

2003 DRAFTING REQUEST

Senate Amendment (SA-SSA1-SB44)

Received: **06/17/2003**

Received By: **rchampag**

Wanted: **Today**

Identical to LRB:

For: **Legislative Fiscal Bureau**

By/Representing: **Rhodes**

This file may be shown to any legislator: **NO**

Drafter: **rchampag**

May Contact:

Addl. Drafters:

Subject: **State Finance - public lands**

Extra Copies:

Submit via email: **YES**

Requester's email:

Carbon copy (CC:) to:

Pre Topic:

LFB:.....Rhodes -

Topic:

Treatment of proceeds of timber and firewood sales by BCPL

Instructions:

See Attached.

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	rchampag 06/17/2003	jdyer 06/17/2003	chaugen 06/17/2003	_____	sbasford 06/17/2003		
		jdyer 06/17/2003		_____			

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/1	rchampag	1 6/17 jld	Ch 6-19	Ch 6-12 pet			

FE Sent For:

<END>



Legislative Fiscal Bureau

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

Date: June 16, 2003

DELIVER TO: Jeff Kuesel

Addressee Fax #: 4-6948

Addressee Phone #:

of Pages, Including Cover: 3

Sender's Initials:

From: Terry Rhodes

Material related to timber sales proceeds issue and LRB draft. Call if questions.

During FY 2001-02, the Department lapsed federal reimbursements related to the juvenile care costs funded by general purpose revenues. However, it credited a net amount of \$456,000 in reimbursements for administrative costs to its program revenue appropriation authorized in s. 20.410(3)(kx), Wis. Stats., for inter-agency and intra-agency programs. Recently, staff in the Department indicated that they plan to lapse the \$456,000 by the end of the current fiscal year. To ensure the lapse occurs, the Legislature could direct the Department of Corrections to immediately lapse \$456,000 to the General Fund from the appropriation authorized under s. 20.410(3)(kx), Wis. Stats., and, for FY 2002-03 and future years, to account for all federal foster care reimbursements as general purpose revenues of the General Fund.

JEFF

Timber Sales

The Board of Commissioners of Public Lands manages the Normal School Fund. The principal balance of this fund as of May 31, 2003, was \$19.4 million. The Fund's assets are largely loans to local governments and cash invested in the State Investment Fund. The interest earned from loans and the State Investment Fund are deposited to the General Fund as general purpose revenues, as required by s. 24.80, Wis. Stats.

The other major asset of the Normal School Fund is 75,323 acres of land. The land generates income, primarily from timber sales. As shown in Table 1, the Board had over \$1.5 million in Normal School Fund timber sales since FY 1996-97.

Table 1

**Normal School Fund
Timber Sales
FY 1996-97 through FY 2002-03**

<u>Fiscal Year</u>	<u>Timber Sales</u>
1996-97	\$ 188,092
1997-98	267,189
1998-99	175,441
1999-2000	336,366
2000-01	216,709
2001-02	198,346
2002-03*	<u>201,564</u>
Total	\$1,583,707

* Through May 31, 2003

Timber sales are deposited to the Normal School Fund, increasing the principal balance of that fund. Board staff explained that the sale of timber may, at least temporarily, reduce the value of the land and, therefore, timber sales should be credited to the Normal School Fund in the same manner as proceeds from land sales. In addition, staff note that the Board has been treating timber sales as additions to the Normal School Fund's principal since at least 1941.

However, we note that the statutes do not require that timber sales be accounted for as additions to the principal balance of the Normal School Fund. It could be argued that timber sales are income of the Normal School Fund and could be treated in the same manner as interest earnings and deposited to the General Fund.

We reviewed the accounting treatment for timber sales from trust fund lands in other states. Some states, including Utah and Oregon, account for timber revenues in the same manner as the Board. Other states, including Colorado and Montana, account for timber sales as revenues available for distribution. If the Legislature believes Normal School Fund timber sales should be treated in the same manner as interest income, it could clarify the statutes and direct the Board of Commissioners of Public Lands to account for timber sales as general purpose revenues of the General Fund. If this were done, approximately \$200,000 annually, or \$400,000 during the 2003-05 biennium, would be available for appropriation by the Legislature.

Aircraft Sales Proceeds

In non-statutory provisions included in 2001 Wisconsin Act 16, the Legislature directed the Department of Administration to sell two aircraft of its choice and deposit the sales proceeds to the General Fund as general purpose revenues. In April 2002, the Department sold two Cessna 172 aircraft for a total of \$82,412. However, rather than treating the sales proceeds as general purpose revenues, as required, the Department deposited the proceeds to its own program revenue appropriation authorized in s. 20.505(1)(kb), Wis. Stats., for transportation and other services provided to other state agencies. The Legislature may wish to direct the Department of Administration to immediately transfer \$82,412 to the General Fund as general purpose revenues, as required by 2001 Wis. Act 16.

Bd of Commissioners must treat proceeds of
timber + firewood sales as income (earnings)
to the Normal + Common School funds

Rhodes - LFB

SA

SSA

SB 94



State of Wisconsin
2003 - 2004 LEGISLATURE

LRBb0531/1

RAC:.....

Today

Jld

LFB:.....Rhodes – Treatment of proceeds of timber and firewood sales by BCPL

FOR 2003-05 BUDGET — NOT READY FOR INTRODUCTION

SENATE AMENDMENT ,

TO SENATE SUBSTITUTE AMENDMENT 1,

TO 2003 SENATE BILL 44

1 At the locations indicated, amend the substitute amendment as follows:

2 1. Page 410, line 24: after that line insert:

3 "SECTION 829c. 24.77 of the statutes is amended to read:

4 24.77 Common school fund income. The common school fund income is
5 constituted of the interest derived from the common school fund and from unpaid
6 balances of purchase money on sales of common school lands; and all other revenues
7 derived from the common school lands, including specifically the proceeds from the
8 sale of timber and firewood from common school lands; but the common school fund
9 income and interest and revenues derived from the common school fund and from

1 common school lands do not include expenses deducted from gross receipts permitted
2 under ss. 24.04 (2), 24.53 and 24.62 (1).

3 History: 1979 c. 34; 1981 c. 169; Stats. 1981 s. 24.77; 1989 a. 31.

3 **SECTION 829r.** 24.80 of the statutes is amended to read:

4 **24.80 Normal school fund.** The lands and moneys described in s. 24.79, not
5 being granted for any other specified purpose, accrue to the school fund under article
6 X, section 2, of the constitution; and having been found unnecessary for the support
7 and maintenance of common schools, are appropriated to the support and
8 maintenance of state universities and suitable libraries and apparatus therefor, and
9 to that end are set apart and denominated the “Normal School Fund”. All lands,
10 moneys, loans, investments and securities set apart to the normal school fund and
11 all swamp lands and income and interest received on account of the capital of that
12 fund constitute a separate and perpetual fund. All income, including specifically the
13 proceeds from the sale of timber and firewood on lands set apart to the normal school
14 fund, and interest from the normal school fund shall be paid into the general fund
15 as general purpose revenue. Normal school fund income, interest and revenues do
16 not include expenses deducted from gross receipts permitted under ss. 24.04 (2),
17 24.53 and 24.62 (1). ✓

18 History: 1979 c. 34; 1981 c. 169; 1981 c. 391 s. 210; Stats. 1981 s. 24.80; 1983 a. 192; 1989 a. 31.

(END)



State of Wisconsin
2003 - 2004 LEGISLATURE

LRBb0531/1
RAC:jld:ch

LFB:.....Rhodes – Treatment of proceeds of timber and firewood sales by
BCPL

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17 24.53 and 24.62 (1).”.

18 (END)