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13.10 Meeting
December 19, 2000
Agenda Item X

Issue: DNR - Snowmobile Trail Aids

Comments:

The 4 paragraphs on page 4 lay out the competing arguments. Deleting GPR at this point really reverses a budget policy decision made by the whole legislature, and unnecessarily irritates the snowmobile groups. This is going to be a big year for outdoor recreation in northern Wisconsin and we need to keep the trails safe and well groomed.

Staff Recommendation: Alternative 1 (note: alt 2 also ok if necessary)

Prepared by: Barry



Legislative Fiscal Bureau

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

December 19, 2000

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Natural Resources: Section 13.10 Request Related to Supplemental Snowmobile Trail Aids -- Agenda Item X

REQUEST

The Department of Natural Resources (DNR) requests approval to reallocate \$360,000 SEG from the snowmobile account of the conservation fund in 1999-00 within the motor fuel tax transfer appropriation for snowmobile trail aids [s. 20.370(5)(cs)] to be used for supplemental trail aid payments.

BACKGROUND

DNR administers a snowmobile recreation program to develop and maintain a statewide system of snowmobile trails and administer and enforce snowmobile laws. These activities are funded from various sources, including the snowmobile account, tribal gaming revenue and the general fund. The Snowmobile Recreational Council advises DNR on matters related to snowmobile policy. The Council consists of 15 members appointed by the Governor with the advice and consent of the Senate and serve staggered, three-year terms.

The main sources of revenue to the snowmobile account include: (a) motor fuel tax revenue transferred to the account; (b) snowmobile registration fees; and (c) nonresident trail use sticker fees. The fuel tax transfer is an amount equal to the motor fuel tax assessed on 50 gallons of gasoline as of the last day of February of the prior fiscal year multiplied by the number of snowmobiles registered on that same date, with this result increased by an additional 40%. Since fiscal year 1991-92, supplemental trail aids have been funded from the 40% multiplier to the formula.

The main expenditure from the snowmobile account is for local snowmobile trail and project aids. Trail aids were funded at \$6,242,600 in 1999-00 (\$6,117,600 SEG and \$125,000 GPR) and \$6,599,600 in 2000-01 (\$6,474,600 SEG and \$125,000 GPR). (The SEG amounts are higher than those estimated in Act 9 based on a DNR audit of the process for determining the number of snowmobiles registered.)

DNR distributes aids to participating counties for the maintenance, development and acquisition of snowmobile trails throughout the state. The counties either develop and maintain local trails, or, more typically, redistribute aid to local snowmobile clubs that do the maintenance and development projects. Funds are also available for the development and maintenance of trails on state park and forest lands. Expenditures eligible for state aid, listed in priority order under s. 23.09(26) of the statutes, are: (1) maintenance of existing approved trails; (2) club signing programs; (3) bridge rehabilitation; (4) municipal route signing; (5) trail rehabilitation; and (6) development of new trails.

Generally, trail maintenance aids are provided to counties and the DNR at 100% of eligible costs up to a maximum of \$250 per mile per year. In addition to basic aids, a county or DNR is eligible for supplemental trail aid payments if actual eligible costs exceed the maximum of \$250 per mile per year and, of the costs incurred, actual trail grooming costs exceed \$130 per mile per year (other eligible costs include insurance and certain lease costs). Total state trail maintenance payments generally may not exceed \$1,000 per mile of snowmobile trail (\$250 per mile for basic maintenance and up to \$750 per mile for supplemental trail aids). Supplemental aid requests for this year averaged \$175 per mile, and varied between \$17 per mile in Eau Claire County to \$373 per mile in Vilas County.

Under s. 350.12(4)(br) of the statutes, DNR may request that the Joint Committee on Finance take action under s. 13.101 without finding an emergency if the supplemental aid payable to counties exceeds available funding. DNR may also choose to prorate the trail aid payments if total claims are greater than available funds.

ANALYSIS

As shown in Table 1, since the winter of 1990-91 supplemental funding has fully funded eligible requests in four years and has been prorated in five years. Supplemental payments for a snowmobile season are paid in the following fiscal year.

TABLE 1

Supplemental Snowmobile Trail Aids

<u>Snowmobile Season</u>	<u>Counties</u>	<u>State Properties</u>	<u>Request</u>	<u>Total Payment</u>	<u>Amount Funded</u>
1990-91	16	1	\$351,800	\$351,800	100 %
1991-92	21	3	923,000	701,500	76
1992-93	21	3	983,900	724,600	74
1993-94	32	3	889,800	838,400	94
1994-95	11	4	477,700	477,700	100
1995-96	34	5	1,925,500	1,116,200 *	58
1996-97	38	6	2,130,000	1,642,300 *	77
1997-98	20	3	731,000	731,000	100
1998-99	20	4	\$1,202,800	\$1,202,800 *	100

*Includes a transfer of trail aids funding approved by the Joint Committee on Finance.

The 2000-01 snowmobile motor fuel tax transfer is \$4,039,400, with \$1,154,100 of this amount earmarked for supplemental trail aid payments. The remaining \$2,885,300 SEG from the gas tax transfer, an additional \$2,501,400 snowmobile SEG and \$125,000 GPR appropriated in 2000-01 and an unobligated balance of \$27,980 from the prior fiscal year (a total of \$5,539,700) are available for 2000-01 basic trail aids.

The application deadline for supplemental requests for the 1999-00 snowmobiling season was August 1, 2000. DNR has reviewed and approved requests from 29 counties and seven state properties for \$1,514,100 in supplemental funds. With the \$1,154,100 available from the 40% multiplier, the Department would be able to pay 78.5% of the supplemental funding requested. It should be noted, that since Florence County submitted its supplemental request on September 7, after the August 1 deadline, it is not eligible for a prorated payment. However, the Snowmobile Recreational Council recommended and DNR approved a variance whereby if this request is approved Florence County would receive its full payment. A breakdown of the amount requested by county and for certain state properties (where they contract directly with local snowmobile clubs for maintenance) and the amounts that would be paid is shown in the appendix.

The additional \$360,000 requested by DNR comes from funds not recommended for allocation by the Snowmobile Recreational Council on other snowmobile trail project requests under s. 23.09(26). After \$4,074,600 was allocated to satisfy the basic maintenance requests on over 16,300 miles of existing approved trails at the statutory \$250 per mile rate, the Snowmobile Recreational Council had approximately \$1.5 million available for other snowmobile trail project requests. After reviewing the projects in the priority order specified earlier, the Council recommended approval of \$1,085,800 in projects. This included spending for bridge rehabilitation, trail rehabilitation, and trail relocation projects.

A balance of \$379,300 remains in the snowmobile trail aids program, of which \$360,000 is requested to be utilized for supplemental trail aids. If this request is not approved, the \$360,000 would remain in the balance and be available for trail project costs in subsequent fiscal years.

The Snowmobile Council and DNR argue that the need for funding currently is for supplemental maintenance payments, given their joint commitment to reimburse local funds expended for grooming purposes. If additional funding is not provided for supplemental aids, it could place an undue financial burden on local snowmobile clubs primarily in the northern part of the state. This, in turn, could limit the ability of clubs in the area to groom trails for fiscal year 2000-01. However, the potential proration for supplemental aids for the 1999-00 snowmobile season (78.5 percent) is not as low as the prorations have been for four of the last nine years, including two years when the Joint Committee on Finance acted to increase supplemental trail aid payments. The need for additional supplemental trail funding may be viewed as less urgent than it has been in some past requests.

It could be argued that since approved expenditures for basic trail maintenance and projects were less than the funding appropriated in 2000-01, the Committee may modify appropriated funding levels in any manner that promotes efficient and effective operation of the snowmobile trail aids program. The Committee could, for example, choose to lapse the \$125,000 GPR provided for snowmobile trail aids in 2000-01. DNR would then utilize a portion of the \$379,300 balance in the snowmobile trail aids appropriations for basic rather than supplemental trail aids. The remaining \$254,300 could be reallocated to supplemental payments, resulting in a 93% proration.

Conversely, it could be argued that the intent of Act 9 was to provide GPR funding for snowmobile trail aids, and the deletion of that funding would be inconsistent with the intent of the budget act. Further, program staff argue that the Snowmobile Recreational Council evaluated trail project applications with a goal of being able to provide additional funding for transfer to supplemental trail aids. Reducing GPR funding for trail aids based on the SEG balance is arguably inconsistent with this goal.

ALTERNATIVES

1. Approve DNR's request to reallocate existing expenditure authority of \$360,000 SEG in 2000-01 within the gas tax transfer appropriation for snowmobile trail aids [s. 20.370(5)(cs)] for supplemental snowmobile trail aids.

OK if necessary 2. Lapse \$125,000 GPR in 2000-01 for snowmobile trail aids and reallocate \$254,300 SEG in 2000-01 within the gas tax transfer appropriation for supplemental aids.

3. Deny the request.

Prepared by: Rebecca Hotynski
Attachment

APPENDIX

1999-00 Supplemental Request by County and State Property

<u>County</u>	<u>Trail Miles</u>	<u>Request</u>	<u>78.5% Proration</u>
Ashland	203.9	\$31,601	\$24,801
Barron	250.3	58,097	45,596
Bayfield	363.0	8,229	6,458
Burnett	234.0	15,993	12,552
Calumet	112.5	6,985	5,482
Chippewa	298.6	25,763	20,219
Clark	300.4	36,143	28,366
Eau Claire	161.3	2,717	2,132
Florence	137.5	43,558	0
Forest	382.0	131,368	103,100
Iron	284.7	93,802	73,617
Langlade	505.8	54,167	42,511
Lincoln	286.7	37,427	29,373
Manitowoc	168.3	24,991	19,613
Marathon	650.1	175,887	138,039
Marinette	442.6	83,497	65,530
Monroe	269.0	8,676	6,809
Oconto	330.8	85,987	67,484
Oneida	387.8	129,063	101,291
Outagamie	222.9	24,816	19,476
Portage	247.5	16,068	12,610
Price	365.0	71,798	56,348
Rusk	274.8	41,594	32,644
Sawyer	267.1	35,847	28,133
Shawano	336.6	36,040	28,285
Taylor	290.7	35,369	27,758
Tri County Commission*	61.8	2,260	1,774
Vilas	407.7	152,160	119,418
Waupaca	291.0	23,688	18,591
County Subtotal	8,534.4	\$1,493,591	\$1,138,010
<u>State Property</u>			
Bearskin Trail		\$7,320	\$5,745
North Highland-American Legion State Forest		8,083	6,344
Tussock Trail		5,111	4,011
State Property Subtotal		\$20,514	\$16,100
TOTAL		\$1,514,105	\$1,154,110

*The Tri County Commission is a county trail commission that operates trails in Ashland, Bayfield and Douglas Counties.

MO# A1+2

BURKE I	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
MOORE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
PLACHE	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
DARLING	<input checked="" type="radio"/>	N	A

GARD 2	<input checked="" type="radio"/>	N	A
PORTER <i>the board</i>	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
DUFF	<input checked="" type="radio"/>	N	A
WARD	<input checked="" type="radio"/>	N	A
HUBER	<input checked="" type="radio"/>	N	A
RILEY	<input checked="" type="radio"/>	N	A

AYE _____ NO _____ ABS _____

X. Department of Natural Resources – Darrell Bazzell, Deputy Secretary

The department requests that the Committee take action under s. 350.12(4)(br) to increase the fiscal year 2000-01 expenditure amount for supplemental trail aids within the snowmobile trail recreation aids appropriation under s. 20.370(5)(cs) by an additional \$360,000 SEG.

Governor's Recommendation

Approve the request.



WISCONSIN DEPARTMENT OF
ADMINISTRATION

TOMMY G. THOMPSON
GOVERNOR

GEORGE LIGHTBOURN
SECRETARY

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Date: December 15, 2000

To: Members, Joint Committee on Finance

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

Subject: Section 13.10 Request from the Department of Natural Resources for Increased Expenditure Amount for Supplemental Trail Aids.

Request

The department requests that the Committee take action under s. 350.12(4)(br) to increase the fiscal year 2000-01 expenditure amount for supplemental trail aids within the snowmobile trail recreation aids appropriation under s. 20.370(5)(cs) by an additional \$360,000 SEG.

Background

The snowmobile account within the conservation fund receives funding from user fees and the motor fuel tax as specified under s. 25.29(1)(d). The account funds a variety of snowmobile projects, including supplemental trail maintenance aid for costs in the previous fiscal year that exceeded the statutory \$250 per mile maximum.

Snowmobile Gas Tax Multiplier

The motor fuel tax revenues transferred from the transportation fund equal 140% of the product of the number of snowmobiles registered in Wisconsin at the end of February of the previous fiscal year and the amount of motor fuel tax in February of the previous fiscal year assessed on 50 gallons of gasoline. For fiscal year 2000-01, \$4,039,390 was transferred to the snowmobile account (223,665 registered snowmobiles x [25.8¢ per gallon x 50 gallons] x 1.4).

The majority of the snowmobile gas tax revenue is used to reimburse trail maintenance costs. Under s. 350.12(4)(b)1., trail maintenance costs are reimbursed up to a \$250 maximum per mile per year. Trail maintenance costs exceeding the maximum are reimbursed through supplemental trail aids, as provided for under s. 350.12(4)(bg). Those funds generated by the 40-percent

portion of the 140 percent motor fuel tax transfer calculation (i.e., "40-percent multiplier") are earmarked for supplemental trail aids.

Supplemental Trail Aids

Prior to enactment of the 1995-97 biennial budget (1995 Wisconsin Act 27), supplemental trail aid requests that exceeded the funds available were prorated under s. 350.12(4)(br). Separate legislation was required to increase the amount of funds available for supplemental trail aids in excess of the revenues generated by the 40-percent multiplier.

The 1995-97 biennial budget removed the need for separate legislation to increase funds available for supplemental trail aids. Section 350.12(4)(br) allows DNR to either prorate supplemental trail aid payments or submit a request for additional expenditures to the Committee under s. 13.101. Unlike typical s. 13.101 requests, requests under s. 350.12(4)(br) do not require a finding of an emergency for Committee consideration.

Analysis

By the October 1, 2000, application deadline, DNR received requests for supplemental trail aids in excess of available funds. Current funds available for supplemental payments are \$1,154,110. DNR expects costs eligible for supplemental aid to equal approximately \$1.5 million. Based on the current funds available for supplemental aid payments, cost reimbursements will be prorated at a rate of 76.4 percent.

Since the creation of the 40-percent multiplier, supplemental trail aids payments have generally reimbursed at least 70 percent of county and state trail maintenance costs exceeding the \$250 maximum per mile per year. The following table illustrates the historical level of trail aid reimbursement.

Historical Snowmobile Trail Maintenance Cost Reimbursement

<u>Snowmobile Season</u>	<u>Claims Paid (%)</u>
1990-91	100.0 ¹
1991-92	76.0 ²
1992-93	73.6
1993-94	94.2
1994-95	100.0
1995-96	53.8 ³
1996-97	77.1
1997-98 ⁴	100.0
1998-99	100.0

1. Includes additional funding received through separate legislation.
2. The 1991-92 season payments were the first to use funds provided by the 40% multiplier, which was enacted as part of the 1991-93 biennial budget (1991 Wisconsin Act 39).
3. The proration does not include the \$80,000 provided to 18 counties in March 1997.
4. Prior to the 1997-98 season, the maximum trail aid payment was \$200 per mile per year.

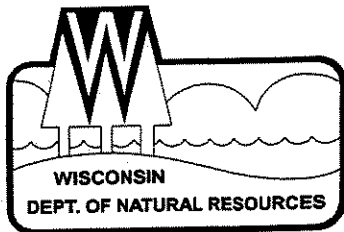
The Snowmobile Recreation Council recommended that DNR submit a request to the Joint Committee on Finance to increase the amount of funds available for supplemental trail aid payments. After satisfying the basic trail maintenance requests (up to the \$250 maximum per mile), the Snowmobile Recreation Council had approximately \$1,465,100 available for snowmobile trail project requests. However, the total cost of the projects for which the council recommended approval is \$1,085,801. The council recommended that \$360,000 of the remaining funds be used to supplement trail aid funds. If the request to use these funds for supplemental trail aid payments is denied, the money will continue to be available for trail development and rehabilitation projects in subsequent fiscal years.

The requested increase of \$360,000 would eliminate the need to prorate supplemental trail aid payments and does not require additional expenditure authority. The current fiscal year 2000-01 expenditure authority of \$3,846,800 under appropriation s. 20.370(5)(cs) is adequate because no increase in total funds is involved.

Recommendation

Approve the request.

X



State of Wisconsin \ DEPARTMENT OF NATURAL RESOURCES

Tommy G. Thompson, Governor
George E. Meyer, Secretary

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November 29, 2000

Honorable Brian Burke, Senate Chair
Joint Committee on Finance
Room 316 South
State Capitol

Honorable John Gard, Assembly Chair
Joint Committee on Finance
Room 315 North
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:

Request

The Department of Natural Resources requests approval to supplement the expenditure of the gas tax multiplier specified in s. 350.12 (4) (bg), Stats. by \$360,000, from within appropriations 20.370 (5) (cr), (cb) and (cs). No additional spending authority is needed; the Department would utilize the remaining existing spending authority within these same appropriations after other purposes specified for the appropriations have been funded. If approved, this request will allow the Department to provide an additional \$360,000 for supplemental trail aid payments to the \$1,154,110 already available for that purpose for the winter of 1999-2000. This request is being made under the authority of s. 350.12 (4) (br) (Supplemental trail aid payments; insufficient funding.), Stats., which allows the Department to request the Joint Committee on Finance to take action under s. 13.101 without the requirement of finding of an emergency under s. 13.101 (3) (a) 1.

Background

Within appropriation 20.370 (5) (cs), an amount is set aside specifically for supplemental trail aid payments to the Department or to a county for trail maintenance costs incurred in the previous fiscal year that exceed the maximum of \$250 per mile. This amount is equal to the amount generated by the gas tax multiplier of 40% (s.25.29 (d) 2), and for FY 00 is \$1,154,110. This funding calculation is specified in s. 350.12 (4) (bg), Stats.

The application deadline for counties for supplemental requests was August 1, 2000, and the total request for eligible costs is \$1,470,550 for the 1999-2000 snowmobiling season. This would result in a 78.5% proration of the available \$1,154,110 for supplementary payments.

The total available balance from appropriations 20.370 (5) (cr), (cb) and (cs) is \$5,539,655. After reviewing the projects in the priority order specified under s. 23.09 (26), Stats., the Snowmobile Recreation Council (Council) recommended approval of \$4,074,575 for maintenance of existing trails and approval of \$ 1,085,801 for bridge rehabilitation, trail rehabilitation, and trail relocation projects. This brings the total amount of money spent or committed by the Council to \$5,160,376. Of the remaining



amount of \$379,279, the Council requested that the Department seek approval to use \$360,000 for supplemental trail aids in addition to the \$1,154,110 generated by the 40% multiplier.

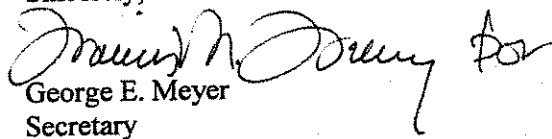
Approval of this request will provide an additional \$360,000 for supplemental trail aids to help offset costs incurred by counties for snowmobile trail maintenance. Approval will not result in exceeding the overall expenditure authority for appropriations 20.370 (5) (cb), (cr) and (cs), but will allow the Department to spend more on the specific purpose of supplemental trail aids, currently specified in s. 350.12 (4) (bg). Denial of this request will mean that the \$360,000 will not lapse, but will continue to be available only for trail project costs in subsequent fiscal years.

Conclusion

The Department and the Snowmobile Recreation Council recognize the importance of the snowmobile trail system to the tourism revenue generated by snowmobiling recreation, and recommend supplementing the amount available for supplemental trail aids by \$360,000. A provision was included in the 1995-97 biennial budget, 1995 Wisconsin Act 27, to allow the Department to request the Joint Committee on Finance to take action to address supplemental trail aid payments under s. 350.12 (4) (br) under s. 13.101 without the requirement of a finding of an emergency. This request is consistent with that provision.

Thank you for your consideration of this request.

Sincerely,


George E. Meyer
Secretary

Cc: Darrell Bazzell, AD/5
Joe Polasek, MB/5
Herb Zimmerman, FN/1
Craig Karr, AD/5
Kathy Curtner, CF/8

13.10 Meeting
December 19, 2000
Agenda Item XI

Issue: DNR - Stewardship Purchase: Grant County Fishery Remnant Areas.
Recommendation:

Comments:

This property is, or soon will be, in a top priority acquisition area. DNR made a good faith deal with Trout Unlimited and we should honor that deal, or we run the risk of screwing up future 3-party deals. The cost of this land will continue to skyrocket if we don't act soon.

Staff Recommendation: Alternative 1 (note: alt 2 also ok)

Prepared by: Barry



Legislative Fiscal Bureau

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

December 19, 2000

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Natural Resources: Fishery Remnant Areas Land Acquisition (Grant County)
Stewardship Purchase -- Agenda Item XI

REQUEST

The Department of Natural Resources (DNR) requests approval to expend \$264,000 from the land acquisition subprogram of the Warren Knowles-Gaylord Nelson Stewardship 2000 program to purchase 240 acres of land from the Harry and Laura Nohr chapter of Trout Unlimited. The Department wishes to acquire this property as part of the Grant County Fishery Remnant Areas project.

BACKGROUND

Stewardship 2000

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 is \$46 million, ending in fiscal year 2009-2010. Of the annual authority, \$28.5 million in 2000-01 and \$34.5 million in each of the nine fiscal years thereafter is allocated to general land acquisition for conservation and recreational purposes.

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

(including land along the shores of the Great Lakes); (b) acquisition of land for the stream bank protection program; (c) acquisition of land for habitat areas and fisheries; (d) acquisition of land for natural areas; and (e) acquisition of land in the Middle Kettle Moraine.

Currently, with the approval of the Natural Resources Board, the Joint Committee on Finance, and the Governor, the Department can obligate up to the entire allocation under the land acquisition subprogram for large or uniquely valuable acquisitions. Funding of \$25 million has been utilized from the reauthorized program for the purchase of approximately 32,000 acres from the Packaging Corporation of America in northern Wisconsin commonly referred to as the Great Addition. At its June 28, 2000 meeting, the Natural Resources Board approved an allocation plan for stewardship funding for fiscal year 2000-01. Of the \$28.5 million in the land acquisition subprogram that year, the Department will allocate \$22.5 million to DNR land purchases and \$6.0 million for NCO grants. The allocation plan approved by the Board indicates that \$6.25 million of the Great Addition purchase (one-fourth of the purchase) would be applied against 2000-01 land acquisition program allocation (leaving \$16.25 million for other DNR purchases).

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

DNR notification of the proposed Grant County Fishery Remnant Area purchase was received by the Co-chairpersons on October 30, 2000. On November 15, 2000, the Co-chairpersons notified DNR that a meeting would be scheduled to consider the proposed purchase.

Grant County Fishery Remnant Area Purchase

The 240 acres proposed for purchase from Trout Unlimited consists of approximately 40 acres of open grass pasture and 200 acres of wooded pasture, with approximately 6,500 feet of frontage on each bank of the Blue River. The river is a class II trout stream, averaging 18 feet wide and one foot deep, with banks ranging from one to five feet over the course of the property. There is also a small spring and spring tributary on the property. The stream valley is bordered by pine relicts and rock outcroppings. Plant species of interest on the property include the state-endangered purple milkweed, fame flower, five species of orchids, the red-berried elder, leatherwood, and bear berry.

The DNR currently holds two easements on this property. Purchased in 1973 for a combined total of \$10,005, these easements grant to DNR, in perpetuity, public access as well as restoration and habitat improvement rights to the section of the Blue River that runs through the property. The easements allow public access to 66 feet of land on each side of the river as well as public parking

on a 200-foot by 50-foot lot located on the property. The Trout Unlimited parcel adjoins other DNR eased lands that are part of the Snow Bottoms Natural Area. The Department is currently undertaking a feasibility study to consider expansion of the boundaries of the natural area; the proposed area of expansion includes this property. The Department is interested in acquiring this property as part of its Grant County Remnant Area -- Blue River program. This program was established in 1961, and has acquired 973.35 acres, or 75.8% of its goal of 1,284 acres. Purchase of the Trout Unlimited property would put the program at a total acreage of 1,213.35 (or 94.5% complete). Cost to date of this program has been \$726,943.

While the DNR holds easements on this property, they do not include fencing rights to protect the water resources on the property. In addition, the Department lacks the authority to conduct certain long-term habitat management (such as controlled burning) in conjunction with neighboring properties.

The property is zoned agricultural, with shoreland and floodplain zoning in effect along the banks of the river segment. Its most recent use, before Trout Unlimited acquired the property in June of 2000, was as pastureland. The property contains an old barn and the remains of several buildings which will be removed if the Department purchases the property. DNR officials believe that the salvage value of the buildings may cover the cost of their removal. The 1998 property tax assessment for the land was \$101,200, with over \$2,800 paid in 1999 property taxes. The property did benefit from the phase-in of use-value assessment for tax purposes.

Two private appraisals were completed on the property in January of 2000, reaching estimations of value of \$258,000 and \$264,000 respectively. The appraisers reduced the estimated property value by approximately five to ten percent due to the DNR streambank easement. The appraisal which was approved by the Department for just-compensation purposes estimated the value of the property at \$264,000. The highest and best use of the property was determined to be hobby farming and outdoor recreation. Given the quality of the water access and the scenic nature of the property, resale time was estimated at three to six months. The appraisal used the sales comparison method, with adjusted per acre values of the three comparable sites used ranging from \$975 to \$1,184 per acre. The appraiser used \$1,100 per acre for estimating the value of the property.

The second appraisal, which was accepted by DNR, valued the property as of January 2000 at \$258,000. The highest and best use was identified as recreational or rural residential. The appraisal also used the sales comparison method, with adjusted per acres values of three comparable sales cited ranging from \$1,051 to \$1,105. The appraiser used a \$1,075 per acre value for estimating the value of the property.

ANALYSIS

The Department had negotiated with Mr. Harry Deiter, the previous owner of the Trout Unlimited property, regarding acquiring the land for several years. For a variety of reasons, Mr. Deiter was not ready to sell the parcel until earlier this year. It became necessary for him to move into a nursing home, and he needed to liquidate assets. He expressed an interest in DNR taking ownership of the property in order to preserve the natural qualities of the land, but the Department was not in a position to acquire the property as quickly as Mr. Deiter felt was necessary at the time. The Harry and Laura Nohr chapter of Trout Unlimited agreed to purchase the property until such time that DNR could buy it from them. They agreed to absorb the legal costs of the transaction, and DNR agreed to reimburse them for the purchase price along with standard acquisition costs normally paid by the Department. DNR has participated in cooperative transactions before, with non-profit conservation organizations when the ability to close quickly on a purchase was critical. The Department then purchases the property for the lower of the appraised value or the NCO's purchase price (plus certain costs).

Out of consideration for Mr. Deiter's tax situation, Trout Unlimited agreed to purchase the property on a land contract and space out the payments over five years, with \$19,000 down and 5% interest. Should the Department purchase the property, they have agreed to abide by this payment provision. DNR sometimes offers landowners payments in installments over several years to help them avoid substantial tax impacts from the land purchase agreements. The interest rates offered under these arrangements tend to be below market, typically between 5% and 6%.

Additional estimated acquisition expenses associated with this purchase consist of up to \$7,060 in interest costs that the DNR has committed to reimbursing Trout Unlimited while holding the property for approximately eight months. Trout Unlimited did not pay any transfer tax or title insurance fees, so duplicate spending for closing costs associated with this purchase (i.e., compensation for both Trout Unlimited's and the DNR's closing costs) would generally be avoided. The Department estimates that miscellaneous expenditures (including title insurance, relocation costs, real estate transfer fees, and appraisals) account for about 5% of the overall stewardship budget. Since the DNR request is for \$264,000 it does not include interest or closing costs. While DNR typically pays these real estate transaction costs with stewardship bonding upon closing, they have not routinely included these costs in their requests for stewardship expenditure authority to the Joint Committee on Finance. Therefore, clarification could be provided as to how these costs would be paid. The Committee could approve these additional costs under stewardship, or DNR could use sources other than stewardship (such as federal funding or conservation fund dollars) for these payments. Costs are estimated at less than \$12,800 including up to \$7,060 for interest, \$3,600 for appraisals, \$1,231 for title insurance and less than \$900 for transfer taxes and recording fees.

If the Trout Unlimited land is acquired, the State of Wisconsin would be responsible for paying aids in lieu of property taxes on the land to the Town of Castle Rock in an amount equal to the tax that would be due on the estimated value of the property at the time it was purchased (generally the purchase price), adjusted annually to reflect changes in the equalized valuation of all

land, excluding improvements, in the taxation district. The town then pays each taxing jurisdiction (including the county and school district) a proportionate share of the payment, based on its levy. Aids in lieu payments are made from a sum sufficient GPR appropriation. Payment for the Trout Unlimited land would be approximately \$6,200 (compared to \$2,800 in property taxes paid in 1999, though no property taxes would be due in the future under Trout Unlimited ownership).

Under Trout Unlimited chapter ownership, it may be argued that the parcel is appropriately protected. In addition, the state would not be responsible for aids in lieu payments were Trout Unlimited to maintain ownership. Further, both public access to the Blue River bank area on the property and aquatic habitat management rights are protected by easement regardless of whether Trout Unlimited retained ownership or sold the property to another party.

In correspondence with the Department, the Harry and Laura Nohr Chapter of Trout Unlimited maintains that it does not possess the means or the intent to continue ownership of the property, and that the purchase was made in order to facilitate the DNR's acquisition of the property at a later date, in accordance with both the wishes of the Department and of Mr. Harry Deiter. If DNR does not purchase the property it could potentially be put up for sale (telephone and electrical service are available to the parcel). Given the escalating property values in this area (the appraisals estimated increasing values of between 9% and 10% annually), as well as the quality of the stream bank property, it could be more costly to attempt to acquire this parcel at a later date. Should the proposed expanded boundaries of the Snow Bottoms Natural Area be approved, acquisition of this property would again appear as a DNR priority.

Finally, in the methodology used to estimate the per-acre value for the assessment that was accepted for just compensation purposes the assessor used an estimation of streambank frontage that was approximately double the frontage actually on the property (26,000 feet rather than 13,000 feet). Based on this calculation, he adjusted the price per acre value of comparable sales upward by \$50 per acre to reflect the superior quantity of water frontage on the Trout Unlimited property to the three comparison sales. Had the correct figure been used, the property would have been similar to two of the comparable sales in water frontage and superior to one. When consulted regarding this discrepancy, the Department indicates that the appraiser stands by his original per acre valuation regardless of his overestimation of actual Blue River water frontage. He cites the presence of the small spring and its tributary on the Trout Unlimited property in support of this claim of superior water frontage and accessibility. In light of these questions, DNR requested that the appraisers update their appraisal reports to reflect more current values. The property value has increased since the original January, 2000, appraisal dates in the estimation of both appraisers. Using an adjustment of 10% per year, the appraisal accepted for just compensation would increase from \$264,000 to \$287,200. In addition, the appraiser was able to cite an additional comparable sale not used in the previous appraisal that possessed strong similarities to the sale property, including the presence of trout stream frontage encumbered by a DNR easement. The adjusted value for this sale was placed at \$1,220 per acre. Based on the adjustments for regional growth of property values and the recent comparable sale, the appraiser adjusted his final per acre value to \$1,200, for a total appraised value

of \$288,000. The second appraiser of the property re-estimated using an adjustment of 9% per year, increasing the original appraisal of \$258,000 to \$277,000.

ALTERNATIVES

①. Approve the DNR request to expend up to \$264,000 from the land acquisition subprogram of the Warren Knowles-Gaylord Nelson Stewardship 2000 program to purchase the 240 acre Harry Dieter/Trout Unlimited property for the Grant County Fishery Remnant Area -- Blue River program.

OK also 2. Approve the DNR request to expend \$264,000 from the land acquisition subprogram of the Warren Knowles-Gaylord Nelson Stewardship 2000 program to purchase 240 acres of land for the Grant County Fishery Remnant Area -- Blue River program. In addition, authorize the DNR to expand stewardship funds for appraisal, interest and other closing costs associated with this purchase (estimated at up to \$12,800).

3. Deny the request.

Prepared by: Rebecca Hotynski

MO# A1+1

BURKE 1	Y	N	A
DECKER 2	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
DARLING	Y	N	A
GARD 2	Y	(N)	A
PORTER <i>Huebsch</i>	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	(N)	A
WARD	Y	(N)	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 13 NO 3 ABS _____

XI. Department of Natural Resources – Darrell Bazzell, Deputy Secretary

The department requested approval of the purchase of 240 acres in Grant County from Trout Unlimited for the Grant County Fishery Remnant Area under the 14-day passive review of s. 23.0915(4).

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

13.10 Meeting
December 19, 2000
Agenda Item XII

Issue: DNR - Stewardship Fund, Caldron Falls Centennial State Park

Comments:

\$2.85 million for 2,200 acres. This would be first state park in northeast corner of Wisconsin. It is a pretty large parcel and provides a lot of protection for important water resources and increases recreational opportunities in that area of the state. The Centennial Park recommendations are good ones and JFC should honor that process and the people who worked to locate these new parks.

Staff Recommendation:

Wis. Public Service Corp Property - Alternative 1 (note: alt 2 in addition to alt 1 is also ok)

Paust's Woods Property - Alternative 4 (note: alt 5 in addition to alt 4 is also ok)

Prepared by: Barry



Legislative Fiscal Bureau

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

December 19, 2000

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Natural Resources: Caldron Falls Centennial State Park Stewardship Purchase --
Agenda Item XII

REQUEST

The Department of Natural Resources (DNR) requests approval to expend \$2,850,000 from the land acquisition subprogram of the Warren Knowles-Gaylord Nelson Stewardship 2000 program to purchase 2,187 acres of land for the purpose of establishing Caldron Falls Centennial State Park in Marinette County. The land acquisition would be carried out as two purchases, with 1,987 acres to be acquired from the Paust's Woods Lake Resort and 200 acres to be acquired from the Wisconsin Public Service Corporation (WPSC).

BACKGROUND

Stewardship 2000

The 1999-01 biennial budget act (1999 Act 9) provides \$460 million in bonding for a ten-year reauthorization of the Warren Knowles-Gaylord Nelson stewardship program beginning in 2000-01 for the purpose of acquiring land to expand recreational opportunities and protect environmentally sensitive areas. The annual bonding authority under the program is \$46 million, ending in fiscal year 2009-2010. Of the annual authority, \$28.5 million in 2000-01 and \$34.5 million in each of the nine fiscal years thereafter is allocated to general land acquisition for conservation and recreational purposes.

Both the Department and nonprofit conservation organizations (NCOs) are eligible to use funding from the land acquisition subprogram. The statutory priorities enumerated for land

acquisition funding are: (a) acquisition of land that preserves or enhances the state's water resources (including land along the shores of the Great Lakes); (b) acquisition of land for the stream bank protection program; (c) acquisition of land for habitat areas and fisheries; (d) acquisition of land for natural areas; and (e) acquisition of land in the Middle Kettle Moraine.

Currently, with the approval of the Natural Resources Board, the Joint Committee on Finance, and the Governor, the Department can obligate up to the entire allocation under the land acquisition subprogram for large or uniquely valuable acquisitions. Funding of \$25 million has been utilized from the reauthorized program for the purchase of approximately 32,000 acres from the Packaging Corporation of America in northern Wisconsin commonly referred to as the Great Addition. At its June 28, 2000 meeting, the Natural Resources Board approved an allocation plan for stewardship funding for fiscal year 2000-01. Of the \$28.5 million in the land acquisition subprogram that year, the Department will allocate \$22.5 million to DNR land purchases and \$6.0 million for NCO grants. The allocation plan approved by the Board states that \$6.25 million of the Great Addition purchase (one-fourth of the purchase) would be applied against 2000-01 land acquisition program allocation (leaving \$16.25 million for other DNR purchases).

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

DNR notification of the proposed Caldron Falls Centennial Park purchases was received by the Co-chairpersons on November 17, 2000. On December 7, 2000, the Co-chairpersons notified DNR that a meeting would be scheduled to consider the proposed purchase.

Centennial Park Initiative

In honor of the 100th anniversary of Wisconsin's State Park System, the Governor announced the creation of two new Centennial State Parks on October 31, 2000. The Governor announced that Caldron Falls Centennial State Park was planned to be located in Marinette County, and the Capital Springs Centennial State Park was planned to be located in Dane County. These properties were selected from a pool of over forty-five potential park sites around the state.

The proposed Caldron Falls Centennial State Park consists of 2,187 acres in west central Marinette County, and would be the first state park in the northeast corner of the state. The site is located within a 90-minute drive from Green Bay, a two-hour drive from Appleton, and a two-hour drive from Wausau.

Wisconsin Public Service Corporation Purchase

Over 28% of Marinette County is under public ownership, with approximately 227,000 acres of county forests and parks and 15,000 acres of DNR managed land, including wildlife areas, wild rivers areas, fisheries, and natural areas. Non-profit conservation organizations and other public ownership make up the remaining 8,000 acres of recreational lands open for public use. This area is also credited with having the highest concentration of trout streams in the state. As a recreation area, Marinette County tends to attract fisherman, hunters, cross-country skiers, snowmobilers, bicyclists, hikers, and nature watchers.

The DNR established an initial 2,187-acre acquisition goal for the Caldron Falls Centennial State Park. The parcel considered for purchase from the WPSC is 200 acres in size and includes almost four miles of meandering water frontage (less than one mile of straight-line shoreline) along the Caldron Falls Flowage on the Peshtigo River. Other amenities of the property include a public boat launch, moderately rolling forestland, scenic rock outcroppings, and a meandering shoreline along the undeveloped flowage. The Caldron Falls reservoir contains over 1,000 surface acres and has a maximum depth of 40 feet, with clear water and a diverse fish population. Species present include muskellunge, northern pike, walleye, largemouth bass, smallmouth bass, and panfish. In addition, waterfowl make moderate use of this flowage during spring and fall migrations. Forest cover includes upland oak hardwoods, lowland conifers, and aspen saplings.

The WPSC owns all property surrounding the Caldron Falls Flowage. The reservoir itself is part of a hydroelectric power project under the supervision of the Federal Energy Regulatory Commission (FERC), and as such has limits set on its use and development. Land held under these conditions is required to be open for public recreation and held to a certain standard of environmental protection, as approved in land management plans by the state DNR and the U.S. Fish and Wildlife Service. Any change in ownership or management must be approved by both of these agencies. The Department is expecting no difficulty with the approval process, as preservation of the land as a state park is considered a higher level of resource protection than the parcel currently receives. The WPSC is maintaining ownership of all lands below the maximum FERC licensed authorized reservoir water levels and all reservoir bed areas in order to continue operation of the hydroelectric project. The DNR's access rights to these areas (including waterfront access) will be preserved through easements. The DNR will be responsible for the correction of reservoir shoreline erosion resulting from public use of the Caldron Falls reservoir shoreline included in the purchase, and the WPSC reserves the right to control water levels along the flowage for the purposes of the hydroelectric program. These water levels are established based on seasonal conditions, and are under the oversight of the DNR and the U.S. Fish and Wildlife Service as it relates to its impact on water resources and fish and wildlife populations. The remaining property around the reservoir not acquired by DNR will, as part of the hydroelectric program, continue to be subject to federal program requirements regarding land conservation and public access. As such, the potential for future development of lands immediately surrounding the Caldron Falls reservoir may be limited. The WPSC also owns land surrounding the nearby 1,500 acre High Falls Flowage hydropower project.

Three appraisals were prepared for this purchase, two at the request of the DNR and one for the WPSC. The appraisals for the Department were conducted in July and September of 2000. All three appraisals estimated market value assuming a larger 560-acre purchase. As the DNR felt that the 200 acres purchased were representative of the larger parcel, negotiations were based on the value per acre determined by the appraisers. One appraisal commissioned by the DNR assumed a highest and best use as it is currently used, for support of an electric utility hydro power project operating under FERC license. The second appraisal determined highest and best use to be for a single large lot with housing distant from the water (at least a 200-foot setback). Due to the restrictive nature of the FERC license requirements on regional development, they arrived at values per acre of \$1,600 and \$1,500, respectively. This would generate a purchase price of \$300,000 to \$320,000 for the 200 acres. Their valuation considerations included the property's limitation that under FERC license requirements, the property may not be sold without prior FERC approval. In addition, any such proposed change would have to be viewed and approved or modified by various federal, state, and local government agencies, as well as Indian Tribes, with participation by concerned citizens and organizations. The proposed application for a land use change would need to address all economic and financial aspects of the change, and describe the environmental effect that the change would have on fish, water quality, wildlife, botanical resources, geology, soils, recreation, land use, and socioeconomic values. The appraisal commissioned by the WPSC assumed that some development for residential use would be approved by FERC; subsequently, the appraiser estimated the per acre value at \$4,800 (or \$960,000 for 200 acres). Through negotiations, a final price of \$550,000 (or \$2,750 per acre for 200 acres) was set. The specific legal description of the 200 acres will be determined by survey. The purchase agreement was made verbally between the Governor and the negotiating representative of WPSC, and involved a pre-mapped parcel referred to in an earlier correspondence. According to tax records, the total acreage in the mapped sections referred to in the correspondence is approximately 224 acres. The DNR indicates that the shaded areas on the maps included with the proposal prepared for consideration by the Joint Committee on Finance is representative of the purchase, and that some small adjustments to the proposed parcel will need to be made as a result of the final legal survey. The request for the dollar amount and the commitment to purchase 200 acres is firm.

The 1999 tax assessment on the sections included in this purchase placed their assessed land value at \$195,200 for 210 acres (the acreage listed in the tax records). The WPSC pays a combination corporate tax not broken down by parcel; currently, the DNR estimates that payment to be around \$4,000 per year for the 560 acre parcel (about \$1,400 for 200 acres). The Town of Stephenson has no comprehensive zoning restrictions, so the land is zoned unrestricted and may be used for any legal purpose. However, as the WPSC has enrolled this and surrounding lands in the federally regulated hydroelectric program, land use regulations under FERC apply.

Paust's Woods Lake Resort, Inc. Purchase

The parcel offered for sale by Paust's Woods Lake Resort, Inc. consists of 1,987 acres that are currently being managed as a private resort. The Paust property includes approximately 3,000

feet of frontage on the 45.5 acre Woods Lake and approximately 2,300 feet of frontage on the 29.1 acre Huber Lake. In addition, the property contains over 4,000 feet of trout stream (Handsaw Creek and Wood Lake Outlet) as well as two miles of unnamed intermittent streams. The property consists mainly of moderately rolling forest land with a mixture of forest types, including aspen, red oak, swamp conifers, pine, and mixed hardwoods. The remaining land area includes brush, bog, open field, submerged land, and developed sites. Buildings on the site include a lodge, a six-unit motel, a two-story log residence, a one-story frame residence, a one-story duplex, the resort office, nine rental cabins, a fire tower, a maintenance shop, and several garages and storage sheds. The property also includes approximately ten miles of mown trails which could be used for hiking or cross-country skiing. It should be noted that the final sale would include a clause specifying that no motorboats are to be launched from this property. This was a specific provision requested by the Pausts and honored by the DNR.

The Town of Stephenson has no comprehensive zoning restrictions. The subject is, therefore, zoned all purpose subject to statewide shoreland and wetland protection provisions along with Marinette's general zoning as it pertains to wells, septic systems, and setback from highways. In 1999, the property was assessed at \$1,022,800 (\$671,400 for the land and \$351,400 for improvements) and \$24,400 was paid in 2000 property taxes.

Two appraisals were completed in March of 2000 for this transaction. The first appraisal estimated the value of the property to be \$2,131,000 with a highest and best use as currently managed for a resort, with backlands sold off in 40 acre tracts in the future for private recreational parcels. The second appraisal concurs, but proposes selling off backlands tracts in smaller parcels, between 10 and 20 acres each. The second appraisal placed the value of the property at \$2,660,000. Through negotiations with the Pausts, a purchase price of \$2,300,000 was reached. In addition, DNR agreed to reimburse the Pausts for their interest costs incurred until the date of closing on up to \$300,000 for funding associated with purchasing a replacement property due to the uncertain length of the transaction time. This cost is estimated at \$4,200 assuming a January 31, 2001 closing.

ANALYSIS

Many of the details of the potential development of Caldron Falls Centennial State Park are not available at this time, as the master plan is only begun after the project has been approved by the Natural Resources Board and land acquisition is in progress. The location of this park as the first in the northeast corner of the state was cited as important, as were the size of the property, the water resources and the opportunities for recreation provided by the location of the purchase. Some long term operations objectives being considered by DNR include camping (both rustic and traditional family sites), day use (picnicking, special events, outdoor skills training, hiking, and cross-country skiing), and water-based activities (including boating, canoeing, swimming, and fishing). They expect the park to be open for public access sometime in 2001. The DNR plans to request staffing in order to establish a "presence" at the site, and to coordinate operational and development projects. They also intend to involve the Wisconsin Conservation Corps in the development of the

park. The targeted level of on-site staffing would provide visitor services and protection a minimum of 12 hours per day from April through October. During the winter months, staff would concentrate on outreach programs with area schools and service organizations. It is not clear at this time the extent to which existing infrastructure and buildings (the resort facilities in particular) can be incorporated into the proposed park's operations. A preliminary 2001-03 operating budget contemplates \$540,000 in 2001-02 and \$494,000 in 2002-03 as well as 6.0 positions. These include a park superintendent, operations ranger, facility repair worker, program assistant, naturalist, and law enforcement (park ranger). The budget request would cover supplies and capital equipment for park maintenance. Longer-range predictions estimate that the request may increase to eight staff, with an annual operations budget ranging from \$350,000 to \$450,000. In addition, state park entrance and camping fees would be charged following the official opening of the park. These fees would be deposited to the parks account of the conservation fund. Revenues and operating expenses would be difficult to estimate until a master plan has been developed and visitation patterns established.

If these two properties were acquired, the state would be responsible for paying aids in lieu of property taxes to the Town of Stephenson on both parcels for a total of \$51,600 annually (compared to approximately \$25,900 paid in 2000). For the WPSC property, the state would pay approximately \$9,800 per year, based on a \$550,000 purchase price. Aids in lieu of property taxes would be higher for the Paust's Wood Lake Resort purchase – about \$41,800, based on the purchase price of \$2,300,000.

It should be noted that DNR's request for spending authority did not include transaction or closing costs associated with these land purchases. While DNR typically pays these real estate transaction costs with stewardship bonding upon closing, they have not routinely included these costs in their request for stewardship expenditure authority to the Joint Committee on Finance. Therefore, clarification could be provided as to how these costs would be paid. The Committee could approve these additional costs under stewardship, or DNR could use sources other than stewardship (such as federal funding or conservation fund dollars) for these payments. Estimated transaction and closing costs (including appraisal fees, title insurance, real estate transfer fees, interest, and recording fees) total \$26,000 for both properties (less than 1% of the purchase price).

It should also be noted that the creation of this Centennial State Park follows other significant commitments on the part of the DNR. Over 32,000 acres of land was acquired in 1999 as part of the "Great Addition" purchase from the Packaging Corporation of America at a cost of \$25 million. The Department had agreed to allocate land acquisition bonding authority for this purchase over four years, by deleting \$6.25 million in bonding authority from the land acquisition program for each year for the first four years of Stewardship 2000. The Natural Resources Board recently approved postponing this "repayment" for an additional year (the deductions would be made in years two to five) to accommodate the Centennial State Parks projects in the first year. As a result, the land acquisition subprogram of the reauthorized stewardship program will have \$6.25 million less than previously expected in year five of the program.

ALTERNATIVES

Wisconsin Public Service Corporation Property

1. Approve the DNR request to expend up to \$550,000 from the land acquisition subprogram of the Warren Knowles-Gaylord Nelson Stewardship 2000 program to purchase 200 acres of land from the Wisconsin Public Service Corporation for the Caldron Falls Centennial State Park in Marinette County.

2. In addition to Alternative #1, authorize DNR to expend stewardship funds for appraisal, interest, and other closing costs associated with this purchase (estimated at \$7,400).

3. Deny the request.

Paust's Woods Lake Resort Property

4. Approve the DNR request to expend up to \$2,300,000 from the land acquisition subprogram of the Warren Knowles-Gaylord Nelson Stewardship 2000 program to purchase 1,987 acres of land from Paust's Woods Lake Resort for the Caldron Falls Centennial State Park in Marinette County.

5. In addition to Alternative #4, authorize DNR to expend stewardship funds for appraisal, interest, and other closing costs associated with this purchase (estimated at \$18,600).

6. Deny the request.

Prepared by: Rebecca Hotynski

AYE 15 NO 1 ABS

BURKE 1	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
DARLING	Y	N	A
GARD 2	Y	N	A
PORTER #2005	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

MO# Alt 205

MO# Alt 124

BURKE 1	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
DARLING	Y	N	A
GARD 2	Y	N	A
PORTER #205	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 16 NO 0 ABS

XII. Department of Natural Resources – Darrell Bazzell, Deputy Secretary

The department requested approval of the purchase of 1,987 acres in Marinette County from Paust's Woods Lake Resort, Inc., for the Caldron Falls Centennial State Park and the purchase of 200 acres in Marinette County from Wisconsin Public Service Corporation for the Caldron Falls Centennial State Park under the 14-day passive review of s. 23.0915(4).

Due to an objection from a Committee member, these requests are now before the Committee under s. 13.10.

13.10 Meeting
December 19, 2000
Agenda Item XIII

Issue: DNR - Stewardship Fund, Capital Springs Centennial State Park

Comments:

\$3.4 million for 326 acres. Parks up north are great, but it's also important to locate outdoor state resources near big population centers like Madison. Yes the land costs more but more in-state people (i.e. Wisconsin taxpayers) use these properties. This park project will also utilize the Wis. Conservation Corps crews to do lots of the work and that is a great experience for many youths. The Centennial Park recommendations are good ones and JFC should honor that process and the people who worked to locate these new parks.

Staff Recommendation:

Lake Farm Associates Property - Alternative 1 (note: alt 2 in addition to alt 1 is also ok)

WARF Property - Alternative 4 (note: alt 5 in addition to alt 4 is also ok)

Prepared by: Barry



Legislative Fiscal Bureau

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

December 19, 2000

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Natural Resources: Capital Springs Centennial State Park and Recreation Area Stewardship Purchase -- Agenda Item XIII

REQUEST

The Department of Natural Resources (DNR) requests approval to expend \$3,435,000 from the land acquisition subprogram of the Warren Knowles-Gaylord Nelson Stewardship 2000 program to purchase 326 acres of land for the purpose of establishing Capital Springs Centennial State Park and Recreation Area in Dane County. The land acquisition would be carried out as two purchases, with 158.9 acres to be acquired from the Wisconsin Alumni Research Foundation and 167.1 acres to be acquired from Lake Farm Associates, Inc.

BACKGROUND

Stewardship 2000

The 1999-01 biennial budget act (1999 Act 9) provides \$460 million in bonding for a ten-year reauthorization of the Warren Knowles-Gaylord Nelson stewardship program beginning in 2000-01 for the purpose of acquiring land to expand recreational opportunities and protect environmentally sensitive areas. The annual bonding authority under the program is \$46 million, ending in fiscal year 2009-2010. Of the annual authority, \$28.5 million in 2000-01 and \$34.5 million in each of the nine fiscal years thereafter is allocated to general land acquisition for conservation and recreational purposes.

Both the Department and nonprofit conservation organizations (NCOs) are eligible to use funding from the land acquisition subprogram. The statutory priorities enumerated for land

acquisition funding are: (a) acquisition of land that preserves or enhances the state's water resources (including land along the shores of the Great Lakes); (b) acquisition of land for the stream bank protection program; (c) acquisition of land for habitat areas and fisheries; (d) acquisition of land for natural areas; and (e) acquisition of land in the Middle Kettle Moraine.

Currently, with the approval of the Natural Resources Board, the Joint Committee on Finance and the Governor, the Department can obligate up to the entire allocation under the land acquisition subprogram for large or uniquely valuable acquisitions. Funding of \$25 million has been utilized from the reauthorized program for the purchase of approximately 32,000 acres from the Packaging Corporation of America in northern Wisconsin commonly referred to as the Great Addition. At its June 28, 2000 meeting, the Natural Resources Board approved an allocation plan for stewardship funding for fiscal year 2000-01. Of the \$28.5 million in the land acquisition subprogram that year, the Department will allocate \$22.5 million to DNR land purchases and \$6.0 million for NCO grants. The allocation plan approved by the Board states that \$6.25 million of the Great Addition purchase (one-fourth of the purchase) would be applied against 2000-01 land acquisition program allocation (leaving \$16.25 million for other DNR purchases).

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

DNR notification of the proposed Capital Springs Centennial State Park and Recreation Area purchases was received by the Co-chairpersons on November 17, 2000. On December 7, 2000, the Co-chairpersons notified DNR that a meeting would be scheduled to consider the proposed purchase.

Centennial Park Initiative

In honor of the 100th anniversary of Wisconsin's State Park System, the Governor announced the creation of two new Centennial State Parks on October 31, 2000. The Governor stated that Capital Springs Centennial State Park and Recreation Area was planned to be located in Dane County, and the Caldron Falls Centennial State Park was planned to be located in Marinette County. These properties were selected from a pool of over forty-five potential park sites around the state.

The proposed Capital Springs Centennial State Park and Recreation Area consists of 326 acres in central Dane County, and will connect already protected properties on the western shores of Lake Waubesa with 320 acres of state-owned fish and wildlife area at the Nevin Springs Fish and Wildlife Area. This state park would connect with nearly 3,000 acres of recreational trails and

natural resource areas, including Lake Farm County Park and the Nine Springs E-Way. The Capital City State Trail, which runs through the property, connects with the Military Ridge State Trail and the Glacial Drumlin State Trail. The DNR intends to involve local governments in a collaborative planning process to manage this 3,000 acre project as an integrated property. While the master plan for the park has not yet been completed, the DNR is considering a visitor center with interpretive displays, camping sites, beach, and a day-use area. Due to development already completed or under way on neighboring properties, including picnic and day-use facilities at the adjoining Lake Farm Park and camping sites to be completed there by spring of 2001, the proposed state park is expected to be able to accommodate visitors within a short time of its creation. Because this state park is part of a larger recreation area, uses are expected to include hiking, hunting, fishing, trapping, and cross-country skiing, as well as scenic enjoyment, canoeing and boating.

Lake Farm Associates Purchase

DNR established an initial 326-acre acquisition goal for the Capital Springs Centennial State Park. The parcel offered for sale by Lake Farm Associates is 167.1 acres in size and features gently rolling agricultural land (158 acres) with some hardwood forest (9.1 acres). It is located approximately 1.5 miles south of Madison's beltline and west of Lake Waubesa. Lake Waubesa is connected to Lake Monona and Lake Kegonsa by the Yahara River. Lake Farm County Park lies along Lake Waubesa's northwest perimeter, and the Lake Waubesa State Fishery Area/Waubesa Wetlands Conservancy Area is at the southwest tip of the lake. Lake Farm Associates, Inc. purchased 178 acres, including this property, on March 1, 1996 from Madison Landfills, Inc. for \$308,000 after their unsuccessful attempt to get approval for a private landfill on the property. A farmhouse, barn, and approximately 11 acres of land were sold in May of 1998 for \$160,000. The remaining 167.1 acres had been offered for sale for \$10,000 per acre for approximately two years. The parcel is divided by a road, with 40 acres on the northwest side, and 127 acres connecting to the parcel considered for purchase from the Wisconsin Alumni Research Foundation.

The property is zoned A-1 agricultural exclusive, and its 1999 assessment totaled \$208,900, with \$4,350 paid in property taxes. As noted in the appraisals, this property benefited from the phase-in of use-value assessment. As zoned, the property could be left in its most recent use (crop production) or developed into 35-acre homesteads. There is a sewer line running through the southwest corner of the property, but the nearest water line is approximately one-third of a mile away, and would need to be run to the property. Homes in this area tend to use natural or liquid propane gas, electricity, or oil for heating needs.

Two appraisals were completed in March of 2000 for this transaction. One appraisal set a value of \$1,532,000 for the property, or about \$9,166 per acre, with residential subdivision determined as the highest and best use. The value of his appraisal was slightly higher due to his consideration of the marketing of the parcels as two separate lots, one 40 acres in size and one to be used for a larger 127 acre subdivision. This subdivision would require annexation and rezoning. The second appraisal estimated the highest and best use as five 35- to 40-acre parcels, a use permitted under the current zoning regulations. The estimated value of the property was

\$1,336,000, or about \$8,000 per acre. Both appraisers sited potential difficulties with annexation and complications stemming from the long-term land management plans of nearby cities, towns, and villages as impediments to residential development. However, neither appraiser felt that the legal difficulties were insurmountable.

During negotiations with the sellers, the final transaction price was set at \$1,435,000. In addition, the sellers believe that the fair market value of the property may be considerably higher than the purchase price agreed to. As an addendum to the option to purchase, the sellers specified that in the event that an appraisal commissioned by them would indicate a fair market value greater than the agreed upon purchase price that the Department would agree to cooperate with the seller in the completion of IRS forms and any other documentation requested by the seller necessary to recognize the difference between the appraised value and the purchase price as a bargain sale gift to the buyer.

Wisconsin Alumni Research Foundation

The parcel offered for sale by the Wisconsin Alumni Research Foundation (WARF) consists of 158.9 acres including undeveloped shoreline on Lake Waubesa. In addition to 14 acres of buildable upland waterfront, the property contains 25 acres of wetland and 119.9 acres of rolling cropland and upland woodland. The parcel features approximately 3,700 feet of frontage on Lake Waubesa (including 2,000 feet of buildable frontage). The property has been under WARF's ownership since 1969.

The property is zoned A-1 agricultural exclusive by Dane County. This zoning restriction is intended to preserve productive farms by preventing land use conflicts between incompatible uses and controlling public service costs. Permitted uses are agricultural and residential, provided that the property is at least 35 acres and the residence does not limit agricultural uses. In 1999, the property was assessed at \$143,500 (including \$9,300 in improvements), and \$3,160 was paid in property taxes. This property has benefited from the phase-in of use-value assessments. Municipal sewer has generally been installed to existing homesites along the lake, and serves all the waterfront improvements along the west shore of Lake Waubesa. Non-lakefront homes in the area tend to use septic or mound systems or holding tanks for sanitation and wells for water. These homes tend to use natural or liquid propane gas, electricity, or oil for heating needs.

There are several leases currently tied to the property. The largest lease is for between 120 and 130 acres of the property leased on a year-to-year basis for crop farming. The amount of rent is set at \$70 per acre per year, for an annual total of \$9,100. In addition, two storage buildings are leased for a total of \$100 per month, one each to a landscaper and a mink farmer. The leases for the storage buildings are both month-to-month and can be terminated with thirty days notice by either party. The crop land lease can be terminated by either party giving notice by October 15th of any year for the following year.

An additional consideration attached to this land purchase involves the DNR's lease agreement with a subsidiary of WARF, Dells Boat Company, Inc. In return for what WARF considers to be a significant concession to the state over the sale price of the property, DNR has agreed to extend Dells Boat Company's (a WARF subsidiary) lease of certain properties in Juneau and Adams County (the Upper Dells) from its expiration date of December 31, 2009 through 2030 with the same terms. The addendum also requires the DNR to use its best efforts to support a statutory change necessary to authorize the leasing of the DNR property to WARF's subsidiary for 30 years (current law allows for a maximum of 15 years). The Department indicated that Dells Boat Company, Inc. had been leasing the site for boat launching and public recreational purposes since the 1950's; they expressed no reservations about continuing the arrangement over an extended lease. The DNR also agreed to establish a suitable monument, possibly in the form of a plaque, to honor the memory of Dr. Elizabeth McCoy, the former owner of the property, and WARF, to recognize their respective commitments to protecting the environmental integrity of the property.

Three appraisals were completed for this transaction, two of which were requested by DNR. All three appraisals determined the highest and best use of the property to be deferred development. The first was completed in October of 1999, with a valuation of \$3,170,000. The appraiser estimated the value of the interior upland at \$7,700 per acre, the wetland at \$1,500 per acre, and the shoreline property at \$158,000 per acre. This estimate was also dependent on the assumption that there would be no significant impediment to an orderly annexation to Madison, with eventual rezoning to accommodate a larger subdivision. The second appraisal was completed in December of 1999, and produced a valuation of \$1,600,000. While this appraiser considered many of the same factors, he was less confident of the possibility of, and the length of time that it would take to obtain, a successful rezoning and limited his prediction of highest and best use to the development of four residential lakefront parcels, each equaling at least 35 acres. This use of the land could be accomplished as currently zoned. The sellers provided a third appraisal in January of 2000, which arrived at a valuation of \$3,178,000. This appraisal also assumed the eventual rezoning of the area and the possibility of a larger subdivision. During negotiations the purchase price was set at \$2,000,000.

ANALYSIS

Many of the details of the potential development of Capital Springs Centennial State Park and Recreation Area are not available at this time, as the master plan is only begun after the project has been approved by the Natural Resources Board and land acquisition has begun. Some long-term operations objectives being considered include camping (particularly rustic or walk-in sites), day use (picnicking, special events, outdoor skills training, hiking, and cross-country skiing), and water-based activities (including boating, canoeing, swimming, and fishing). They expect the park to be open for public access sometime in 2001. The DNR plans to request staffing in order to establish a "presence" at the site, and to coordinate operational and development projects. They hope to hire a park superintendent and a park naturalist during the first phase of development (the 2001-03 biennium), as well as provide law enforcement (park ranger) support. The DNR also intends to

involve the Wisconsin Conservation Corps in the development of the park. The Department indicates that its targeted level of on-site staffing should provide visitor services and protection a minimum of 12 hours per day from April through October. During the winter months, staff will concentrate on outreach programs with area schools and service organizations. The proposed operations budget would total \$445,000 in 2001-02 and \$328,000 in 2002-03. This would include the three staff mentioned previously, as well as supplies and capital equipment (such as service vehicles, office equipment, radios and publications). It is possible that staffing requests and operating costs could increase in future biennia as park usage grows, but these figures will be difficult to estimate until the final master plan is completed and public usage is established. In addition, state park entrance and camping fees would be charged following the official opening of the park. Admission revenues are deposited to the parks account of the conservation fund.

If these properties were acquired, the state would be responsible for paying aids in lieu of property taxes to the Town of Blooming Grove on both parcels. For the WARF property, the state would pay \$40,200 per year, based on a \$2 million purchase price. Aids in lieu of property taxes would be lower for the Lake Farms Associates purchase -- \$28,800, based on the purchase price of \$1,435,00. This would equal a total payment of \$69,000 as compared to the property taxes of \$7,500 paid in 1999.

It should be noted that DNR's request for spending authority did not include real estate transaction or closing costs associated with these land purchases. While DNR typically pays these costs with stewardship bonding upon closing, they have not routinely included these costs in their request for stewardship expenditure authority to the Joint Committee on Finance. Therefore, clarification could be provided as to how these costs would be paid. The Committee could approve these additional costs under stewardship, or DNR could use sources other than stewardship (such as federal funding or conservation fund dollars) for these payments. Closing costs (including appraisal fees, title insurance, real estate transfer fees, and recording fees) approach \$23,000 for the two properties (which is less than 1% of the purchase price of the properties).

It should also be noted that the creation of this Centennial State Park follows other significant commitments on the part of the DNR. Over 32,000 acres of land was acquired in 1999 as part of the "Great Addition" from the Packaging Corporation of America at a cost of \$25 million. The Department had agreed to allocate land acquisition bonding authority for this purchase over four years, by deleting \$6.25 million in bond authority from the land acquisition program for each year for the first four years of Stewardship 2000. The Natural Resources Board recently approved postponing this "repayment" for an additional year (the deductions would be made in years two to five) to accommodate the Centennial State Parks projects in the first year. As a result, the land acquisition subprogram of the reauthorized stewardship program will have \$6.25 million less than previously expected in year five of the program.

ALTERNATIVES

Lake Farm Associates, Inc. Property

1. Approve the DNR request to expend up to \$1,435,000 from the land acquisition subprogram of the Warren Knowles-Gaylord Nelson Stewardship 2000 program to purchase 167.1 acres of land from Lake Farm Associates, Inc. for the Capital Springs Centennial State Park in Dane County.

2. In addition to Alternative #1, authorize DNR to expend stewardship funds for appraisal, title insurance and other closing costs associated with this purchase (estimated at up to \$9,900).

3. Deny the request.

Wisconsin Alumni Research Foundation (WARF) Property

4. Approve the DNR request to expend up to \$2,000,000 from the land acquisition subprogram of the Warren Knowles-Gaylord Nelson Stewardship 2000 program to purchase 158.9 acres of land from WARF for the Capital Springs Centennial State Park in Dane County.

5. In addition to Alternative #4, authorize DNR to expend stewardship funds for appraisal, title insurance and other closing costs associated with this purchase (estimated at \$13,100).

6. Deny the request.

Prepared by: Rebecca Hotynski

MO# 154

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

MO# 245

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

AYE 16 NO 0 ABS

XIII. Department of Natural Resources – Darrell Bazzell, Deputy Secretary

The department requested approval of the purchase of 158.9 acres in Dane County from Wisconsin Alumni Research Foundation for the Capital Springs Centennial State Park and the purchase of 167.1 acres in Dane County from Lake Farm Associates, Inc., for the Capital Springs Centennial State Park 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.