FISCAL NOTE

Bill #:	HB0405	**Title:**	Trust fund for fire suppression and land use planning
Primary Sponsor:	Kaufmann, C	**Status:**	As Introduced-Revised

Sponsor signature Date   Chuck Swysgood, Budget Director Date

Fiscal Summary	**FY 2004**	**FY 2005**
Expenditures:	**Difference**	**Difference**
General Fund	($232,125)	
Revenue:		
State Special Revenue	0	$2,464,638
Net Impact on General Fund Balance:	($232,125)	0

- ☒ Significant Local Gov. Impact
- ☐ Included in the Executive Budget
- ☒ Dedicated Revenue Form Attached
- ☒ Technical Concerns
- ☒ Significant Long-Term Impacts
- ☒ Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

Department of Revenue expenditures

1. For purposes of this fiscal note it is assumed that the expenditures DOR will incur will be from determining whether a property is 4.5 miles from the boundary of an incorporated city or town and is not an improvement on agricultural land as defined in 15-7-200(1). (See technical note 1)
2. Assume there are 252,000 parcels in the state in the categories of commercial improved parcels, residential improved parcels, mobile homes, and forestland improved parcels, outside the limits of incorporated cities and towns.
3. It will take 2 GIS cartographers 3 months to develop maps to identify the geocodes that would be used to identify property outside the 4.5-mile limit.
4. It will take a property valuation specialist 2 minutes per parcel to ensure that the 10-mill levy is applied to the appropriate parcels. To do this each record of 252,000 parcels must be examined on the county computer systems to ensure the special levy is applied to the appropriate property. This will require 5 FTE to complete the task. (252,0000 x 2 = 504,000 / 60 = 8,400 / 1760 = 4.773)
5. This would be a one-time expenditure. Once the properties are designated, the local staff in each county DOR office could maintain the records.

Department of Natural Resources and Conservation

6. The bill proposes to increase the Department of Natural Resources and Conservation's (DNRC) ability to raise forest fire assessment fees by increasing the statutory maximum rates. The department does not

anticipate raising rates in the 2005 biennium, as fire assessment rates are limited to one third of the department's fire program appropriation as per 76-13-207, MCA.

7. An increase in revenue above the current assessment rate would amount to approximately $750,000 annually, if the rates were assessed at the proposed maximum of $40 minimum fee for the first 20 acres, and 25 cents per acre for each acre in excess of 20 acres.

Revenue

8. In tax year 2002 the total taxable value of residential improvements were $583,054,927 (DOR Biennial Report). There was $222,951,961 of taxable value in residential improvements located within cities and towns. This would leave improvements worth a total of $340,102,966 ($583,054,927 - $222,951,961 = $340,102,966) in taxable value outside the limits of cities and towns.
9. In tax year 2002 the taxable value of commercial improvement was $210,669,990 (DOR Biennial Report). There were commercial improvements with a taxable value of $137,118,745 located within cities and towns. This would leave commercial improvement worth $73,551,245 ($210,669,990 - $137,118,745 = 73,551,245) in taxable value outside the limits of cities and towns.
10. The total taxable value of commercial and residential improvements outside the limits would be $413,654,211 ($340,102,966 + $73,551,245 = $413,654,211). This taxable value of improvement includes property that would not be subject to the 10-mill levy.
11. For the purposes of this fiscal note, it is estimated that residential improvements with a taxable value of $47,090,400 would be exempt from this tax due to provisions in (2)(b)(iii) (improvements to 1 acre farmsteads). It is also estimated that a further $120,000,000 in improvements would not be subject to the 10 mills. This leaves a total of $167,090,400 ($47,090,400 + $120,000,000 = $167,090,400) in residential and commercial improvements would be exempt from the 10-mill levy. The total taxable value of residential and commercial improvements subject to the 10-mill levy is estimated $246,563,811 ($413,654,211 - $167,0190,400 = $246,563,811).
12. It is estimated that applying a 10 mill levy to the estimated tax value of residential and commercial improvements within a wildland-urban interface areas will generate $2,464,638 ($246,563,811 x 10 mills / 1000 = $2,465,638) in revenues for the fire suppression account.

FISCAL IMPACT:	FY 2004	FY 2005
Department of Revenue	Difference	Difference
FTE	7.00	
Expenditures:		
Personal Services	$188,510	
Operating Expenses	$14,715	
Equipment	$29,900	
TOTAL	$232,125	
Funding of Expenditures:		
General Fund (01)	$232,125	
Revenues:		
State Special Rev (02) Wildland Fire Suppression Acct		$2,464,638
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):		
General Fund (01)	($232,125)	
State Special Rev (02) Wildland Fire Suppression Acct		$2,464,638

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(continued)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:
In the fiscal year the fire suppression account exceeds $20 million, 15% of the account's interest earning will go counties for land use planning. The portion of revenue each county will receive for land use planning is based on the ratio of the amount of fire suppression tax collected in each county.

LONG-RANGE IMPACTS:
Beginning in FY05 and continuing until the fire suppression account reaches a balance of $50 million dollars, it is estimated that over $2.4 million a year will be collected from the 10 mill levy. Once the balance in the account reaches $20 million funds may be expended on fire suppression and land planning. Once the balance of the account reaches $50 million the 10 mills would stop being levied. However, when the balance of the fund drops below $50 million the levy would be re-instituted. It will take approximately 8 years for the account to reach $20 million.

TECHNICAL NOTES:
1. The department will use a straight mileage test to determine if a property is subject to section 1(2)(b)(iii). The department will not determine if the property is within a wildland-urban interface area as set forth in section 1 subsection (3).
2. There appears to be some conflict between section 1 (2)(b)(iii) and (2)(b)(iv). All properties in section 1 (2)(b)(iii) "must be at least 4.5 miles from the limits of an incorporated city or town." If improvements are already subject to section 1 (2)(b)(iii) they are located at least 4.5 miles from the limits of a city or town and therefore cannot be subject to section 1 (2)(b)(iv) "located within an area closer than 4.5 miles."
3. In sections section 1 (2)(b)(iv),(2)(c) and (2)(d) of the bill requires the department of revenue to approve a county's commission inclusion or exclusion of a property in an wildland-urban interface area. However, the bill is unclear about what is meant by approval. If it means that the department of revenue must determine if a property is at risk for wildfires then the cost included in this note will be increased. The department of revenue does not have the expertise to evaluate the threat wildfires have to a property.