

### Fiscal Estimate - 2019 Session

Original
  Updated
  Corrected
  Supplemental

<b>LRB Number</b> <b>19-4749/1</b>	<b>Introduction Number</b> <b>SB-575</b>
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**Description**  
 farmland preservation implementation grants, agreements, and tax credits and making an appropriation

**Fiscal Effect**

**State:**

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Indeterminate	<input checked="" 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 checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Decrease Costs
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**Local:**

<input checked="" 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 type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Towns	<input type="checkbox"/> Counties	<input type="checkbox"/> School Districts	<input type="checkbox"/> Village	<input type="checkbox"/> Others	<input type="checkbox"/> WTCS Districts	<input type="checkbox"/> Cities
		2. <input type="checkbox"/> Decrease Costs	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input type="checkbox"/> Decrease Revenue	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory						

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.835(2)(do)	

<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DOR/ Bradley Caruth (608) 261-8984	Michael Oakleaf (608) 261-5173	12/9/2019

## Fiscal Estimate Narratives

DOR 12/9/2019

LRB Number	19-4749/1	Introduction Number	SB-575	Estimate Type	Original
<b>Description</b> farmland preservation implementation grants, agreements, and tax credits and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, the farmland preservation credit is available for owners of farmland that is located in a farmland preservation zoning district or covered under a farmland preservation agreement with the state.

- If the farmland IS located in farmland preservation zoning district AND subject to a farmland preservation agreement, the credit is equal to \$10.00 per qualifying acre of farmland.
- If the farmland IS located in farmland preservation zoning district, BUT NOT subject to a farmland preservation agreement, the credit is equal to \$7.50 per qualifying acre of farmland.
- If the farmland IS NOT located in farmland preservation zoning district, but IS subject to a farmland preservation agreement, the credit is equal to \$5.00 per qualifying acre of farmland.

This bill increases the credit rates per acre beginning in 2020 and indexes them for inflation beginning in 2021. The \$10.00 credit rate is increased to \$12.50 per acre, while the other two credit rates are increased to \$10.00 per acre. The bill also adds a new category of farmland that qualifies for a credit of \$10.00 per acre. The new category of farmland is located in a farmland preservation area and covered by an agricultural conservation easement. An analysis by DATCP indicates that this new category is not expected to significantly increase the number of acres eligible for a farmland preservation credit.

The biennial budget (2019 Wisconsin Act 9) provided an estimated funding level of \$17.6 million for the farmland preservation credit in FY21. Based on farmland preservation credit claims for tax year 2016, about 8.4% of claims were for the \$10/acre credit, 89.6% of claims were for the \$7.5/acre credit, and 2.0% were for the \$5/acre credit. At the FY21 funding level, this suggests an allocation of approximately \$1.48 million for the \$10/acre credit, \$15.77 million for the \$7.5/acre credit, and \$0.35 million for the \$5/acre credit. If those credit rates increase to \$12.5/acre, \$10/acre, and \$10/acre, respectively, the new amounts would be \$1.85 million, \$21.03 million, and \$0.70 million respectively (current law credit x new rate / old rate). This reflects an overall increase in the credit of approximately \$6.0 million in FY21.

The bill indexes the credit rates using the prices paid by farmers, as determined by the National Agricultural Statistics Service. If the adjustment would be negative, no adjustment is made for that year. That index is currently below its 2014 peak, so no indexing adjustments would have been made from 2014 to 2019 if indexing had been effective during that period. Year over year changes from August 2010 to August 2019 have ranged from -4.7% to +12.9%.

A forecast for the prices paid by farmers for 2021 is not available, but based on a forecast for the consumer price index (CPI) the 2021 CPI will be about 2.23% above the 2020 CPI. Indexing the credit at that level would increase the credit by approximately \$530,000 in FY22, accumulating over time (2.23% x (\$17.6M + \$6.0M)).

As the number of acres subject to farmland preservation agreements and the number of acres located within a farmland preservation zone change over time, the impact of the change in credit rates will also change over time.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Description</b> farmland preservation implementation grants, agreements, and tax credits and making an appropriation			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
	State Operations - Salaries and Fringes	\$	\$
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$See Text	\$
NET CHANGE IN REVENUE		\$	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	
DOR/ Bradley Caruth (608) 261-8984		Michael Oakleaf (608) 261-5173	
		<b>Date</b>	
		12/9/2019	