

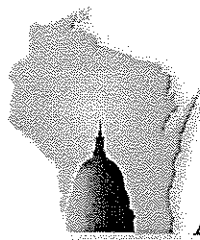
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XIII. Department of Natural Resources – Gene Francisco, Administrator, Division of Forestry

The department requests a supplement of \$209,200 SEG in fiscal year 2000-01 from the Committee's appropriation under s. 20.865(4)(u) to the department's general program operations-state funds appropriation under s. 20.370(1)(mu) to increase private forestry assistance to non-industrial private forest landowners.

Governor's Recommendation

Deny the request for a supplement. Instead direct the department to utilize base SEG forestry funds to cover assistance to private forest landowners.



WISCONSIN DEPARTMENT OF
ADMINISTRATION

SCOTT McCALLUM
GOVERNOR

GEORGE LIGHTBOURN
SECRETARY

Office of the Secretary
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Date: April 20, 2001

To: Members, Joint Committee on Finance

From: George Lightbourn, Secretary
Department of Administration

Subject: Section 13.10 Request from the Department of Natural Resources for
Additional Funding for Assistance to Private Forest Landowners.

Request

The department requests a supplement of \$209,200 SEG in fiscal year 2000-01 from the Committee's appropriation under s. 20.865(4)(u) to the department's general program operations-state funds appropriation under s. 20.370(1)(mu) to increase private forestry assistance to non-industrial private forest landowners.

Background

The Managed Forest Law Program was created in 1985 to replace both the Forest Crop Law and Woodland Tax programs. The Managed Forest Law streamlined the administration of the forest tax programs and expanded program appeal by allowing landowners to manage their land for recreational or habitat goals in addition to timber production. Under the program, landowners of parcels at least 10 acres in size enter into 25- or 50-year contracts to manage the enrolled acres according to a management plan approved by a department forester. Landowners have the option to restrict public access on up to 80 acres per municipality in return for a higher annual per acre payment than if the land is open for non-motorized public recreation. Landowners are also required to pay a timber harvest tax to the department, which retains half of the revenue, and the remainder is distributed to the towns and counties in which the land is enrolled. The department also provides annual payments of \$0.20 per acre to towns for enrolled lands.

Several large industrial forest owners have begun to sell lands enrolled in either the Forest Crop Law or Managed Forest Law Program. Each sale requires that the department be notified and a \$20 transfer fee be paid. The department must then review each transfer to determine if each parcel continues to be eligible for the

Members, Joint Committee on Finance
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program or if it must be withdrawn. If it is determined that the land transferred is no longer eligible or if the new owner does not certify his intent to continue to comply with the existing management plan, the department must withdraw the land and assess the statutory withdrawal tax.

Most of the industrial forestland is sold in smaller parcels to private non-industrial landowners. This break-up of the large parcels increases the number of landowners enrolling in the Managed Forest Law Program and has created a demand for foresters to complete required management plans and provide additional technical assistance. Also, interest in enrollment has increased as valuation of forestland and related property taxes have risen. Under current statutes, if a landowner requests that the department prepare the management plan, the department must comply. To reduce the burden on state foresters, in recent years, the department has contracted with private foresters to prepare forest management plans.

Analysis

The department is requesting additional funding from the forestry account of the conservation fund to increase its contracts with private foresters to prepare forest management plans for lands to be enrolled in the Managed Forest Law Program. The department is also requesting funding for LTE staff, overtime, travel and temporary staff services.

The 1999-2001 biennial budget provided \$150,000 annually for the department to contract with private foresters to speed the entry of forestland into the Managed Forest Law Program. In addition, at the May 3, 2000 s. 13.10 meeting, the Joint Committee on Finance approved an increase of \$226,700 SEG and 1.0 FTE position in fiscal year 2000-01 for contracts with private foresters and permanent and LTE staffing related to forest tax workload. These resources are estimated to allow the department to prepare approximately 440 forest management plans in fiscal year 2000-01. The 3,194 applications received in fiscal year 2000-01 have resulted in a need to complete 819 plans, a difference of 379 plans.

Although the number of requests to prepare forest management plans has exceeded expectations, the department has not illustrated a need to increase its budgeted spending authority in the appropriation under s. 20.370(1)(mu). The department has and continues to generate savings from its vacancies. The unused budgeted salary amounts could be reallocated to support the additional contracts and other costs. The current vacancies in the Division of Forestry have generated salary savings of approximately \$400,000 SEG to date. It is likely that a similar number of vacant positions will continue to exist and will generate sufficient unused spending authority to cover future additional contract funding and private forest assistance costs.

Members, Joint Committee on Finance
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In addition, the department has consistently lapsed approximately \$600,000 SEG from the Bureau (now Division) of Forestry's budgeted allotment under that appropriation. This amount of lapse could easily cover the increase in contract funds; and overtime, travel and LTE position costs. The department indicates that it is difficult to predict expenditures for the remainder of the year and to which appropriations those expenditures will be assigned. The difficulty in budgeting seems to derive from the department's internal accounting and management practices. Historical data and the current vacancies indicate that sufficient expenditure authority exists, and additional spending authority should not be provided.

Recommendation

Deny the request for a supplement. Instead direct the department to utilize base SEG forestry funds to cover assistance to private forest landowners.

Prepared by: Kirsten M. Grinde
266-7973



State of Wisconsin \ DEPARTMENT OF NATURAL RESOURCES

Scott McCallum, Governor
Darrell Bazzell, Secretary

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March 16, 2001

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
Room 316 South
State Capitol

The Honorable John Gard, Co-Chair
Joint Committee on Finance
Room 315 South
State Capitol

Attn: Committee Secretary, Daniel Caucutt
Division of Executive Budget and Finance, 10th Floor
Administration Building
101 E. Wilson Street

Brian

John

Dear Senator Burke and Representative Gard:

REQUEST

The Department of Natural Resources requests an ongoing supplement to appropriation s. 20.370(1)(mu) from the Forestry Account of the Conservation Fund of \$209,200 SEG in FY 2001 to increase the Department's capabilities to provide private forestry assistance to non-industrial private forest landowners. This request is for a \$95,500 increase in the Managed Forest Law (MFL) consultant forester contract, \$68,800 for program assistant LTE/contracted help for the field foresters, \$9,500 additional travel expense funds for foresters to assist in other areas of the state, \$34,200 for overtime for forestry staff to complete the tax law entries, and \$1,200 for temporary staff services for data entry of tax law data in the forest tax section. Approval of this request will allow the Department to complete 379 Managed Forest Law entries during FY 2001 beyond the Department's present capabilities.

BACKGROUND

The goal of the Managed Forest Law (MFL) has been to enter private woodlands in Wisconsin into long term agreements with the State for sustainable forest management. The 25 and 50 year agreements have been extremely successful. Landowners are addressing their objectives for owning their lands through management plans written specifically to address their interests in a manner that ensures long-term forest sustainability. Practicing sustainable forestry provides both short-term and long-term ecological, social and economic benefits to Wisconsin.

Wisconsin Statutes establish deadlines for the Department of Natural Resources to meet in administering the Managed Forest Law Program. Record increases in the application for forest tax law land designation have resulted in MFL workload that the Department cannot complete within the statutory deadlines without eliminating other essential Forestry work. The state statutes require that applications for the tax law must be processed for entry by November 20, with completion of the field foresters' work required by October 1 each year. Transfers and withdrawals which affect a landowner's property taxes must have

orders issued by December 15 each year. Failure to meet the statutory deadlines will open the state to liabilities for the property taxes of the landowners.

In recent years, the Managed Forest Law applications have increased at an unprecedented rate. Since 1999, when the total number of applications was 1,821, they have increased 75% to 3,194 applications this year. We anticipate that this trend will continue into the foreseeable future. As a result, we anticipate 3,500 applications in 2002.

Of the 3,194 applications received during the current fiscal year there is a need to complete 819 plans beyond what DNR field foresters can complete through standard processes. The FY 2001 budget includes \$300,000 for contracting and LTE administration, which will cover approximately 440 plans. Therefore, available resources fall short in completing 379 shortfall plans for this year. The additional funding requested here would be used for:

- ◆ contracting with consultant foresters.
- ◆ providing additional assistance to DNR foresters, contracted/LTE help, travel expenses and overtime for field foresters to complete additional plans, and temporary help services to more quickly process applications to the field foresters.

Contracting with consultants has drawn greater interest in FY 2000 & 2001, going from 16 to 23 consultants bidding. Department foresters must approve plans developed by consultants, assuring that landowners receive a plan that meets standards. The combined effort is expected to complete all 379 shortfall plans for this year and 610 in 2002.

IMPACTS

Forest landowners in Wisconsin this year have taken a greater interest in the Managed Forest Law. Based on Department of Revenue statistics, assessments on forestland in Wisconsin have gone up 23% last year, the highest of any category, while agricultural lands have dropped 33%. The municipalities with the most recent reassessments have shown tremendous increases in applications for the Managed Forest Law.

The advent of agricultural use value taxation and the increasing development pressure on forest land for recreation and residential development are driving up land prices and, by extension, taxes. MFL is a program that can reduce pressures on landowners to subdivide their land. Furthermore, MFL increases the percentage of forest land in Wisconsin that is managed sustainably. This benefits our economy and environment, both today and in the future.

The MFL annual application process completely dominates many forestry offices and as the total acreage has built up in those counties, the follow-up work keeps compounding through management plans and mandatory practices. The 2.5 million acres of forest tax law lands are now dominated by the MFL, which has gone from 34% to 76% of the total in about 3 years. To compound this, the activity in the MFL versus the Forest Crop Law is 3.4 times higher for transfers, withdrawals, and cutting notice/reports. All these activities require actions both by the central office and field foresters.

We have shifted resources to the extent possible. Other statutory and high priority forestry work is being adversely impacted by the overwhelming MFL workload.

COSTS

Current funding to assist with MFL management plans is for contracting with consultant foresters at \$150,000 base funds and \$150,000 per year of one-time funding in the 1999-01 biennium. The FY '01-

'03 Governor's Budget includes a provision for making the \$150,000 of 99-01 one-time funding permanent. The following fiscal estimate is not included in the Governor's 2001-03 budget and due to the timing of the entry process is needed prior to the budget's approval.

FY 2001

1.) Contracting:

Increase consultant forester contracting for FY 2001 by \$95,500.

Present contracting with private consultant foresters is at \$300,000 per year and this would increase it to \$395,500 for this year, allowing the completion of 140 additional plans (contractors have said they would be able to expand their contracting yet this year).

2.) Contract/LTE assistance for field foresters:

A contract/LTE fund established for FY 2001 in the amount of \$68,800.

Program assistants would be contracted or hired as LTEs to assist the DNR foresters in their processing of MFL applications and fieldwork thereby increasing their production by 95 plans for this year.

3.) Increases in travel expense budgets:

Additional travel money for FY 2001 of \$9,500.

The additional funds are needed to allow field foresters to travel to other field forester locations, often across regions in an effort to shift the foresters to where they are most needed due to application levels. Current operating budgets are inadequate and cannot support the necessary travel. These funds would enable staff to complete an additional 100 plans.

4.) Overtime for field forestry staff:

Overtime for FY 2001 of \$34,200.

Overtime compensation is necessary for field foresters and technicians to work weekends and overtime to complete 44 plans needed for FY 2001.

5.) Temporary Staff Services:

Data Entry services funds for FY 2001 of \$1,200.

To assist in expediting the processing for forest tax entries to field forestry staff, 120 hours of temporary staff services are needed.

FY 2002

The Department estimates that additional costs necessary to address the estimated Managed Forest Law application workload in FY 2002 will be \$348,900. If the Department's request for an additional \$209,200 in FY 2001 is approved as an ongoing amount, there will still be a need for an additional \$139,700. The Governor's 2001-2003 biennial budget does not currently include a provision to address this additional cost. The magnitude of the MFL workload for FY 2002 was not anticipated at the time the Department submitted its 2001-2003 budget request, nor was the total cost anticipated in time to be adequately addressed in the Governor's budget. If there is no provision to address this need included in

the final budget adopted by the Legislature, the Department anticipates the need to submit another s.13.10 request in FY 2002 to address this need.

CONCLUSION

This request will enable the Department to meet our statutory obligations with respect to the MFL entry process. Through use of private sector partners, support staff, travel funds and overtime compensation, the Department will be able to service landowners who have applied for entry into this important conservation program. If you have any questions concerning this request, please contact Eric Thompson, Bureau of Management & Budget, 266-8251, or Paul DeLong of the Bureau of Forestry, 264-9224. Thank you for your consideration of this request.

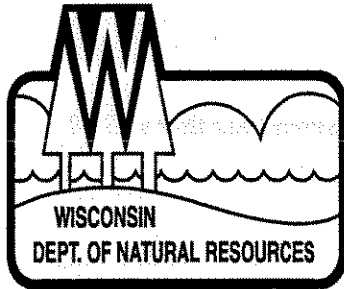
Sincerely,



Darrell Bazzell
Secretary

Cc: Franc Fennessy – AD/5
Joe Polasek – MB/5
Herb Zimmerman – FN/1
Gene Francisco – AD/5
Paul DeLong – FR/4
Kirsten Grinde – DOA
Susan Felker-Donsing – MB/5
Eric Thompson – MB/5

Hon. Brian Burke



State of Wisconsin \ DEPARTMENT OF NATURAL RESOURCES

Scott McCallum, Governor
Darrell Bazzell, Secretary

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April 18, 2001

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
Room 316 South
State Capitol

The Honorable John Gard, Co-Chair
Joint Committee on Finance
Room 315 North
State Capitol

Attn: Committee Secretary, Daniel Caucutt
Division of Executive Budget & Finance, 10th Floor
Administration Building
101 E Wilson Street

Dear Senator *Brian* Burke and Representative *John* Gard:

REQUEST

The Department of Natural Resources requests a supplement to appropriation 20.370 (4) (aq) from the Water Resources Account of the Conservation Fund of \$66,100 SEG and 5.0 FTE in FY 2001 to allow the Department to begin to address the workload inherent in the wetlands compensatory mitigation and enforcement legislation (1999 Wisconsin Act 147). The requested staff include 4.0 FTE Water Regulation and Zoning Specialists to concentrate on wetland water quality certifications, mitigation monitoring, and site review in light of the new compensatory mitigation program, and 1.0 FTE Natural Resources Staff Specialist to ensure statewide coordination and consistency in implementing the wetlands mitigation and enforcement program. There are funds available in the Water Resources Account of the Conservation Fund to cover the costs associated with this request for FY 2001. The annual costs associated with the FTE requested here will require \$155,400 in salary, \$61,300 in fringe, and \$35,600 in supplies expenditures for a total of \$252,300.

BACKGROUND

In its 1999 session, the Legislature passed 1999 Wisconsin Act 147, which created a process and requirements for the Department to use in allowing wetland compensatory mitigation projects—that is, projects that restore, enhance, or create a wetland to compensate for adverse impacts to other wetlands. Compensatory mitigation seeks to encourage property owners to avoid or minimize damage to wetlands but allows for the possibility that they may compensate for filling or dredging a wetland by restoring or creating a high quality wetland in another appropriate location. Act 147 also directed the Department to

promulgate rules to regulate mitigation projects. The Department will propose those rules for final adoption at the April 25, 2001 meeting of the Natural Resources Board. Without the staff and funding that are the subject of this request, the Department will be unable to implement the proposed compensatory mitigation program. Additionally, the issue of wetlands compensatory mitigation is particularly urgent in light of the Governor's recent call for a special session of the Legislature to address the safeguarding of wetlands left unprotected by a January U.S. Supreme Court ruling.

ANALYSIS OF NEED

A wetland compensatory mitigation program and the ability to prosecute people who illegally fill wetlands are important components in the Department's strategy for reversing the loss and degradation of Wisconsin's remaining 5.3 million acres of wetlands. Compensatory mitigation involves a great deal of planning, careful monitoring of construction activities, follow-up monitoring and long-term maintenance of the site.

Administrative rules for the new compensatory mitigation program, will be acted on by the DNR Board at its April 25, 2001 meeting. Assuming passage of these rules, Department water regulation and zoning specialists will be able to consider whether compensatory mitigation is an option in reviewing the water quality certification applicants need to obtain a wetland permit from the U.S. Army Corp of Engineers—or potentially from the Department if the wetland at issue is no longer within the jurisdiction of the federal government.

The water quality certification requires that the project not significantly impact wetland functional values, and that if the applicant has an alternative development option that would not impact the wetland, the applicant must use that option. The new compensatory mitigation program will still require that applicants follow the sequence of avoiding or minimizing damage to wetlands. However, in some cases, such as those where an applicant wants to fill an already severely degraded wetland, a compensatory mitigation option may be considered, allowing the applicant to fill the wetland if they restore or create a high quality wetland in another appropriate location.

4.0 Water Regulation and Zoning Specialists

By necessity, the compensatory mitigation program put forward in administrative rules will significantly increase the workload of the Department's regional water regulation and zoning specialists. The additional activities required in considering compensatory mitigation proposals include:

- ◆ reviewing mitigation plans,
- ◆ inspecting mitigation sites,
- ◆ reviewing monitoring reports,
- ◆ certifying sites, and
- ◆ tracking the sale of mitigation bank credits. A wetlands mitigation bank is a system of accounting for wetland loss and compensation where wetlands sites are restored, enhanced or created to provide transferable credits to be applied later to compensate for adverse impacts to other wetlands.

In addition to the activities listed above, the Department expects that the requested water regulation and zoning specialist FTE will spend considerable time on permit-related consultations that do not lead to formal applications, and substantial time related to enforcement of wetland water quality certifications.

Given that the Department receives nearly 600 wetland permit applications annually, many of which are expected to involve mitigation—either through mitigation by the applicant on or off site, or through the

purchase of mitigation bank credits—the Department expects the water regulation and zoning specialists' workload throughout the state to increase significantly. The 4.0 FTE regional water regulation and zoning specialists requested here will allow the Department to begin implementing a quality compensatory mitigation program.

1.0 Statewide Wetlands Compensatory Mitigation Coordinator

The Department is proposing to hire a statewide compensatory mitigation program coordinator to help address the concerns of the various interest groups and to help formulate and consistently implement compensatory mitigation program policies.

75% of Wisconsin's 5.3 million acres of wetlands are privately owned, therefore, wetland protection and management affects a substantial number of citizens. In addition there are numerous interest groups (Audubon, Sierra Club, Wetlands Association, etc.) and user groups (Ducks Unlimited, Trout Unlimited, Wisconsin Waterfowl Assoc., etc.) as well as industry groups (cranberry, mint, muck, and vegetable growers) that have substantial interest in wetland issues. Changes in wetland policies, which affect this wide array of individuals and organizations, are complex and not conducive to quick fixes. As a result, building and maintaining support for a comprehensive wetland strategy is a challenging task.

Additionally, the program coordinator will:

- ◆ Negotiate with the U.S. Army Corps of Engineers, as statutorily required, to develop a memorandum of agreement establishing guidelines for mitigation projects and wetland mitigation banks;
- ◆ Direct and manage the Compensatory Mitigation Banking Program;
- ◆ Implement statewide compensatory mitigation program work planning and budget processes, staff training and development, and review regional and basin projects;
- ◆ Report as statutorily required to the Legislature each biennium, providing an analysis of the impact of the implementation of the law on wetland resources and on the issuance of permits or other approvals; and
- ◆ Develop informational and educational materials for the compensatory mitigation program.

CONCLUSION

The Department cannot begin to implement a wetlands compensatory mitigation program without additional staff and support resources. Given the current legislative debate regarding the state's jurisdiction over wetlands, and given the Department's promulgation of administrative rules regulating wetland compensatory mitigation, we hope you will consider this plan to give the Department the tools necessary to begin a wetlands compensatory mitigation program. Thank you for your consideration of the request.

Sincerely,



Darrell Bazzell
Secretary

**13.10 Meeting
April 24, 2001
Agenda Item XIII**

Issue: Natural Resources – Forest Tax Law Program

Staff Recommendation: Alternative 2

Comments:

DNR needs to do some fast working to meet the demands of the forest law program this year. It seems like they probably could have handled this internally with better planning, but the land owners shouldn't be penalized for the agency's slack. So, Alt. 2 is the best option.

Alt. 3 would also be okay if Gard really wants it or wants to trade for something.

Prepared by: Barry



Legislative Fiscal Bureau

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

Barry

April 24, 2001

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Natural Resources: Section 13.10 Request Related to Forest Tax Law Program --
Agenda Item XIII

REQUEST

The Department of Natural Resources (DNR) requests a supplement to appropriation s.20.370(1)(mu) of \$209,200 SEG in 2000-01 from the forestry account of the conservation fund. The request includes \$95,500 to increase funding for Managed Forest Law (MFL) consultant forester contracts, \$68,800 for program assistant LTE help for the field foresters, \$9,500 in additional travel expense funds for foresters to work in other areas of the state, \$34,200 for overtime for forestry staff to complete tax law entries, and \$1,200 for temporary staff services for data entry associated with forest tax laws.

BACKGROUND

The forest crop land (FCL) and the managed forest land (MFL) programs are designed to encourage landowners to manage private forest land for the production of future forest crops for commercial use through sound forestry practices. Land enrolled under these programs is exempt from local property taxes. Instead, landowners make payments to towns or villages in amounts determined by the date the land is entered into these programs. The Department distributes state aids to the towns and counties in which land entered under the forest crop land and managed forest land programs is located, generally based on the acreage of forest tax land located in the jurisdiction.

Landowners with land enrolled in FCL must comply with certain forestry practices and must allow hunting and fishing on all of the designated land. In return, the landowner pays the town 10¢

per acre for land entered prior to January 1, 1972. On land entered since 1972, owners pay 83¢ per acre and will pay this amount through 2002. The rate will be readjusted in 2002 and every tenth year thereafter. Certain special classes pay 20¢ per acre. The last FCL contract expires in 2035. On January 1, 1986, new entries into FCL were eliminated, although existing FCL contracts will remain in effect until their expiration.

1985 Act 29 created the MFL program to encourage the productive management of private forest lands. Owners of ten acres or more of contiguous forest land who agree to follow a forest management plan may enter into a 25-year or 50-year contract under the MFL program. Land enrolled in MFL is exempt from local property taxes; instead, landowners pay the town 74¢ per acre each year through 2002. In addition, a landowner has the option of closing a maximum of 80 contiguous acres to public access if an additional \$1 per acre is paid for each acre closed to public access. The rates will be readjusted in 2002 and every fifth year thereafter using a formula that accounts for changes in the average statewide property tax for undeveloped land and land on farms that includes improvements.

Any landowner may petition the Department to designate an eligible parcel of land as MFL. The petition must contain certain statutorily specified information, including a management plan for the land or a request that DNR prepare a plan. A landowner can also petition the Department to designate as MFL certain additional parcels of land contiguous to designated land. Upon receipt of such a petition, DNR is required to provide written notice of the petition to the clerk of the municipality in which the land is located. The Department is authorized to conduct any investigation necessary to reach a decision on a petition. Petitions must generally be approved by November 20 each year. If a petition is approved, DNR must issue an order designating the land as MFL and provide a copy to the petitioner, the Department of Revenue, the supervisor of assessments and the clerk of the municipality and record the order with the register of deeds in the county.

An owner may generally sell or otherwise transfer ownership of all or part of land enrolled in a forest tax law program. If the land transferred meets the eligibility requirements of the program, it continues to be designated as FCL or MFL. If the land does not meet eligibility requirements, DNR must issue an order withdrawing the land from the forest tax program and assess a withdrawal tax. Also, DNR may, at the request of the governing body of the municipality in which forest tax land is located or at its own discretion, investigate to determine whether the forest tax designation on a parcel of land should be withdrawn. The Department may order the withdrawal of all or part of a parcel of MFL for a number of reasons, including failure to comply with the management plan, intentional cutting in violation of statutory criteria and development of the property in violation of statutory criteria. If DNR determines that the land should be withdrawn, an order must be issued and a withdrawal tax must be assessed. The amount of the withdrawal tax varies based on whether the land is FCL or MFL and on the date the land is withdrawn relative to the date of entry into the program, but is generally based on either the property taxes that would have been due on the land, less severance or yield taxes, or the value of the merchantable timber on the land. Withdrawal orders must generally be issued under MFL by December 15 each year.

Any landowner who intends to cut merchantable timber on land enrolled in a forest tax law program must file a cutting invoice and request approval of the proposed cutting from DNR at least 30 days before the timber cutting is to take place. For MFL land, DNR must approve the cutting request if it conforms to the management plan for the land and must assist the owner in developing an acceptable proposal if it does not conform. All cutting must begin within one year after the date the proposed cutting is approved. The landowner must report to the Department the date on which the cutting is commenced, and, within 30 days after completion of the cutting, must report to DNR on the type and quantity of wood harvested. For FCL land, DNR assesses a severance tax on any landowner who cuts merchantable timber equal to 10% of the value of the cut timber, based on stumpage values established by DNR in administrative rule. For MFL land, DNR assesses a yield tax equal to 5% of the value of the timber.

Under FCL, DNR retains from severance and withdrawal taxes an amount generally equal to the amount paid to municipalities under FCL aid programs for the applicable land and remits the remainder to municipalities. Under MFL, DNR retains 50% of the revenue derived from withdrawal and yield taxes on the land. The Department is required to annually remit the other 50% of revenue to the municipalities in which the land is located. A municipality must pay 20% of the amount received from DNR under the forest tax law program to the county in which the municipality is located.

The Department indicates that failure to meet the statutorily-specified deadlines for the processing of application and withdrawal orders under the forest tax law programs could potentially open the state to liability for the property taxes of the landowner. However, the state is generally immune from such liability unless it specifically consents to liability. Although a landowner could choose to file a claim against the Department through the Claims Board on equitable grounds, to date, the state has not been held responsible with respect to any forest tax law applications or withdrawals that were not processed by the statutory deadlines.

Forestry Account. The primary source of revenue deposited in the forestry account of the conservation fund is the forestry mill tax, a state tax on property of 0.20 mill (20¢ per \$1,000 of property value). Other sources of revenue to the forestry account include: (a) revenue from the sale of timber on state forest lands; (b) revenue from the sale of stock from the state's tree nurseries; (c) camping and entrance fees at state forests; and (d) severance and withdrawal payments from timber harvests on cooperatively-managed county forests and on privately-owned land entered under the forest crop land and managed forest land programs.

Forestry account revenues are used to fund several forestry programs and related administrative activities in DNR. The main expenditure from the forestry account relates to the operations of state forest and nursery properties and programs in the Division of Forestry. In 2000-01, \$29.8 million is appropriated in this division, with a total of 406.4 positions authorized. Other DNR activities funded from the forestry account include: (a) forest management assistance for private landowners and county foresters; (b) aid payments under forest tax law programs; (c) county

forest acreage payments and loans; and (d) forest fire control activities. The forestry account also funds programs in seven other agencies, the largest expenditures being for administrative and worker salary costs of the Wisconsin Conservation Corps and the gypsy moth program in DATCP.

ANALYSIS

The forestry account is currently anticipated to have an estimated closing balance in excess of \$5 million as of June 30, 2001. Revenue to the account in 2000-01 is expected to be \$67.6 million with expenditures of approximately \$67 million. Traditionally, a balance of approximately \$1 million has been maintained in the forestry account as a contingency for forest fire emergencies.

Contract Funding. The 1999-01 biennial budget provided \$150,000 annually from the forestry account on a one-time basis in this biennium only to allow DNR to contract with private foresters to prepare management plans for the entry of land into the MFL. The Department estimates that this will fund the preparation of approximately 220 management plans annually. In response to an emergency request at the May 3, 2000 13.10 meeting, the Joint Committee on Finance approved an additional \$150,000 annually for ongoing contracts with private foresters to prepare management plans for the entry of land into managed forest land. Joint Finance also provided \$76,700 SEG in 2000-01 and authorized 1.0 SEG position for permanent and LTE staffing related to forest tax law workload. The number of contractors bidding has increased from 16 in 1998-99 to 23 in 2000-01. The Department indicates that of the 3,194 applications received during the current fiscal year, 2,375 will be able to be completed by foresters within their regions by October, 2001, and an additional 440 plans could be contracted for using available funding. (Any field forestry plans must be completed by the beginning of October in order to meet the statutorily designated November 20th deadline for tax law approvals.) This would leave DNR 379 plans short of its goal for the 2001 tax year. Providing \$95,500 would allow the Department to meet the demand for 140 plans with the number of contractors available. Forestry staff indicate that, given landowner demand and contractor availability, the funding requested for the current fiscal year could still be utilized if approved in time to finalize the necessary paperwork by the end of May. If provision of funding were postponed until fiscal year 2001-02, the Department may not have sufficient time or available contractors to meet its October deadline.

Table 1 illustrates the annual changes in various forest tax law activities over the past six years.

TABLE 1

Forest Tax Law Activities by Calendar Year, 1995-2000

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
<u>Forest Crop Law</u>						
Cutting Invoices	392	322	296	284	794	267
Transfers	22	269	282	237	367	649
Withdrawals	73	40	139	66	69	106
<u>Managed Forest Land</u>						
Applications	1,871	1,928	1,699	1,821	1,637	2,707
Cutting Invoices	858	837	916	1,077	829	1,468
Transfers	389	449	448	363	710	1,204
Withdrawals	<u>91</u>	<u>215</u>	<u>265</u>	<u>280</u>	<u>272</u>	<u>311</u>
TOTAL	3,696	4,060	4,045	4,128	4,678	6,712

In addition to consultant forester contracting, the funding requested would provide \$68,800 to contract for program assistants or to hire LTEs to assist the DNR foresters in their processing of MFL applications and fieldwork. However, due to a miscalculation in the applicable fringe rate, \$61,700 (instead of \$68,800) would be required to satisfy this portion of the request. The Department estimates that LTE assistance would increase forester productivity, and result in an additional 95 plans being completed this year. Further, providing \$9,500 for travel expenses would allow certain foresters to travel to locations where they are most needed, enabling staff to complete an additional 100 plans. This option is limited to an estimated 100 plans due to competing demands on regional foresters' time that would still need to be addressed as part of their overall forestry responsibilities. Funding for overtime (\$34,200) would compensate field foresters and technicians for working weekends and overtime, and is estimated to contribute to the completion of an additional 44 plans. However, adjusting the applicable fringe rate to meet DOA budget instructions would reduce the amount necessary to compensate for overtime to \$30,500. Data entry service funds of \$1,200 are requested to expedite the processing of forest tax entries. Actual hours of data entry service would be slightly less than originally estimated, reducing the required amount to \$900. After these adjustments are taken into account, the DNR request would total \$198,100 in 2000-01.

Currently, DNR has 19 vacant SEG forester, forester-advanced, and forester-senior positions of 185 authorized. While these do not appear to be long-term vacancies (all occurred within the previous nine months), DNR could fill these positions to complete the estimated shortfall of 379 plans. Conversely, DNR could use the funding that it saved by not filling the vacant positions to meet the request without additional resources. The Department indicates that neither of these options would be feasible at this time. Despite a vacancy rate of approximately 10%, DNR is projecting no salary surplus for the forestry account for fiscal year 2001. They attribute this to an

increasing number of employee retirements. (When retirements occur, funds from the salary line are used to compensate retirees for sabbatical and accumulated leave that is owed to them; the level of these one-time cash payments can be difficult to predict on an annual basis, as not all retirements are expected, and the amount of accumulated leave time varies from employee to employee.) Salary line expenditures to date would support DNR's estimate that excess funds are unlikely to remain in the salary line on June 30, 2001. Secondly, DNR attributes its forester vacancy rate to its practice of accumulating vacancies and recruiting foresters in "classes". The Department argues that it is more efficient when hiring staff within certain professions (such as conservation wardens, foresters, and park wardens) to hire multiple employees at the same time, and to provide training and mentoring to the incoming group as a whole. It is unlikely that sufficient staff could be hired and properly trained in time to meet the need of the managed forest law program for this year.

It should be noted that although DNR has requested ongoing funding, given that the biennial budget has already been submitted to the Legislature by the Governor, any funding provided under s. 13.10 would be on a one-time basis. Any ongoing allocation of funding would need to be evaluated during the 2001-03 biennial budget process.

ALTERNATIVES

1. Approve the DNR request to increase expenditure authority by \$209,200 SEG in 2000-01 from the forestry account of the conservation fund [s.20.370(1)(mu)] for contracts with private foresters to prepare management plans for the entry of land into MFL, program assistance and LTE help, travel expenses, overtime, and for temporary staff assistance for data entry of tax law information.

2. Approve the DNR request, as modified to reflect corrected fringe rates, to increase expenditure authority by \$198,100 SEG in 2000-01 from the forestry account of the conservation fund.

3. Deny the request.

Prepared by: Rebecca Hotynski

MO# A112

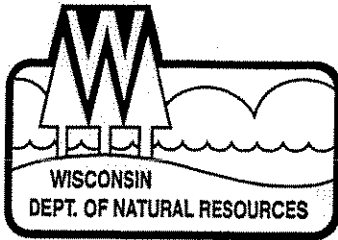
BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 16 NO 0 ABS 0

JOINT FINANCE COMMITTEE – April, 2001

Forestry 13.10 Request for Emergency Funding – Managed Forest Law Plan Contracting and Field Forester Assistance

- The Managed Forest Law has been one of the most successful programs in the nation for long term sustainable forestry on private lands. In the first 15 years, over 2 million acres have been entered for 25 and 50 year agreements. The stewardship plans developed for each entry are based on the landowner's objectives.
- Managed Forest Law applications for entry are increasing at a dramatic rate. The final total will be 3,265 for this year. In the last two years the applications have increased 79% from 1821 to 3265.
- During 1999, the maximum number of applications for the field foresters to process in a single county was 72. In 2000, 10% of the counties had greater totals than that with three counties having over 100 applications. For 2001, 20% of the counties have over 75 applications, seven over 100 and one over 200.
- Due to the outstanding success of the Managed Forest Law, the Department of Natural Resources can not get the work done without help:
 - Managed Forest Law applications take an average of 20 hours to process for Department field foresters. This includes meeting with the landowner(s), inventory and map the woodlands, write a management plan and send the completed field packet in for entry. This requires 65,300 hours for 3,265 applications.
 - The application deadline is January 31st each year. The field foresters have a period of about six months to complete the tax law workload each year, during which time they also have tree planting and spring fire season. Some have other state land or county forest responsibilities. The Department of Natural Resources has 67.9 FTEs for private forestry assistance. Actual time available for tax law entries during the spring and summer period is 600 to 700 hours per forester or approximately 45,000 hours. This is 20,300 hours short of the 65,300 hours needed.
- Presently the Department contracts with private consultant foresters to assist with the management planning for new Managed Forest Law entries. This is the sixth year of contracting and 440 plans have been contracted at the cost of \$300,000. The private consultants have been building their capacity to handle the contracting and have indicated they would expand their capacity. During each biennial bidding process, more consultant forestry firms have participated with greater commitments.
- To address the Department's need for ways to handle the expanding Managed Forest Law workload, the Department has proposed a multifaceted approach to maximize the effort to complete all tax law management planning.
 1. Contracting money for an additional 140 plans will bring the contracting to its capacity.
 2. Expanded travel money for the field foresters will allow greater shifting of the DNR foresters to assist one another.
 3. LTE and contracting funds for office assistance for the field foresters.
 4. Overtime pay for field foresters to work weekends and longer days.
 5. Data entry temporary employment assistance for the central office to process the tax law paperwork quicker.



State of Wisconsin \ DEPARTMENT OF NATURAL RESOURCES

Scott McCallum, Governor
Darrell Bazzell, Secretary

101 S. Webster St.
Box 7921
Madison, Wisconsin 53707-7921
Telephone 608-266-2621
FAX 608-267-3579
TTY 608-267-6897

March 16, 2001

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
Room 316 South
State Capitol

The Honorable John Gard, Co-Chair
Joint Committee on Finance
Room 315 South
State Capitol

Attn: Committee Secretary, Daniel Caucutt
Division of Executive Budget and Finance, 10th Floor
Administration Building
101 E. Wilson Street

Brian *John*
Dear Senator Burke and Representative Gard:

REQUEST

The Department of Natural Resources requests an ongoing supplement to appropriation s. 20.370(1)(mu) from the Forestry Account of the Conservation Fund of \$209,200 SEG in FY 2001 to increase the Department's capabilities to provide private forestry assistance to non-industrial private forest landowners. This request is for a \$95,500 increase in the Managed Forest Law (MFL) consultant forester contract, \$68,800 for program assistant LTE/contracted help for the field foresters, \$9,500 additional travel expense funds for foresters to assist in other areas of the state, \$34,200 for overtime for forestry staff to complete the tax law entries, and \$1,200 for temporary staff services for data entry of tax law data in the forest tax section. Approval of this request will allow the Department to complete 379 Managed Forest Law entries during FY 2001 beyond the Department's present capabilities.

BACKGROUND

The goal of the Managed Forest Law (MFL) has been to enter private woodlands in Wisconsin into long term agreements with the State for sustainable forest management. The 25 and 50 year agreements have been extremely successful. Landowners are addressing their objectives for owning their lands through management plans written specifically to address their interests in a manner that ensures long-term forest sustainability. Practicing sustainable forestry provides both short-term and long-term ecological, social and economic benefits to Wisconsin.

Wisconsin Statutes establish deadlines for the Department of Natural Resources to meet in administering the Managed Forest Law Program. Record increases in the application for forest tax law land designation have resulted in MFL workload that the Department cannot complete within the statutory deadlines without eliminating other essential Forestry work. The state statutes require that applications for the tax law must be processed for entry by November 20, with completion of the field foresters' work required by October 1 each year. Transfers and withdrawals which affect a landowner's property taxes must have

orders issued by December 15 each year. Failure to meet the statutory deadlines will open the state to liabilities for the property taxes of the landowners.

In recent years, the Managed Forest Law applications have increased at an unprecedented rate. Since 1999, when the total number of applications was 1,821, they have increased 75% to 3,194 applications this year. We anticipate that this trend will continue into the foreseeable future. As a result, we anticipate 3,500 applications in 2002.

Of the 3,194 applications received during the current fiscal year there is a need to complete 819 plans beyond what DNR field foresters can complete through standard processes. The FY 2001 budget includes \$300,000 for contracting and LTE administration, which will cover approximately 440 plans. Therefore, available resources fall short in completing 379 shortfall plans for this year. The additional funding requested here would be used for:

- ◆ contracting with consultant foresters.
- ◆ providing additional assistance to DNR foresters, contracted/LTE help, travel expenses and overtime for field foresters to complete additional plans, and temporary help services to more quickly process applications to the field foresters.

Contracting with consultants has drawn greater interest in FY 2000 & 2001, going from 16 to 23 consultants bidding. Department foresters must approve plans developed by consultants, assuring that landowners receive a plan that meets standards. The combined effort is expected to complete all 379 shortfall plans for this year and 610 in 2002.

IMPACTS

Forest landowners in Wisconsin this year have taken a greater interest in the Managed Forest Law. Based on Department of Revenue statistics, assessments on forestland in Wisconsin have gone up 23% last year, the highest of any category, while agricultural lands have dropped 33%. The municipalities with the most recent reassessments have shown tremendous increases in applications for the Managed Forest Law.

The advent of agricultural use value taxation and the increasing development pressure on forest land for recreation and residential development are driving up land prices and, by extension, taxes. MFL is a program that can reduce pressures on landowners to subdivide their land. Furthermore, MFL increases the percentage of forest land in Wisconsin that is managed sustainably. This benefits our economy and environment, both today and in the future.

The MFL annual application process completely dominates many forestry offices and as the total acreage has built up in those counties, the follow-up work keeps compounding through management plans and mandatory practices. The 2.5 million acres of forest tax law lands are now dominated by the MFL, which has gone from 34% to 76% of the total in about 3 years. To compound this, the activity in the MFL versus the Forest Crop Law is 3.4 times higher for transfers, withdrawals, and cutting notice/reports. All these activities require actions both by the central office and field foresters.

We have shifted resources to the extent possible. Other statutory and high priority forestry work is being adversely impacted by the overwhelming MFL workload.

COSTS

Current funding to assist with MFL management plans is for contracting with consultant foresters at \$150,000 base funds and \$150,000 per year of one-time funding in the 1999-01 biennium. The FY '01-

'03 Governor's Budget includes a provision for making the \$150,000 of 99-01 one-time funding permanent. The following fiscal estimate is not included in the Governor's 2001-03 budget and due to the timing of the entry process is needed prior to the budget's approval.

FY 2001

1.) Contracting:

Increase consultant forester contracting for FY 2001 by \$95,500.

Present contracting with private consultant foresters is at \$300,000 per year and this would increase it to \$395,500 for this year, allowing the completion of 140 additional plans (contractors have said they would be able to expand their contracting yet this year).

2.) Contract/LTE assistance for field foresters:

A contract/LTE fund established for FY 2001 in the amount of \$68,800.

Program assistants would be contracted or hired as LTEs to assist the DNR foresters in their processing of MFL applications and fieldwork thereby increasing their production by 95 plans for this year.

3.) Increases in travel expense budgets:

Additional travel money for FY 2001 of \$9,500.

The additional funds are needed to allow field foresters to travel to other field forester locations, often across regions in an effort to shift the foresters to where they are most needed due to application levels. Current operating budgets are inadequate and cannot support the necessary travel. These funds would enable staff to complete an additional 100 plans.

4.) Overtime for field forestry staff:

Overtime for FY 2001 of \$34,200.

Overtime compensation is necessary for field foresters and technicians to work weekends and overtime to complete 44 plans needed for FY 2001.

5.) Temporary Staff Services:

Data Entry services funds for FY 2001 of \$1,200.

To assist in expediting the processing for forest tax entries to field forestry staff, 120 hours of temporary staff services are needed.

FY 2002

The Department estimates that additional costs necessary to address the estimated Managed Forest Law application workload in FY 2002 will be \$348,900. If the Department's request for an additional \$209,200 in FY 2001 is approved as an ongoing amount, there will still be a need for an additional \$139,700. The Governor's 2001-2003 biennial budget does not currently include a provision to address this additional cost. The magnitude of the MFL workload for FY 2002 was not anticipated at the time the Department submitted its 2001-2003 budget request, nor was the total cost anticipated in time to be adequately addressed in the Governor's budget. If there is no provision to address this need included in

the final budget adopted by the Legislature, the Department anticipates the need to submit another s.13.10 request in FY 2002 to address this need.

CONCLUSION

This request will enable the Department to meet our statutory obligations with respect to the MFL entry process. Through use of private sector partners, support staff, travel funds and overtime compensation, the Department will be able to service landowners who have applied for entry into this important conservation program. If you have any questions concerning this request, please contact Eric Thompson, Bureau of Management & Budget, 266-8251, or Paul DeLong of the Bureau of Forestry, 264-9224. Thank you for your consideration of this request.

Sincerely,



Darrell Bazzell
Secretary

Cc: Franc Fennessy – AD/5
Joe Polasek – MB/5
Herb Zimmerman – FN/1
Gene Francisco – AD/5
Paul DeLong – FR/4
Kirsten Grinde – DOA
Susan Felker-Donsing – MB/5
Eric Thompson – MB/5

NATURAL RESOURCES

Centennial State Parks Staffing

Motion:

Move to provide 2.0 Park Manager positions from the parks account. Further, transfer \$12,000 parks SEG in 2000-01 from the Administration and Technology Division's general operations appropriation to the Bureau of Parks and Recreation general operations appropriation.

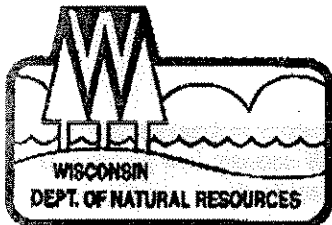
Note:

One parks superintendent position would be provided for each of the Centennial State Parks (in Dane and Marinette Counties). The annual cost of each position would be \$45,700, including salary, standard supplies and fringe benefits (if included in the 2001-03 biennial budget).

MO#			
BURKE	Y	(N)	A
DECKER	Y	(N)	A
MOORE	Y	(N)	A
SHIBILSKI	Y	(N)	A
PLACHE	Y	(N)	A
WIRCH	Y	(N)	A
DARLING	(Y)	N	A
WELCH	(Y)	N	A
GARD	(Y)	N	A
KAUFERT	(Y)	N	A
ALBERS	(Y)	N	A
DUFF	(Y)	N	A
WARD	(Y)	N	A
HUEBSCH	(Y)	N	A
HUBER	Y	(N)	A
RILEY	(Y)	N	A

Motion #402

AYE 9 NO 7 ABS 0

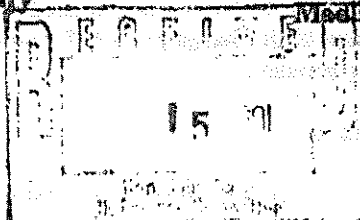


State of Wisconsin | DEPARTMENT OF NATURAL RESOURCES

Scott McCallum, Governor
Darrell Bazzell, Secretary

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Madison, Wisconsin 53707-7007
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FAX 608-267-3477
TTY 608-267-6666



May 15, 2001

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
Room 316 South
State Capitol

The Honorable John Gard, Co-Chair
Joint Committee on Finance
Room 315 North
State Capitol

Attn: Committee Secretary, Daniel Caucutt
Division of Executive Budget & Finance, 10th Floor
Administration Building
101 E Wilson Street

Brian *John*
Dear Senator Burke and Representative Gard:

REQUEST

The Department of Natural Resources requests a supplement to appropriation 20.370 (4) (aq) from the Water Resources Account of the Conservation Fund of \$8,800 SEG and 5.0 FTE in FY 2001 to allow the Department to begin to address the workload inherent in the wetlands compensatory mitigation and enforcement legislation (1999 Wisconsin Act 147). The requested staff include 4.0 FTE Water Regulation and Zoning Specialists to concentrate on wetland water quality certifications, mitigation monitoring, and site review in light of the new compensatory mitigation program, and 1.0 FTE Natural Resources Staff Specialist to ensure statewide coordination and consistency in implementing the wetlands mitigation and enforcement program. There are funds available in the Water Resources Account of the Conservation Fund to cover the costs associated with this request for FY 2001. The continuing annual costs associated with the 5.0 FTE requested here for FY 2003 will require \$156,500 in salary, \$61,800 in fringe, and \$35,600 in supplies expenditures for a total of \$253,900. The costs for FY 2002 total \$274,400, including start-up expenditures of \$45,000. The expenditure authority request for FY 2001 assumes that the Department will be able to hire 2.0 FTE of the 5.0 FTE requested for 1 month of the fiscal year. This further assumes that the remaining FTE would be hired in FY 2002.

BACKGROUND

In its 1999 session, the Legislature passed 1999 Wisconsin Act 147, which created a process and requirements for the Department to use in allowing wetland compensatory mitigation projects—that is, projects that restore, enhance, or create a wetland to compensate for adverse impacts to other wetlands. Compensatory mitigation seeks to encourage property owners to avoid or minimize damage to wetlands but allows for the possibility that they may compensate for filling or dredging a wetland by restoring or creating a high quality wetland in another appropriate location. Act 147 also directed the Department to promulgate rules to regulate mitigation projects. The Department may propose those rules for final adoption as early as the June 2001 meeting of the Natural Resources Board. Without the staff and funding that are the subject of this request, the Department will be unable to implement the proposed



compensatory mitigation program. Additionally, the issue of wetlands compensatory mitigation is particularly urgent in light of the recently passed legislation incorporating into Wisconsin law provisions governing the issuance of discharge permits for wetlands that are no longer subject to the Army Corps of Engineers permitting process.

ANALYSIS OF NEED

A wetland compensatory mitigation program and the ability to prosecute people who illegally fill wetlands are important components in the Department's strategy for reversing the loss and degradation of Wisconsin's remaining 5.3 million acres of wetlands. Compensatory mitigation involves a great deal of planning, careful monitoring of construction activities, follow-up monitoring, and long-term maintenance of the site.

Administrative rules for the new compensatory mitigation program, may be acted on by the DNR Board as soon as June 2001. Assuming passage of these rules, Department water regulation and zoning specialists will be able to consider whether compensatory mitigation is an option in reviewing the water quality certification applicants need to obtain a wetland permit from the U.S. Army Corp of Engineers—or potentially from the Department if the wetland at issue is no longer within the jurisdiction of the federal government.

The water quality certification process requires that the project not significantly impact wetland functional values, and that if the applicant has an alternative development option that would not impact the wetland, the applicant must use that option. The new compensatory mitigation program will still require that applicants follow the sequence of avoiding or minimizing damage to wetlands. However, in some cases, such as those where an applicant wants to fill an already severely degraded wetland, a compensatory mitigation option may be considered, allowing the applicant to fill the wetland if they restore or create a high quality wetland in another appropriate location.

4.0 Water Regulation and Zoning Specialists

By necessity, the compensatory mitigation program put forward in administrative rules will significantly increase the workload of the Department's regional water regulation and zoning specialists. The additional activities required in considering compensatory mitigation proposals include:

- ◆ reviewing mitigation plans,
- ◆ inspecting mitigation sites,
- ◆ reviewing monitoring reports,
- ◆ certifying sites, and
- ◆ tracking the sale of mitigation bank credits. A wetlands mitigation bank is a system of accounting for wetland loss and compensation where wetlands sites are restored, enhanced or created to provide transferable credits to be applied later to compensate for adverse impacts to other wetlands.

In addition to the activities listed above, the Department expects that the requested water regulation and zoning specialist FTE will spend considerable time on permit-related consultations that do not lead to formal applications, and substantial time related to enforcement of wetland water quality certifications.

Given that the Department receives nearly 600 wetland permit applications annually, many of which are expected to involve mitigation—either through mitigation by the applicant on or off site, or through the purchase of mitigation bank credits—the Department expects the water regulation and zoning specialists' workload throughout the state to increase significantly. The 4.0 FTE regional water regulation and

zoning specialists requested here will allow the Department to at least begin implementing a quality compensatory mitigation program.

1.0 Statewide Wetlands Compensatory Mitigation Coordinator

The Department is proposing to hire a statewide compensatory mitigation program coordinator to help address the concerns of the various interest groups and to help formulate and consistently implement compensatory mitigation program policies.

75% of Wisconsin's 5.3 million acres of wetlands are privately owned, therefore, wetland protection and management affects a substantial number of citizens. In addition there are numerous interest groups (Audubon, Sierra Club, Wetlands Association, etc.) and user groups (Ducks Unlimited, Trout Unlimited, Wisconsin Waterfowl Assoc., etc.) as well as industry groups (cranberry, mint, muck, and vegetable growers) that have a substantial interest in wetland issues. Changes in wetland policies, which affect this wide array of individuals and organizations, are complex and not conducive to quick fixes. As a result, building and maintaining support for a comprehensive wetland strategy is a challenging task.

Additionally, the program coordinator will:

- ◆ Negotiate with the U.S. Army Corps of Engineers, as statutorily required, to develop a memorandum of agreement establishing guidelines for mitigation projects and wetland mitigation banks;
- ◆ Direct and manage the Compensatory Mitigation Banking Program;
- ◆ Implement statewide compensatory mitigation program work planning and budget processes, staff training and development, and review regional and basin projects;
- ◆ Report as statutorily required to the Legislature each biennium, providing an analysis of the impact of the implementation of the law on wetland resources and on the issuance of permits or other approvals; and
- ◆ Develop informational and educational materials for the compensatory mitigation program.

CONCLUSION

The Department cannot begin to implement a wetlands compensatory mitigation program without additional staff and support resources. Although the Department has prepared a workload analysis projecting a need for FTE well in excess of those requested here, these FTE will allow the Department to begin to implement a quality mitigation program. Given the recent legislation regarding the state's jurisdiction over wetlands, and given the Department's promulgation of administrative rules regulating wetland compensatory mitigation, we hope you will afford the Department the resources necessary to begin a wetlands compensatory mitigation program. Thank you for your consideration of this request.

Sincerely,



Darrell Bazzell, Secretary

I. Department of Natural Resources – Darrell Bazzell, Secretary

The department requests an ongoing supplement of \$66,894,900 SEG from the Committee's appropriation under s. 20.865(4)(u) and position authority for 655.82 FTE SEG and 5.50 FTE FED positions in fiscal year 2002-03 for the department's appropriations under s. 20.370(1)(cq), (1)(cu), (1)(cv), (1)(kq), (1)(lt), (1)(mq), (1)(ms), (1)(mu), (1)(my), (3)(mu), (5)(as), (5)(at), (5)(av), (5)(aw), (5)(ay), (5)(br), (5)(bs), (5)(bt), (5)(bw), (5)(by), (7)(au), (7)(fs), (7)(hq), (8)(mu) and (9)(mu) for forestry-related activities.

Governor's Recommendation

Modify the request to show restored position authority for the following:

<u>Number of Positions</u>	<u>Appropriation(s)</u>
654.34 FTE SEG	(1)(cq), (1)(cu), (1)(cv), (1)(kq), (1)(lt), (1)(mq), (1)(ms), (1)(mu), (3)(mu), (8)(mu) and (9)(mu)
5.50 FTE FED	(1)(my)
<u>1.48 FTE PR-S</u>	(8)(mk)
661.82 FTE	Total-All Funding Sources

This modification would reduce the restored position authority in the appropriation under s. 20.370(8)(mu) to 79.19 FTE SEG positions and accurately reflect the restoration of 1.48 FTE PR-S positions in the appropriation under s. 20.370(8)(mk).



Legislative Fiscal Bureau

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

June 7, 2002

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Paper for the Committee's June 11 meeting under s. 13.10

Attached is a paper, prepared by this office, on the s. 13.10 request of the Department of Natural Resources regarding funding and positions for the forestry program.

BL/bh
Attachment



Legislative Fiscal Bureau

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

June 11, 2002

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Natural Resources: Section 13.10 Request Related to the Restoration of Funding for Forestry-Related Activities – Agenda Item I

REQUEST

The Department of Natural Resources (DNR) requests \$66,894,900 SEG with 655.82 SEG positions, and 5.50 FED positions in 2002-03 to restore funding for activities related to the DNR Forestry program.

BACKGROUND

The 2001-03 biennial budget, as passed by the Legislature, would have created a separate Department of Forestry, including all staff, funding, and responsibilities associated with the current Division of Forestry and related programs within the DNR effective on July 1, 2002. The Governor's partial vetoes of 2001 Act 16 included elimination of the creation of a new Department of Forestry, and deleted language that would have restructured DNR's Division of Forestry and shifted its functions to a new department. In addition, the veto deleted new appropriations created in the bill during the second year of the biennium to provide funding for the activities of the Department of Forestry. As the amounts in existing 2002-03 appropriations for DNR forestry operations were deleted under the bill (with the funding and position authority being transferred to the Department of Forestry), no funds were appropriated in the act for the operation of the Division of Forestry and related functions within DNR during the second year of the biennium. However, the DNR appropriations remain in statute.

As a result of the partial veto, funding of \$64.8 million and 614.57 positions for the operation of a Department of Forestry were eliminated. In addition, the Governor vetoed \$4.4 million and 46.75 positions that would have been provided from a new Forestry Fund to support the operations of southern state forests (in conjunction with the DNR Bureau of Parks). Forestry funds provided for the one-time payment of debt service on Stewardship program bonds (\$4 million in 2002-03)

were also deleted, requiring an additional \$4 million GPR in 2002-03 to fund the debt repayment. However, an estimated \$2.5 million in DNR forestry aids, aids in lieu of property taxes, and debt service payments would continue to be paid from sum-sufficient appropriations associated with the DNR Division of Forestry. The following table shows the funding and staff eliminated by the Governor's item veto.

TABLE 1

Fiscal Effect of Veto on Forestry Related Provisions 2002-03

	<u>Funding</u>	<u>Positions</u>
Forestry Operations	-\$46,777,100	-540.26
Integrated Science Services	-901,100	-10.03
Forestry Resource Aids	-7,235,900	
Acquisition and Development	-681,700	
Forestry Administration and Technology	-8,403,700	-80.67
Forestry Customer Service and Education	<u>-2,680,100</u>	<u>-30.36</u>
TOTAL	-\$66,679,600	-661.32
 <u>Total by Fund Source</u>		
GPR	\$3,694,900	0.00
FED	-1,854,900	-5.50
PR	-1,553,900	-1.48
SEG	<u>-66,965,700</u>	<u>-654.34</u>
Total	-\$66,679,600	-661.32

As a related consequence of the Governor's partial veto of the Department of Forestry, the allotment of revenue derived from an increase in the forest nursery per-seedling surcharge received by DNR for forestry education and curriculum is changed. Under enrolled SB 55 (the biennial budget as passed by the Legislature), up to \$300,000 in 2001-02 would have funded the appropriation supporting forestry education curriculum development in cooperation with UW-Stevens Point, with remaining revenues from the seedling surcharge going to support forestry education for the public (estimated at \$125,000 in 2001-02). In subsequent years, revenue from the seedling surcharge would have been divided evenly between the two appropriations (estimated at \$318,700 for each appropriation in 2002-03). The partial veto deleted the specification that the appropriations each receive 50% of revenues beginning in 2002-03. Rather, the provision specifying that the appropriation supporting forestry education curriculum development would receive up to \$300,000 in 2001-02 only is made ongoing by deleting the references to fiscal year 2001-02. Therefore, the appropriation supporting forestry education curriculum development will

receive up to \$300,000 from seedling surcharge revenues, with all remaining revenues supporting forestry education for the public.

ANALYSIS

The Department has requested expenditure authority for activities associated with forestry functions in 2002-03. The amount of the request was intended to restore all non-GPR expenditure and position authority deleted by the Governor's partial veto of Act 16. However, amounts from continuing appropriations were not included in the request, as DNR would be able to continue making expenditures from these appropriations without legislative adjustment. The request includes no estimate of expenditures for these functions. In addition, 1.48 PR positions that were deleted by the partial veto were requested to be restored as SEG positions in error. The adjustments necessary to restore forestry funding to levels appropriated in the biennial budget prior to the Governor's partial veto of a separate Department are shown in the following table.

TABLE 2

**Forestry Restoration by Appropriation
2002-03**

<u>Appropriation</u>	<u>Purpose</u>	<u>Funding</u>	<u>Positions</u>	<u>Source</u>
(1)(cq)	Reforestation	\$100,000		SEG
(1)(cr)	Recording fees	50,000		SEG
(1)(cu)	Forestry K-12 education	318,700		SEG
(1)(cv)	Forestry public education	318,700		SEG
(1)(kq)	Forestry assessments	99,000		SEG
(1)(lt)	Forest wildlife management	153,400	2.50	SEG
(1)(mi)	Forestry program revenues	237,100		PR
(1)(mq)	State forest snowmobile trails	10,000		SEG
(1)(ms)	State forest ATV trails	7,100		SEG
(1)(mu)	Forestry general operations	35,292,300	424.94	SEG
(1)(mu)	Forestry land management	2,617,000	31.41	SEG
(1)(mu)	Southern forests	4,245,500	44.75	SEG
(1)(mu)	Forestry facilities and lands	2,549,500	31.16	SEG
(1)(my)	Forestry-federal funding	651,400	3.50	FED
(1)(my)	Southern forests-federal funding	127,400	2.00	FED
(3)(mu)	Forestry integrated science services	901,100	10.03	SEG
(5)(as)	Fish, wildlife & forestry aids	234,500		SEG
(5)(at)	Ice Age grant	75,000		SEG
(5)(av)	Private forest grant	1,250,000		SEG
(5)(aw)	Non-profit conservation organization (NCO) aids	80,000		SEG
(5)(ay)	Urban NCO grant	75,000		SEG
(5)(br)	Forest Crop Law/ Managed Forest Law aids	1,250,000		SEG
(5)(bs)	County forest loans	622,400		SEG
(5)(bt)	Forest project loans	400,000		SEG
(5)(bw)	Urban/county forestry grants	1,724,900		SEG
(5)(bx)	National Forest Income (NFI) payments	782,200		FED
(5)(by)	Fire suppression grants	448,000		SEG
(5)(dx)	Federal aids in lieu of taxes	293,900		FED

<u>Appropriation</u>	<u>Purpose</u>	<u>Funding</u>	<u>Positions</u>	<u>Source</u>
(7)(aa)	Forestry Stewardship debt--GPR reestimate	(4,000,000)		GPR
(7)(au)	Forestry - Stewardship debt service	4,000,000		SEG
(7)(fs)	Forestry acquisition and development	222,600		SEG
(7)(hq)	Forestry administrative facilities	154,000		SEG
(8)(ir)	Forestry promotional activities	20,800		SEG
(8)(mk)	Forestry--administrative service funds	1,316,800	1.48	PR
(8)(mu)	Forestry--administrative operations	7,066,100	79.19	SEG
(9)(mu)	Forestry--customer service and education	<u>2,680,100</u>	<u>30.36</u>	SEG
	Total	\$66,374,500	661.32	
<u>Total by Fund Source</u>				
	GPR	-\$4,000,000	0.00	
	FED	1,854,900	5.50	
	PR	1,553,900	1.48	
	SEG	<u>66,965,700</u>	<u>654.34</u>	
	Total	\$66,374,500	661.32	

If no action were taken on this request and legislation failed to be enacted prior to July 1, 2002, the Division of Forestry would continue to make required payments from existing sum-sufficient and certain continuing appropriations (such as aids in lieu of taxes payments to local units of government and debt service payments). However, no additional funding would be available to sustain forestry activities. In addition, the \$4,000,000 SEG provided in 2002-03 for stewardship debt service payments would not be available. If this were the case, an equivalent amount of GPR would be required to meet the State's debt repayment schedule.

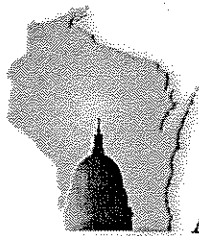
It should be noted that DNR has not requested the restoration of \$305,100 GPR that was deleted as a result of the partial veto (\$114,600 for resource maintenance and development on state forests and \$190,500 for state forest road maintenance). The Department has indicated that it anticipates any decision regarding the further expenditure of GPR as well as the statutory language changes required to restore the appropriate allotment of revenue from the seedling surcharge between the appropriations supporting forestry education curriculum development and public education would be resolved as part of the budget adjustment bill currently being considered by the Committee on Conference.

The request would restore the level of funding approved by the Legislature for the forestry program, but vetoed by the Governor under 2001 Act 16. Further, at the April 18, 2002, meeting of the Committee on Conference regarding the resolution of differences between the Assembly and Senate versions of the budget adjustment bill, the conferees agreed to include the Assembly provision restoring the forestry-related funding and positions deleted as a result of the Governor's partial veto of 2001 Act 16.

CONCLUSION

Given the action of the Legislature in the 2001-03 biennial budget bill and the agreement of the SS AB 1 Committee of Conference, the Committee could delete \$4,000,000 GPR and provide \$66,965,700 SEG and 654.34 SEG positions; \$1,553,900 PR and 1.48 PR positions; and \$1,854,900 FED and 5.50 FED positions in 2002-03 (as shown in Table 2) to restore funding for the state's forestry program.

Prepared by: Rebecca Hotynski



WISCONSIN DEPARTMENT OF
ADMINISTRATION

SCOTT McCALLUM
GOVERNOR

GEORGE LIGHTBOURN
SECRETARY

Office of the Secretary
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Date: June 7, 2002

To: Members, Joint Committee on Finance

From: George Lightbourn, Secretary
Department of Administration

Subject: Section 13.10 Request from the Department of Natural Resources for funding and related position authority for forestry-related activities

Request

The department requests an ongoing supplement of \$66,894,900 SEG from the Committee's appropriation under s. 20.865(4)(u) and position authority for 655.82 FTE SEG and 5.50 FTE FED positions in fiscal year 2002-03 for the department's appropriations under s. 20.370(1)(cq), (1)(cu), (1)(cv), (1)(kq), (1)(lt), (1)(mq), (1)(ms), (1)(mu), (1)(my), (3)(mu), (5)(as), (5)(at), (5)(av), (5)(aw), (5)(ay), (5)(br), (5)(bs), (5)(bt), (5)(bw), (5)(by), (7)(au), (7)(fs), (7)(hq), (8)(mu) and (9)(mu) for forestry-related activities.

Background

The 2001-03 biennial budget bill passed by the Legislature contained language to create a Department of Forestry by transferring to it all programs, operations and employee positions related to forestry activities, other than southern forests, from the Department of Natural Resources. The Governor vetoed this provision, citing that creation of a separate department was a duplication of current effort, reduced accountability to the public for management of the state's natural resources, and created potential funding complications, especially with regard to segregated or federal revenues marked for a specific activity or purpose. The veto included the elimination of all FTE positions and related funding for the Department of Forestry, effectively removing funding and position authority for forestry-related activities in fiscal year 2002-03.

Analysis

Funding for forestry activities will end on June 30, 2002, and employment of people in affected positions will be deferred until funding is restored. In keeping with union and

Members, Joint Committee on Finance

Page 2

June 7, 2002

civil servant procedural guidelines, if funding is not in place by June 15, 2002, layoff notices will be issued to current affected employees. In order to avoid this situation, the department is requesting restoration of expenditure authority in all SEG appropriations and corresponding position authority that relates to forestry operations for fiscal year 2002-03. The department is also requesting the restoration of authority for 5.5 FTE FED positions, which are dedicated to general forestry activities.

Restoration of expenditure authority in GPR appropriations used for facilities and roadway maintenance is not requested at this time, as there are no GPR funded forestry positions. The department anticipates that GPR funding will be restored in the Budget Reform Bill.

The department's request for exemption of 655.82 FTE SEG positions should be stated as an exemption request for 654.34 FTE SEG and 1.48 FTE PR-S positions. Correction of authorized position amounts would accurately represent the forestry-related positions vetoed in 2001 Wisconsin Act 16 and should be reflected in the exemption request. While the department requests 80.67 FTE SEG positions be restored in the appropriation under s. 20.370(8)(mu), the request should be revised to restore 79.19 FTE SEG positions to the appropriation under s. 20.370(8)(mu) and 1.48 FTE PR-S positions from the appropriation under s. 20.370(8)(mk).

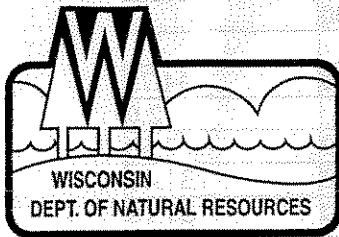
Recommendation

Modify the request to show restored position authority for the following:

<u>Number of Positions</u>	<u>Appropriation(s)</u>
654.34 FTE SEG	(1)(cq), (1)(cu), (1)(cv), (1)(kq), (1)(lt), (1)(mq), (1)(ms), (1)(mu), (3)(mu), (8)(mu) and (9)(mu)
5.50 FTE FED	(1)(my)
1.48 FTE PR-S	(8)(mk)
661.82 FTE	Total-All Funding Sources

This modification would reduce the restored position authority in the appropriation under s. 20.370(8)(mu) to 79.19 FTE SEG positions and accurately reflect the restoration of 1.48 FTE PR-S positions in the appropriation under s. 20.370(8)(mk).

Prepared by: Chariti Gent
266-7329



State of Wisconsin \ DEPARTMENT OF NATURAL RESOURCES

Scott McCallum, Governor
Darrell Bazzell, Secretary

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May 30, 2002

Honorable Brian Burke, Senate Chair
Joint Committee on Finance
Room 317 East
State Capitol

Honorable John Gard, Assembly Chair
Joint Committee on Finance
Room 308 East
State Capitol

Attn: Committee Secretary, Daniel Caucutt
Division of Executive Budget and Finance, 10th Floor
Administration Building
101 East Wilson Street

Dear Senator Burke and Representative Gard:

Funding for the Forestry program will end on June 30, 2002. I am pleased that Forestry funding restoration is included in the current budget reform bill as a component agreed to by both houses. However, in this particular instance timing may still be a problem. Given the requirements of the layoff process (union contracts and civil service rules), we need to act soon to avoid troubling situations for these employees and their families. Action is needed by June 1, to avoid triggering the official layoff procedure; that is the day unions must be notified of impending action. While June 1 is almost upon us, the second "trigger" date will be June 15. That is the day layoff notices must be given to specific employees. Our current goal is to avoid that action and the resulting employee anxiety it would create.

If action on the budget reform bill is not imminent, I urge you to call a special Joint Committee on Finance s. 13.10 meeting prior to June 15 to resolve this issue. Given the nature of the original Governor's veto, all of the necessary DNR Forestry chapter 20 appropriations remain intact. Therefore the Committee need only supplement the Conservation Fund SEG appropriations and authorize SEG FTE under its s. 13.10 authority.

Request

The Department requests \$66,894,900 SEG for the restoration of funding for Forestry purposes within DNR. It is equivalent to the amount of Forestry SEG vetoed by the Governor in the 2001-03 biennial budget bill. The request would also restore 655.82 SEG FTE and 5.50 Federal positions to the Department that had been transferred to the Department of Forestry, and subsequently vetoed. Following is a table describing the activities funded by this request:

Table with 4 columns: Activity, Alpha Apprn. s. 20.370, Dollars, FTE. Rows include Forestry, Reforestation, Forestry Education Curriculum, Public Education, Snowmobile Trails, ATV Trails, and Federal.



Forestry Subtotal		\$36,046,800	
Southern Forestry	(1)(mu)	4,245,500	44.75
Southern Forestry—Federal	(1)(my)		2.0
Forestry Wildlife Management	(1)(lt)	153,400	2.50
Forestry Supervision	(1)(mu)	2,617,000	31.41
Land Management	(1)(mu)	2,549,500	31.16
Taxes and Assesments	(1)(kq)	99,000	
Research	(3)(mu)	901,100	10.03
Forestry Grants			
Forestry Recreation Aids	(5)(as)	234,500	
Nonprofit Conservation Organizations	(5)(aw)	80,000	
Ice Age Trail Area Grants	(5)(at)	75,000	
Private Forest Grants	(5)(av)	1,250,000	
Urban Land Conservation	(5)(ay)	75,000	
Forest Crop and Managed Forest Aids	(5)(br)	1,250,000	
County Forest Loans	(5)(bs)	622,400	
County Forest Loans Severance Share	(5)(bt)	400,000	
Urban Forest Grants	(5)(bw)	1,724,900	
Fire Equipment Grants	(5)(by)	448,000	
Debt Service and Development			
Debt Service	(7)(au)	\$4,000,000	
Acquisition and Development	(7)(fs)	222,600	
Facilities Development & Maintenance	(7)(hq)	154,000	
Support Services	(8)(mu)	7,066,100	80.67
Customer Assistance & External Relations	(9)(mu)	2,680,100	30.36
		\$66,894,900	661.32

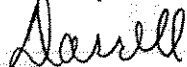
Background

This request would restore Conservation Fund funding for forestry purposes within the Department of Natural Resources that was vetoed from the 2001-03 biennial budget bill. The 2001-03 budget bill enacted by the State Legislature created a Department of Forestry and transferred the Division of Forestry from the Department of Natural Resources (DNR) and all of its related programs, operations, and employee positions to the new Department. The effective date of the transfer was July 1, 2002. The governor vetoed these provisions. The veto included the elimination of the appropriations for the new Department for fiscal year 2002-03.

This request restores the funding to the corresponding SEG appropriations within DNR, and restores the corresponding FTE employee positions under DNR that relate to the Division of Forestry operations for fiscal year 2002-03. This request does not include the restoration of GPR funding that is included in the agreed upon Conference Committee package. That funding is for facilities and road maintenance activities. Given limitations on the Committee's ability to supplement GPR appropriations and the fact that neither of these two appropriations support Department FTE, the timing of this restoration is less critical. Therefore, I would request that funding restoration for these two elements remain as part of the Budget Reform Bill.

Thank you for your consideration of this request. I am eager to work with you and your colleagues to resolve this issue quickly and get on with the important Forestry work that needs to be done in Wisconsin.

Sincerely,



Darrell Bazzell
Secretary

STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

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Phone: 266-8535



ASSEMBLY CHAIR
JOHN GARD

308-E Capitol
P.O. Box 8952
Madison, WI 53708-8952
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JOINT COMMITTEE ON FINANCE

NOTICE

The Joint Committee on Finance will meet under s. 13.10 to review a request from the Department of Natural Resources for \$66.9 million and 661.32 positions in 2002-03 to restore funding for the Forestry program.

The meeting will be held on Tuesday, June 11, 2002, at 10:00 a.m. in Room 412 East, State Capitol.

Handwritten signature of Brian Burke in cursive.

BRIAN BURKE
Senate Chair

Handwritten signature of John G. Gard in cursive.

JOHN GARD
Assembly Chair

II. Department of Natural Resources – Darrell Bazzell, Secretary

The department requested approval of a grant to the City of Racine for the development of Phase II of a multipurpose pathway along the Root River Parkway Corridor 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.



Legislative Fiscal Bureau

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

June 11, 2002

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Natural Resources: Root River Parkway Stewardship Grant to the City of Racine --
Agenda Item II

REQUEST

The Department of Natural Resources (DNR) requests approval to expend \$375,000 from the Warren Knowles-Gaylord Nelson Stewardship 2000 property development and local assistance subprogram to provide a grant to the City of Racine for development of the Root River Multipurpose Pathway.

BACKGROUND

The 1999-01 biennial budget act (1999 Act 9) provided \$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 recreational opportunities and protect environmentally sensitive areas. The annual bonding authority under the program was \$46 million, ending in fiscal year 2009-10. Of the annual authority, \$34.5 million in 2001-02 is allocated to general land acquisition for conservation and recreation purposes and \$11.5 million for DNR property development and for local assistance grants. The 2001-03 biennial budget (2001 Act 16) increases the overall bonding authority to \$572 million and the annual bonding allocation from \$46 million to \$60 million beginning in 2002-03, with \$45 million each year available for the land acquisition subprogram and \$15 million available for the property development and local assistance subprogram.

Of the \$15 million annual bonding authority available in 2002-03 and subsequent years for the property development and local assistance subprogram, DNR may obligate up to \$8 million for

local assistance, with the remaining amount (at least \$7 million) available for property development annually. Funding obligated for local assistance may be used for: (a) grants for urban green space; (b) grants for local park aids; (c) grants for acquisition of property development rights; and (d) grants for urban rivers. Funding obligated for property development could be used for: (a) property development on DNR land; (b) property development on conservation easements adjacent to DNR land; and (c) grants to friends groups and non-profit conservation organizations (NCOs) for property development activities on DNR land.

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 intent to award a stewardship grant to the City of Racine was received by the Co-chairpersons on March 29, 2002. On April 15, 2002, the Co-chairpersons notified DNR that a meeting would be scheduled to consider the proposed grant.

ANALYSIS

Stewardship funds were first enumerated for this project under 1999 Act 9, the 1999-01 biennial budget. Under Act 9, DNR was required to provide a stewardship grant consisting of 50% matching funds (up to \$750,000) for the Root River multi-purpose pathway in the City of Racine. The first phase of development of the Root River pathway in Racine is expected to be completed by November, 2002. Work completed to date includes design engineering, property acquisition, clearing of vegetation, construction of retaining walls, grading and paving of portions of the pathway, installation of railings and lighting, and construction of an overlook. Total costs associated with the first phase of the pathway's development to date (including engineering costs) are approximately \$1 million, and are anticipated to exceed \$1.8 million upon completion.

This request represents the second phase (of an anticipated three-phase project) of the Root River multi-purpose pathway development, which was enumerated under the provisions of 2001 Act 16 (the 2001-03 biennial budget). Act 16 requires DNR to provide an additional stewardship grant consisting of 50% matching funds (up to \$375,000) for further development of the Root River multi-purpose pathway, increasing the total amount enumerated from stewardship funds to \$1,125,000 for the project. Act 16 specifies that funding for the project may come from either subprogram of the stewardship program. DNR would provide the City of Racine with \$375,000 as a matching grant from the property development and local assistance subprogram of stewardship. Funds would be provided from the 2001-02 allocation for local assistance grants, which total \$7

million. The grant would be provided under the Acquisition and Development of Local Parks component.

The City estimates that, in total, the cost of the project may exceed \$3.5 million. In addition to stewardship funds, the City has secured funding from the federal Department of Transportation in the form of a Congestion Mitigation and Air Quality grant (\$471,300); a federal Community Development block grant (\$374,000); and U.S. Housing and Urban Development funds (\$325,000). The City is expected to contribute over \$1.2 million of its own funds to complete the project.

The Root River multi-purpose pathway, when finished, will extend for approximately five miles from the Main Street Bridge to Colonial Park in Racine, connecting several parks along the river, including Clayton Park, Riverside Park, Cedar Bend Park, Island Park, Brose Park, Lincoln Park, and the Washington Park Golf Course. The pathway will be used for nonmotorized recreation (walking, biking and cross country skiing) and for fishing and canoeing access to the river.

The second phase includes the demolition and related remediation of three residential properties at sites acquired for trail expansion. Also included is the construction of a ten-foot wide paved pathway with pedestrian bridges (including erosion control measures), fencing, and signage from the Washington Park Golf Course northwesterly to Colonial Park. The final phase of the project would include final trail construction and related improvements to the historic Island Park area. A breakdown of costs associated with the City's request as submitted to DNR are shown in the following table.

Development Costs for Phase II of the Multipurpose Pathway

<u>Category</u>	<u>Estimated Total Cost</u>
Engineering (includes supervision and pre-approval)	\$25,000
Site Preparation and Erosion Controls	25,000
Demolition of Existing Structures (includes asbestos removal)	35,000
Pathway Construction (includes grading, gravel, paving, restoration)	300,000
Bridges (includes 2 new and the rehabilitation of 2 existing)	300,000
Other Construction (includes parking and river access)	25,000
Park Equipment (includes fencing, lights, and signage)	<u>40,000</u>
 Total	 \$750,000

While the grant request was submitted as a match for a \$750,000 project, City of Racine officials have indicated that the total cost of the second phase of development is expected to exceed \$1.9 million, approximately \$200,000 more than the \$1,727,800 originally anticipated. The City attributes this change to the increased accuracy of cost estimates as the project progresses, and to unanticipated costs associated with developing the trail underneath an existing railroad bridge on

one of the properties acquired for trail expansion. A more precise breakdown of construction costs will not be available until the City receives final bids for phase-two construction from its contractors; however, City officials indicate that the bidding process is currently on hold, pending the approval of the stewardship grant. Several of the anticipated projects have been initiated using funds currently available to the City, including the demolition of existing structures on acquired properties and the subsequent remediation of those areas.

The Committee could approve the project because: (1) it is consistent with the enumeration in the 2001-03 biennial budget; (2) the City is contributing matching funds in excess of those required under Act 16; and (3) providing the funds from the local assistance component of the stewardship program is appropriate for the development of a local parkway.

Because the Legislature enumerated that this project be funded in Act 16, it appears that the Committee could not deny the request for \$375,000. However, if the Joint Committee on Finance believed the project should be funded from a different component of stewardship (for example, from land acquisition or DNR property development), then it could require the Department to submit a revised request.

ALTERNATIVES

1. Approve the DNR request to expend \$375,000 (not to exceed the matching contribution made by the City of Racine) from the local assistance component of the Warren Knowles-Gaylord Nelson Stewardship 2000 program to provide a grant to the City of Racine for the second phase of the Root River multipurpose pathway.

2. Direct the Department to submit a modified request.

Prepared by: Rebecca Hotynski