

Governor

(LFB Summary of the Governor's Budget Reform Bill: Page 48)

LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
1	3.5% and 5.0% Budget Reductions (see Paper #1120)
2	Domestic Security Coordinator Position (Paper #1160)

AGENCY: Governor

LFB PAPER #: 1160

ISSUE: Domestic Security Coordinator Position

ALTERNATIVE: 2

SUMMARY:

Maintain current law, this is unnecessary.

BY: Cindy

AGENCY: Governor

Paper #: 1160

ISSUE: Domestic Security Coordinator Position

ALTERNATIVES:

1: Maintain Current law

SUMMARY:

The Gov. already has a cabinet secretary charged with Domestic Security (the Head of the Division of Emergency Mgt. in the Dept. of Military Affairs) who already serves as co-chair of the Gov's Task Force on Terrorism Preparedness and has been functioning as state's rep. at various activities where state homeland security advisors are involved.

The Task Force has not come out with recommendations so it would be prudent to wait until report has been submitted.

The Gov. can use one of the 7.6 vacant positions in his office to do it if he really wants to.

BY: Tanya



Legislative Fiscal Bureau

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

February 27, 2002

Joint Committee on Finance

Paper #1160

Domestic Security Coordinator Position (Governor)

[LFB Summary of the Governor's Budget Reform Bill: Page 48, #2]

CURRENT LAW

No provision.

GOVERNOR

Statutorily authorize the Governor to designate an employee in the Governor's Office to serve as Domestic Security Coordinator and specify that such employee shall, upon the direction of the Governor, advise and assist the Governor with respect to coordination of the state's security and public safety needs. Also, create a session law provision authorizing the Secretary of the Department of Administration, prior to January 1, 2003, to transfer 1.0 unclassified position in any executive branch state agency that is vacant on the date of the transfer to the Governor's Office to be the domestic security coordinator position. Further, specify that on the date of the transfer the number of authorized positions for the Governor's Office would be increased by 1.0 FTE and the number of authorized positions for the agency providing the position would be decreased by 1.0 FTE. The position increase in the Governor's Office would be funded from that Office's sum sufficient GPR appropriation, but no funding amount for the position is identified. No provision is specified for any appropriation reduction in the agency from which the position would be transferred.

DISCUSSION POINTS

1. The state budget office indicates that the reason for providing the additional position to the Governor's Office is that a higher level position is desired for this activity and that the position would be functioning as a full member of the Governor's cabinet. The Governor in January

of this year announced a four-part domestic security initiative that he was pursuing and one of the four items identified was to create a cabinet-level domestic security coordinator. However, the language itself authorizing the Governor to designate an employee in the Governor's Office with the title of Domestic Security Coordinator is arguably not needed since the Governor could make any such designation of any employee he chooses.

2. There is no statutory or other provision that establishes the Governor's "cabinet" in Wisconsin. In recent years, governors have generally held periodic meetings with those heads of the major state agencies who are appointed by the Governor, along with such other invitees as the Governor chooses. Presumably a Governor chooses to have any of his or her staff participate in such meetings as the Governor chooses. The Governor's Office indicates that the list of individuals outside of the Governor's Office who are currently invited to attend Cabinet meetings with the Governor are: (a) the Lieutenant Governor; (b) the heads of the following agencies: Commerce, Office of Justice Assistance, Natural Resources, Public Service Commission, Military Affairs, Veterans Affairs, Revenue, Health and Family Services, Employment Relations, Agriculture, Trade and Consumer Protection, Electronic Government, Regulation and Licensing, Financial Institutions, Transportation, Administration, Corrections, Insurance, Workforce Development, and Tourism; (c) the executive heads of the following entities: WHEDA, Wisconsin Technical College System, Forward Wisconsin, TEACH Board and HEAB; and (d) the head of the Division of Emergency Management in the Department of Military Affairs.

3. If the intent is to establish a position in the Governor's Office that is equivalent to a department head, then it could be argued that more statutory specifications for such a function might be warranted than simply creating a statutory provision allowing a Governor to designate an employee as the domestic security coordinator. The state budget office indicates that the requested domestic security coordinator position is envisioned as functioning on the state level in a manner similar to the Director of Homeland Security at the federal level. On the federal level, the President issued an executive order to create within the Office of the President, an Office of Homeland Security to be headed by an Assistant to the President for Homeland Security and that order specified a number of duties and responsibilities for that new office. However that Office's responsibilities at the federal level include what could be viewed as line responsibilities in that it is indicated that the Office is to "coordinate the executive branch's effort to detect, prepare for, prevent protect against respond to, and recover from terrorist attacks within the United States." The argument could be made that if the scope of the domestic security coordinator position envisioned for the Governor's Office is intended to have a comparable reach on the state level, then a more detailed legislative authorization of such duties should be first enacted.

4. The Governor on October 1, 2001, created a 21-member Task Force on Terrorism Preparedness and charged the Task Force with three broad responsibilities: (a) to study the state's past actions and policies related to various types of terrorist threats and the state's preparedness to respond to such threats; (b) to identify and evaluate current terrorism risks; and (c) to offer suggested direction and guidance for work that needs to be done in the future to ensure the safety of the state and its citizens. The Task Force is co-chaired by the Secretary of the Department of Health and Family Services and the Administrator of the Division of Emergency Management in the

Department of Military Affairs. Other members of the task force include representatives from a number of other state agencies and local officials representing a variety of law enforcement and other emergency response groups. The task force has been meeting periodically since October 11th of last year and meets approximately monthly. Under the Governor's charge, the Task Force is to submit its final report to the Governor by October 5 of this year. Initial efforts of the Task Force have been on developing public information relative to terrorism and doing needs assessments by county. However, it could be assumed that, as a part of its examination of the Governor's charge relative to future directions needed to be taken, the Task Force would examine existing state and local governmental structures as a part of improved terrorism preparedness.

5. The further argument could therefore be made that since the Task Force has not issued any recommendations, that before establishing such a cabinet level position in the Governor's Office it would be prudent to wait until the Task Force's final report has been submitted. Under this approach, it could be argued that in the interim, if the Governor believes it necessary to immediately establish a position to function as domestic security coordinator, the Governor could re-designate one of his existing staff persons to function in that capacity or the Governor could act to use one of a reported 7.60 vacant positions to serve as a domestic security coordinator.

6. An argument could also be made that if it felt that a cabinet-type official is needed to deal with agency heads and other top government officials on issues of domestic security and terrorism, then another alternative would be to use an existing official appointed by the Governor to serve this role in the Governor's cabinet. For example, the head of the Division of Emergency Management (DEM) in the Department of Military Affairs (who is a direct appointee of the Governor) and who is currently serving as a Co-chair on the Task Force on Terrorism Preparedness might be given the added responsibility of serving as the Governor's Domestic Security Coordinator. Currently, in addition to serving as the current Co-chair of the Task Force, the DEM Administrator has been functioning as the state's representative at activities where various state homeland security advisors are involved and is currently attending meetings of the Governor's cabinet. The Division of Emergency Management has also been heavily involved in the allocation of federal funds to local units of government for terrorism preparedness equipment.

7. Since the position to be transferred is to be an unclassified position, it could be assumed that it could potentially be either an unclassified division administrator position in an agency or possibly an executive assistant position, although it would not have to be. Any offsetting dollar savings to the GPR increase that would occur in the Governor's Office budget would depend upon whether the agency which loses the position would otherwise use the salary savings to meet part of its across-the-board reductions and whether the transferred position is funded from GPR or from other funding sources.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation.
2. Maintain current law.

<u>Alternative 2</u>	<u>GPR</u>
2002-03 POSITIONS	- 1.00

Prepared by: Terry Rhodes

MO# 2

<p>② BURKE DECKER MOORE SHIBILSKI PLACHE WIRCH DARLING ROSENZWEIG</p> <p>① GARD KAUFERT ALBERS DUFF WARD HUEBSCH HUBER COGGS</p>	<p>Y Y Y Y Y Y Y Y</p> <p>Y Y Y Y Y Y Y Y</p>	<p>N N N N N N N N</p> <p>N N N N N N N N</p>	<p>A A A A A A A A</p> <p>A A A A A A A A</p>
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AYE 16 NO 0 ABS _____

Board of Commissioners of Public Lands

(LFB Summary of the Governor's Budget Reform Bill: Page 18)

LFB Summary Item for Which an Issue Paper Has Been Prepared

Item #

Title

1

Federal Match Star Program Loans (Paper #1115)

AGENCY: Board of Commissioners of Public Lands (Federal Match Star Program Loans)

Paper #: 1115

ISSUE: Provide new loan program to be used by municipalities to meet the matching dollar requirements to gain federal funds.

ALTERNATIVES:

2: create session law to create new program for this purpose (**w/ modification to change from 90 days to 30 days the time frame for the Board to establish the program—they say they don't need 90 days to do it.**) and require Board to report to JFC, DOA and the Gov. on the structure and establishment of the program.

Or

3 a & b: Adopt Gov's recs but delete the \$50,000,000 cap and let Commissioners set the interest rates as they currently do.

SUMMARY: Program is a good idea to help munies. get federal matching dollars, but the Commissioners don't like the \$50,000,000 cap (because it could be construed that they have to always keep that much available for the program), they do not want to give up the rights they now have to set the interest rates and they do not want to have to promulgate rules for this loan program as they don't have them for others.

BY: Tanya



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February 27, 2002

Joint Committee on Finance

Paper #1115

Federal Match Star Program Loans (Board of Commissioners of Public Lands)

[LFB Summary of the Governor's Budget Reform Bill: Page 18, #1]

CURRENT LAW

The Board of Commissioners of Public Lands is charged with overseeing the sale of certain public lands and investing the assets of four trust funds (Agricultural College Fund, the University Fund, the Normal School Fund and the Common School Fund) originally created from the proceeds of various land sales. The Common School Fund also receives annually certain monies from the counties under various fines and forfeitures provisions of the statutes. The balances in the largest of these funds (the Common School Fund) are used to provide low interest loans to municipalities primarily for a variety of capital improvement-related public purposes. Typically, the Board determines the purposes for which loans may be made, sets the interest rates and specifies the terms and conditions for the loans. Monies not immediately needed for loans are invested in the State Investment Fund (SIF), the state's cash management fund that is invested by the State Investment Board or used for the purchase of certain public bonds. Interest earnings on the invested balances in the Common School Fund and from interest payments on loans are distributed annually to the Department of Public Instruction for distribution to local school districts as school library aids.

GOVERNOR

Create a new type of loan, funded from available balances in the trust funds managed by the Board, under a new loan purpose called the federal match star program. Provide that loans could be made to any eligible municipality for the purpose of providing funds to the municipality for its required share of any federal discretionary grant where a local matching amount is required. Define a federal discretionary grant as one that is awarded directly to a municipality following a competitive process. Specify that loans could not be provided under the program for matching costs for federal formula grants (defined as grants awarded under a federally-

prescribed distribution formula) or state-administered pass-through federal grants (defined as grants awarded to the state initially, but then distributed by the state to municipalities for actual expenditure). Stipulate that the interest rate charged for loans under this new program would be the same percentage as received by the state for monies it places in the State Investment Fund (SIF). Require the Board, in consultation with DOA, to promulgate administrative rules to implement the program and to provide an annual report on the program to DOA and the Legislature. Limit the maximum amount of outstanding loans under the new program to a total of \$50,000,000. Provide that the maximum loan term may not exceed five years and that no extension of a loan under this program may be granted. Specify that a loan under this program may be granted only if the proposed loan, along with all other indebtedness, does not exceed 5% of the valuation of the taxable property within the municipality, except that the limit for school districts would be 10%.

DISCUSSION POINTS

1. The total balances in the all of the funds except the Common School Fund as of June 30, 2001, were less than \$20 million. The balance as of that date in the Common School Fund was over \$448 million. Because the balance of that fund grows due to a separate income source (fines, forfeitures and escheats to the state), almost all of the loans provided by the Board come from this fund. The changes in the composition of the balance of the Common School Fund at fiscal year end for the last four fiscal years are shown in Table 1.

TABLE 1

**Common School Fund
Composition of Ending Balance for Each Fiscal Year**

<u>Component</u>	<u>1997-98 Amount</u>	<u>1998-99 Amount</u>	<u>1999-00 Amount</u>	<u>2000-01 Amount</u>
Cash in State Treasury	\$2,710	\$11,798	\$6,229,750	\$6,226,383
Investment Pool Deposits	138,090,000	225,327,000	188,727,000	99,593,000
Outstanding Loans -School Districts	92,975,918	66,046,586	75,236,596	68,866,991
-Municipalities	147,863,667	116,156,023	156,856,235	155,284,816
Investment in State Veterans Bonds				20,000,000
Investment in Lambeau Stadium Bonds				67,750,000
Lambeau Stadium Standby Bonds				<u>30,443,836</u>
Fund Balance at Fiscal Year End	<u>\$378,932,295</u>	<u>\$407,541,407</u>	<u>\$427,049,581</u>	<u>\$448,165,026</u>

2. Under the Board's general loan program, municipalities (towns, villages, cities, counties, public inland lake protection and rehabilitation districts, metropolitan sewerage districts, town sanitary districts, joint sewage districts, joint library boards, federated library systems and technical college districts) can apply for loans for capital expenditures. Such expenditures may be for buildings, roads, sewer construction, equipment, vehicles or other projects that are of benefit to

the public. School districts (and CESAs) may apply for loans for capital expenditures, buildings, athletic fields, equipment, distance education projects and other purposes that are of benefit to the public. The number and amount of new loans issued each fiscal year from both the Common School Fund (the vast preponderance of loans are made from this fund) and the Normal School Fund for the last ten fiscal years are shown in Table 2.

TABLE 2

**Total Number and Amount of New Loans
(Includes All Trust Funds)**

<u>Fiscal Year</u>	<u>Total Number of New Loans</u>	<u>Total Amount of New Loans</u>
1991-92	250	\$51,281,137
1992-93	250	58,108,711
1993-94	277	74,696,637
1994-95	350	104,964,929
1995-96	125	44,443,785
1996-97	168	48,649,530
1997-98	144	47,191,034
1998-99	99	24,822,660
1999-00	168	60,645,230
2000-01	210	101,301,849

3. Under current law, the purposes for which loans may be made, the interest rate for loans and the terms and conditions for loans are primarily set by Board. For municipalities to receive a loan, the governing board of the municipality must adopt a resolution authorizing the application for a loan. For school districts, borrowing must be approved by a vote of the electors of the school district or, alternatively, a ten-year promissory note can be utilized if the application for such a note is approved by a majority of the school board of the district. There are no administrative rules currently promulgated for the loan program. Loan repayments are due annually on March 15th. Under the statutes, the Board is also authorized to use the assets of the trust funds to purchase for investment purposes bonds issued by any of the following: (a) the state or any town, village, city, county or school district of the state; (b) local exposition districts; (c) the UW Hospitals and Clinics Authority; (d) local professional baseball park or football stadium districts; or (e) local cultural arts districts. General loans currently may made for up to 20 years and the current interest rates (recently lowered for the second time since July, 2001) are:

<u>Loan Period</u>	<u>Interest Rate</u>
Up to 5 years	4.0%
>5 years to 10 years	4.5%
>10 years to 20 years	5.0%

The current maximum loan amount per municipality for all loans per year is \$3 million. The Board has also established a separate loan program for municipalities who wish to borrow funds to reduce their un-funded pension liability under the Wisconsin Retirement System. That program has an interest rate of 6.75% and a per year maximum loan amount of \$2 million. Although interest rates are subject to change by the Board, the interest rate in effect at the time a loan is taken out is set for the term of the loan. The statutes provide that all trust fund loans shall bear and draw interest as a rate not less than 2% annually.

5. Since all interest earnings of the Common School Fund are distributed annually to school districts for school library aids, except for the amount of interest earnings used to cover the operating costs of the Board, the rates of interest charged and the resultant investment earnings have an effect only on the amount of funds available to be distributed for school library aids.

6. In discussions about the proposed federal match star program with Board staff, the following concerns about the proposal were raised: (a) having loans under this program tied to the SIF rate would inhibit the Board's ability to set and adjust rates for this portion of the overall loan portfolio; (b) setting a maximum on the amount of loans that could be issued under this program could affect the Board's ability to allocate overall loan funds if there is an expectation that up to \$50,000,000 of trust funds principal has to potentially be available for this purpose; (c) although the SIF rate will vary over time depending upon economic conditions, the current SIF rate of 1.86% is considerably below the lowest loan rate of 4.0%; and (d) the Board would presumably have a preference to be able to initiate new loan programs on its own volition as trustees of the trust funds with fiduciary responsibilities.

7. The Department of Administration indicates that the reason for the proposal to statutorily create the federal match star program was that Wisconsin ranks very low in the amount of federal dollar received on a per capita basis and the Federal-State Relations office in DOA believes that one of biggest obstacles for local communities who wish to apply for federal grants is the lack of a ready source of matching funds. Therefore, in an effort to make funds available to local communities to be used to match federal grants, the Governor has proposed this new loan program using trust fund monies to provide low-interest loans to Wisconsin municipalities for this purpose. The \$50,000,000 cap amount on loans for this purpose was seen as making that amount available for this purpose. The reason for the statutory tying of the rate for these loans to the rate being paid under the state investment fund (SIF) for short-term monies being held in that fund was to use what was seen as a competitive rate and that was, at the time the proposal was drawn up,

equivalent to the BCPL rate for five-year loans of 4.25% (since lowered to the present 4.0%). DOA further indicated that it is felt that local governments generally cannot anticipate when grant opportunities may arise and often do not have a source of match funds available when such opportunities do arise. DOA believes that the proposed loan program would give such communities a mechanism where they could borrow the match money in one year and begin making payments in the ensuing year.

8. The Department of Administration indicates that it does not have any actual count of the number of municipalities who have not been able to garner federal grants because of the lack of required matching funds nor does it have an estimate of how many municipalities would take advantage of the program. If the problem for municipalities of providing a match is simply one of timing, it could be presumed that there are municipalities for whom the ability to obtain this type of funding would be helpful. However, if the problem is not only one of timing, but also involves the question of the municipality allocating in its budget monies for such matching funds, then the repayment of principal and interest for such an expenditure purpose would still likely be an issue, but with the funding commitment (by obtaining the loan) already having been executed.

9. In terms of the overall proposal, the Committee could: (a) approve the Governor's recommendation; (b) delete the proposed statutory language and instead include a session law provision to require the Board of Commissioners of Public Lands to: (1) establish an additional loan purpose or program to accomplish the goals envisioned by the federal match star proposed by the Governor no later than 90 days after the effective date of the bill; and (2) report to the Governor, the Joint Committee on Finance and the Secretary of Administration on the structure and proposed operation of the new program within 30 days of the establishment of the program by the Board; or (c) make no change to current law at this time.

10. The Committee could also modify the proposal in the bill to make one or both of the modifications discussed below.

11. The staff of the Board has expressed a concern with regard to the aspect of the proposal that sets a cap on the total amount of loans that would be permitted under the program. That concern is that this might also be seen as an indication that the Board needs to have the financial ability in managing the overall assets of the trust funds (principally the Common School Fund) to fulfill at any time up to \$50 million of loans for this purpose. The amount of demand for loans for this purpose is not known at this time. However, the staff indicates that the Board endeavors to manage the overall assets of the Common School Fund with the goal of obtaining the most favorable returns possible so as to maximize the monies flowing annually to schools as school library aids while at the same time having generally comparable loan rates with other lenders. As can be seen from Table 1, the amount of funds in the SIF (shown as investment pool deposits) has declined significantly from 1998-99 as the Board has had increases in the amount of outstanding loans and has used some \$ 118 million of assets for the purchase of bonds.

12. The language of the bill clearly does not require the Board to issue up to \$50 million of loans for this purpose. However, the argument could be made that the Board in its

overall responsibility for managing the assets of the trust funds should have flexibility to determine: (a) how much should be available for this purpose, depending upon the demand for this new type of loan purpose versus other loans; and (b) the overall amount of assets available for making loans at any time rather than setting a maximum that could be allocated for a given purpose or implying that there would always be that amount of monies available at all times for loans for this purpose. The Committee could modify the Governor's proposal to delete this provision.

12. The Department of Administration apparently choose the SIF rate as the rate to be used for loans under the federal match star program because it felt that this would be a rate that is generally sensitive to market conditions because the underlying investments that the State of Wisconsin Investment Board uses for the temporary cash balances placed in the SIF are investments of a short term nature. The cash balance amounts in the SIF that are available for investment vary daily as cash is added or withdrawn from the various accounts that have monies deposited in the SIF. These cash balance amounts are invested primarily in obligations of the U.S. government and its agencies and in high quality commercial bank and corporate debt obligations. The SIF rate is determined monthly for the basis of calculating earnings to be applied to all the various accounts that have money placed in the SIF. This rate is calculated following the end of the month.

13. Under the bill, the Board would presumably have to use the most current SIF rate for making loans as soon as the next monthly rate became known. The rates tend to change in small increments from month to month, but over the course of the last four calendar years, the monthly rate has ranged from a high of 6.479% to a low of 2.056%. More importantly, the monthly rate for last month was 1.876%, which is lower than the 2% floor that has previously been in effect for any trust funds investments. Investment earnings on the common school fund balance do not increase the overall corpus of the trust fund. Rather, after deducting from interest earnings the cost of the Board's operations (budget), the remaining earnings are distributed as school library aids. Essentially this means that the lower the earnings, the lower the amount of funds available to distribute as aids. At the same time, it can be noted that, as shown in Table 1, over the last four years the common school fund has had anywhere from \$100 million to as much as \$225 million at year-end in the SIF, where – under the bill – it would be earning the same rate as a loan made at the SIF rate. The difference, however, is that the amount of interest earned each month on the total balance will be the monthly SIF rate, whereas under the bill the rate for the life of a loan (up to five years) under the federal match star program would be whatever the most current monthly SIF rate was when the loan was issued. Thus, for example some loans might be at 2.0%, some at 3.0%, some at 3.2% and so forth. Whether the average rate of return on those loans would be the same as the overall rate of return if the same total amount of funds was retained in the in the SIF and earned the charging monthly interest rate is not known.

14. Two modifications to the Governor's proposal could be considered. One would be for the Committee to delete from the proposal the provision establishing a separate rate the federal match star program that would be set differently (by statute) from the way the rates for the other loan programs are set. If this change were adopted, the Board could still set a different rate for the loans under this program if it chose to do so, as it has done for the loans requested for payment of un-funded accrued actuarial liabilities under the WRS. An alternative modification would be for the

Committee to delete from the proposal the required use of the SIF rate and instead provide that the interest rate for the federal match star program would be 1% less than the rate established for general loans for the same loan term or such resultant lower percentage amount than the regular rate that is not lower than 2%.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation.
2. In lieu of the Governor's recommendation, include a session law provision requiring the Board of Commissioners of Public Lands to create a new loan program under the trusts funds to provide loans from trust fund assets for the same matching type purposes outlined in the Governor's proposal. Provide that the Board shall establish such a loan program within 90 days of the effective date of the bill. Require the Board to report to the Governor, the Joint Committee on Finance and the Secretary of Administration on the structure and proposed operation of the new loan program within 30 days of the establishment of the program by the Board.
3. Modify the Governor's proposal by:
 - a. Deleting the provision that would specify that the maximum amount of loans that may be in force at any time for the federal match star program would be \$50,000,000.
 - b. Deleting the provision that the rate to be set for loans under the program be the monthly earnings rate for the State Investment Fund (thereby letting the Board of Commissioners of Public Lands set the interest rate); or
 - c. Specifying that the rate would be the rate set by the Board for general purpose municipal loans less 1% or that portion of 1% that does not result in a rate that is less than 2%.
4. Maintain current law.

Prepared by: Terry Rhodes

BOARD OF COMMISSIONERS OF PUBLIC LANDS

Federal and State Match Star Program

Motion:

Move to delete from the bill the Governor's proposed statutory language and instead include a session law provision requiring the Board of Commissioners of Public Lands to create a new loan program under its trust funds that would provide loan funds to any eligible municipality for the purpose of providing funds to the municipality to meet its required share of any federal or state discretionary grant where a local matching amount is required. Provide that the Board shall, in establishing the program, define what constitutes a state or federal discretionary grant for which a matching fund loan may be requested, determine the interest rates to be set for these loans, and establish the new loan program within 90 days of the effective date of the bill. Provide that in creating the new program the Board shall ensure that loans under the new program be for a period not to exceed five years, that such loans not be extended beyond the original period of the loan, and that a loan may be granted only if the proposed loan, along with all other indebtedness, does not exceed 5% of valuation of taxable property within the municipality (or 10% for school districts). Require that Board report to the Governor, the Joint Committee on Finance and the Secretary of Administration on the structure and proposed operation of the new loan program within 30 days of the establishment of the program by the Board.

Note:

This motion would delete the proposed statutory creation of the federal match star loan program from the bill. Instead, it would require that the BCPL create a similar program under its existing authority with the following modifications: (1) the loans would also be able to be used to provide local match monies required for any state discretionary grant as well as for any federal discretionary grant; (2) there would be no requirement for the Board to set a cap on the amount of loans issued for this purpose that could be outstanding at any time; (3) the Board would determine the interest rates to be charged for loans under this program; and (4) there would be no requirement for the BCPL to promulgate administrative rules to implement the new program. The BCPL would have to establish the new program within 90 days of the effective date of the bill and report to the Governor, the Joint Committee on Finance and the Secretary of Administration on the establishment of the program.

MO# 146

② BURKE	Y	N	A
① DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	X	N	A
ROSENZWEIG	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS

Natural Resources

(LFB Summary of the Governor's Budget Reform Bill: Page 66)

LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
1	3.5% and 5.0% Budget Reductions (see Paper #1120)
2	Nonpoint Account (see Paper #1121)
3	Environmental Management Account (see Paper #1121)
4	Recycling Fund (see Paper #1121)
5	Petroleum Inspection Fund (see Paper #1121)
-	General Purpose Revenue for Snowmobiling (Paper #1200)
-	GPR-Supported Conservation Wardens (Paper #1201)
-	Outdoor Resources Action Program Residual Bonding Authority (Paper #1202)
-	Funding for Act 16 Vetoed Provisions Within the Conservation Fund (Paper #1203)
-	Warren Knowles-Gaylord Nelson Stewardship Program (Paper #1204)
-	Urban Forestry Grant Program Expansion (Paper #1205)
-	Stewardship Program Debt Retirement Payments (Paper #1206)
-	Aids in Lieu of Taxes (Paper #1207)
-	Supplemental Title Fee Matching Reestimate (Paper #1208)

AGENCY: Department of Natural Resources

LFB PAPER #: 1200

ISSUE: GPR for Snowmobiling

ALTERNATIVE: Alt. 1, delete \$125,000 GPR and provide \$125,000 SEG annually for snowmobile trail aids.

SUMMARY:

Alt 2 - good

Major sources of funding

- Snowmobile fuel tax transferred annually to account
- Registration fees (valid for 2 years)
 - \$30 for public use (increased in 2001 Act 16)
 - \$5 for local governments
 - \$90 for commercial users
- nonresident trail use sticker
 - \$18 (increased in 2001; up from \$13 in 1997)

Account is estimated to have a balance of \$260,000 on June 30, 2003.

Snowmobile trail aids estimated to be over \$8.9 million in 2002-03.

Given the balance of the account, \$125,000 GPR annually could be deleted and replaced with snowmobile SEG. This would maintain overall trail aids funding at current levels.

BY: Nicole



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February 27, 2002

Joint Committee on Finance

Paper #1200

General Purpose Revenue for Snowmobiling (DNR)

CURRENT LAW

The Department of Natural Resources administers a snowmobile recreation program to develop and maintain a statewide system of snowmobile trails and to administer and enforce snowmobile laws. The snowmobile account receives revenue from a variety of sources, including fuel tax revenue, registration fees, nonresident trail use sticker sales, registration transfer fees, and safety instruction fees.

GOVERNOR

No provision.

DISCUSSION POINTS

1. The major source of funding for the snowmobile account is the snowmobile fuel tax revenue transferred to the account. An appropriation is made annually, which equals the amount of motor fuel tax assessed on 50 gallons of gasoline as of the last day of February of the previous fiscal year multiplied by the number of registered snowmobiles as of the same date, with this result multiplied by 1.4. For 2001-02, \$4.5 million is available for trail aids under the formula.

2. The next largest revenue source for the account is registration fees. These rates were increased under 2001 Act 16 (the 2001-03 biennial budget). A fee of \$30 is assessed for each snowmobile registered for public use in the state. Local governments pay \$5 and commercial users pay \$90 for up to three snowmobiles and \$30 for each machine over three. The registration is valid for two years. Snowmobiles registered in other states or countries need not be registered in Wisconsin if they are in the state for a period of less than 15 consecutive days. Registration fees generated \$2.4 million in revenue to the snowmobile account in 2000-01, and are estimated to generate \$3.5 million in 2001-02.

3. A nonresident snowmobile trail use sticker requirement was created in 1997 Act 27 as a new source of revenue to the snowmobile account. Snowmobiles not registered in Wisconsin are required to display an annual trail use sticker to use public snowmobile corridors. The fee for the annual sticker, originally set at \$10, was increased to \$13 in 1997 Act 237 and to \$18 under 2001 Act 16. Approximately 60,700 stickers were sold in 2000-01, generating \$758,800. Sales of the nonresident trail use sticker are estimated to generate \$955,600 in 2001-02.

4. The following table shows the condition of the snowmobile account of the conservation fund. The account is estimated to have a balance of \$260,000 on June 30, 2003.

TABLE 1

Snowmobile Account Condition Statement

	<u>2001-02</u>	<u>2002-03</u>
Opening Balance	\$700,000	\$150,000
Revenues	<u>9,400,000</u>	<u>10,080,000</u>
Total Available	\$10,100,000	\$10,230,000
Expenditures	<u>-\$9,950,000</u>	<u>-\$9,970,000</u>
Closing Balance	\$150,000	\$260,000

5. Under 1999 Act 9 (the 1999-01 biennial budget), \$125,000 GPR was provided annually for snowmobile trail aids. Snowmobile associations have argued that, given the amount of tourism related revenue generated by snowmobiling and the level of effort expended by local snowmobile clubs in maintaining the state trail system, it is appropriate that state general funds be provided for snowmobile trails and enforcement efforts.

6. As shown in Table 2, snowmobile trail aids are estimated to total almost \$8.7 million in 2001-02 and over \$8.9 million in 2002-03. This represents a more than 30% increase over funds available for local trail aids in 2000-01. Basic trail aids include maintenance, bridge and trail rehabilitation, and trail relocation projects. In addition, supplemental snowmobile trail aids are available to counties and state properties if eligible costs associated with trail maintenance exceed \$250 per mile and, of the costs incurred, actual trail grooming costs exceed \$130 per mile per year

TABLE 2

Total Snowmobile Trail Aid Appropriations

<u>Fiscal Year</u>	<u>Basic Trail Aids</u>	<u>Supplemental Trail Aids</u>	<u>Total</u>
2001	\$5,151,700	\$1,514,100	\$6,665,800
2002	\$5,898,000	\$2,770,400	\$8,668,400
2003	\$6,613,300	\$2,332,300	\$8,945,600

7. Given the balance of the snowmobile account, \$125,000 GPR annually could be deleted and replaced with snowmobile SEG. This would maintain overall snowmobile trail aids funding at current levels.

ALTERNATIVES TO BILL

1. Delete the appropriation of \$125,000 GPR and provide \$125,000 SEG annually for snowmobile trail aids.

<u>Alternative 1</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 FUNDING	-\$250,000	\$250,000	\$0

2. Maintain current law.

MO# 2

BURKE	Y	N	A
② DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
ROSENZWEIG	Y	N	A
GARD	Y	N	A
① KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

Prepared by: Rebecca Hotynski

AYE 15 NO 1 ABS _____

AGENCY: DNR

LFB PAPER #: 1201

ISSUE: GPR-Supported Conservation Wardens

ALTERNATIVE: 1a, then go from there

SUMMARY:

OK

This transfers funding for conservation wardens from GPR to SEG funding. There may be a structural imbalance in the SEG fund '02-03, so going for the full 13 wardens may be risky here.

BY: Cindy



Legislative Fiscal Bureau

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February 27, 2002

Joint Committee on Finance

Paper #1201

GPR-Supported Conservation Wardens (DNR)

CURRENT LAW

The Department of Natural Resources is charged with securing the enforcement of all laws that it is required to administer and bring, or cause to be brought, actions and proceedings in the name of the state for that purpose. The persons appointed by DNR to exercise and perform the powers and duties conferred upon DNR are known as conservation wardens. DNR wardens have general law enforcement authority on state-owned lands and property under the Department's supervision, management, and control.

As a condition of receiving federal aid under the Sport Fish Restoration Act and the Wildlife Restoration Act, federal law requires that revenues received from hunting and fishing licenses not be diverted to purposes other than the administration of the state fish and wildlife agency (in Wisconsin, the Department of Natural Resources).

GOVERNOR

No provision.

DISCUSSION POINTS

1. The 1995-97 biennial budget made various funding changes related to the warden force, including: (a) shifting 4.0 SEG positions annually from the fish and wildlife account of the conservation fund to the environmental fund to reflect the increased workload for environmental enforcement activities; (b) shifting 2.0 SEG positions annually from the fish and wildlife account to the boat registration account of the conservation fund to reflect the efforts of wardens on water safety and enforcement activities; (c) deleting 2.0 GPR conservation warden positions (one related to underwater archaeology and one as part of the overall GPR funding reductions in the act); and (d)

providing \$136,000 SEG annually (split funded from the conservation and environmental funds) to support conservation warden activities, including travel, training, and data entry costs.

Under the 1997-99 biennial budget, further changes relating to warden funding were made, including: (a) shifting 5.0 SEG enforcement positions (4.5 wardens and 0.5 program assistant) annually from the snowmobile account of the conservation fund to GPR as part of an overall shift to provide additional funding for local snowmobile trail aids; and (b) providing 1.0 SEG conservation warden position from the all-terrain vehicle account to reflect the workload for ATV enforcement. The 1997-99 budget adjustment bill, (1997 Act 237), provided 18.0 conservation warden positions. Of these, 17.0 were funded with GPR and 1.0 was funded with snowmobile account SEG.

The 1999-01 biennial budget, (1999 Act 9), transferred 6.0 snowmobile enforcement positions (5.0 GPR and 1.0 snowmobile SEG) to tribal gaming program revenue allocations and authorized a seventh PR position for mandatory snowmobile education.

Under the 2001-03 biennial budget (2001 Act 16), 4.0 GPR funded warden positions were transferred to SEG funding sources (2.0 each to the snowmobile and ATV accounts of the conservation fund). Therefore, 13 of the 17 positions authorized in 1997 Act 237 are currently GPR funded.

2. In 2000-01, DNR conservation wardens recorded 372,600 hours for safety and enforcement work related to fish and game. These activities include enforcement of hunting and fishing regulations, hunter education programs, commercial fish and game activities, treaty enforcement issues, and car-killed deer contracts. In 2000-01, 9,300 citations were issued for violations related to hunting, fishing, and trapping laws. For comparison, during the same year DNR sold 1,215,100 fishing licenses, 1,134,200 hunting licenses, and 168,800 combination licenses.

3. Traditionally, programs for hunters, fishers and recreational vehicle users have primarily been funded from the appropriate segregated fund account. This has been the practice to reflect the sentiment that those who benefit from the recreational activity should pay for the associated costs. Wardens funded with GPR may serve a variety of enforcement needs. Positions funded with conservation fund SEG have the effect of allocating 1 FTE per year to purposes associated with the account that provides the funding.

4. Department financial records and law enforcement task timesheets indicate that for fiscal year 2000-01, at least 13 GPR-supported FTE were devoted to fish and wildlife enforcement efforts. Funding of \$910,700 GPR annually is provided for the salary, fringe benefits, and supplies for the 13 wardens.

5. The following table shows the condition of the fish and wildlife account of the conservation fund. The account is estimated to have a balance of \$11.1 million on June 30, 2003, and could support additional conservation wardens in the 2001-03 biennium. Transferring 13 conservation wardens annually from GPR to fish and wildlife account SEG would result in an estimated June 30, 2003 balance of \$9.3 million. However, it should be noted that the account has a

potential structural imbalance of \$2.5 million in 2002-03 (revenues of \$65.7 million and authorized expenditures of \$68.2 million). If additional funding for enforcement efforts associated with fish and wildlife activities were provided, the level of funding may need to be adjusted in future biennia, should revenues remain below appropriated expenditure levels.

Fish and Wildlife Account Condition Statement
(\$ in Millions)

	<u>2001-02</u>	<u>2002-03</u>
Opening Balance	\$21.0*	\$16.3
Total Revenue	<u>\$65.0</u>	<u>\$65.7</u>
Total Available	\$86.0	\$82.0
Expenditures	\$69.1	\$68.2
Reserves/Lapses**	<u>\$0.6</u>	<u>\$2.7</u>
Total Expenditures	\$69.7	\$70.9
Closing Balance	\$16.3	\$11.1

*July 1, 2001 cash balance of \$35.7 million less \$2.3 million in encumbrances, less \$12.4 million in the unencumbered balance of continuing appropriations.

**Includes continuing balances from assigned revenue appropriations (such as wildlife damage and trout, waterfowl or wild turkey stamp programs), payplan reserves, and anticipated lapses due to the hiring freeze.

ALTERNATIVES TO BILL

1. Transfer from GPR to SEG funding any of the following number of warden positions.

	<u>Number of Positions</u>	<u>2001-03 Funding</u>	
		<u>GPR</u>	<u>SEG</u>
a.	13	-\$1,821,400	\$1,821,400
b.	12	-1,662,600	1,662,600
c.	10	-1,349,200	1,349,200
d.	8	-1,039,800	1,039,800
e.	6	-763,400	763,400
f.	4	-503,600	503,600
g.	2	-251,800	251,800

2. Maintain current law.

Prepared by: Rebecca Hotynski

MO# 1a

	BURKE	<input checked="" type="radio"/>	N	A
①	DECKER	<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
	WIRCH	<input checked="" type="radio"/>	N	A
	DARLING	<input checked="" type="radio"/>	N	A
	ROSENZWEIG	<input checked="" type="radio"/>	N	A
②	GARD	<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
	HUEBSCH	<input checked="" type="radio"/>	N	A
	HUBER	<input checked="" type="radio"/>	N	A
	COGGS	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS _____

AGENCY: Department of Natural Resources

LFB PAPER #: 1202

ISSUE: Outdoor Resources Action Program Residual Bonding Authority

ALTERNATIVE: Alt. 1, eliminate ORAP residual general obligation bonding authority

SUMMARY:

The Outdoor Resources Action Program (ORAP) ended 22 years ago and will not be used for additional expenditures that incur GPR debt service.

Eliminate ORAP residual general obligation bonding authority of \$1,789,700.

BY: Nicole



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February 27, 2002

Joint Committee on Finance

Paper #1202

Outdoor Resources Action Program Residual Bonding Authority (DNR)

CURRENT LAW

The state first provided water pollution abatement grants for municipal wastewater systems through the Outdoor Resources Action Program (ORAP). The state operated the program from 1970 to 1979 and used general obligation bonding authority, with GPR debt service costs, to pay for grants. Statutes prohibited the state from approving grants under the program after June 30, 1979. The program was replaced by the Wisconsin fund, which operated from 1977 to 1990. Since 1990, the state has operated the clean water fund within the environmental improvement fund to provide financial assistance for municipal wastewater treatment projects.

GOVERNOR

No provision.

DISCUSSION POINTS

1. The ORAP program ended in 1979, is no longer active and can not be used for new projects. The program issued \$145,010,325 in general obligation bonds. All grant payments have been made and all grants have been closed. The state continues to pay GPR debt service on the bonds.
2. ORAP has residual authorized but unissued bonding authority of \$1,789,675. There is no currently authorized use of the residual bonding authority. Elimination of the residual general obligation bonding authority would reflect the fact that the program ended 22 years ago and will not be used for additional expenditures that incur GPR debt service. It would also more accurately reflect the state's total active bonding authority (similar to the 2001 Act 16 provision eliminating residual bonding authority under the expired Wisconsin fund program).

ALTERNATIVES TO BILL

1. Eliminate ORAP residual general obligation bonding authority of \$1,789,675.

<u>Alternative 1</u>	<u>BR</u>
2001-03 BONDING	-\$1,789,700

2. Maintain current law.

Prepared by: Kendra Bonderud

MO# Alt 1 ✓

①	BURKE	<input checked="" type="radio"/>	N	A
	DECKER	<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
	WIRCH	<input checked="" type="radio"/>	N	A
	DARLING	<input checked="" type="radio"/>	N	A
	ROSENZWEIG	<input checked="" type="radio"/>	N	A
②	GARD	<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
	HUEBSCH	<input checked="" type="radio"/>	N	A
	HUBER	<input checked="" type="radio"/>	N	A
	COGGS	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS _____

AGENCY: Department of Natural Resources

LFB PAPER #: 1203

ISSUE: Funding for Act 16 Vetoed Provisions Within the Conservation Fund

ALTERNATIVE: Alt. 1 a & b

SUMMARY:

In Act 16, the gov. vetoed the earmark for funding a Great Lakes Forestry Museum in Rice Lake to the tune of \$300,000 SEG, however the appropriation remains in the continuing appropriation for aids to certain non-profit conservation organizations, including Gathering Waters and the Natural Resources Foundation. DNR has said it will not increase the grants to these 2 organizations at this time. If we delete this funding (Alt 1a) from the , more funds will be available for other forestry purposes.

Another vetoed earmark totaled \$130,000. Deleting these funds (Alt 1b) from this SEG association would allow the funds to be used for future water resources account purposes.

BY: Cindy



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February 27, 2002

Joint Committee on Finance

Paper #1203

Funding for Act 16 Vetoed Provisions Within the Conservation Fund (DNR)

CURRENT LAW

As part of his partial vetoes in 2001 Act 16 (the 2001-03 biennial budget), the Governor deleted three legislative earmarks affecting appropriations from the conservation fund. However, increased funding levels related to those earmarks were not deleted from the corresponding appropriations.

GOVERNOR

No provision.

DISCUSSION POINTS

1. One vetoed provision would have required DNR to provide \$300,000 SEG from the forestry account of the conservation fund to the Great Lakes Forestry Museum to develop a facility in Rice Lake. Although this earmark was vetoed by the Governor, the \$300,000 appropriation in 2001-02 remains in Act 16 in the continuing appropriation for aids to certain non-profit conservation organizations, including Gathering Waters and the Natural Resources Foundation. The grant to the Natural Resources Foundation is statutorily limited to \$85,000 annually. The Gathering Waters grant is not limited by statute (\$150,000 annually has been provided in the past). The Department has indicated that it does not intend to increase the size of the grants provided to these organizations at this time, and anticipates that the funds would remain in the continuing balance of the account unspent. Deleting \$300,000 in 2001-02 would reflect the Governor's veto and make the funds available for other forestry purposes.

2. Another vetoed provision would have required DNR to provide \$80,000 SEG to the Village of Whiting in Portage County for the construction of a handicapped-accessible recreational

pier on the Plover River and \$50,000 SEG to the Wausau Kayak/Canoe Corporation, a non-profit organization, to upgrade the whitewater course on the Wisconsin River in Wausau. Both designations were funded by increasing an appropriation from the water resources account of the conservation fund for recreational boating projects. Without these earmarks, DNR has the ability to increase expenditures associated with recreational boating project aids by \$130,000 in 2001-02. Officials with the Waterways Commission indicate these funds would be used to increase recreational boating expenditures if not removed. The recreational boating project aids program is funded by a continuing appropriation at almost \$4.9 million in 2001-02 and \$4.5 million in 2002-03. It may be argued that as the funding was not made available under Act 16 for the purpose intended by the Legislature that it would be reasonable to delete the associated funds. This would allow the funds to be used for future water resources account purposes.

3. It should be noted that each of these appropriations was funded in the first year of the biennium only, so deleting these funds would not affect the base budget for the 2003-05 biennium.

ALTERNATIVES TO BILL

1. Delete the following amounts in 2001-02:

a. \$300,000 in forestry account SEG associated with the Great Lakes Forestry Museum veto.

Alternative 1a	SEG
2001-03 FUNDING	- \$300,000

b. \$130,000 in water resources account SEG associated with the Village of Whiting recreational pier veto (\$80,000) and the Wausau whitewater course veto (\$50,000).

Alternative 1b	SEG
2001-03 FUNDING	- \$130,000

2. Maintain current law.

MO# lab

BURKE	<input checked="" type="checkbox"/>	N	A
DECKER	<input checked="" type="checkbox"/>	N	A
MOORE	<input checked="" type="checkbox"/>	N	A
SHIBILSKI	<input checked="" type="checkbox"/>	N	A
PLACHE	<input checked="" type="checkbox"/>	N	A
WIRCH	<input checked="" type="checkbox"/>	N	A
DARLING	<input checked="" type="checkbox"/>	N	A
ROSENZWEIG	<input checked="" type="checkbox"/>	N	A
GARD	<input checked="" type="checkbox"/>	N	A
KAUFERT	<input checked="" type="checkbox"/>	N	A
ALBERS	<input checked="" type="checkbox"/>	N	A
DUFF	<input checked="" type="checkbox"/>	N	A
WARD	<input checked="" type="checkbox"/>	N	A
HUEBSCH	<input checked="" type="checkbox"/>	N	A
HUBER	<input checked="" type="checkbox"/>	N	A
COGGS	<input checked="" type="checkbox"/>	N	A

Prepared by: Rebecca Hotynski

McGinnis, Cindy

From: Wisconsin League of Conservation Voters [info@wlcw.org]
Sent: Tuesday, February 26, 2002 1:09 PM
To: 'McGinnis, Cindy'
Subject: RE: 1203.pdf

Doesn't matter.

Whatever Jauch & Shibilski & Decker want to do. I know Jauch's not on the committee, but one of the earmarks was for his district.

If no one wants to try and revive the projects, then go ahead and delete the money.

-----Original Message-----

From: McGinnis, Cindy [mailto:Cindy.McGinnis@legis.state.wi.us]
Sent: Tuesday, February 26, 2002 12:30 PM
To: Barry Ashenfelter & Julie Chapman (E-mail)
Subject: 1203.pdf

Barry-

What do we want to do here?

Cindy McGinnis
Legislative Aide
Senator Brian Burke
State Capitol, Room 317 East
266-8535, 1-800-249-8173
FAX: 267-0274
<<1203.pdf>>

AGENCY: Department of Natural Resources

LFB PAPER #: 1204

ISSUE: Warren Knowles-Gaylord Nelson Stewardship Program

ALTERNATIVE: Alt. 1

SUMMARY:

Changes the way appraisals are paid for under the Stewardship program. Currently, the seller has to get 2 appraisals and has to pay for ½ of each appraisal, with the stewardship program paying for the other ½.

Under this proposal, the seller would pay for 1 appraisal and DNR would get a second independent appraisal with the stewardship program paying for that. If the 2 appraisals are far apart, the stewardship program would pay for ½ of a 3rd appraisal with the seller paying for the other ½.

The enviros are fine with this.

BY: Cindy



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February 27, 2002

Joint Committee on Finance

Paper #1204

Warren Knowles-Gaylord Nelson Stewardship Program (DNR)

CURRENT LAW

DNR is authorized \$46 million in general obligation bonding authority for 2001-02 and \$60 million annually for 2002-03 through 2009-10 for the Warren Knowles-Gaylord Nelson Stewardship 2000 program. Beginning in 2002-03, \$45 million annually is specified for land acquisition and \$15 million for property development and local assistance. For local assistance grants, the grant applicant (generally a local government or non-profit conservation organization) must submit two appraisals if DNR determines the fair market value of the land exceeds \$200,000.

GOVERNOR

No provision.

DISCUSSION POINTS

1. In October of 2000, the Legislative Audit Bureau (LAB) released an evaluation of the Warren Knowles-Gaylord Nelson Stewardship program. Based on its findings, a number of recommendations were made to improve the program. Key amongst these was a recommendation that for grants over \$200,000, DNR should independently obtain an appraisal separate from any appraisal submitted by grant applicants. While DNR concurred with this recommendation, the Department indicated that application of this rule would be hindered by s. 23.0917 (7)(e), which requires the grant applicant to submit two appraisals for any project estimated to be over \$200,000
2. Under the Warren Knowles-Gaylord Nelson Stewardship program, DNR determines grant amounts based on reviews of property appraisals provided by grant applicants, who typically contract with private appraisers for this service.
3. However, the need to secure sufficient grant funding in order to undertake projects

may place pressure on interested applicants to secure the most favorable appraisals possible. These appraised property values affect the purchase price paid by local governments and nonprofit conservation organizations (NCOs) and the grant levels paid by DNR to acquire land (DNR generally awards up to 50% of approved appraisal amounts for local assistance grants). Further, to the extent appraised values exceed the purchase price, the grant applicant may be credited with a donation (applied toward their share of the costs of the project) for the difference.

4. While s. 23.0917(7)(e) does require the grant applicant to submit two appraisals, there is no statutory language prohibiting DNR from seeking a third appraisal. However, as appraisals are considered an eligible grant expense, DNR would generally pay 50% of the cost for appraisals contracted for by the grant applicant, should a grant be awarded. The Department would not be responsible for appraisal costs related to unsuccessful applications. Also, should an additional appraisal be required, DNR would need to either complete the appraisal with available staff or contract for the service (paying 100% of the cost). Therefore, requiring an additional appraisal would increase costs to the Department. While costs associated with appraisals can vary based on the size and location of the property, over the last three years costs averaged \$1,200 per appraisal.

5. As passed by the Legislature, the 2001-03 biennial budget contained a provision that would have deleted the statutory requirement under s. 23.0917(7)(e) that requires applicants to submit two appraisals for purchases of over \$200,000. Instead, the enrolled bill would have required grant applicants to submit at least one appraisal, and required DNR to independently obtain an additional appraisal, separate from any submitted by the applicant. Under this provision DNR would have paid for its appraisal and up to 50% of the cost of the applicant's appraisal. This provision was item vetoed in 2001 Act 16. The Governor item vetoed this provision, at least in part, due its potential to increase state costs because DNR would pay 100% of its appraisal, rather than 50% if an applicant had the appraisal done.

6. Since DNR generally pays 50% of the cost of two appraisals under current law, an alternative that would be more fiscally neutral for the state would be to require the grant applicant (local government unit or NCO) to pay for the cost of one appraisal of the property, and to require DNR to pay for a second appraisal if the applicant appeared eligible for a grant. If additional appraisals were required, the current 50% grant-eligibility cost share could be maintained. In this way DNR would, similar to current practice, pay for one appraisal (rather than one-half of two appraisals) and the grant applicant would pay for one appraisal (rather than one-half of two appraisals). Further, this alternative would meet the concern raised in the audit that an independent appraisal be obtained for more costly land purchases by NCOs and local governments. In addition, it could avoid the more costly alternative (under current law) of DNR having to commission a third appraisal at state expense if one or both of the appraisals submitted by the grant applicant appear inadequate.

7. Under the initial Stewardship program, DNR awarded 147 grants for projects costing \$200,000 or more between 1990 and 2000. Grant managers within the Bureau of Community Financial Assistance indicate that this number is likely to increase under Stewardship 2000 due to greater levels of available grant funding and general increases in property values.

8. Additional recommendations made by the Legislative Audit Bureau included prohibiting local governments and NCOs from submitting appraisals commissioned or paid for by the seller of the property as part of the stewardship grant application process, and a recommendation to allow DNR staff to develop a blended appraised value when appropriate. (This approach would allow DNR staff to choose various components from different appraisals of the same property to generate a new appraised value.) The Department has concurred with these recommendations and has incorporated them into their grant review process.

ALTERNATIVES TO BILL

x the blended appraisals

1. Modify the statutory requirement under s. 23.0917(7)(e) that requires applicants to submit two appraisals for acquisition projects estimated by DNR to exceed \$200,000 to require grant applicants to pay for and submit one appraisal, and require DNR to independently obtain an additional appraisal, separate from any submitted by the applicant for eligible applicants. Allow DNR to require more than one appraisal from the applicant. However, specify that any additional appraisals required would be considered eligible expenses under the grant program. (DNR would pay up to 50% of the cost for any additional appraisals required, as under current law.)

2. Maintain current law. (Grant applicants would be required to submit two appraisals, reimbursable at up to 50%, for purchases exceeding \$200,000, and DNR could obtain an independent appraisal at state expense.)

Prepared by: Rebecca Hotynski and Daryl Hinz

MO#			
	BURKE	Y	N A
	DECKER	Y	N A
	MOORE	Y	N A
1	SHIBILSKI	Y	N A
	PLACHE	Y	N A
	WIRCH	Y	N A
	DARLING	Y	N A
	ROSENZWEIG	Y	N A
	GARD	Y	N A
	KAUFERT	Y	N A
2	ALBERS	Y	N A
	DUFF	Y	N A
	WARD	Y	N A
	HUEBSCH	Y	N A
	HUBER	Y	N A
	COGGS	Y	N A

AYE 16 NO 0 ABS