

Fiscal Estimate - 2007 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 07-3610/3	Introduction Number AB-0781	
Description Managed forest land for which there is limited access for persons to engage in certain recreational activities		
Fiscal Effect		
State:		
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate		
<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget		
<input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
<input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local:		
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate		
1. <input checked="" type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected		
<input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities		
2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others		
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <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 checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS		
Affected Ch. 20 Appropriations		
Agency/Prepared By	Authorized Signature	Date
DOR/ Daniel Huegel (608) 266-5705	Paul Ziegler (608) 266-5773	2/29/2008

Fiscal Estimate Narratives

DOR 2/29/2008

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Assumptions Used in Arriving at Fiscal Estimate

CURRENT LAW

An owner of a parcel of land containing 10 or more contiguous acres may apply to the Department of Natural Resources (DNR) to enter the land under the Managed Forest Land (MFL) program. In general, the land will be entered if it is capable of producing a certain amount of merchantable timber per acre per year. Upon entry, the landowner signs a 25 or 50 year contract with the DNR wherein the landowner promises to follow a forest management plan and to permit public access to the land for recreational purposes such as hunting, fishing, hiking, sight-seeing, and cross-country skiing. A landowner may, however, close up to 80 or 160 acres per municipality (depending on when the land was entered) from public access. In addition, landowners are prohibited from leasing lands entered under the MFL program.

Land enrolled under the MFL program is exempt from local property taxes and instead subject to one or two annual fees. These fees are billed and collected as part of the property tax settlement process. All MFL land is subject to the "acreage share" fee. From 2009 to 2013, this fee is either \$0.74 per acre (for land entered before April 28, 2004) or \$1.67 per acre. The municipality where the land is located keeps 80% of this fee and remits 20% to the county. On land closed to public access, an additional fee called the "closure fee" must be paid. From 2009 to 2013, this fee is either \$0.90 per acre (for land entered before April 28, 2004) or \$6.67 per acre. All collections are paid to the DNR for deposit in the State Conservation Fund.

PROPOSED LAW

The bill adds a third option, called "limited access" to the existing two classes of MFL land. Under the new option, landowners would be allowed to enter into recreational leases on their MFL land, with no limit on the acreage so designated. An annual "limited access" fee would be imposed. For the years to 2013, the fee would be about \$15.00 per acre -- equal to the state average equalized value per acre of taxable forest land for the 2006/07 tax year (\$1,927) times the net statewide tax rate for 2006/07 (17.2998 mills) times 45%. The fee would be billed and collected as part of the property tax settlement process. All collections would be paid to the DNR for deposit in the State Conservation Fund.

STATE FISCAL EFFECT

For the MFL program, the Department of Revenue (DOR) has two main tasks, as described below.

One task is to update the "acreage share" and "closure fee" every 5 years. Under the bill, the "limited access" fee would also be recalculated every 5 years. The next recalculation for these fees will be carried out in 2012. The additional calculation imposes no costs on DOR.

The second task is to cross-check with DNR and local officials to make sure that the acreage data regarding the various MFL classes are accurately reflected on local assessment and taxation rolls in order to ensure that the proper fees are being billed to landowners. The addition of a third MFL class would require DOR to redesign and rewrite two major computer systems (one for property assessments and the other for the property tax collection and settlement process) and to redesign several DOR-prescribed forms local governments must use in the assessment and taxation process. The one-time cost of these activities is estimated to be \$161,400. The new MFL class would also create continuing costs of \$7,100 per year for the additional workload regarding cross-checking the acreage data with DNR and fielding questions from local officials about the new MFL classification.

To the extent that landowners choose to enroll their land under the "limited access" option, fees collected by the DNR from MFL landowners will increase under the bill. Based on its contacts with MFL landowners, the DNR has estimated potential "limited access" fees as part of their fiscal estimate on this bill.

LOCAL FISCAL EFFECT

Since all "limited access" fee collections are to be paid to the DNR, local revenues would not be affected under the bill.

Local costs are, however, expected to increase. Based on data for 2006, MFL land is located in 71 counties and about 1,330 municipalities. For the affected municipalities, assessors would need to redesign their data systems to allow for the new MFL class. Local treasurers would have a new MFL class on which to calculate fees. For the 71 affected counties, county treasurers would need to redesign their programs regarding how property taxes and MFL fees are settled. In light of the costs the DOR would incur to add the new MFL class to its systems, the costs to municipalities and counties could be significant, especially in those places with large amounts of land enrolled under the MFL.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

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Description Managed forest land for which there is limited access for persons to engage in certain recreational activities			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
The Department of Revenue would incur one-time costs of \$161,400 to rewrite two computer systems relating to property assessment and to the levying and collection of property taxes.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$7,100	\$
	(FTE Position Changes)	(0.3 FTE)	
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$7,100	\$
B. State Costs by Source of Funds			
	GPR	7,100	
	FED		
	PRO/PRS		
	SEG/SEG-S		
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			
		State	Local
	NET CHANGE IN COSTS	\$7,100	\$see text
	NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By		Authorized Signature	Date
DOR/ Daniel Huegel (608) 266-5705		Paul Ziegler (608) 266-5773	2/29/2008