan or Lake Superior. The bill appropriates \$5,000,000 of one-time funding to DNR for this purpose and provides 0.5 FTE to administer the program. The bill requires DNR to promulgate rules to administer the program, including eligibility requirements and income limitations, and authorizes DNR to promulgate emergency rules for the period before permanent rules take effect.

A. Assumptions

The Department does not currently provide financial assistance (loans or grants) for this purpose, however, existing revolving loan programs for municipal wastewater and drinking water infrastructure improvements may be used as models for establishing a new loan program.

B. One-Time Costs

One-time workload increases to develop a new program are as follows:

1. Complete the rule promulgation process--for both emergency and permanent rules;
2. Develop loan application form and processes;
3. Develop guidance materials;
4. Develop forms for reporting and requesting disbursement payments;
5. Establish a process for awarding this specific type of financial assistance;
6. Establish a financial system to manage the funds, process repayments, etc. (DOA Capital Finance manages this work for the existing DNR loan programs).
7. Prepare outreach materials for the DNR website and other relevant platforms.

A total one-time workload increase of approximately 1,500 hours is estimated. With an average salary and fringe cost of \$48/hr, one-time costs are estimated to be \$72,000 (1,500 x \$48).

C. Ongoing Costs

Ongoing tasks to administer the program are as follows:

1. Assistance to applicants;
2. Application and plan review;
3. Award allocations;
4. Review of required loan documentation;
5. Processing financial assistance agreements;
6. Construction oversight;
7. Expense eligibility review;
8. Fund disbursement;
9. Loan closeout procedures.

The recurring workload is dependent on a number of factors, most notably the volume of applications received on an annual basis. Some of the technical tasks and reviews will need to be conducted by expert staff in other DNR

programs, while some of the financial tasks will need to be conducted by DNR Finance or DOA Capital Finance.

It is estimated that an appropriation of \$5,000,000 could fund 12 - 13 projects per year, possibly more if smaller projects are funded. A 1.0 FTE DNR project manager for the existing loan programs at DNR will typically manage 8 - 10 loan funded projects with municipalities per year due to the complexity of loan funding and the size of the projects.

Though the bill increases DNR's position authority by 0.5 FTE, it is expected that the workload to manage the tasks listed above would exceed this staffing level. Therefore, it is anticipated that the bill would require 1.5 FTE to manage the new program, at an annualized cost of \$150,000 ($\$48 \times 2,080 \text{ hrs.} \times 1.5 \text{ FTE}$). Of that amount, 0.5 FTE and \$50,000 would be funded out of the \$5,000,000 appropriated in the bill, while the other 1.0 FTE and \$100,000 would be reallocated from existing budgetary resources.

As proposed in the bill, loans would also be available to private homeowners. Loans to homeowners would entail different procedural requirements than those to municipalities, including reviews of a citizen's financial creditworthiness to ensure the loan repayments can be made. The time and cost to develop a loan program to homeowners is indeterminate. DNR does not currently have the expertise or systems to process loans with private citizens.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

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Description creating a Great Lakes erosion control revolving loan program, providing an exemption from emergency rule procedures, granting rule-making authority, and making an appropriation	
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): An estimated \$72,000 of one-time costs for the promulgation of emergency and permanent rules, and to develop a new program.	
II. Annualized Costs:	Annualized Fiscal Impact on funds from:
	Increased Costs Decreased Costs
A. State Costs by Category	
State Operations - Salaries and Fringes	\$150,000
(FTE Position Changes)	(1.5 FTE)
State Operations - Other Costs	
Local Assistance	4,950,000
Aids to Individuals or Organizations	
TOTAL State Costs by Category	\$5,100,000
B. State Costs by Source of Funds	
GPR	
FED	
PRO/PRS	
SEG/SEG-S	5,100,000
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	
TOTAL State Revenues	\$
NET ANNUALIZED FISCAL IMPACT	
	<u>State</u> <u>Local</u>
NET CHANGE IN COSTS	\$5,100,000
NET CHANGE IN REVENUE	\$

Agency/Prepared By	Authorized Signature	Date
DNR/ Paul Neumann (608) 266-0818	Paul Neumann (608) 266-0818	3/12/2020