Wisconsin Department of Administration
Division of Executive Budget and Finance

# Fiscal Estimate - 2009 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

| LRB Number 09-2029/1 | Introduction Number SB-173 |
|---|---|

**Description**
The removal of nonconforming outdoor advertising signs

**Fiscal Effect**

**State:**
☐ No State Fiscal Effect
☐ Indeterminate
☐ Increase Existing Appropriations
☐ Decrease Existing Appropriations
☐ Create New Appropriations
☐ Increase Existing Revenues
☐ Decrease Existing Revenues
☒ 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 Revenue ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
☐ Towns ☐ Village ☐ Cities
☐ Counties ☐ Others
☐ School Districts ☐ WTCS Districts

**Fund Sources Affected**
☐ GPR ☐ FED ☐ PRO ☐ PRS ☒ SEG ☐ SEGS 20.395(3)(eq)

**Affected Ch. 20 Appropriations**

| Agency/Prepared By | Authorized Signature | Date |
|---|---|---|
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**Fiscal Estimate Narratives**
**DOT 5/12/2009**

| LRB Number **09-2029/1** | Introduction Number **SB-173** | Estimate Type **Original** |
|---|---|---|
| **Description**<br>The removal of nonconforming outdoor advertising signs | | |

### Assumptions Used in Arriving at Fiscal Estimate

There are approximately 4,300 non-conforming signs along Wisconsin's highways. These signs are 37% of the inventory of off-premise outdoor advertising signs regulated by the department.

For purposes of analysis, assume the intent of the authors is to allow any repairs or maintenance, subject only to the limitation on cost of those activities during a 36 consecutive month period in relation to the replacement cost of the sign.

If this bill were enacted, a process will be needed for establishing the value of a non-conforming sign and determining when on-going repairs and maintenance on a sign exceeds 50% of its replacement value. Essential components of this process include:
o obtaining and verifying a replacement value* for each sign from the sign owner;
o developing and implementing, on a monthly basis, a method of capturing and tracking the damage, repair, and customary maintenance costs for each non-conforming sign, which will involve creating a document, both hard copy and electronic, for use by sign owners to inform the department about damage to, destruction of, and maintenance to their sign;
o distributing the document to all sign owners and educating each sign owner on its use;
o entering the sign's value and other related information into the database, including downloading detailed photographs; and
o building a new feature into the existing sign database to preserve these sign values and the on-going 36 consecutive month accumulated costs of repairs and maintenance for each sign.

A conservative estimate of the time needed to accomplish all of the above tasks for each non-conforming sign is three hours, or 12,900 hours total to accomplish this work. This represents approximately 7 FTE positions, using 1,800 hours available for one FTE position.

Assuming these tasks could only be performed under contract at a value of $85,000 per FTE position, this would cost the department $595,000. As an alternative, permanent FTE positions could be either added or, if possible, redirected from lower priority activities to perform this work.

If this bill became law, the department must recoup these costs by seeking an increase in the annual sign and permit fee for non-conforming and grandfathered signs through the administrative rule process. The impact would be an increased annual fee for this type of sign. Current fees of $50 per year would be projected to be $190 per year.

* This bill does not define replacement value. Therefore, for the purposes of this bill, we assume that the method adopted by administrative law judges when deciding sign cases is acceptable. Basically, the cost to replace each sign component at current, new prices and the labor to install the components creates the sign's current replacement value.

### Long-Range Fiscal Implications

The intent of both Wisconsin and Federal law is to control outdoor advertising and to eventually limit this advertising to only certain (commercial or industrial) areas and with certain other restrictions on size, spacing and other criteria. To allow outdoor advertising signs to remain indefinitely in agricultural and forested areas, or other non-commercial areas, is inconsistent with the now long-standing public policy intent of those laws.

The provision of law that allowed existing uses to remain for the remainder of their normal service life was an accommodation that recognized the pre-existing investment and allowed for a transition over time that benefited the sign owners while avoiding the need for an upfront, immediate buyout of the sign owners interest to remove existing signs that no longer conformed to the standards set by the law. Such a policy change would have required a substantial public investment, and as with other planning and zoning decisions, typically is resolved by allowing for a transition period during which only minimum maintenance is allowed.

Given that these signs are generally located along busy highway corridors that continue to see higher usage, and in locations where the law no longer allows construction of new signs, the value of the signs has grown significantly. When these signs must be acquired, the value of the signs is not determined based on the depreciated value of the structure in place at the time the law was changed, nor even at the current replacement costs of the materials and labor to construct the sign. Rather, the value continues to increase based on the ability to generate greater revenues from the sign because they are protected from new competition by the law. These escalating values end up being borne at taxpayer cost when there is a need to eventually acquire a sign for a highway project. Were the original intent of the law followed, signs would remain only for their normal service life with limited routine maintenance and would eventually be eliminated without cost to taxpayers. If there had been an expectation the signs would be allowed to be maintained indefinitely, it would have been wiser to purchase all the signs at the time the law was enacted, when the values were lower and to achieve the public benefits sooner.

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# Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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**Description**
The removal of nonconforming outdoor advertising signs

**I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):**

| **II. Annualized Costs:** | **Annualized Fiscal Impact on funds from:** | |
|---|---|---|
| | Increased Costs | Decreased Costs |
| **A. State Costs by Category** | | |
| State Operations - Salaries and Fringes | $ | $ |
| (FTE Position Changes) | | |
| State Operations - Other Costs | 595,000 | |
| Local Assistance | | |
| Aids to Individuals or Organizations | | |
| **TOTAL State Costs by Category** | **$595,000** | **$** |
| **B. State Costs by Source of Funds** | | |
| GPR | | |
| FED | | |
| PRO/PRS | | |
| SEG/SEG-S | 595,000 | |

**III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)**

| | 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 | $595,000 | $ |
| NET CHANGE IN REVENUE | $ | $ |

| **Agency/Prepared By** | **Authorized Signature** | **Date** |
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