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Joint Committee on Finance, July 12, 2000

15c.

XVc. Department of Natural Resources – George E. Meyer, Secretary

The department requested approval of a grant to Door County Land Trust for the purchase of 183.5 acres in the towns of Egg Harbor and Sevastopol in Door County under the 14-day passive review of s. 23.0915(4).

Due to an objection from a Committee member, this request is now before the Committee under s. 13.10.

July 11, 2000

13.10 Mtg. - Agenda Item XV-D

Re: Glacial Habitat Stewardship Purchase - Fond du Lac County

Summary:

DNR needs approval to spend \$360,000 from the old Stewardship Program to purchase 197 acres for the Glacial Habitat Restoration Area in Fond du Lac County.

Analysis:

FB makes no strong arguments against this project. Seems like you're either for it or against it.

Recommendations:

Alternative 1



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

July 12, 2000

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Natural Resources: Glacial Habitat Restoration Area (Fond du Lac County)  
Stewardship Purchase -- Agenda Item XV-D

### REQUEST

The Department of Natural Resources (DNR) requests approval to expend \$360,000 from the habitat areas component of the Warren Knowles-Gaylord Nelson stewardship program to purchase 197 acres of land from Lawrence Hull for the Glacial Habitat Restoration Area in Fond du Lac County.

### BACKGROUND

#### Stewardship Program

The Warren Knowles-Gaylord Nelson stewardship program was created in 1989 Act 31 for the purpose of acquiring land to expand recreational opportunities and protect environmentally sensitive areas. The Legislature authorized \$231 million in general obligation bonding for this purpose over a ten-year period ending in fiscal year 1999-00. The law allocates funding among twelve categories of land acquisition and development programs. (The 1999-01 biennial budget act provides \$460 million in bonding for a ten-year reauthorization of the stewardship program beginning in 2000-01.)

Under the original stewardship program, there is \$1.5 million authorized annually for the protection, enhancement and restoration of habitat areas. These areas are designated by DNR to enhance wildlife-based recreation in the state, including hunting, fishing, nature appreciation and the viewing of wildlife species.

Under s. 23.0915(4) of the statutes, the Joint Committee on Finance reviews all stewardship projects of more than \$250,000. DNR must notify the Co-chairpersons of the Committee in writing of the proposed project. If the Co-chairpersons of the Committee do not notify DNR within 14 working days after the Department's notification that a meeting has been scheduled to review the request, then DNR may obligate funding for the project. If an objection to the project is made, then the Co-chairpersons must schedule a meeting to review the request. The Department may then obligate funding for the project only with Committee approval.

DNR notification of the proposed Glacial Habitat Restoration Area purchase was received by the Co-chairpersons on April 28, 2000. On May 8, 2000, the Co-chairpersons notified DNR that a meeting would be scheduled to consider the proposed purchase.

### **Glacial Habitat Restoration Area Purchase**

The first habitat area designated by DNR was the Glacial Habitat Restoration Area in 1992, which encompasses 530,000 acres in parts of Columbia, Dodge, Fond du Lac and Winnebago Counties. The goal is to restore 11,000 acres of drained wetlands and 38,000 acres of grasslands in the area through the coordination of state and federal acquisition or easements, cost-share programs and other voluntary activities. As of January 1, 2000, DNR controlled 11,286 acres (6,665 acres in fee title and 4,621 acres in easements) in the official project boundary for the Glacial Habitat Restoration Area, which generally controls where DNR may make fee title and easement purchases. This represents 39.7% of the 28,400 acres in the official project boundary. Over \$7.4 million has been spent on acquisition in the project boundary (\$5.8 million in fee title and \$1.6 million on easements).

The Hull property consists of 108 acres of cropland, 41 acres of wooded land, 23 acres of wetland, 23 acres of grassland and two acres with improvements, including a machine shed, a storage shed, two grain bins and a well and septic system. The west branch of the Rock River, a tributary of the Horicon Marsh, flows through the property, with 3,300 feet of frontage included on the parcel. Two ponds, each about one-half acre in size, are also on the property. The various cover types on the parcel provide habitat for pheasants, ducks and various songbirds. DNR indicates that the property would also provide opportunities for hiking, cross-country skiing, fishing and hunting.

The land is currently used for leased agriculture. The Department anticipates restoring the natural grasslands, woodlands and wetlands on the property. The current owner retains cropping rights in 2000 and 2001. DNR anticipates continuing to lease the cropland on the property for up to an additional three years. Over the next three to five years, that land would gradually be planted with permanent nesting cover. The wooded areas would be selectively cut to improve the quality of the timber stand, and managed on an ongoing basis for sustained timber production, wildlife habitat and aesthetics.

The land is primarily zoned Exclusive Agriculture (A-1), with the western 30 acres zoned Agricultural Transition (A-T). Both zoning classifications require a minimum residential lot size of 35 acres. The Agricultural Transition land, which is adjacent to residential development, would have to be rezoned to develop non-agricultural structures. The 1999 property tax assessment for the land was \$101,100 (\$98,100 for the land, \$3,000 for the improvements), with property taxes of nearly \$1,700 paid.

Two appraisals were completed on the parcel. The first, which was approved by the Department for just compensation purposes, estimated the value of the property as of November, 1999, at \$350,000. Rural residential and agricultural use was identified as the highest and best use of the property, with recreation as a possible secondary use. The appraisal used the sales comparison method, with adjusted per acre values of the three comparable sales cited ranging from \$1,765 to \$1,775. The appraiser used a \$1,770 per acre value for estimating the value of the property, resulting in a total estimated value of \$348,690, rounded to \$350,000. The appraiser allocated value of \$5,000 to the improvements (and thus \$345,000 to the land). While no support was provided for the improvement valuation, the DNR review appraiser indicated that the value seemed reasonable.

A second appraisal of the property, which was prepared by the Department, estimated the value of the property as of December, 1999, at \$362,100. The appraiser identified the highest and best use of the property as hobby farming and recreation. The adjusted per acre value of the three comparable sales used by the appraiser under the sales comparison method ranged from \$1,688 to \$1,959. An \$1,800 per acre value for the property was selected, for an overall estimated land value of \$354,600. A value of \$7,500 was assigned to the improvements, for a total property value of \$362,100. As with the approved appraisal, no support was provided for the improvement valuation, but the DNR review appraiser indicated that the value seemed reasonable.

The property had been listed for sale at \$369,000. In January, 2000, the Department offered \$350,000 to the owners. The Department agreed in February, 2000, to purchase the land for \$360,000 and provide two years of cropping rights. While the purchase was being negotiated, DNR officials explored the possibility of using federal funding from the North American Wetlands Conservation Act (NAWCA) to reduce the state purchase price for fee title of the land. Ultimately, federal funding was not available to use for this purchase.

The Natural Resources Board approved the Hull purchase at its April, 2000, meeting by a 6-0 vote, with one member absent.

## **ANALYSIS**

The Department indicates it will fund this purchase from the habitat areas component of the original stewardship program. Assuming this request is approved and considering other obligations

and expenditures, through May 1, 2000, DNR estimates an unobligated balance of approximately \$3.3 million in the habitat areas component.

If the Hull property is acquired, DNR would have to pay aids in lieu of property taxes on the land to the Town of Waupun in an amount equal to the tax that would be due on the estimated value of the property at the time it was purchased (generally the purchase price), adjusted annually to reflect changes in the equalized valuation of all land, excluding improvements, in the taxation district. The town then pays each taxing jurisdiction (including the county and school district) a proportionate share of the payment, based on its levy. Aids in lieu payments are made from a sum sufficient GPR appropriation. Payment for the Hull property would be approximately \$6,100 GPR annually (as opposed to the approximately \$1,700 in property taxes paid in 2000).

If DNR is allowed to make this purchase, the amount of land under state control in the Glacial Habitat Restoration Area would increase to 40.4% of the overall acreage goal. If the Department is not allowed to make the purchase, the \$360,000 that would otherwise have been spent on the Hull property would revert to the unobligated balance of the habitat areas component of stewardship. As indicated in the appraisals, the highest and best use of the land, if it were not publicly owned, would be for some combination of agricultural, rural residential or recreational purposes.

**ALTERNATIVES**

1. Approve the DNR request to expend \$360,000 from the habitat areas component of the Warren Knowles-Gaylord Nelson stewardship program to purchase 197 acres of land from Lawrence Hull for the Glacial Habitat Restoration Area in Fond du Lac County.

2. Deny the request.

MO# Alt 1

Prepared by: Russ Kava

BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
MOORE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
PLACHE	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
DARLING	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
PORTER	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
DUFF	<input checked="" type="radio"/>	N	A
WARD	<input checked="" type="radio"/>	N	A
HUBER	<input checked="" type="radio"/>	N	A
RILEY	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS 0

XVd. Department of Natural Resources – George E. Meyer, Secretary

The department requested approval of the purchase of 197 acres in Fond du Lac County from Lawrence Hull for the Glacial Habitat Restoration Area under the 14-day passive review of s. 23.0915(4).

Due to an objection from a Committee member, this request is now before the Committee under s. 13.10.

July 11, 2000

13.10 Mtg. - Agenda Item XV-E

Re: Onion River Stewardship Purchase - Sheboygan County

Summary:

DNR needs approval to spend \$800,000 from the new Stewardship Program to purchase 127 acres for the Onion River streambank protection area in Sheboygan County.

Analysis:

This seems to be a good project with lots of local support. Like to see streambank protection work done with Stewardship funds.

Alternative 2 approves the request but reduces the overall amount somewhat to account for the local donations that have been received (i.e. see 2<sup>nd</sup> paragraph on p. 4).

Recommendations:

Alternative 2



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

July 12, 2000

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Natural Resources: Onion River Streambank Protection Area (Sheboygan County)  
Stewardship Purchase -- Agenda Item XV-E

### REQUEST

The Department of Natural Resources (DNR) requests approval to expend \$800,000 from the land acquisition subprogram of the Warren Knowles-Gaylord Nelson Stewardship 2000 program to purchase 126.86 acres of land from Windway Capital Corporation for the Onion River Streambank Protection Area in Sheboygan County.

### BACKGROUND

#### Stewardship Program

The 1999-01 biennial budget act (1999 Act 9) provides \$460 million in bonding for a ten-year reauthorization of the Warren Knowles-Gaylord Nelson stewardship program beginning in 2000-01 for the purpose of acquiring land to expand recreation opportunities and protect environmentally sensitive areas. The annual bonding authority under the program is \$46 million, ending in fiscal year 2009-10. Of the annual authority, \$28.5 million in 2000-01 and \$34.5 million in each of the nine fiscal years thereafter is allocated to general land acquisition for conservation and recreation purposes.

Both the Department and nonprofit conservation organizations (NCOs) are eligible to use funding from the land acquisition subprogram. The statutory priorities enumerated for land acquisition funding are: (a) acquisition of land that preserves or enhances the state's water resources (including land along the shores of the Great Lakes); (b) acquisition of land for the stream bank

protection program; (c) acquisition of land for habitat areas and fisheries; (d) acquisition of land for natural areas; and (e) acquisition of land in the Middle Kettle Moraine.

Under s. 23.0917(6) of the statutes, the Joint Committee on Finance reviews all stewardship projects of more than \$250,000. DNR must notify the Co-chairpersons of the Committee in writing of the proposed project. If the Co-chairpersons of the Committee do not notify DNR within 14 working days after the Department's notification that a meeting has been scheduled to review the request, then DNR may obligate funding for the project. If an objection to the project is made, then the Co-chairpersons must schedule a meeting to review the request. The Department may then obligate funding for the project only with Committee approval.

DNR notification of the proposed Onion River purchase was received by the Co-chairpersons on April 28, 2000. On May 8, 2000, the Co-chairpersons notified DNR that a meeting would be scheduled to consider the proposed purchase.

### **Onion River Streambank Protection Area Purchase**

As of January 1, 2000, DNR controlled a total of 4,673 acres under the streambank protection program (3,225 acres in fee title and 1,448 acres in easement), which represents 9% of the overall statewide program goal of 51,409 acres (30,334 in fee title and 21,075 in easement). Of that total, DNR held fee title to 262 acres in the Onion River project boundary. Nearly \$4.3 million has been spent on acquisition in the overall program (over \$2.8 million in fee title and over \$1.4 million on easements).

The parcel is primarily wooded upland (82.2 acres), with additional acres of cropland (15.4), water (12.26), pine plantation (9.0), and wetland (8.0). Improvements on the land include a beach shelter, concrete raceways and other improvements related to a private fisheries operation. The parcel includes approximately 26 separate spring sources and 4,000 feet of two-bank frontage along a perennial headwater stream. Historically, this stream flowed into the Ben Nut Creek, which flowed into the Onion River, a Class II trout stream. In the 1950s, the stream was altered to flow into two impoundment areas, creating the two ponds on the parcel which are 8.3 acres and 4 acres in size. The ponds have impacted the trout fishery on the Onion River, creating unnatural water temperatures and fragmenting the habitat. The overall goal of the acquisition is to restore the natural flow pattern of the stream to enhance water quality and provide high quality trout spawning and rearing habitat. The DNR restoration plan involves removal of the lower impoundment that created the four-acre pond, restoration of the original flow pattern and stream channel and removal of other restrictions to the migration of trout. The Department anticipates removing the shelter and the raceways from the property as well.

Most of the property is currently zoned C-2 Upland Conservation District, which allows for residential development on lots of at least three acres in size and 300 feet in width. A portion of one of the sections of the property is zoned A-2 Agricultural Land District, which allows for

residential development on lots of at least five acres. The 1998 property tax assessment for the land was \$93,200, with over \$1,600 paid in property taxes.

Two appraisals were completed on the parcel. The appraisal approved by the Department for just compensation purposes estimated the value of the property as of May, 1998, at \$700,000, and was updated in December, 1999, at \$800,000. The highest and best use of the property was identified as rural residential and recreational. The adjusted per acre values for the three comparable sales used by the appraiser under the sales comparison method ranged from \$5,380 to \$5,472. The appraiser selected a \$5,450 per acre value for the Windway Capital parcel, resulting in an overall value of \$691,400, which was rounded up to \$700,000. The appraiser was subsequently asked to update the appraisal in 1999. The appraiser indicated that no new sales with any greater degree of comparability than those used in the original report could be found. A time adjustment rate of 9% per year (0.75% per month) was used to update the value as of December, 1999, to be \$800,000.

A second appraisal estimated the value of the property as of December, 1999, at \$812,000. The highest and best use of the property was identified as rural residential and recreational. The adjusted per acre values for the six comparable sales used by the appraiser under the sales comparison method ranged from \$6,122 to \$6,530. The appraiser selected a \$6,400 per acre value for the Windway Capital parcel, resulting in an overall value of \$811,904, which was rounded up to \$812,000.

The Natural Resources Board approved the Windway Capital purchase at its April, 2000, meeting by a vote of 6-0, with one member absent. The motion for approval also increased the property boundary and acreage goal for the Onion River Streambank Protection Area by 44 acres to accommodate the Windway Capital purchase.

## **ANALYSIS**

Funding from the reauthorized stewardship program generally may not be obligated before July 1, 2000. Currently, with the approval of the Natural Resources Board, the Joint Committee on Finance and the Governor, the Department can obligate up to the entire allocation under the land acquisition subprogram for large or uniquely valuable acquisitions. Funding of \$25 million has been utilized from the reauthorized program for the purchase of approximately 32,000 acres from Packaging Corporation of America in northern Wisconsin commonly referred to as the Great Addition. At its June 28, 2000, meeting, the Natural Resources Board approved an allocation plan for stewardship funding for fiscal year 2000-01. Of the \$28.5 million in the land acquisition subprogram that year, the Department will allocate \$22.5 million to DNR land purchases and \$6.0 million for NCO grants. The allocation plan approved by the Board indicates that \$6.25 million of the Great Addition purchase (one-fourth of the purchase) would be applied against the 2000-01 land acquisition program allocation (leaving \$16.25 million for other DNR land purchases).

If the Windway Capital land is acquired, DNR would have to pay aids in lieu of property taxes on the land to the Town of Plymouth in an amount equal to the tax that would be due on the estimated value of the property at the time it was purchased (generally the purchase price), adjusted annually to reflect changes in the equalized valuation of all land, excluding improvements, in the taxation district. The town then pays each taxing jurisdiction (including the county and school district) a proportionate share of the payment, based on its levy. Aids in lieu payments are made from a sum sufficient GPR appropriation. Payment for the Windway Capital Corporation land would be approximately \$13,200 GPR annually (versus \$1,600 in property taxes paid in 1999).

Through May, 2000, the Department has received \$36,300 in donations to assist in the purchase of the Windway Capital property. These donations include \$20,000 from the Sheboygan Conservation Club, \$10,000 from Muskies, Inc., \$2,000 from the Lakeshore Chapter of Trout Unlimited, \$1,500 from the UAW Local 833, \$500 from the Sheboygan Area Land Conservancy and \$500 from the Johnsonville Rod and Gun Club. These donations are deposited in a general program operations appropriation for funds received from public and private sources for services related to resource acquisition and development to pay for expenses associated with those services. Thus, the Committee could reduce the authorized expenditure from the stewardship program by the amount of the donations to \$763,700 to better reflect the amount of state bonding that is needed for the purchase.

At the May, 2000, Natural Resources Board meeting, the Board approved the purchase of 59 acres of land from the Abraham Estate for \$200,600, or \$3,400 per acre, for the Onion River Streambank Protection Area. The parcel is separated from the Windway Capital parcel, which is proposed for purchase at \$6,306 per acre, by a county highway. The Abraham Estate land is zoned A-1 Agricultural and contains 27 acres of cropland, 22 acres of wooded lowland and 10 acres of wetland. Two appraisals completed on the Abraham Estate parcel used the sales comparison method and valued the land at \$206,000 and \$235,000. The adjusted per acre prices used in both appraisals for the Abraham Estate ranged from \$2,279 to \$5,141 (as opposed to the \$5,380 to \$6,530 for the Windway Capital parcel). One comparable sale is used by all four appraisers. While the per acre price of that parcel was \$4,002, the Abraham Estate appraisers adjusted the value to \$3,602 and \$4,402, while the Windway Capital appraisers adjusted it to \$5,472 and \$6,384. The adjustments made to the Windway Capital values are largely due to the water features (stream frontage, springs and two ponds) on the property.

If DNR is allowed to make this purchase, the amount of land under state control under the streambank protection program would increase to 9.3% of the overall acreage goal. If the Department is not allowed to make the purchase, the funds that would otherwise have been spent on the Windway Capital property would revert to the unobligated balance of the land acquisition subprogram of stewardship. As indicated in the appraisals, the highest and best use of the land, if it were not publicly owned, would be for some combination of rural residential and recreational purposes.

**ALTERNATIVES**

1. Approve the DNR request to expend \$800,000 from the land acquisition subprogram of the Warren Knowles-Gaylord Nelson Stewardship 2000 program to purchase 126.86 acres of land from Windway Capital Corporation for the Onion River Streambank Protection Area in Sheboygan County.

2. Allow DNR to expend \$763,700 from the land acquisition subprogram of the Warren Knowles-Gaylord Nelson Stewardship 2000 program for the Windway Capital Corporation acquisition.

3. Deny the request.

Prepared by: Russ Kava

MO# Alt 2

BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
DARLING	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 16 NO 0 ABS 0

XVe. Department of Natural Resources – George E. Meyer, Secretary

The department requested approval of the purchase of 126.86 acres in Sheboygan County from Windway Capital Corporation for the Onion River Streambank Protection Area under the 14-day passive review of s. 23.0915(4).

Due to an objection from a Committee member, this request is now before the Committee under s. 13.10.

XVe



State Senator  
**James R. Baumgart**

State Capitol: P. O. Box 7882, Madison, WI 53707-7882 • Telephone (608) 266-2056  
Toll-free: 1-888-295-8750 • E-Mail: sen.baumgart@legis.state.wi.us

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June 27, 2000

Senator Brian Burke  
State Capitol  
316 South  
Madison, WI 53707-7882

Dear Brian:

I am writing to request that the Joint Finance Committee hold hearings to approve the Onion River Land purchase. This purchase has received strong local support. The proposed changes to the Onion River are a priority as they will be beneficial to the area and conservation issues. I hope that the Committee will consider immediate action. Please contact my office when a meeting is planned to deal with this project, as I would try to attend.

Sincerely,

A handwritten signature in cursive script that reads "Jim Baumgart".

Jim Baumgart  
State Senator  
9<sup>th</sup> Senate District

jb:tb

July 11, 2000

13.10 Mtg. - Agenda Item XV-F

Re: Turtle Valley Stewardship Purchase - Walworth County

Summary:

DNR needs approval to spend \$934,500 from the new Stewardship Program to purchase 1,728 acres for the Turtle Valley Wildlife Area in Walworth County.

Analysis:

Do this for Cloyd. It sounds like a good project and it's within easy driving distance of a big chunk of the state's population (for a change). It also sounds like a good partnership between DNR, USDA and Ducks Unlimited. FB doesn't recommend any tinkering.

Recommendations:

Alternative 1



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

July 12, 2000

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Natural Resources: Turtle Valley Wildlife Area (Walworth County) Stewardship Purchase -- Agenda Item XV-F

### REQUEST

The Department of Natural Resources (DNR) requests approval to expend \$934,500 from the Warren Knowles-Gaylord Nelson Stewardship 2000 program to purchase 1,728 acres of land from VanderVeen Farms, Inc., for the Turtle Valley Wildlife Area in Walworth County.

### BACKGROUND

#### Stewardship Program

The 1999-01 biennial budget act (1999 Act 9) provides \$460 million in bonding for a ten-year reauthorization of the stewardship program beginning in July, 2000. The annual bonding authority under the program is \$46 million, ending in fiscal year 2009-10. Of the annual authority, \$28.5 million in 2000-01 and \$34.5 million in each of the nine fiscal years thereafter is allocated to land acquisition for conservation and recreation purposes.

Funding from the reauthorized stewardship program generally may not be obligated before July 1, 2000. Currently, with the approval of the Natural Resources Board, the Joint Committee on Finance and the Governor, the Department can obligate up to the entire allocation under the land acquisition subprogram for large or uniquely valuable acquisitions. Funding of \$25 million has been utilized from the reauthorized program for the purchase of approximately 32,000 acres from Packaging Corporation of America in northern Wisconsin commonly referred to as the Great Addition. At its June 28, 2000, meeting, the Natural Resources Board approved an allocation plan for stewardship funding for fiscal year 2000-01. Of the \$28.5 million in the land acquisition

subprogram that year, the Department will allocate \$22.5 million to DNR land purchases and \$6.0 million for NCO grants. The allocation plan approved by the Board indicates that \$6.25 million of the Great Addition purchase (one-fourth of the purchase) would be applied against the 2000-01 land acquisition program allocation (leaving \$16.25 million for other DNR land purchases).

Both the Department and nonprofit conservation organizations (NCOs) are eligible to use funding from the land acquisition subprogram. The statutory priorities enumerated for land acquisition funding are: (a) acquisition of land that preserves or enhances the state's water resources (including land along the shores of the Great Lakes); (b) acquisition of land for the stream bank protection program; (c) acquisition of land for habitat areas and fisheries; (d) acquisition of land for natural areas; and (e) acquisition of land in the Middle Kettle Moraine.

Act 9 authorized DNR to promulgate emergency rules, without the finding of an emergency, to implement any provisions related to the reauthorized stewardship program if the rules are necessary for the Department to act as authorized under the program. The emergency rules may remain in effect until June 30, 2001, or until the date any permanent rules take effect, whichever is sooner. The Department anticipates promulgating emergency rules after approval by the Natural Resources Board this summer and permanent rules in the spring of 2001.

Under s. 23.0917(6) of the statutes, the Joint Committee on Finance reviews all stewardship projects of more than \$250,000. DNR must notify the Co-chairpersons of the Committee in writing of the proposed project. If the Co-chairpersons of the Committee do not notify DNR within 14 working days after the Department's notification that a meeting has been scheduled to review the request, then DNR may obligate funding for the project. If an objection to the project is made, then the Co-chairpersons must schedule a meeting to review the request. The Department may then obligate funding for the project only with Committee approval.

DNR notification of the proposed Turtle Valley Wildlife Area purchase was received by the Co-chairpersons on May 26, 2000. On June 5, 2000, the Co-chairpersons notified DNR that a meeting would be scheduled to consider the proposed purchase.

### **Turtle Valley Wildlife Area Project**

The project boundary for the Turtle Valley Wildlife Area encompasses 5,550 acres in the Towns of Richmond and Sugar Creek in Walworth County. The land consists of a mostly drained wetland complex, comprised of 36 private ownerships mostly devoted to sweet corn, mint and potato production as well as a 420-acre Department of Transportation (DOT) wetland mitigation site. The goal of the project is to restore wetlands and provide an area for wildlife habitat, public hunting, wildlife observation and other nature-based outdoor recreational activities near an urbanizing area. While a master plan for the area would be developed to specify management practices and development plans for the property, the Department indicates that, conceptually, management would protect existing habitat, restore degraded areas and provide limited recreational facilities. Anticipated development on the property include signage, parking, fencing, water control

structures and wildlife observation facilities. The Department would restore wetland habitat in cooperation with the United States Department of Agriculture (USDA) and Ducks Unlimited.

The proposed wildlife area was not identified in the five-year land acquisition plan approved by the Natural Resources Board in May, 1996, that identified new land acquisition projects for which feasibility studies were anticipated to be undertaken through 2000. The Department argues, however, that the project meets the criteria for the acquisition of recreational land established in administrative rule and that plans prepared by the Department, Walworth County and the Southeastern Regional Planning Commission all identified the general need for public recreational and habitat lands in this area of the state.

Under administrative rule, the Natural Resources Board must approve all new Department land acquisition projects. The project boundary for the Turtle Valley Wildlife Area was approved at the May, 2000, Board meeting by a vote of 7-0. Wisconsin Statutes (s. 23.14) further require that the proposed initial land acquisition for any new DNR project be submitted to the governor for his approval.

The Department estimates that total land acquisition costs for the Turtle Valley Wildlife Area would be approximately \$6.5 million, or roughly \$1,200 per acre. However, based on the proposed purchase (\$2,025 per acre) values could exceed \$11.2 million. State funding would likely come from the stewardship program, with federal Wetland Reserve Program (WRP) funding used to purchase easements on the land and thus reducing the costs to the stewardship program. Total payments in lieu of taxes are estimated at between \$85,000 and \$192,000 GPR annually. Total land development costs, including nesting cover establishment, water control structures, tile breaking and signage, are estimated at \$1.5 million. The Department anticipates that most of the development work will be funded through the USDA and Ducks Unlimited, but some combination of the stewardship program and the fish and wildlife account of the conservation fund could also be used for these purposes. DNR estimates that 2.5 staff (one wildlife biologist, one wildlife technician and a 0.5 LTE) may be needed for property management and maintenance purposes. The total cost of these staff would be \$96,000. Annual maintenance costs, including posting, patrolling, litter pickup, landowner services, prescribed burning, fence repairs, road grading and weed control, are estimated at \$15,000. These costs would typically be funded through the conservation fund general operations appropriation for the Land Division. No operations resources are included in this request. These costs would either be absorbed by the agency or increases could be sought in future budgets.

#### **VanderVeen Farms, Inc., Purchase**

The 1,728-acre parcel proposed for purchase from VanderVeen Farms, Inc., is mostly cropland (1,657 acres), with 33 acres of wooded upland and 15 acres of wetland. A building site lies on the remaining 23 acres. The croplands have produced a variety of products, including mint, soybeans, sweet corn and potatoes. Much of the cropland is comprised of muck soils, supported by a network of surface ditches and underground tile lines. A number of farm buildings are located on

the parcel. DNR anticipates either selling them for salvage or using them to store equipment. The main residence and a number of rental houses that are owned by the VanderVeens have been excluded from the purchase.

Most of the land is zoned A-1 Prime Agricultural Land District. The purpose of this designation is to maintain, preserve and enhance agricultural lands historically exhibiting high crop yields. The minimum lot size under this designation is 35 acres. The 1998 property tax assessment for the property was \$1,634,500 (\$1,529,500 for the land and \$105,000 for the improvements), with nearly \$30,800 paid in property taxes.

Two appraisals were completed on the property. The appraisal that was approved by the Department for just compensation purposes estimated the value of a somewhat larger 1,788.73-acre parcel at \$2.85 million as of August, 1999. The highest and best use of the property was identified as agricultural for a mint, vegetable and grain farm. The appraiser used all three of the methods generally accepted in estimating the value of a property for the VanderVeen Farms property. The adjusted overall values of the three comparable sales used for the sales comparison method ranged from \$2,842,600 to \$2,864,100. The appraiser estimated a value of \$2.85 million for the property based on this method. Under the income method, the present value of the property is determined from the estimated future income of the property. The appraiser estimated the net income from the property at \$113,832 (based on rental rates from two comparable properties and anticipated expenses). The rate of return from the three comparable sales used in the sales comparison method ranged from 3.7% to 6.0%. The appraiser selected a rate of return for the subject property of 4.0%, resulting in an overall value of \$2,845,800 for the property. Under the cost method, the value of the land is estimated and added to the cost of replacing any attached structures. Using four sales of similar characteristics to the VanderVeen Farms property, per acre values for the various uses or cover types of the land are established, with the total value of the VanderVeen Farms land established at \$2,743,200. The total cost of replacing the structures on the land, adjusted for depreciation, are estimated at \$108,000. Thus, the total estimated value from this approach is \$2,851,200. Comparing the three value estimates, the appraiser estimated the value of the property at \$2.85 million (\$2,742,000 for the land and \$108,000 for the improvements).

A second appraisal, accepted by the Department, set a value for 1,800 acres of land at \$4,275,000 as of August, 1999. The highest and best use of the property is identified as agricultural for a large cash crop operation. This appraisal used only the sales comparison method to estimate the value of the VanderVeen Farms property. Five sales of vacant property were used to estimate the value of the land, with per acre values ranging from \$2,342 to \$2,405. The appraiser used a value of \$2,375 per acre to estimate the value of the property, for a total value of \$4,275,000. The appraiser estimated the total value of improvements on the property to be \$72,000. This value was incorporated into the overall value, resulting in a value for only the land of \$4,203,000.

As part of this purchase, the state will acquire fee title to the property for \$934,500. In addition, the USDA will also pay \$2,565,000 for a 30-year Wetland Reserve Program easement on the land. Total payments to the landowner would be approximately \$3.5 million, the average of the

two appraisals. The Wetland Reserve Program is a voluntary program to restore and protect wetlands on private, state or locally-owned property under which the USDA purchases either a permanent or 30-year conservation easement on the land or enters into a restoration cost-share agreement. For a permanent easement, USDA would pay the lesser of the agricultural value of the land, an established payment cap or the amount offered by the landowner. Under a 30-year easement, USDA pays for 75% of the cost of a permanent easement and 75% of the restoration cost. Restoration cost-share agreements are generally at least 10 years in length with USDA paying 75% of the cost of activity necessary to reestablish degraded or lost wetland habitat. Under all of these options, the landowner and the USDA devise a plan to identify the activities necessary to restore, enhance, maintain and manage the wetland while the landowner continues to control access to the land. Federal officials indicate that, in a situation where a state agency would purchase the underlying fee title to the land, the maximum cost-share amount that can be provided under WRP is 75 percent.

The Natural Resources Board approved the VanderVeen Farms purchase at its May, 2000, meeting on a 7-0 vote.

## **ANALYSIS**

If the VanderVeen Farms land is acquired, DNR would have to pay aids in lieu of property taxes on the land to the Towns of Richmond and Sugar Creek in an amount equal to the tax that would be due on the estimated value of the property at the time it was purchased adjusted annually to reflect changes in the equalized valuation of all land, excluding improvements, in the taxation district. The initial value of the property is generally defined as the purchase price; however, if the land is sold to DNR for less than the property tax assessment value for the prior year that value is used. The towns then pays each taxing jurisdiction (including the county and school district) a proportionate share of the payment, based on its levy. Aids in lieu payments are made from a sum sufficient GPR appropriation. Payment for VanderVeen Farms land would be approximately \$30,800 GPR annually (\$8,700 to Richmond and \$22,100 to Sugar Creek, similar to the property taxes that were paid in 1999 on the parcel).

One factor the Committee may wish to consider is the pressure on the Department's operating budget created by large acquisitions and newly-established projects. As more land comes under state control; DNR must assume a greater role in the management, operation and maintenance of the land. This can result in either pressure to provide additional expenditure and position authority to the Department or to reallocate base resources to manage new properties. The 1999-01 biennial budget, for example, provided \$200,000 in 1999-00 and \$100,000 in 2000-01 from the conservation fund for operations and maintenance on newly-acquired DNR properties. While the Department had requested a higher level of funding as well as additional position authority, only a portion of that request was included in the Governor's budget recommendation and approved by the Legislature.

If DNR is allowed to make this purchase, the amount of land under state control in the Turtle Valley Wildlife Area (including the DOT land) would increase to 39% of the overall acreage goal. If the Department is not allowed to make the purchase, the \$934,500 that would otherwise have been spent on the VanderVeen Farms property would revert to the unobligated balance of the land acquisition subprogram of stewardship. As indicated in the appraisals, the highest and best use of the land, if it were not publicly owned, would be for agricultural purposes.

**ALTERNATIVES**

1. Approve the DNR request to expend \$934,500 from the Warren Knowles-Gaylord Nelson Stewardship 2000 program to purchase 1,728 acres of land from VanderVeen Farms, Inc., for the Turtle Valley Wildlife Area in Walworth County.

2. Deny the request.

Prepared by: Russ Kava

MO# Alt 1

1	BURKE	<input checked="" type="radio"/>	N	A
	DECKER	<input checked="" type="radio"/>	N	A
	JAUCH	<input checked="" type="radio"/>	N	A
	MOORE	<input checked="" type="radio"/>	N	A
	SHIBILSKI	<input checked="" type="radio"/>	N	A
	PLACHE	<input checked="" type="radio"/>	N	A
	COWLES	<input checked="" type="radio"/>	N	A
	DARLING	<input checked="" type="radio"/>	N	A
2	GARD	<input checked="" type="radio"/>	N	A
	PORTER	<input checked="" type="radio"/>	N	A
	KAUFERT	<input checked="" type="radio"/>	N	A
	ALBERS	<input checked="" type="radio"/>	N	A
	DUFF	<input checked="" type="radio"/>	N	A
	WARD	<input checked="" type="radio"/>	N	A
	HUBER	<input checked="" type="radio"/>	N	A
	RILEY	<input checked="" type="radio"/>	N	A

AYE 15 NO 1 ABS 0

XVf. Department of Natural Resources – George E. Meyer, Secretary

The department requested approval of the purchase of 1,728 acres in Walworth County from VanderVeen Farms, Inc., for the Turtle Valley Wildlife Area under the 14-day passive review of s. 23.0915(4).

Due to an objection from a Committee member, this request is now before the Committee under s. 13.10.

**13.10 Meeting**  
**Wednesday, July 12, 2000**  
**Agenda Item XVI**

**Issue:** Justice: Lottery Law Enforcement

**Recommendation:** Approve DOJ's request.

**Comments:** Due to the Governor's partial veto in the budget act, no funding has been allocated for lottery law enforcement in 2000-01. Segregated funding from the lottery fund is available and has been the traditional funding source for DOJ lottery law enforcement.

**Prepared by:** Deb



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

July 12, 2000

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Justice: Section 13.10 Request Relating to Lottery Law Enforcement -- Agenda Item XVI

The Department of Justice (DOJ) requests \$226,700 SEG in 2000-01 for lottery law enforcement under s. 20.455(2)(r) from the Joint Committee on Finance's supplemental appropriation under s. 20.865(4)(u). The SEG funding for this purpose would be provided from the lottery fund. In addition, DOJ requests the conversion of 2.75 GPR positions under s. 20.455(2)(fm) for lottery law enforcement to SEG positions under s. 20.455(2)(r) in 2000-01.

### BACKGROUND

The Department of Justice is statutorily required to conduct background investigations of proposed lottery employees of the Department of Revenue (DOR) and of any person proposing to contract or contracting for a major procurement for the lottery. DOJ may also investigate reports of suspected lottery-related criminal activity submitted by DOR and may investigate any activities by vendors or employees of DOR that affect the operation or administration of the lottery or any multijurisdictional lottery in which the state participates.

The 1999-01 biennial budget bill, as passed by the Legislature (1999 Enrolled Assembly Bill 133), created an annual GPR gaming law enforcement appropriation in DOJ and converted, for the 1999-01 biennium, \$226,000 SEG in 1999-00 and \$226,700 SEG in 2000-01 and 2.75 SEG positions annually to GPR funding for lottery gaming law enforcement functions. The bill prohibited DOJ from encumbering or expending any monies from the GPR appropriation after the effective date of the 2001-03 biennial budget act. The bill retained the SEG gaming law enforcement appropriation, but prohibited the expenditure or encumbrance of funds from the SEG appropriation in the 1999-01 biennium.



XVI. Department of Justice – Jack Benjamin, Director, Budget and Finance Bureau

The department requests a supplement of \$226,700 SEG in fiscal year 2000-01 in the appropriation under s. 20.455(2)(r), gaming law enforcement; lottery revenues. In addition, the department requests the conversion of 2.75 FTE GPR positions under s. 20.455(2)(fm), gaming law enforcement, to SEG under s. 20.455(2)(r).

Governor's Recommendation

Approve the request.

TOMMY G. THOMPSON  
GOVERNOR

GEORGE LIGHTBOURN  
SECRETARY



Office of the Secretary  
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**Date:** July 10, 2000

**To:** Members, Joint Committee on Finance

**From:** George Lightbourn, Secretary  
Department of Administration

A handwritten signature in cursive script, appearing to read "George Lightbourn".

**Subject:** Section 13.10 Request from the Department of Justice for Lottery Revenues for Gaming Law Enforcement.

**Request**

The department requests a supplement of \$226,700 SEG in fiscal year 2000-01 in the appropriation under s. 20.455(2)(r), gaming law enforcement; lottery revenues. In addition, the department requests the conversion of 2.75 FTE GPR positions under s. 20.455(2)(fm), gaming law enforcement, to SEG under s. 20.455(2)(r).

**Background**

1999 Wisconsin Act 9 shifted the 1999-2001 lottery law enforcement costs from SEG to GPR appropriations. The Governor partially vetoed these provisions to reverse the fiscal year 2000-01 shift. Therefore these costs are shifted to the general fund only in fiscal year 1999-2000 and are intended to return to the lottery fund in fiscal year 2000-01.

The partial veto eliminated the fiscal year 2000-01 GPR funding for these programs, but could not restore funding to the current SEG appropriations. The Governor indicated in this veto that the required restoration of this SEG authority would be achieved through separate legislation or action under s. 13.10 of the statutes.

The department now requests the restoration of this fiscal year 2000-01 SEG funding. The department also requests that this restoration be made permanent and reflected in the adjusted base of these appropriations for the 2001-03 budget.

**Analysis**

This request is essential to permit lottery funds to be used for gaming law enforcement in fiscal year 2000-01. These activities were completely converted from SEG to GPR funding in 1999 Wisconsin Act 9. The Governor's veto of the fiscal year 2000-01 GPR expenditure authority requires this separate consideration of SEG funding for these

Members, Joint Committee on Finance  
Page 2  
July 10, 2000

activities. The Governor's 1999 Wisconsin Act 9 veto message anticipated this need to reconsider SEG funding for lottery law enforcement activities:

*"...expenditure authority from lottery receipts may be restored for fiscal year 2000-2001 for the purpose of gaming law enforcement through separate legislation or action under s. 13.10 of the statutes."*

For each appropriation, the requested SEG funding is exactly the amount of GPR that was vetoed by the Governor in 1999 Wisconsin Act 9. Because the Governor's veto did not remove the associated 2.75 FTE GPR positions in that GPR gaming law enforcement appropriation these positions should be deleted and recreated as SEG positions.

**Recommendation**

Approve the request.

Prepared by: Andrew J. Statz

267-0370



STATE OF WISCONSIN  
DEPARTMENT OF JUSTICE

XVI

JAMES E. DOYLE  
ATTORNEY GENERAL

Burneatta L. Bridge  
Deputy Attorney General

123 West Washington Avenue  
P.O. Box 7857  
Madison, WI 53707-7857

Jack Benjamin  
Budget and Finance Director  
608/267-6714  
benjaminjr@doj.state.wi.us  
Fax 608/266-1656

April 19, 2000

Senator Brian Burke, Co-Chair  
Joint Committee on Finance  
316 South, State Capitol  
Madison, WI 53707-7882

Representative John Gard, Co-Chair  
Joint Committee on Finance  
315 North, State Capitol  
Madison, WI 53708-8952

Dear Senator Burke and Representative Gard:

Under sec. 13.10, stats., the Department of Justice requests a SEG supplement of \$226,700 in FY 01 and as a permanent increase, in the appropriation under sec. 20.455(2)(r), *Gaming law enforcement; lottery revenues*. In addition, we request the conversion of 2.75 GPR positions to SEG. Approval of this request is needed to restore lottery fund moneys to sustain our gaming enforcement activities at the level seen over the past eight years or so. This request meets the criteria under sec. 13.101(3)(a)—an emergency exists, we have no other resources to address this need, and we are required to satisfy gaming law enforcement responsibilities under sec. 165.70 (3) and (3m) and others.

Background

1991 Wisconsin Act 269 clarified the Attorney General's responsibilities relating to gaming. The act created a SEG appropriation under sec. 20.455(2)(r), *Gaming law enforcement; lottery revenues*, and authorized five SEG positions paid for from the lottery fund, *for the performance of the department's gaming law enforcement responsibilities as specified in section 165.70(3m)*. . . . 1995 Wisconsin Act 27 changed the mix of funds used to pay for five positions in the Gaming Enforcement Bureau in our Division of Criminal Investigation, resulting in 2.75 positions being charged to the lottery fund beginning in FY 96. 1999 Wisconsin Act 9 deleted SEG funding in FY 00 and FY 01 and 2.75 positions. A GPR appropriation under sec. 20.455(2)(fm)—*Gaming law enforcement*—was created to provide *for the performance of the department's gaming law enforcement responsibilities*. . . . Amounts appropriated were \$226,000 in FY 00 and \$226,700 in FY 01 for 2.75 GPR positions. The Governor vetoed language in section 490g of the act that would have otherwise prohibited

Senator Brian Burke, Co-Chair  
Representative John Gard, Co-Chair  
April 19, 2000

moneys from being spent or encumbered during this biennium from the SEG appropriation under (2)(r). He also lined out the FY 01 amount otherwise appropriated in (2)(fm) and replaced it with \$0. Page 127 of the veto message includes the statement that by vetoing section 490g *expenditure authority from lottery receipts may be restored for fiscal year 2000-2001 for the purpose of gaming law enforcement through separate legislation or action under s. 13.10 of the statutes.*

#### Analysis

The end result of 1999 Act 9 is that we are left without FY 01 or future funding to support 2.75 Special Agents in the Gaming Enforcement Bureau. Unless corrected, this will leave us without resources to pay for 55 percent of the position complement authorized for this bureau. Given that gaming concerns are more pervasive than ever, we must at least maintain the level of resources authorized for this purpose nearly eight years ago.

This request satisfies the specific conditions provided for in the Governor's veto message regarding gaming enforcement funding. We are attempting to sustain this vital resource by following the process prescribed there. We request a supplement of \$226,700 to our SEG appropriation under (2)(r), and the conversion of 2.75 positions from GPR to SEG. These approvals are needed in FY 01 and on an ongoing basis. This request can be seen as a companion request to one submitted on March 23, 2000 by the Department of Revenue.

#### Summary

1991 Wisconsin Act 269 created a Gaming Enforcement Bureau in our Division of Criminal Investigation, and appropriated SEG moneys from the lottery fund to pay a portion of the costs. 1999 Wisconsin Act 9 replaced lottery fund moneys with GPR funding for 2.75 Special Agents in the Bureau, but only for FY 00. The Governor vetoed second year funding and directed that we seek resources from the lottery fund via legislation or a request under sec. 13.10. By means of this request we seek restoration of \$226,700 SEG in our appropriation under sec. 20.455(2)(r) and 2.75 SEG positions. Funding and position authority are needed both in FY 01 and on an ongoing basis. This request is our equivalent to one submitted by the Department of Revenue on March 23, 2000. If this request is not approved, then our staffing resources available for gaming law enforcement activities will be reduced by 55 percent.

Sincerely,



Jack Benjamin  
Budget and Finance Director

[word: jcf lottery]

**13.10 Meeting**  
**Wednesday, July 12, 2000**  
**Agenda Item XVII**

**Issue:** Corrections: Release of Funds for a Salary Deficit

**Recommendation:** Approve DOC's request.

**Comments:** Corrections has an identifiable salary deficit and funding is currently available to support the request since \$\$ currently reserved for contract beds in the JFC's appropriation will not be utilized.

**Prepared by:** Deb



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

July 12, 2000

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Corrections: Section 13.10 Request for Release of Funds for a Salary Deficit --  
Agenda Item XVII

The Department of Corrections requests the transfer of \$2,945,000 GPR in 1999-00 from the Joint Committee on Finance's appropriation under s. 20.865(4)(a) to address a salary deficit as follows: (a) \$2,845,000 to the general program operations appropriation under s. 20.410(1)(a); and (b) \$100,000 to the services for community corrections appropriation under s. 20.410(1)(b).

### BACKGROUND

In its request, the Department identifies a projected deficit in staff salaries of \$2,945,000 GPR. In a subsequent memorandum dated June 27, 2000, using more recent data and assuming that the Department's pay plan supplement request is approved, the Department now indicates that the projected deficit has been reduced to \$2,677,900 GPR. The new estimate identifies salary deficits of \$2,262,300 in the general program operations appropriation (s. 20.410 (1)(a)) and \$415,600 in the community corrections appropriation (s. 20.410 (1)(b)). These revised estimates are \$582,700 less in the general program operations appropriation and \$315,600 more in the community corrections appropriation than indicated in the Department's s.13.10 request. In total, Corrections indicates that it needs \$267,100 GPR less than originally requested to meet salary costs in 1999-00. This paper addresses only the modified request.

### ANALYSIS

On June 26, 2000, Corrections submitted a request related to pay plan funding for 1999-00. In its pay plan request, the Department provided information related to final 1999-00 total salary costs. For 1999-00, Table 1 identifies Corrections total projected salary costs, total current salary funding, the total salary shortage, the amount of the deficit to be addressed through pay plan and the

remaining unfunded salary costs for appropriations s. 20.410(1)(a) and (b). The supplemental funding the Department is requesting under s. 13.10 is intended to address the unfunded salary costs.

<u>Appropriation</u>	<u>Total Salary Costs</u>	<u>Current Salary Funding</u>	<u>Salary Shortage</u>	<u>Pay Plan Funding</u>	<u>Unfunded Salary Costs</u>
General program operations (s. 20.410(1)(a))	\$172,072,500	\$161,180,200	-\$10,892,300	\$8,630,000	-\$2,262,300
Community Corrections (s. 20.410(1)(b))	<u>71,696,900</u>	<u>68,745,700</u>	<u>-2,951,200</u>	<u>2,535,600</u>	<u>-415,600</u>
Total	\$243,769,400	\$229,925,900	-\$13,843,500	\$11,165,600	-\$2,677,900

According to the Department, the deficit has been caused primarily by two issues. First, overtime costs exceeded available funding because: (a) security and health care positions funded on overtime were used to staff overcrowded institutions until additional out-of-state contract beds were approved in December, 1999; and (b) additional leave time for correctional officers was provided under union contracts but not taken into account in the budgeted staffing of officer positions. The Committee should note that in a December, 1999, s. 13.10 request related to prison contract beds, Corrections indicated that increased overtime costs had been incurred as the result of institutional crowding. No action was taken on the Department's request at that time because it was indicated that the Department could request additional funding at the June, 2000, s. 13.10 meeting if necessary when the full extent of possible overtime costs was known. The second primary cause of the salary deficit is that social worker and probation and parole agent position upgrades, with corresponding salary increases, were approved in June, 1999. These increases were not built into the Department's 1999-01 biennial budget and are not part of the 1999-00 pay plan supplement.

In order to fund the s. 13.10 request related to the salary deficit, Corrections requests that the Joint Committee on Finance release \$2,677,900 GPR from its supplemental appropriation (s. 20.865(4)(a)) reserved for contract prison beds. In 1999 Act 9, \$13,799,000 GPR in 1999-00 and \$44,834,400 GPR in 2000-01 (\$58,633,400 GPR total) was placed in the Committee's appropriation for prison contract beds. Through the May, 2000, s. 13.10 actions of the Committee, \$10,008,000 GPR in 1999-00 and \$27,521,900 GPR in 2000-01 (\$37,529,900 GPR total) has been released by the Committee. In total, \$21,103,500 GPR (\$3,791,000 GPR in 1999-00 and \$17,312,500 GPR in 2000-01) reserved for contract beds has not been released. Corrections indicates that funding in 1999-00 in the Committee's appropriation for contract beds will not be utilized for contract beds and, therefore, is available to fund the salary shortfall.

## CONCLUSION

Based on final 1999-00 salary calculations, including the maximum available pay plan supplement, Corrections' salary line in its general program operations and community corrections appropriations will end the fiscal year in deficit. In order to meet salary requirements, supplemental funding of \$2,677,900 GPR in 1999-00 is necessary. Corrections indicates that \$3,791,000 GPR in 1999-00 currently reserved for contract beds in the Committee's appropriation will not be utilized. As a result, funding is available in the Committee's appropriation to address the Department's salary needs. Given that Corrections has an identifiable salary deficit and funding is currently available to support the request, the Committee may wish to approve the Department's request to transfer: (a) \$2,262,300 GPR in 1999-00 from the reserved portion of the Committee's appropriation for prison contracts (s.20.865(4)(a)) to the Department's general program appropriation (s. 20.410(1)(a)); and (b) \$415,600 GPR in 1999-00 from the reserved portion of the Committee's appropriation for prison contracts (s.20.865(4)(a)) to the Department's community corrections appropriation (s. 20.410(1)(b)).

Prepared by: Jere Bauer

MO#	<u>Conclusion</u>		
1	BURKE	Y	N A
	DECKER	Y	N A
	JAUCH	Y	N A
	MOORE	Y	N A
	SHIBILSKI	Y	N A
	PLACHE	Y	N A
	COWLES	Y	N A
	DARLING	Y	N A
2	GARD	Y	N A
	PORTER	Y	N A
	KAUFERT	Y	N A
	ALBERS	Y	N A
	DUFF	Y	N A
	WARD	Y	N A
	HUBER	Y	N A
	RILEY	Y	N A
	AYE	16	NO 0 ABS 0

XVII. Department of Corrections – Jon Litscher, Secretary

The department requests the release of \$2,845,000 GPR from the reserved portion of the Committee's supplemental appropriation under s. 20.865(4)(a) in fiscal year 1999-2000 to be transferred to s. 20.410(1)(a), general program operations appropriation for the Division of Adult Institutions. The department requests the release of an additional \$100,000 GPR from the reserved portion of the Committee's supplemental appropriation under s. 20.865(4)(a) to be transferred to s. 20.410(1)(b), services for community corrections to fund projected fiscal year 1999-2000 salary deficits.

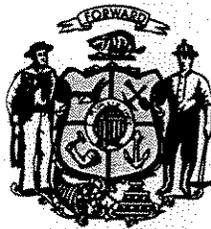
Governor's Recommendation

Modify the request. Transfer \$2,262,300 GPR from the reserved portion of the Committee's supplemental appropriation under s. 20.865(4)(a) in fiscal year 1999-2000 to s. 20.410(1)(a), general program operations for the Division of Adult Institutions. Transfer \$415,600 GPR from the reserved portion of the Committee's supplemental appropriation under s. 20.865(4)(a) to s. 20.410(1)(b), services for community corrections.

STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION  
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON  
GOVERNOR

GEORGE LIGHTBOURN  
SECRETARY



XVII

Office of the Secretary  
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**Date:** July 10, 2000

**To:** Members, Joint Committee on Finance

**From:** George Lightbourn, Secretary  
Department of Administration *George Lightbourn*

**Subject:** Section 13.10 Request from the Department of Corrections for Projected Salary Deficit Funding.

**Request**

The department requests the release of \$2,845,000 GPR from the reserved portion of the Committee's supplemental appropriation under s. 20.865(4)(a) in fiscal year 1999-2000 to be transferred to s. 20.410(1)(a), general program operations appropriation for the Division of Adult Institutions. The department requests the release of an additional \$100,000 GPR from the reserved portion of the Committee's supplemental appropriation under s. 20.865(4)(a) to be transferred to s. 20.410(1)(b), services for community corrections to fund projected fiscal year 1999-2000 salary deficits.

**Background**

In 1999 Wisconsin Act 9 the Legislature appropriated \$16,198,600 GPR for fiscal year 1999-2000 and \$49,001,400 GPR for fiscal year 2000-2001 to the Joint Committee on Finance (JCF) supplemental appropriation s. 20.865(4)(a) to fund cost increases of currently approved out-of-state contract beds, additional out-of-state contract beds, community corrections purchase of services and operating costs associated with the opening of two 150-bed work centers.

At the December 1999, s.13.10 meeting the department requested the release of \$885,500 GPR related to overtime costs associated with system overcrowding. Analysis of this request indicated that it was premature and that the request could more appropriately be considered at the end of fiscal year 1999-2000 when the total year-end salary costs are known. Based at least in part on this analysis, the Committee denied the overtime funding request at the December s. 13.10 meeting.

**Analysis**

The salary deficit for fiscal year 1999-2000 is primarily the result of overtime and

Members, Joint Committee on Finance  
Page 2  
July 10, 2000

unfunded Social Worker and Probation and Parole Agent position upgrades. The department's fiscal year 1999-2000 overtime budget for Division of Adult Institutions (DAI) is \$7,295,800. Projected overtime costs through June 30, 2000 are projected to be \$16,827,000. Actual overtime through June 17, 2000 is \$15,909,579.

The department has identified approximately \$1.5 million of the overtime deficit as the result of overcrowding in institutions caused by a delay in approval of additional contract beds. Another major cause of overtime spending is labor contract agreements for officer staff. The contract agreements provide additional leave time, which has led to increases in the number of security post hours being covered by overtime. Other causes of overtime include vacancies, sick leave, medical vigils for inmates, training, security emergencies, and construction projects.

The position upgrades were mandated, effective June 6, 1999, by a Department of Employment Relations Compensation and Labor Relations Bulletin, at a cost of \$2,311,600.

The department has been able to offset most of these deficits through careful monitoring of salary expenditures and hiring practices. Despite this, the department anticipates a one-time deficit that cannot be carried over to the next fiscal year.

The department submitted a revised pay plan entitlement report on June 21, 2000. As a result, the department anticipates an unfunded salary deficit of \$2,262,300 in DAI, and \$415,600 in DCC. In total, the deficit is anticipated to be \$267,100 less than originally requested.

### **Recommendation**

Modify the request. Transfer \$2,262,300 GPR from the reserved portion of the Committee's supplemental appropriation under s. 20.865(4)(a) in fiscal year 1999-2000 to s. 20.410(1)(a), general program operations for the Division of Adult Institutions. Transfer \$415,600 GPR from the reserved portion of the Committee's supplemental appropriation under s. 20.865(4)(a) to s. 20.410(1)(b), services for community corrections.

Prepared by: Jana D. Steinmetz  
266-2213

Tommy G. Thompson  
Governor

Jon E. Litscher  
Secretary



State of Wisconsin  
Department of Corrections

Mailing Address

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DATE: June 21, 2000

TO: The Honorable Brian Burke, Co-Chair  
Joint Committee on Finance  
Room 315 North, State Capitol  
Madison, WI 53702

The Honorable John Gard, Co-Chair  
Joint Committee on Finance  
Room 316 South, State Capitol  
Madison, WI 53702

FROM: Jon E. Litscher, Secretary *Jon E. Litscher/ps*  
Department of Corrections

SUBJECT: §13.10 Request – Department of Corrections Salary Deficit

**Request**

The Department of Corrections requests a one-time transfer of \$2,945,000 GPR in FY00 from the Joint Committee on Finance's appropriation under §20.865(4)(a) to the Department to address a projected FY00 salary deficit. Of the funds requested, \$2,845,000 should be transferred to §20.410(1)(a), general program operations for the Division of Adult Institutions (DAI), and \$100,000 should be transferred to §20.410(1)(b), services for community corrections for the Division of Community Corrections (DCC).

**Background:**

**Salary Deficit**

The Department is currently experiencing a significant deficit in its salary lines primarily due to overtime and unfunded Social Worker and Probation and Parole Agent upgrades. The unfunded salary upgrades of Social Workers and Probation and Parole Agents total a projected FY00 cost of \$2,311,600. These upgrades were mandated on a Department of Employment Relations Compensation and Labor Relations Bulletin dated June 7, 1999 with an effective date of June 6, 1999. Because of the late enactment of these upgrades the salary increases were not built into the Department's salary budget nor were they part of the Department's FY 00 salary supplement.

The Department's current FY00 overtime budget for the Division of Adult Institutions is \$7,295,800. Actual overtime expenditures through 4/22/00 were \$12,624,900. Total overtime through 6/30/00 is projected to be \$16,827,000. The deficit has been caused by several factors beyond the control of this agency.

- Overcrowding in institutions caused by a delay in approval of additional contract beds resulted in a need for additional security posts funded by overtime, health care LTE and supplies and services needs, at an estimated FY00 cost of \$1,469,800.

The Department was unable to obtain approval for additional out-of-state contract beds until December of 1999. To accommodate the resulting increased populations that needed to be housed in DOC facilities rather than out-of-state, the Department initiated a number of emergency, short-term measures. Included in these actions was the creation of dorm space out of conference room space in one institution, while other institutions increased or doubled populations on existing housing units.

- Past labor contracts for the Department's Officer staff have resulted in additional leave time. Existing security posts that must be manned at all times had their staffing determined by a formula that did not include the additional leave time mandated by the labor agreements. This resulted in an increasing number of security posts' hours being covered by overtime. The Department intends to address this staffing issue in the 2001-03 biennial budget.

While the total overtime deficit in FY00 approximates \$9.5 million, through careful monitoring of salary expenditures and hiring practices, the Department has been able to cover most of these unfunded costs. Despite these efforts, the Department is anticipating a total salary deficit of \$2,945,000 for FY00.

#### Funds in Committee's Appropriation

The 1999-01 biennial budget (1999 Wisconsin Act 9) placed \$16,198,600 GPR in FY00 and \$49,001,400 GPR in FY01 into the Committee's appropriation §20.865(4)(a) for cost increases of currently approved out-of-state contract beds, additional out-of-state contract beds, community corrections purchase of services and operating costs associated with the opening of two 150-bed workcenters.

In December of 1999, the Committee approved the release of \$9,121,200 GPR in FY00 and \$11,824,000 GPR in FY01 to the Department for additional contract beds, out-of-state contract monitoring staff, televisiting centers for inmate families and community corrections purchase of services.

In May 1999 the Department provided certification of the inspection of the Tutwiler facility and its intent to use 400 beds of the previously approved 1,024 beds. The certification letter

also addressed an increase of 138 beds at the Appleton, Minnesota CCA facility. In the letter the Department requested the release of \$1,092,400 to cover the FY00 costs for these beds.

The remaining balance of funds in the Committee's appropriation identified for the Department of Corrections is:

<b>PURPOSE</b>	<b>FY 00</b>
Full Funding of Contract Beds	\$ 935,900
Additional Contract Beds	\$3,749,500
Purchase of Services	
Workcenters	\$1,299,600
<b>TOTAL</b>	<b>\$5,985,000</b>

**Summary**

The Department of Corrections requests a one-time transfer of \$2,945,000 GPR in FY00 from the Committee's appropriation under §20.865(4)(a) to address the Department's projected salary deficit. \$2,845,000 should be transferred to §20.410(1)(a), general program operations, and \$100,000 should be transferred to §20.410(1)(b), services for community corrections. Although this is a one-time request for FY00, the Department anticipates facing similar salary shortfalls in FY01.

cc: Robert Lang, Legislative Fiscal Bureau  
George Lightbourn, Department of Administration

Prepared By: Lucie Widzinski-Pollock, Bureau of Budget and Facilities Development  
266-5070

**13.10 Meeting**  
**Wednesday, July 12, 2000**  
**Agenda Item XVIII**

**Issue:** Corrections: Health Care Deficit in 1999-00

**Recommendation:** Transfer \$\$ from JFC's appropriation reserved for inmate work centers to DOC's general program operations appropriation to partially fund a projected health care deficit in DOC.

**Comments:** This is a better option than DOC's original request. The statutes do not give JFC authority under s. 13.10 to transfer cash balances to the general fund or to appropriate new funds, as originally requested by DOC. Funding reserved for inmate work centers is available to cover the health care deficit and should be used.

**Prepared by:** Deb



## Legislative Fiscal Bureau

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July 12, 2000

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Corrections: Section 13.10 Request Relating to the Health Care Deficit in 1999-00 --  
Agenda Item XVIII

The Department of Corrections requests that \$1,219,000 PR revenue balance in 1999-00 in appropriation s. 20.410 (1)(kk) (institutional operations and charges) be transferred to the general fund and that \$1,219,000 GPR be provided in appropriation s. 20.410(1)(a) (general program operations) to partially fund a projected health care deficit in the Department.

In its request, Corrections indicated that its total health care supplies and services deficit was \$2,716,800, based on actual costs through March, 2000. Of the total request, \$1,219,000 would be provided from an increase to appropriation s. 20.410(1)(a), \$800,000 would be addressed through the internal management of costs and \$700,000 would be funded by shifting appropriate expenditures to program revenue funding as approved by the Joint Committee on Finance under s. 16.515 action on July 3, 2000. (The Department's initial request exceeds the identified deficit by \$2,200.)

Subsequent to its June 21, 2000, submission, Corrections has reestimated that its total health care supplies and services deficit is \$2,015,600, using actual costs through May 31, 2000, and reflecting the transfer of \$716,000 in funds internally. With only \$84,000 remaining for internal reallocation, the Department's request for additional funds has increased by \$12,600 to \$1,231,600 GPR. This paper addresses the revised estimate.

### ANALYSIS

The Department of Corrections has a 1999-00 budget for health-care related supplies and services of \$16,857,800 GPR, including a contract for health care services at the Supermax

Correctional Institution and a contract for services with the University of Wisconsin Hospitals and Clinics. For 1999-00, Table 1 identifies the budget amounts, estimated total expenditures and the estimated balance for each health care item.

**TABLE 1**

**Department of Corrections  
Health Care Supplies and Services  
1999-00**

<u>Item</u>	<u>Budget</u>	<u>Estimated Expenditures</u>	<u>Balance</u>
UW Hospital and Clinics contract	\$4,764,849	\$5,273,131	-\$508,282
Supermax health services contract	632,500	550,000	82,500
Drug costs	5,000,000	6,696,661	-1,696,661
Other medical supplies and services	<u>6,460,451</u>	<u>6,353,575</u>	<u>106,875</u>
<b>Total</b>	<b>\$16,857,800</b>	<b>\$18,873,368</b>	<b>-\$2,015,568</b>

Of the total deficit identified by the Department, 84% is related to the cost of pharmaceuticals. Based on the Department's projected 1999-00 total costs for drugs, the per capita cost increased 41.2% from 1998-99 (from a per capita cost of \$322.14 in 1998-99 to \$454.94 in 1999-00). According to research cited by Corrections, drug therapies are cheaper than previous therapies, such as surgery, but "as successful new drug therapies are introduced, more patients are treated, increasing the overall cost of health care."

The contract that Corrections has with the University Hospital and Clinics provides inpatient and outpatient services for inmates referred to the Hospital. Under the contract, Corrections: (a) is charged a base rate of \$4,674,800 for inpatient and outpatient services; (b) is charged \$201 per day for all outpatient days of service in excess of 5,000 total days; (c) is charged \$6,285 for all inpatient discharges in excess of 500 for the year; and (d) pays 60% of all inpatient discharges whose costs are in excess of \$60,000. Based on utilization of the UW Hospital contract through May 31, 2000, Corrections will exceed its budgeted funding by \$508,300 in 1999-00.

While the cost of drugs and the UW Hospital contract are higher than budgeted, these costs are partially offset by lower than budgeted costs for the Supermax health services contract and other medical supplies and services costs. In total, the Department's estimate of the health care supplies and services deficit appears to be accurate based on the most recent information available. With the Committee's approval to shift \$700,000 in expenditures to program revenue funding and assuming that Corrections can absorb an additional \$84,000 of costs (for a total of \$800,000 of costs addressed internally by the Department), the \$1,231,600 GPR requested by the Department appears necessary.

In order to fund the request, Corrections has asked that the Committee transfer \$1,219,000 cash from the program revenue appropriation under s. 20.410(1)(kk) to the general fund and increase the general program operations appropriation (s. 20.410(1)(a)) by \$1,219,000. Under s. 13.101, the Committee "may transfer between appropriations and programs if the committee finds that unnecessary duplication of functions can be eliminated, more efficient and effective methods for performing programs will result or legislative intent will be more effectively carried out because of such transfer, if legislative intent will not be changed as the result of such transfer and the purposes for which the transfer is requested have been authorized or directed by the legislature, ... " The statutes do not, however, give the Committee the authority under s. 13.10 to transfer cash balances to the general fund or to appropriate new funds.

The Committee should note that in 1999 Act 9, \$1,299,600 GPR in 1999-00 and \$3,067,000 GPR in 2000-01 was placed in the Committee's reserve for the operation of inmate work centers by the Department of Corrections while the location of the centers was determined and construction completed. The centers now are not scheduled to open until some time in 2000-01. As a result, funding to support the health care deficit could be transferred from the amount reserved for inmate work centers in 1999-00.

The Department's estimate of the health care supplies and services deficit appears to be accurate based on the most recent information available. Assuming that Corrections absorbs an additional \$84,000 of costs through internal reallocations and \$700,000 in expenditures is shifted to program revenue funding, the \$1,231,600 GPR requested by the Department appears appropriate.

## CONCLUSION

Transfer \$1,231,600 GPR in 1999-00 from the Committee's appropriation (s. 20.865(4)(a)) reserved for inmate work centers to the Department's 1999-00 general program operations appropriation (s. 20.410(1)(a)).

Prepared by: Jere Bauer

MO# conclusion

1	BURKE	Y	N	A
	DECKER	Y	N	A
	JAUCH	Y	N	A
	MOORE	Y	N	A
	SHIBILSKI	Y	N	A
	PLACHE	Y	N	A
	COWLES	Y	N	A
	DARLING	Y	N	A
2	GARD	Y	N	A
	PORTER	Y	N	A
	KAUFERT	Y	N	A
	ALBERS	Y	N	A
	DUFF	Y	N	A
	WARD	Y	N	A
	HUBER	Y	N	A
	RILEY	Y	N	A

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