

**(Base) Agency:** DNR - Stewardship  
Annual Overall Bonding Authority

**Recommendations:**

**Paper No. 261:** Shibilski Motion

**Comments:** The resolution of papers 261 through 266 should be taken care of with the omnibus Shibilski motion. Possibly, papers 267 and 268 might also be rolled into the package.

Supposedly, we have Cowles and Panzer voting with us to fund a \$45 million-a-year Stewardship program starting in FY 00-01 and running 10 years. The rest of the details have been somewhat sketchy (and suspect). I fear Shibilski is trying to set aside huge chunks of money (without earmarks) that can be used to buy large parcels of land up north (like the one currently being discussed) while southern Wisconsin gets nothing for that year or years.

Nevertheless, Shibilski has been somewhat willing to increase the Local Assistance subcategory (to \$8 million a year), and I think he is taking care of a few other technical issues that need to be addressed. So, I would vote for his package. Hopefully Panzer and Cowles will hold out for more categories/earmarks and less ambiguity. In any event, you'll have another kick at this cat in Conference Committee.

If for some reason the Shibilski motion fails, I would go with Alternatives 4 or 5 in Part A, and Alternative 1 in Part B.

NOTE: NATURE CONSERVANCY & OTHERS WANT \$60 MILLION YEAR, THEY CLAIM THAT MAINTAINS CURRENT BUYING POWER (THERE ARE MANY WAYS TO CALCULATE THAT).

prepared by: Barry



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #261

### Annual Overall Bonding Authority (DNR -- Stewardship)

[LFB 1999-01 Budget Summary: Page 472-1, #1]

#### **CURRENT LAW**

Under the Warren Knowles-Gaylord Nelson stewardship program, \$231 million is available over 10 years (\$23.1 million annually through 1999-00) for state and local land acquisition and development projects for conservation and recreational purposes.

#### **BUILDING COMMISSION**

Allow the state to contract public debt in an amount not to exceed \$350 million for the Stewardship 2000 program. Provide that no funding from Stewardship 2000 may be obligated before July 1, 2000. The annual overall bonding authority would be established as shown in Table 1.

**TABLE 1**  
**Annual Stewardship 2000 Bonding Allocation**

<u>Fiscal Year</u>	<u>Bonding Authority</u>	<u>% of Overall Authority</u>
2000-01	\$25,000,000	7.1%
2001-02	25,000,000	7.1
2002-03	27,000,000	7.7
2003-04	30,000,000	8.6
2004-05	33,000,000	9.4
2005-06	36,000,000	10.3
2006-07	39,000,000	11.1
2007-08	42,000,000	12.0
2008-09	45,000,000	12.9
2009-10	<u>48,000,000</u>	<u>13.7</u>
Total	\$350,000,000	100.0%

**DISCUSSION POINTS**

1. One issue discussed by the Governor's Blue Ribbon Task Force on the Stewardship Program when considering funding for a reauthorized stewardship program was the amount of land owned by various levels of government. Table 2 summarizes the estimated amount of land in public ownership. The "Conservation Lands" column includes parks and forests, trails, wildlife and natural areas as well as land owned by the Board of Commissioners of Public Lands. The "Other Lands" column includes office buildings, federal military bases, federal Indian trust lands, state institutional facilities, highway rights-of-way and school buildings. Also shown on the table is the percent of the overall state land area (34.76 million acres, excluding inland lakes) owned by government in each category.

**TABLE 2**  
**Acreeage in Public Ownership**

	<u>Conservation Lands</u>	<u>Other Lands</u>	<u>Total</u>
Federal	1,663,589	479,150	2,142,739
State	1,351,982	191,935	1,543,917
County	2,382,964	214,180	2,597,144
Municipalities	150,000	617,957	767,957
School Districts	<u>66,750</u>	<u>27,120</u>	<u>93,870</u>
TOTAL	5,615,285	1,530,342	7,145,627
Percent of State Land Area	16.2%	4.4%	20.6%

It should be noted that there is no centralized source of information on public land ownership in the state. The data in the table are compiled from various sources, and cover a time period ranging from 1996 to 1998 (in general, the conservation lands category consists of the more recent data).

2. While recommending that general obligation bonding be used for a reauthorized stewardship program, the Task Force did not endorse a specific level of bonding for the program. Rather, the Task Force outlined four possible funding scenarios and the likely outcomes of each and indicated that the Governor and Legislature should determine the funding level for a new stewardship program in light of the economic conditions of the state and other budgetary needs.

3. The first alternative considered by the Task Force was maintaining the current level of funding of \$23.1 million per year (\$231 million over ten years). At this level, the Task Force indicated that the number of acres purchased each year and the number of recreational development projects that could be undertaken would decline as the purchasing power of the program would likely decrease over the decade. Competition between different types of projects would intensify as well, such as that between the different functions of DNR (fisheries, parks, wildlife areas and natural areas), projects of statewide or local significance, completion of existing projects or preservation of large or unique properties, and purchase of high per acre cost properties in urban areas or less expensive acreage in rural areas.

4. The Task Force agreed that, at a minimum, the program should be restored to its original 1990 purchasing power, estimated at \$40.4 million per year (\$404 million over ten years). At this level, the Task Force felt that the program could continue to fund a relatively broad spectrum of projects statewide, continue the current pace of completion of existing projects, purchase a number of unique, larger properties (such as the Willow Flowage and the Bill Cross Rapids Wildlife Area) and possibly undertake a few demonstration initiatives.

5. Assuming current economic conditions continue, the Task Force noted that the purchasing power of the program would again decrease over a ten-year reauthorized stewardship program. The third alternative considered was to make an automatic adjustment for inflation and increased property valuation in the program by authorizing bonding of \$434 million over ten years, \$40.4 million annually from 2000-01 to 2004-05 and \$46.4 million annually from 2005-06 to 2009-10.

6. Authorizing \$620 million in bonding over ten years (\$62 million per year) was the fourth scenario considered by the Task Force. At this level of funding, the Task Force predicted an expansion of the scope of the stewardship program. The Task Force anticipated completing several existing state and local projects, purchasing several unique or larger properties and beginning new initiatives within the program framework, such as the purchase of easements on river frontage parcels owned by utilities, the development of buffer zones around properties and the purchase of sustainable forestry easements on large parcels.

7. Any debt service from a reauthorized stewardship program would likely have little

fiscal impact in the 1999-01 biennium, as bonding would not begin to be issued until 2000-01. A ten-year reauthorized stewardship program, however, could obligate the state to make debt service payments from the general fund through at least fiscal year 2028-29.

8. The following table provides an estimate of total debt service payments (over a period of approximately 30 years) under the four scenarios considered by the Task Force as well as the Building Commission's recommendation. The calculation assumes bonds are issued at a 5.5% interest rate. However, actual rates at the time of issuance over the next eleven years may vary considerably.

**TABLE 3**

**Stewardship Bonding and Debt Service  
(\$ in millions)**

<u>Bonding Issued</u>	<u>Total Debt Service</u>
\$231	\$384
350	581
404	671
434	721
620	1,030

9. In addition to the amount of bonding, the annual allocation under the program must also be determined. Under current law, the annual allocation is one-tenth of the overall ten year allocation. Assuming some increase in inflation and overall property valuation, the purchasing power of a program with constant annual allocations would steadily decrease over the life of the program.

10. However, given a fixed amount of bonding over a ten-year period, it could be argued an even annual distribution maximizes buying power in the earlier years of the program. The Warren Knowles-Gaylord Nelson stewardship program, for example, had greater buying power in the early years than it would have if a model consistent with the Building Commission recommendation had been used (\$16 million in the first year to \$35 million in the final year).

11. One of the Task Force alternatives suggested a one-time increase in the annual bonding allocation midway through a ten-year program. The particular recommendation was to provide \$434 million over ten years. In the first five fiscal years, the annual allocation would be \$40.4 million (or 9.3% of the overall allocation). In the last five fiscal years, the annual allocation would be \$46.4 million (or 10.7% of the overall allocation). The Task Force felt this would help maintain stewardship purchasing power over the course of the program. However, should deflation or declining property values occur, the need for such an increase would be mitigated.

12. Another alternative, which was recommended by the Building Commission, is to provide annual increases over the course of most of the program. After the first three years of the

program, the annual stewardship allocation would increase by \$3 million annually. Table 1 above indicates the percentage each year's bonding allocation is of the overall ten-year allocation.

13. The \$3.0 million annual increase recommended by the Building Commission, however, does not begin until 2003-04. Another alternative would be to provide a more gradual annual increase over the life of the stewardship program, which would provide a greater level of bonding in the beginning of the program and less in the latter years. Table 4 shows one such alternative for annual allocations, using the \$350 million recommended by the Building Commission as an example. This approach, however, could be applied to any overall amount of bonding.

**TABLE 4**

**Alternative for a More Gradual Increase in the Annual Allocation**

<u>Fiscal Year</u>	<u>Bonding Authority</u>	<u>% of Overall Authority</u>
2001	\$28,000,000	8.0%
2002	29,750,000	8.5
2003	31,500,000	9.0
2004	33,250,000	9.5
2005	35,000,000	10.0
2006	35,000,000	10.0
2007	36,750,000	10.5
2008	38,500,000	11.0
2009	40,250,000	11.5
2010	<u>42,000,000</u>	<u>12.0</u>
	\$350,000,000	100.0%

**ALTERNATIVES TO BASE**

**A. Overall Allocation**

1. Approve the Building Commission's recommendation to allow the state to contract public debt in an amount not to exceed \$350 million between 2000-01 and 2009-10 for the Stewardship 2000 program.

<u>Alternative 1</u>	<u>BR</u>
1999-01 BONDING (Change to Base)	\$350,000,000
[Change to Bill]	\$350,000,000]

2. Allow the state to contract public debt in an amount not to exceed \$231 million between 2000-01 and 2009-10 for the Stewardship 2000 program.

<b>Alternative 2</b>	<b>BR</b>
1999-01 BONDING (Change to Base)	\$231,000,000
<i>[Change to Bill]</i>	<i>\$231,000,000]</i>

3. Allow the state to contract public debt in an amount not to exceed \$404 million between 2000-01 and 2009-10 for the Stewardship 2000 program.

<b>Alternative 3</b>	<b>BR</b>
1999-01 BONDING (Change to Base)	\$404,000,000
<i>[Change to Bill]</i>	<i>\$404,000,000]</i>

4. Allow the state to contract public debt in an amount not to exceed \$434 million between 2000-01 and 2009-10 for the Stewardship 2000 program.

<b>Alternative 4</b>	<b>BR</b>
1999-01 BONDING (Change to Base)	\$434,000,000
<i>[Change to Bill]</i>	<i>\$434,000,000]</i>

5. Allow the state to contract public debt in an amount not to exceed \$620 million between 2000-01 and 2009-10 for the Stewardship 2000 program.

<b>Alternative 5</b>	<b>BR</b>
1999-01 BONDING (Change to Base)	\$620,000,000
<i>[Change to Bill]</i>	<i>\$620,000,000]</i>

6. Take no action. (No bonding would be authorized for Stewardship 2000.)

**B. Annual Allocation**

1. Provide a constant annual allocation equal to one-tenth of the overall Stewardship 2000 bonding allocation.

2. Provide a one-time increase in the annual bonding authorization under Stewardship 2000, with an annual allocation in the first five fiscal years equal to 9% of the overall allocation and an annual allocation in the last five fiscal years equal to 11% of the overall allocation.

3. Provide an increase in the annual allocation as recommended by the Building Commission (shown in Table 1).

4. Provide a more gradual increase in the annual allocation consistent with that shown in Table 4.

5. Take no action. (Any bonding allocation would be available in its entirety at the outset of the program.)

Prepared by: Russ Kava