

**NOTE: This is an earlier version of the fiscal note for SF9056-0.**

**The most current version is available on the Fiscal Note Search site: <https://mn.gov/mmbapps/fnsearchlbo/>**

**Consolidated Fiscal Note**

**2021-2022 Legislative Session**

**SF9056 - 0 - Sustainable Forest Incentive Program Withdrawal**

Chief Author: **Carla Nelson**  
 Committee: **Taxes**  
 Date Completed: **4/26/2021 10:54:50 AM**  
 Lead Agency: **Revenue Dept**  
 Other Agencies:  
     **Natural Resources Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
<b>Natural Resources Dept</b>						
<b>General Fund</b>	-	5	-	-	-	-
<b>State Total</b>						
<b>General Fund</b>	-	5	-	-	-	-
<b>Total</b>	-	5	-	-	-	-
<b>Biennial Total</b>			5			

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
<b>Natural Resources Dept</b>					
General Fund	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**Lead LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Joe Harney      **Date:** 4/26/2021 10:54:50 AM  
**Phone:** 651-284-6438      **Email:** joe.harney@lbo.leg.mn

**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>	<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
<b>Natural Resources Dept</b>					
General Fund	-	5	-	-	-
<b>Total</b>	-	5	-	-	-
<b>Biennial Total</b>			5		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
Natural Resources Dept					
General Fund	-	5	-	-	-
<b>Total</b>	-	5	-	-	-
<b>Biennial Total</b>			5		-
<b>2 - Revenues, Transfers In*</b>					
Natural Resources Dept					
General Fund	-	-	-	-	-
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-

**Fiscal Note**

**2021-2022 Legislative Session**

**SF9056 - 0 - Sustainable Forest Incentive Program Withdrawal**

Chief Author: **Carla Nelson**  
 Committee: **Taxes**  
 Date Completed: **4/26/2021 10:54:50 AM**  
 Agency: **Revenue Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
<b>Total</b>	-	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Joe Harney      **Date:** 4/22/2021 1:53:27 PM  
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**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025	
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>2 - Revenues, Transfers In*</b>						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

**Bill Description**

This proposed bill allows for the early withdrawal of land from the Sustainable Forest Incentive Act (SFIA) program for land conveyed to the state of Minnesota for the Boundary Waters Canoe Area wilderness private forest land exchange with The Conservation Fund after a payment equal to the payments received through the SFIA program (plus interest) is paid back to the commissioner of revenue.

The proposal is effective the day following final enactment.

**Assumptions**

The Department of Revenue (DOR) assumes the proposed bill would take effect in May or June 2021, since it is effective the day following final enactment.

Penalty and interest revenue will increase as a result of this bill. Details are in the Expenditure and/or Revenue Formula section.

DOR will need to receive the penalty/interest repayment from the landowner and release the landowner from the SFIA covenant. In order to determine how much a property owner owes as a payback amount to the state, we would create an "audit" where we would input all the payment amounts into a workbook and determine the total amount of payments and interest that are due back.

DOR's administrative impact for this work is minimal (under \$1K).

**Expenditure and/or Revenue Formula**

The bill will not impact state tax revenues.

**Penalty and Interest Impact:**

General Fund Penalty and Interest Revenue Increases:	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Penalty Impact	403,400				
Interest Impact	15,000				

<b>Total General Fund Impact</b>	<b>418,400</b>				

The amounts are the penalty repayment of SFIA payments received in prior years for withdrawal from covenant, and estimated interest from penalty repayments.

**Penalty and Interest Impact formula/details:** Under the proposed language, in order for The Conservation Fund to be released from its SFIA covenant, they must submit a penalty payment in the amount of the SFIA payments it received in 2019 and 2020 (FY2020 & FY2021) plus interest, which was estimated based on the payment dates for each year (2019 payment of \$198,369 on 9/25/19, and 2020 payment of \$205,031 on 4/6/21), with an assumed repayment date of 5/17/21.

**Long-Term Fiscal Considerations**

**Local Fiscal Impact**

**References/Sources**

Agency staff provided information for this fiscal note.

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**Fiscal Note**

**2021-2022 Legislative Session**

**SF9056 - 0 - Sustainable Forest Incentive Program Withdrawal**

Chief Author: **Carla Nelson**  
 Committee: **Taxes**  
 Date Completed: **4/26/2021 10:54:50 AM**  
 Agency: **Natural Resources Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
Dollars in Thousands					
General Fund	-	5	-	-	-
<b>Total</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Biennial Total</b>			<b>5</b>		<b>-</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Jim Carlson      **Date:** 4/26/2021 10:49:25 AM  
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**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025	
General Fund	-	5	-	-	-	-
<b>Total</b>	-	5	-	-	-	-
<b>Biennial Total</b>			5			-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	5	-	-	-	-
<b>Total</b>	-	5	-	-	-	-
<b>Biennial Total</b>			5			-
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

**Bill Description**

The bill allows early withdrawal from the Sustainable Forest Incentive Act (SFIA) for parcels owned by The Conservation Fund that are part of the Boundary Waters Canoe Area land exchange. It provides release of SFIA covenant upon returning SFIA payments issued plus interest. The Commissioner of Natural Resources is responsible for determining and notifying the Commissioner of Revenue, county land departments, and others of the lands involved.

**Assumptions**

There are 479 parcels enrolled in the SFIA program. The amount of time expected to determine the affected parcels and prepare information for DOR is 80 hours. It is assumed to be a one-time review in FY22.

**Expenditure and/or Revenue Formula**

80 hours = .038 FTEs at 2,080 hrs per FTE

.038 FTE \* \$123,000 per FTE per year = \$4,674

**Long-Term Fiscal Considerations**

There will be minimal long term reductions in SFIA monitoring costs. Due to the current status of these lands and the timelines for monitoring, no near-term savings are expected to occur.

**Local Fiscal Impact**

There may be some county tax revenue implications if any of the swapped parcels move from one county to another. Currently these are in a pool of parcels. Any local impact would need to be determined after the appraisals are completed.

**References/Sources**

None.

**Agency Contact:** Ed Potter

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