

Fiscal Estimate — 2009 Session

- Original Updated
 Corrected Supplemental

LRB Number	Amendment Number if Applicable
Bill Number	Administrative Rule Number FR-09-09

Subject

Proposed revisions to Subch. III Ch. NR46, including revision to stumpage rates in NR 46.30 (2), and procedure changes in NR 46.15(5) and NR 46.18(5).

Fiscal Effect

- State: No State Fiscal Effect
 Indeterminate

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

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 Revenues
 Permissive Mandatory
 4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:

- Towns Villages Cities
 Counties Others
 School Districts WTCS Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Chapter 20 Appropriations

20.370(1)(cr)

Assumptions Used in Arriving at Fiscal Estimate

This proposed rule change addresses the annual stumpage rate changes used in the calculation of severance and yield tax collections under Forest Cop Law (FCL) and Managed Forest Law (MFL) when timber is harvested from the private lands enrolled in the programs.

There is an undetermined impact in revenues to local municipalities. Timber prices have been variable from 2007 through 2008. The average statewide prices for sawlogs have increased 3%, with a range of a 21% increase to a 15% decrease. The average statewide prices for cords have increased 1%, with a range of a 10% increase to a 7% decrease. Prices for mixed products (mixture of sawlogs and cords for red pine, white pine and spruce) have dropped 12%, with a range of a 14% increase and a 31% decrease. Piece products (posts and poles) had a 12% increase in prices, with some market zones having an increase in prices of 96%. The increase in piece prices appears to be due to the additional reporting of piece products more than fluctuations in the markets. Only 12 of the available 143 piece product values were reported in the past year. This reporting is more than past years' reporting, so it is possible that piece products may be undervalued in some market zones.

While the statewide averages increased slightly, there are fluctuations between market zones and individual prices. Of all total 624 prices calculated, 173 (28%) increased, 188 (30%) decreased and 263 (42%) stayed the same.

The severance and yield tax collected in CY 2008 was \$1,734,479. This value is 17% lower than it was in CY 2006. Timber harvest volumes are down since CY 2007 by the following amounts:

Cordwood	Down 11%
Fuelwood	Down 5%
Sawlogs	Down 11%
Mixed Product	Up 510%
Piece Products	Down 43%
Christmas Trees	Down 16%

Long-Range Fiscal Implications

None.

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	266-2794	2/16/2009

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Page 2 Assumptions Narrative Continued

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Assumptions Used in Arriving at Fiscal Estimate – Continued:

Reporting of mixed products increased most likely due to the awareness that private landowners may sell red pine, white pine and white spruce in this fashion. Based on the very small statewide increase in timber prices an estimated \$3,090.00 will be collected for municipalities.

Estimates are based on the average change in rates for private land timber sales across species and zone for each product type (cordwood, sawtimber and mixed), the volumes reported and paid for in CY 2008, and the assumption that the volume and the ratio of the cordwood and sawtimber will remain the same. Actual impact for a county and municipality will vary by the number of harvests completed and the actual species and products cut.

Other requested changes in NR 46 will streamline the implementation of the MFL program. Requests to enter lands based on municipal lines except for when lands must be combined with other lands in adjacent municipalities will have no impact on local or state finances.

Requests to change the plan completion dates will have no financial impact on local or state finances.

Fiscal Estimate Worksheet — 2007 Session

Detailed Estimate of Annual Fiscal Effect

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Proposed revisions to Subch. III Ch. NR46, including revision to stumpage rates in NR 46.30 (2).

One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):
 None.

Annualized Costs:	Annualized Fiscal Impact on State Funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations — Salaries and Fringes	\$	\$ -
(FTE Position Changes)	(FTE)	(FTE)
State Operations — Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
Total State Costs by Category	\$	\$ -
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$	\$ -
FED		-
PRO/PRS		-
SEG/SEG-S		-
State Revenues	Increased Revenue	Decreased Revenue
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	\$ 0	\$ 0
Net Change in Revenues	\$ 0	\$ 0

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