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May 31, 2017 Joint Committee on Finance Paper #465

Sunset State Forestry Mill Tax (Natural Resources -- Forestry, Parks and Recreation and Shared Revenue and Tax Relief -- Property Taxation)

[LFB 2017-19 Budget Summary: Page 324, #1 and Page 417, #1]

CURRENT LAW

Article 8 §10 (3) of the Wisconsin Constitution authorizes a state forestry tax of up to 0.2 mill, equal to 20¢ per $1,000 of property value, for the purpose of acquiring, preserving, and developing the forests of the state. Between 1937 and 2004 (collected in 2005), §70.58 of the statutes set the mill tax at 20¢ per $1,000; however, 2005 Act 25 limited the annual growth in the tax to 2.6% for each of the next three years. The forestry mill tax is currently 16.97¢ per $1,000 of value for tax years 2007(08) and thereafter.

The forestry mill tax generated approximately $83 million, or 75% of the approximately $111 million in revenues to the forestry account of the segregated conservation fund for fiscal year 2015-16. The remaining $28 million in revenues included: (a) the sale of timber on state forest lands; (b) the sale of stock from the state's tree nurseries; (c) camping and entrance fees at state forests; (d) severance and certain withdrawal payments from timber harvests on cooperatively managed county forests and on privately owned land entered under the forest tax law programs; and (e) a portion of the revenue from the sale of conservation patron licenses to reflect the fact that license holders are granted admission to state forests at no additional charge as part of the license.

GOVERNOR

Sunset the forestry mill tax, or "forestation state tax," effective with the January 1, 2017, property tax assessments (property taxes levied in 2017, for payment in 2018). Specify that, beginning in fiscal year 2017-18, and annually each year thereafter, an amount equal to 0.1697 mill for each dollar of the assessed valuation of the property in the state be transferred from the general fund to the conservation fund for the purpose of acquiring, preserving and developing the forests of the state and for other specified forestry purposes. Create a sum-sufficient general purpose revenue (GPR) appropriation for the transfer and specify that the transfer amounts may be paid at intervals during each fiscal year as deemed necessary by the Secretary of the Department of Administration (DOA). The bill estimates the transfer amount at $88,759,300 in fiscal year 2017-18 and $91,695,600 in fiscal year 2018-19.

For tax bills issued in 2017, require the Department of Revenue (DOR) to prescribe a form for property tax bills that indicates the state no longer imposes the tax, and require the form to indicate the amount of state forestry mill tax paid by the taxpayer in the previous year. The bill would also remove references to the tax under other sections of the statutes including accrued tax receipts, revenues to the conservation fund, Kickapoo Valley Reserve aids in lieu of taxes, and errors in DOR assessment of counties and taxation districts.

DISCUSSION POINTS

This paper addresses two issues relative to the Governor's proposal -- the proposal's effect on the forestry account and the state general fund and the proposal's impact on property taxes.

Forestry Account and General Fund Effect

1. As noted, Article 8 § 10 (3) of the Wisconsin Constitution authorizes the forestry mill tax at a rate of up to 0.2 mill. The amendment to the Constitution authorizing the tax was first put forth in response to "the cutover," a period of intense timber harvesting in Wisconsin from the late 1860s through the beginning of the 20th century. According to a Department of Natural Resources (DNR) report entitled "Wisconsin Forests at the Millennium":

> In 1898, the federal government conducted and published a survey of Wisconsin's northern forests. By this time, a first wave of cutting was well underway, and a second beginning. In the survey's introduction, B.E. Fernow estimates the 1850s pine (red and white pine) volume at 130 billion board feet [volume of a one-foot length of a board one foot wide and one inch thick]. By 1898, all but 18 billion had been removed, and cutting was continuing at a rate of 2 billion board feet per year.

The report further notes that "by the 1930s, most of the valuable timber in the northern area of the state had been removed or destroyed by fire." The amendment was properly adopted in 1924, and in 1931, the current statutory section regarding the tax, section 70.58, was created. The report also notes that the Northern Highland State Forest was the first state forest created under the new amendment, and the Forest Crop Law (FCL), a precursor to the managed forest law (MFL) program, was passed in 1927. Additionally, the first national forest land in Wisconsin was purchased in 1928, which created what is now the Chequamegon-Nicolet National Forest.

2. After the cutover era, Wisconsin's forests underwent a significant recovery. Total Wisconsin forest land is now approximately 17 million acres (49% of state land area), and the forestry and wood products industries are generally considered among the most significant in Wisconsin. For example, Wisconsin is the number one paper-producing state in the U.S.

3. The forestry mill tax currently provides a dedicated funding source for, and makes up the majority of revenue to, the forestry account of the conservation fund. As noted in LFB Paper 466, under the bill, forestry account revenues would support approximately 617 full-time equivalent staff positions in 2018-19 to fund a variety of activities. This includes approximately 602 DNR staff and the following programs: (a) the operations of 23 state forests; (b) tree nursery operations; (c) prevention, detection, and suppression of forest fires; (d) forest health and productivity, including administration of the MFL program and assistance to county forest administrators; (e) grants, loans, and payments to certain towns and private forest owners; (f) repayment of a portion of stewardship program debt; and (g) a portion of DNR administrative costs. In addition, the forestry account supports approximately 15 staff and certain costs of various other state agencies, including forest pest control by the Department of Agriculture, Trade and Consumer Protection (DATCP) and land management operations of the Kickapoo Reserve Management Board and the Lower Wisconsin State Riverway Board. Expenditures from the forestry account totaled $103.8 million in 2015-16.

4. Also, as noted in LFB Paper 466, under the bill, the forestry account would be expected to have an available balance of approximately $25 million on June 30, 2019. Anticipated revenues ($118.4 million) are expected to exceed authorized ongoing expenditures ($110.9 million) by $7.5 million in fiscal year 2018-19.

5. Instead of forestry mill tax revenues, the bill would create a sum-sufficient GPR appropriation and specify that an amount of GPR equal to the amount that would have been provided under the forestry mill tax (at the rate of .1697 mill) be transferred to the conservation fund annually. Table 1 shows mill tax revenues to the forestry account from fiscal year 1999-00 through an estimate of the amount expected to be transferred from GPR for fiscal year 2018-19. Assuming the revenues shown in the 2017-19 biennium are realized, forestry account revenues from the mill tax/GPR transfer formula would increase an average of about 3.0% annually over the period shown.

TABLE 1

Forestry Mill Tax Revenues Fiscal Year 1999-00 through 2018-19

Fiscal Year	Mill Rate Basis (per $1,000 of value)	Revenue	Percent Change from Prior Year
1999-00	0.2	$53,312,600	---
2000-01	0.2	57,308,700	7.5%
2001-02	0.2	62,506,200	9.1
2002-03	0.2	67,084,600	7.3
2003-04	0.2	72,168,100	7.6
2004-05	0.2	78,264,200	8.4
2005-06	0.1876	80,284,400	2.6
2006-07	0.1756	82,423,900	2.7
2007-08	0.1697	84,529,300	2.6
2008-09	0.1697	87,364,200	3.4
2009-10	0.1697	86,895,400	-0.5
2010-11	0.1697	84,234,700	-3.1
2011-12	0.1697	82,655,000	-1.9
2012-13	0.1697	80,037,400	-3.2
2013-14	0.1697	79,399,800	-0.8
2014-15	0.1697	81,350,400	2.5
2015-16	0.1697	83,306,000	2.4
2016-17	0.1697	85,722,700	2.9
2017-18	0.1697	88,759,300	3.5
2018-19	0.1697	91,695,600	3.3

6. As shown in Table 1, although forestry mill tax revenues modestly declined with statewide property values from fiscal year 2009-10 through 2013-14, revenues increased beginning in fiscal year 2014-15 and are expected to continue to increase through the 2017-19 biennium. By providing an amount equal to the funding that would have been provided under the forestry mill tax, the administration argues that the bill would ensure that the forestry account receives the same amount of funding as under current law.

7. During the Finance Committee's public hearings on the 2017-19 state budget, a number of individuals expressed their opposition to the sunset of the forestry mill tax. They cited the long-standing history of the mill tax and concerns that a dedicated source of funding for forestry programs would be eliminated and that those programs would need to compete with other programs funded by the state's general fund. Funds provided from the general fund would typically be viewed as amounts that are utilized for a variety of purposes. However, as the number of programs supported by any single fund or revenue source increases, programs may compete for funding if future revenues cannot meet previous commitments. Therefore, it can be advantageous to have a variety of fund sources to support programs the Legislature has identified as serving important state purposes.

8. Further, the proposal would have a considerable impact on the state's general fund. The requirement that the Legislature provide some $180 million GPR, plus growth, in each biennium to forestry programs could well impact future decisions about funding for traditional GPR-funded programs -- education, medical assistance, and aids to counties and municipalities. Some have expressed concerns that the formula basis for the GPR transfer could be eliminated or changed and the revenues for the forestry account could be decreased in future biennia in order to provide GPR for other program priorities. The treatment of the nonpoint account of the segregated environmental fund is illustrative of such concerns. The nonpoint account supports programs in DNR and DATCP related to abatement of runoff from agricultural and urban sources. The account also supports principal and interest payments for general obligation bonds issued for nonpoint source pollution abatement grant programs. In 2016-17, the account supports approximately 36 positions in DNR and DATCP for state implementation of nonpoint source pollution abatement programs.

9. Prior to 2007 Wisconsin Act 20, the 2007-09 budget act, the nonpoint account of the environmental fund had primary revenue sources including: (a) in the early and mid-1990s, a $7.50 fee on automobile title transfers; and (b) beginning in the late 1990s, a GPR transfer equal to the annual amount of title transfer fees, pursuant to statutory changes directing automobile transfer fee revenues to the transportation fund. Act 20 repealed provisions equating the GPR appropriation to the title transfer fee, and instead established the GPR transfer as a sum-certain appropriation to be determined in each biennial budget. The GPR transfer was provided base funding of $13,625,000 beginning in 2008-09, but the transfer has been reduced in subsequent biennia to a base of $11,143,600. The bill would reduce base GPR funding for the nonpoint account to $7,991,900 annually, and would transfer $3,152,500 each year from the environmental management account of the environmental fund to offset the GPR reduction.

10. Table 2 lists annual GPR transfers to the nonpoint account since 2007-08, when Act 20 made the GPR transfer a sum-certain amount determined by the Legislature and Governor in the biennial budget process. It should be noted that since 2007-08, the nonpoint account also has received revenues from the state solid waste environmental repair fee, or "tipping fee," on tons of certain solid wastes disposed of in Wisconsin landfills. The nonpoint tipping fee has been $3.20 per ton since July 1, 2009. Annual nonpoint tipping fee revenues fluctuate with tonnages landfilled each year, but tipping fees have exceeded the transfer of general fund revenues annually since 2010-11. Further, the nonpoint account has received one-time transfers from the environmental management account and the agricultural chemical cleanup fund in the 2013-15 and 2015-17 biennia, respectively, to balance account revenues with expenditures budgeted for each biennium.

TABLE 2

Nonpoint Account Revenues from GPR

Fiscal Year	GPR Transfer to Nonpoint [s. 20.855(4)(f)]	Change to Prior Year
2007-08	$11,514,000	--
2008-09	13,625,000	$2,111,000
2009-10	12,863,700	-761,300
2010-11	12,863,700	0
2011-12	11,577,300	-1,286,400
2012-13	11,577,300	0
2013-14	11,143,600	-433,700
2014-15	11,143,600	0
2015-16	11,143,600	0
2016-17	11,143,600	0
2017-18 (Bill)	7,991,100	-3,152,500
2018-19 (Bill)	7,991,100	0

11. On the other hand, the computer aid program provides an example of a program for which a formula-based payment from the general fund has been maintained since its enactment. Since the 1999 property tax levy (payable in 2000), computers, software, and related equipment have been exempt from the personal property tax paid by business entities. Each year, owners of the exempt property complete worksheets that estimate the value of that property. By October 1 of each year, DOR notifies the state's local governments of the total exempt value in their jurisdiction. After the governments have set their property tax levies for the succeeding year's budget, they can use the values to estimate the amount of computer aid they will receive by multiplying their tax rates by their exempt values. Using the same methodology, DOR calculates aid payments for each local government, and DOA makes payments annually on the fourth Monday in July. As a result, each entity that would have received revenues from property taxes on computers and related equipment now receives computer aid payments to hold taxpayers and local governments harmless from the impacts of the property tax exemptions.

TABLE 3

Computer Aid Distribution Summary (In Millions)

	Counties	Towns, Villages, and Cities	School Districts	Technical College Districts	Special Districts	TIF Districts	Total
2006(07)	$10.1	$17.2	$23.4	$4.1	$0.9	$9.4	$65.1
2007(08)	10.3	17.8	24.5	4.2	0.9	10.3	68.0
2008(09)	10.5	18.7	26.3	4.4	0.9	12.9	73.7
2009(10)	10.9	19.4	27.7	4.5	0.9	12.6	76.0
2010(11)	11.6	20.7	30.1	4.8	1.2	13.6	82.0
2011(12)	11.6	20.7	29.6	4.9	1.1	12.6	80.5
2012(13)	11.5	20.6	29.3	4.9	1.1	14.4	81.8
2013(14)	12.1	21.7	30.3	5.1	1.2	16.4	86.8
2014(15)	12.5	22.6	31.1	2.8	1.4	16.0	86.4
2015(16)	13.0	24.2	32.2	2.9	1.5	15.9	89.7

12. Table 3 summarizes the computer aid program's payment history over the last 10 years. Because aid payments are the product of exempt values and tax rates, changes in values and rates determine whether aid payments increase or decrease. Increases in exempt values are caused by businesses purchasing new or used computers. However, values do not increase unless purchases exceed the value lost through depreciation and retirements. Total aid payments decreased by 1.8% for 2011(12) when exempt values decreased by 4.1%, and a 0.4% reduction occurred for 2014(15) when tax rates decreased due to an increase in state aid for technical college districts. Total aid payments increased in each of the other years displayed, and increased by 37.9% over the 10-year period.

13. It should be noted the GPR commitment to computer aids could be seen as different from the GPR transfer to the nonpoint account. Reductions in the nonpoint GPR transfer, if not offset by other transfers or tipping fee revenue growth, have generally required reductions in nonpoint account expenditures. However, under property tax exemptions, the amount of taxes levied is not affected, but instead, taxes are shifted from the exempted property to other properties that remain taxable. State computer aid payments are intended to hold taxpayers harmless by preventing taxes being shifted from the exempt property to property that remains taxable. Without the aid payments, property taxes would be approximately $90 million higher on a statewide basis.

14. Under the bill, changes in the GPR transfer would be determined by changes in statewide property valuations, as is also the case with the mill tax under current law. Because both property values and general fund tax revenues tend to fluctuate consistent with broader economic trends, it could be argued the GPR transfer formula is appropriate, in that it would tend to adjust forestry account revenues commensurate with economic conditions. However, Table 1 demonstrates that changes in property valuations, and the resulting forestry account revenue effect, may lag broader economic trends by one or more years. For instance, in 2008-09 during the last recession, mill tax revenues increased by 3.4%, while general fund tax revenues in the same year declined 7.1%. Any such lags in future recessionary periods may result in general fund transfers to the

forestry account that do not necessarily decline contemporaneously with general fund tax revenues.

15. An alternative could be to specify that, beginning in fiscal year 2017-18, the GPR transfer to the forestry account be made in an amount equal to a set percentage over the amount generated by the forestry mill tax in fiscal year 2016-17, and for all following years. The Committee could choose to specify rates of perhaps, 1%, 2%, or 3% annually. Or, to reflect general economic growth, the growth of the transfer could be tied to the annual change in the Consumer Product Index (CPI), with a cap of 3.0% annually, based on the annual average growth from fiscal year 1999-00 estimated through 2018-19. This would provide annual growth to the forestry account and would provide certainty as to the amount of GPR that would be transferred in future years (Alternative 2). The transfer amounts under these percentages over the 2017-19 biennium are shown in Table 4. Alternative 2d assumes inflation of 2.1% in 2017-18 and 2.5% in 2018-19. Alternative 1 includes increases of 1.0% in 2017-18 and 3.3% in 2018-19.

TABLE 4

Forestry GPR Transfer Reestimate and Alternative Transfers

		Alternative 2,			
Fiscal Year	Alternative 1. Bill	a. 1% Growth	b. 2% Growth	c. 3% Growth	d. CPI Indexed (Up to 3.0%)
2016-17	$87,840,000	$87,840,000	$87,840,000	$87,840,000	$87,840,000
2017-18	88,759,300	88,718,400	89,596,800	90,475,200	89,684,600
2018-19	91,695,600	89,605,600	91,388,700	93,189,500	91,926,700
2017-19 Total	$180,454,900	$178,324,000	$180,985,500	$183,664,700	$181,611,300

16. Under the bill, the GPR transfer amounts may be paid at intervals during each fiscal year as deemed necessary by the DOA Secretary. According to DOA, in exercising this authority, DOA would consider the cash flow of both the general fund and the conservation fund. This is consistent with the existing provision under section 16.52(12) of the statutes that specifies that DOA shall determine the date or dates of transfers when no date is specified and consistent with DOA's broad cash management responsibilities. However, providing the funds at intervals could be problematic for DNR as the forestry account supports over 600 positions, and funding would be needed to pay salary and fringe benefits for these staff throughout the fiscal year. While DOA indicates staff would consider the cash flow of the conservation fund (forestry account), the Committee could consider requiring DOA to provide the transfer quarterly, with a transfer of 25% of the total each quarter (Alternative 4). This would provide more certainty for DNR budgeting purposes.

Property Tax Effect

17. In the Governor's Budget in Brief, the effect of several budget provisions on property taxes is highlighted as one of the budget's primary policy objectives. For some time, this office has produced an estimate of the property tax bill on a median-valued home taxed at the statewide average tax rate. Using the same calculation procedure, the Budget in Brief cites two benchmarks by reporting that the tax bill estimates for the next two years are below the tax bill estimate for 2010(11), the year before the Governor took office, and the tax bill estimate for 2014(15), the lowest estimate since the Governor took office. The Budget in Brief indicates that the budget provisions responsible for producing these results over the next two years include the proposed funding increases in school equalization aids and the school levy tax credit and the proposed sunset of the state forestry mill tax.

18. On March 14, 2017, this office released its estimate of the tax bill on the median-valued home taxed at the statewide average tax rate based on provisions in the Governor's budget bill. Because the estimate for 2016(17) included more recent data on actual tax levies that are higher than assumed at the time of the Governor's estimate, the base year estimate ($2,852) is somewhat higher than the administration's estimate ($2,845). Nonetheless, the March 14 estimates for 2017(18) and 2018(19) are lower than the tax bill estimates for 2010(11) and the estimate for 2018(19) equals the 2014(15) calculation.

19. Under current law provisions, the forestry mill tax is levied at a rate of 16.97 cents per $1,000 of the statewide equalized valuation, as determined by DOR. Sunsetting the state forestry tax would reduce statewide property tax collections by $88.8 million in 2017(18) and $91.7 million in 2018(19), relative to current law. Based on this office's estimated median home values, tax bills would be lower by $27 in 2017(18) and $28 in 2018(19), also relative to current law. Table 5 reports tax bill estimates for 2010(11) and for 2014(15) through 2018(19), under the bill. The calculations are rounded to the nearest dollar. The amounts also take into account the Governor's 2017-19 recommendations related to increased funding for school equalization aids and the school levy credit.

TABLE 5

Estimated Tax Bills for a Median-Valued Home Taxed at the Statewide Average Tax Rate Based on Actual or Preliminary Data through 2016(17) and Based on Estimated Amounts for 2017(18) and 2018(19)

	2010(11)	2014(15)	2015(16)	2016(17)	2017(18)	2018(19)
Home Value	$161,355	$150,505	$152,719	$155,657	$159,393	$162,581
Type of Tax						
- School	$1,575	$1,543	$1,563	$1,550	$1,548	$1,524
- Municipal	813	847	859	877	887	898
- County	655	664	672	680	685	690
- Technical College	254	132	134	138	142	146
- Special District	34	34	35	36	36	37
- State Forestry	27	26	26	26	0	0
Gross Tax	$3,358	$3,246	$3,289	$3,307	$3,298	$3,295
- School Levy Credit	-243	-235	-266	-263	-286	-283
- First Dollar Credit	-67	-67	-67	-67	-67	-67
- Lottery Credit	-85	-113	-107	-125	-113	-114
Net Tax Bill	$2,963	$2,831	$2,849	$2,852	$2,832	$2,831

20. If the Committee removes the Governor's proposal to sunset the forestry mill tax from the budget bill, the estimated tax bill would increase to $2,859 both for 2017(18) and 2018(19), assuming no other changes to the bill. While this amount would be higher than the estimated tax bill for 2014(15), it would still be less than the estimated tax bill for 2010(11). However, using the GPR funding the Governor recommends to back fill the state forestry tax for some other form of property tax relief could mitigate the estimated change.

21. The provisions in the budget would result in no state forestry mill tax being imposed in 2017(18) and 2018(19). However, the impact of the proposed provisions in subsequent years could be less certain. In 2005, the provisions imposing the tax were modified to lower the tax rate from 20 cents per $1,000 of value to the rate that is imposed today. The previous rate is authorized in one subsection of the law, and the current rate is authorized in a subsection created in 2005, which supercedes the initial subsection. The budget would amend the 2005 subsection by appending "ending with the property tax assessments as of January 1, 2017." This provision could possibly be interpreted as "turning off" the lower 2005 rate as of January 1, 2017, and defaulting to the initial subsection and the 20 cents per $1,000 of valuation tax rate. If the Committee wants to ensure that future administrations, as well as the courts, interpret the proposed language as sunsetting the tax, the bill could be amended to provide a more definitive directive (Alternative 5).

22. The proposal also includes a provision requiring DOR to prescribe a form for 2017(18) property tax bills that indicates the state no longer imposes the state forestry mill tax, and requires that the form indicate the amount of state property tax the taxpayer paid in the previous year. State law already gives DOR the authority to prescribe the format for property tax bills, and current law

requires the tax bill to display the amount of tax imposed in the prior year and in the current year for each taxing jurisdiction, including the state. Nonetheless, the provision would require the bill to include a statement that the state tax is no longer imposed. Absent this provision, taxpayers would still likely discern that the state tax is no longer imposed by comparing the tax amount displayed for 2016(17) to the "$0" displayed for 2017(18). If the Committee finds the required statement unnecessary, the Committee could remove it from the bill (Alternative 6).

23. If the Committee wishes to provide some measure of property tax relief while still maintaining support for forestry activities, an alternative could be to reduce the mill tax and to specify that some expenditures currently made from the forestry account be made from the general fund. These could include expenditures that were previously supported by the general fund, including expenditures for Stewardship debt service, aids in lieu of taxes payments, and state forest and riverway road development. These expenditures would total $21.98 million in fiscal year 2017-18 and $22.07 million in fiscal year 2018-19 as shown in Table 6.

TABLE 6

Forestry Account Expenditures Converted to GPR Under Alternative 7

	2017-18	2018-19
Stewardship debt service payments	$13,500,000	$13,500,000
Aids in lieu of taxes payments*	6,480,000	6,570,000
State park, forest, and riverway roads development	2,000,000	2,000,000
	$21,980,000	$22,070,000

*As reestimated in a separate LFB paper.

24. Under this alternative (Alternative 7), the forestry mill tax would be reduced to a rate of 12.80 cents per $1,000 of the statewide equalized valuation, as determined by DOR, in 2017-18 and all subsequent years. Forestry mill tax revenues would decline by $21.8 million in fiscal year 2017-18 and $22.5 million in 2018-19 as compared to current law. Therefore, the forestry account would remain funded at approximately $300,000 less over the biennium than the amount expected under current law and the Governor's bill. Based on this office's estimated median home values, tax bills would be lower by $6.65 in 2017(18) and $6.80 in 2018(19), also relative to current law.

25. Another alternative, which would provide some measure of property tax relief while still providing support for forestry activities, could be to sunset the forestry mill tax effective with the January 1, 2018, property tax assessments rather than the January 1, 2017, property tax assessments (Alternative 3). The GPR transfer would begin in fiscal year 2018-19 rather than fiscal year 2017-18.

26. The Committee could consider deleting the Governor’s recommendation (Alternative 8). Maintaining the forestry mill tax as currently enacted would eliminate obligations on the general

fund that the bill would create and continue to provide a stable, dedicated funding source for forestry programs. Estimated property tax bills would be affected as previously described, pending other changes that may be made prior to the bill's enactment.

ALTERNATIVES

1. Adopt the Governor's recommendation to sunset the forestry mill tax effective with the January 1, 2017, property tax assessments, and instead transfer, beginning in fiscal year 2017-18, and annually each year thereafter, an amount equal to 0.1697 mills for each dollar of the assessed valuation of the property in the state, from the general fund to the conservation fund for the purpose of acquiring, preserving and developing the forests of the state and for other specified forestry purposes.

ALT 1	Change to Base	Bill
GPR	$180,454,900	$0

2. Adopt the Governor's recommendation to sunset the forestry mill tax and provide an annual GPR transfer. However, specify that, beginning in fiscal year 2017-18, the GPR transfer to the conservation fund (forestry account) be made in an amount equal to:

a. 1.01 times the amount generated by the forestry mill tax in fiscal year 2016-17, and for all following years, an amount equal to 1.01 times the prior year's amount.

ALT 2a	Change to Base	Bill
GPR	$178,324,000	- $2,130,900

b. 1.02 times the amount generated by the forestry mill tax in fiscal year 2016-17, and for all following years, an amount equal to 1.02 times the prior year's amount.

ALT 2b	Change to Base	Bill
GPR	$180,985,500	$530,600

c. 1.03 times the amount generated by the forestry mill tax in fiscal year 2016-17, and for all following years, an amount equal to 1.03 times the prior year's amount.

ALT 2c	Change to Base	Bill
GPR	$183,664,700	$3,209,800

d. For 2017-18, and each year thereafter, the amount generated by the forestry mill tax in fiscal year 2016-17 increased by the increase in the annual average U.S. consumer price index for all urban consumers, divided by U.S. city average, as determined by the U.S. department of labor as compared to the prior year. Specify the calculation is to be made on the basis of the average for the calendar year ending in the state fiscal year in which the transfer is to be made, but the rate of increase shall not exceed 3.0% in any year.

ALT 2d	**Base**	**Change to Bill**
GPR	$181,611,300	$1,156,400

3. Adopt the Governor's recommendation but specify that the forestry mill tax sunset effective with the January 1, 2018, property tax assessments. Specify that beginning in fiscal year 2018-19, and annually each year thereafter, an amount equal to 0.1697 mills for each dollar of the assessed valuation of property in the state be transferred from the general fund to the conservation fund for the purpose of acquiring, preserving, and developing the forests of the state and for other specified forestry purposes.

ALT 3	**Base**	**Change to Bill**
GPR	$91,695,600	- $88,759,300

4. In addition to Alternatives 1, 2, or 3, specify that DOA is required to transfer at least 25% of the total annual transfer on a quarterly basis each year.

5. In addition to Alternatives 1, 2, or 3, modify the provision in the bill to specify that the state forestry mill tax will not be imposed beginning with the 2017(18) property tax year, or the 2018(19) property tax year in the case of Alternative 3.

6. In addition to Alternatives 1, 2, or 3, delete the provision in the bill requiring DOR to prescribe a form for property tax bills that indicates the state no longer imposes the state forestry mill tax and that indicates the amount of tax the taxpayer paid in the previous year.

7. Delete provision. Instead, specify that the state forestry mill tax be levied at a rate of 12.80 cents per $1,000 of the statewide equalized valuation, as determined by DOR in 2017-18 and all subsequent years. Further, specify that expenditures for Stewardship debt service, aids in lieu of taxes (for lands acquired after 1991), and state forest and riverway roads be made from the general fund rather than the forestry account of the conservation fund.

ALT 7	Change to Base		Change to Bill	
	Revenue	Funding	Revenue	Funding
GPR	$0	$44,050,000	$0	- $136,404,900
SEG	- 44,347,600	- 44,050,000	136,107,300	- 44,050,000
Total	- $44,347,600	$0	$136,107,300	- $180,454,900

8. Delete provision. The forestry mill tax would remain assessed as under current law.

ALT 8	Change to	
	Base	Bill
GPR	$0	- $180,454,900

Prepared by: Erin Probst and Rick Olin