

**Report 18-8
August 2018**

Forestry Account

STATE OF WISCONSIN



Legislative Audit Bureau ■

Forestry Account

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STATE OF WISCONSIN | Legislative Audit Bureau

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Joe Chrisman
State Auditor

August 22, 2018

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

We have completed our evaluation of the Department of Natural Resources' (DNR) Forestry Account, as requested by the Joint Legislative Audit Committee. The Forestry Account funds DNR's forestry program and related administrative activities. Forestry Account revenues increased from \$108.2 million in fiscal year (FY) 2012-13 to an estimated \$123.3 million in FY 2016-17, or by 14.0 percent. The primary revenue source for the Forestry Account during this period was the forestry mill tax, which was repealed in 2017 Wisconsin Act 59, the 2017-19 Biennial Budget Act.

Forestry Account expenditures increased from \$106.9 million in FY 2012-13 to an estimated \$121.6 million in FY 2016-17, or by 13.8 percent. Of the estimated \$121.6 million in Forestry Account funds spent in FY 2016-17, \$118.6 million (97.5 percent) was spent by DNR and \$3.0 million (2.5 percent) was spent by other agencies. We found that DNR did not comply with a statutory requirement to spend at least 4.0 percent of annual forestry mill tax revenue on the purchase of forests in the specified 16-county region located in southeastern Wisconsin, and we recommend that it do so.

To address concerns about the uses of Forestry Account funds, we analyzed the extent to which FY 2016-17 expenditures were related to forestry activities. We estimate that \$65.1 million (53.5 percent) of Forestry Account expenditures was for activities that are primarily related to forestry, \$49.2 million (40.5 percent) was for activities that support forestry in addition to other programs, and \$7.3 million (6.0 percent) was for activities that are not directly related to forestry. We also found that an estimated \$25.9 million, or 21.9 percent of all expenditures made by DNR, was for administration.

We also reviewed the expenditure of Forestry Account funds during FY 2016-17 at five other state agencies. We recommend the University of Wisconsin (UW) System comply with statutes by limiting to \$78,000 annually the amount of Forestry Account funds spent on the paper science program administered by UW-Stevens Point and limiting to 5.0 percent the amount of Forestry Account funds spent annually on administrative expenses by the UW Center for Cooperatives.

We appreciate the courtesy and cooperation extended to us by DNR and the other state agencies, individuals, and organizations we contacted to complete this evaluation. DNR's response follows the appendices.

Respectfully submitted,

A handwritten signature in cursive script that reads "Joe Chrisman".

Joe Chrisman
State Auditor

JC/PS/ss

Report Highlights ■

In FY 2016-17, the Forestry Account funded activities in DNR and five other state agencies.

We estimate Forestry Account revenues increased from \$108.2 million in FY 2012-13 to \$123.3 million in FY 2016-17.

We estimate Forestry Account expenditures increased from \$106.9 million in FY 2012-13 to \$121.6 million in FY 2016-17.

In FY 2016-17, an estimated \$7.3 million was spent on activities that were not directly related to forestry.

In FY 2016-17, DNR's administrative expenditures totaled an estimated \$25.9 million and represented 21.9 percent of the Forestry Account expenditures it made.

The Forestry Account, which is administered by the Department of Natural Resources (DNR), is one of nine accounts that constitute the Conservation Fund, a segregated trust fund that provides support for a number of programs and activities administered by DNR. The Forestry Account funds DNR's forestry program and related administrative activities.

In fiscal year (FY) 2016-17, DNR and other state agencies spent an estimated \$121.6 million in state and federal funds from the Forestry Account for staff salaries, fringe benefits, supplies and services, local aid, capital purchases, and debt service. Concerns have been raised about the use of forestry-related funds. A nonstatutory provision in 2017 Wisconsin Act 59, the 2017-19 Biennial Budget Act, requested the Joint Legislative Audit Committee to direct the Audit Bureau to audit the revenue received by DNR for forestry activities and how the revenue was spent.

At the direction of the Joint Legislative Audit Committee, we:

- reviewed trends in Forestry Account revenues, expenditures, and staffing levels;
- analyzed detailed program expenditures to determine the extent to which Forestry Account funds were used for purposes that are primarily related to forestry, that support forestry in addition to other programs, and that are not directly related to forestry; and

- determined DNR’s compliance with applicable requirements governing the allocation and use of forestry-related funding.

Revenues and Expenditures

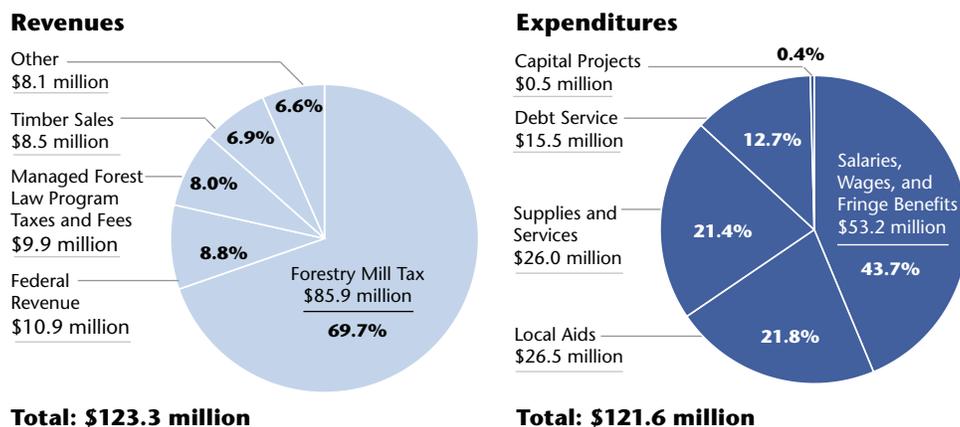
Total Forestry Account revenues increased from \$108.2 million in FY 2012-13 to an estimated \$123.3 million in FY 2016-17, or by 14.0 percent. The mill tax was the largest source of revenue for the Forestry Account and represented 69.7 percent of total Forestry Account revenues in FY 2016-17, as shown in Figure 1.

Act 59 eliminated the forestry mill tax beginning with property tax assessments as of January 1, 2017, and it directed a transfer of general purpose revenue (GPR) to the Forestry Account of an amount equal to what the mill tax would have been. This amount was estimated to be \$89.3 million in FY 2017-18 and \$91.6 million in FY 2018-19.

Forestry Account expenditures increased from \$106.9 million in FY 2012-13 to an estimated \$121.6 million in FY 2016-17, or by 13.8 percent. Segregated revenue, which is primarily revenue from the forestry mill tax, funded more than 92.9 percent of total Forestry Account expenditures. For FY 2016-17, we estimate that the Forestry Account’s revenues exceeded its expenditures by \$1.7 million and that the balance in the Forestry Account at year end was \$30.8 million.

Figure 1

Revenues and Expenditures for the Forestry Account FY 2016-17



Positions Funded by the Forestry Account

Personnel expenditures made from the Forestry Account funded both permanent employees and limited-term employees (LTEs). The total number of authorized full-time equivalent (FTE) positions in DNR funded by the Forestry Account declined from 641.3 FTE positions in FY 2012-13 to 615.8 FTE positions in FY 2016-17, or by 4.0 percent. The largest decline in the number of positions was in forestry field operations, which experienced a decline of 20.5 FTE positions (6.0 percent). Of the 630.8 FTE positions funded by the Forestry Account in FY 2016-17, 615.8 FTE positions (97.6 percent) were in DNR and 15.0 FTE positions (2.4 percent) were in other state agencies.

To help facilitate an understanding of the hours worked by LTEs, we converted LTE work hours into FTE positions. The number of FTE positions that LTE work hours represented increased 17.7 percent, growing from 175.5 FTE positions in FY 2012-13 to 206.5 FTE positions in FY 2016-17.

Compliance with Statutory Requirements

Since FY 2011-12, DNR has been required to spend in each fiscal year at least one-third of the amounts appropriated under s. 20.370 (7) (mc) and (mr), Wis. Stats., on town or county highways located within DNR properties or on roads used by a substantial number of visitors to DNR properties. We found DNR spent less than the amount required by \$24,400 in FY 2012-13 and by \$80,400 in FY 2015-16. However, over the entire five-year period we reviewed, DNR was required to spend a total of \$3.6 million and it spent \$3.8 million.

Section 25.29 (7) (a), Wis. Stats., requires that 8.0 percent of annual forestry mill tax revenue, or funds provided in lieu of the mill tax, be used to acquire and develop forests in the specified 16-county region located in southeastern Wisconsin. Additionally, s. 25.29 (7) (b), Wis. Stats., requires that 4.0 percent of annual forestry mill tax revenue, or funds provided in lieu of the mill tax, be used for the purchase of forests in the 16-county region. We found that DNR was in compliance with the 8.0 percent expenditure requirement during the five-year period from FY 2012-13 through FY 2016-17. However, we found that DNR was not in compliance with the 4.0 percent annual expenditure requirement for the purchase of forests for four of the five years we reviewed. Expenditures for these purchases had decreased each year, declining from \$3.9 million in FY 2012-13 to \$470,500 in FY 2016-17.

Expenditures Categorized by Their Relationship to Forestry

We analyzed the extent to which expenditures made from the Forestry Account in FY 2016-17 were related to forestry activities. An estimated \$65.1 million (53.5 percent) of expenditures was for activities that are primarily related to forestry, which include those activities associated with the development and care of forests for the primary purpose of forest conservation or producing forest products, such as lumber.

An estimated \$49.2 million (40.5 percent) of expenditures was for activities that may support forest conservation and the production of forest products, but also support other program areas, such as the operation and maintenance of shared facilities and the use of forests for social and recreational activities.

An estimated \$7.3 million (6.0 percent) of expenditures was for activities that are not directly related to forestry. Of this amount, \$5.0 million (68.4 percent) was for aids in lieu of taxes paid to local governments for DNR-owned wildlife, parks, and fisheries property. These aids are paid to local governments to compensate them for the property taxes they would have collected if the land had been privately owned.

The remaining \$2.3 million in Forestry Account expenditures that was not directly related to forestry consists of a wide range of activities, such as administration of the Car-Killed Deer program, maintenance and development of public motorboat access sites, and research on chronic wasting disease.

DNR's administrative expenditures funded by the Forestry Account totaled an estimated \$25.9 million in FY 2016-17, and they represented 21.9 percent of all Forestry Account expenditures made by DNR.

Expenditures Made by Other State Agencies

Expenditures made from the Forestry Account by state agencies other than DNR increased from \$2.9 million in FY 2012-13 to \$3.0 million in FY 2016-17, or by 3.4 percent. In FY 2016-17, five state agencies in addition to DNR spent Forestry Account funds. The Department of Agriculture, Trade and Consumer Protection accounted for \$1.7 million (56.7 percent) of the expenditures made by agencies other than DNR. It spent these funds to control forest pests, such as gypsy moths and emerald ash borers.

We found that the Forestry Account expenditures made by the Wisconsin Historical Society for staffing the Northern Great Lakes Visitor Center were not directly related to forestry. These expenditures totaled \$62,200 in FY 2016-17.

We also found the University of Wisconsin (UW) System did not comply with statutory requirements to limit to \$78,000 annually the amount of Forestry Account funds spent on the paper science program administered by UW-Stevens Point and to limit to 5.0 percent the amount of Forestry Account funds spent annually on administrative costs by the UW Center for Cooperatives. UW System Administration provided \$84,500 to UW-Stevens Point's paper science program in FY 2016-17, which is \$6,500 more than permitted by statutes, and the UW Center for Cooperatives spent \$20,300 on administrative expenses, or \$13,400 (194.2 percent) more than permitted by statutes.

Recommendations

We recommend the Department of Natural Resources comply with s. 25.29 (7) (b), Wis. Stats., by spending 4.0 percent of annual funds provided in lieu of the mill tax to purchase forests in the 16-county region specified by statutes ([p. 30](#)).

We also recommend University of Wisconsin System Administration:

- ☑ comply with the spending requirements specified in s. 20.285 (1) (qm), by limiting to \$78,000 annually the amount it provides in Forestry Account funds to the paper science program administered by the University of Wisconsin-Stevens Point ([p. 44](#)); and
- ☑ ensure that the University of Wisconsin Center for Cooperatives spends no more than 5.0 percent of the total amount of annual Forestry Account funds it receives on administrative costs, as required by s. 36.56 (2), Wis. Stats. ([p. 44](#)).

■ ■ ■ ■

Introduction ■

The Wisconsin Constitution allows the State to appropriate funds for acquiring, preserving, and developing forestland through a tax on property, which is often referred to as the forestry mill tax. Through FY 2016-17, the Forestry Account was funded primarily by the forestry mill tax, which was the only property tax levied by the State. Other sources of funding for the Forestry Account include revenue generated by the sale of timber from state forests, sales from the State's tree nurseries, camping and entrance fees for state forests, and federal grants.

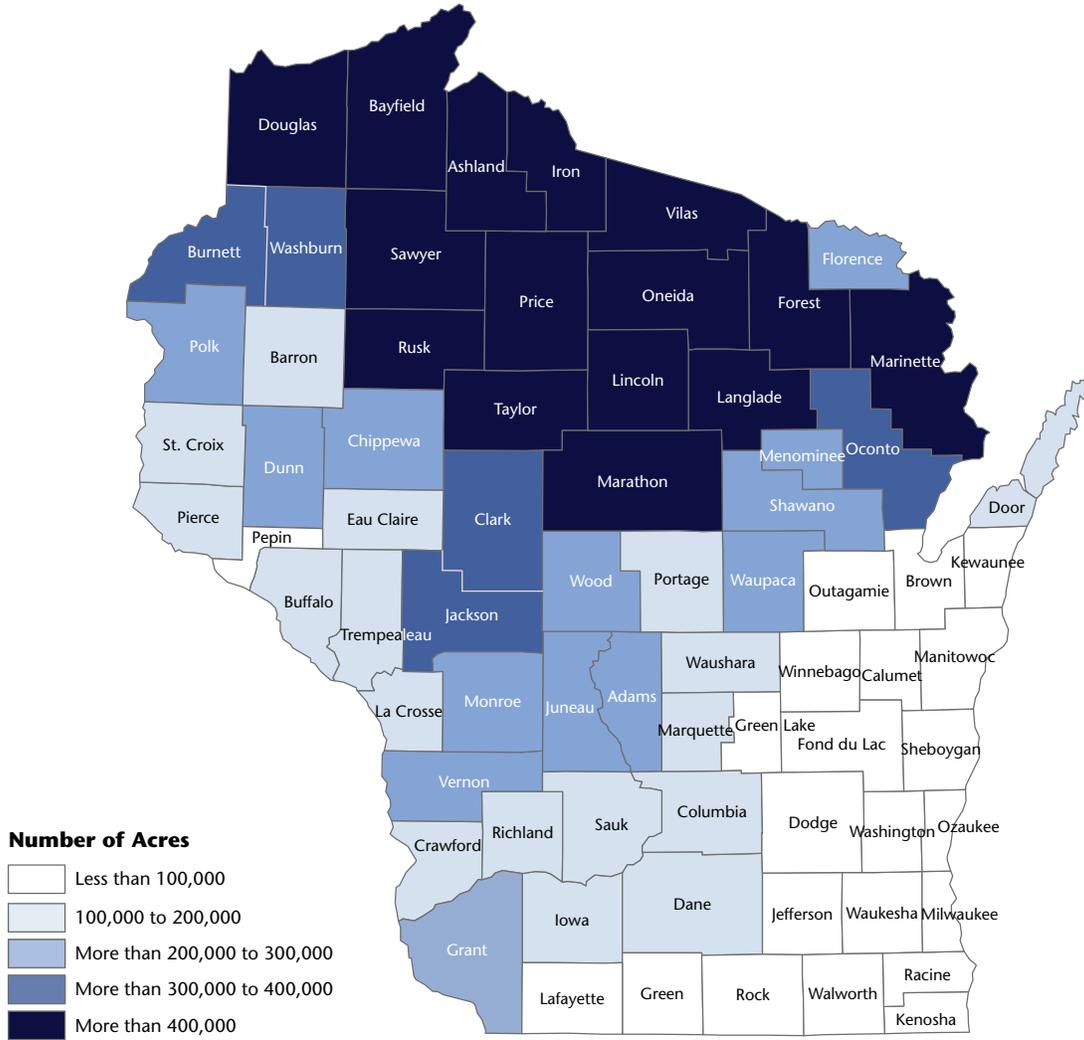
Wisconsin Forestland

The majority of forestland is located in the northern part of the state.

Private and publicly owned forests in Wisconsin support the economy through the production and sale of timber, provide recreational opportunities for residents and visitors, create habitat for numerous species of wildlife, and help to protect water resources. The amount of forestland in Wisconsin has increased since 1968, largely as the result of efforts to convert marginal agricultural land. As shown in Figure 2, the majority of Wisconsin forestland is located in the northern part of the state.

Figure 2

**Acres of Forestland
2017**



The State owns approximately 1.2 million acres of forestland, or 7.0 percent of the total.

Approximately 70 percent of all forestland in Wisconsin is composed of hardwood trees, such as oak, maple, and birch, while approximately 30 percent is composed of softwood trees, such as pine, spruce, and fir. In 2017, 67.3 percent of Wisconsin’s 17.1 million acres of forestland was privately owned, primarily by individuals and families, as shown in Table 1. The State owns approximately 1.2 million acres of forestland, or 7.0 percent of the total. Forestland ownership in each county is shown in Appendix 1.

Table 1

Wisconsin Forestland Ownership¹
2017

	Number of Acres (in millions)	Percentage of Total
Private		
Individuals and Families	9.7	56.7%
Corporations	1.8	10.6
Subtotal	11.5	67.3
Government		
County and Municipal	2.4	14.0
Federal	1.6	9.4
State ²	1.2	7.0
Subtotal	5.2	30.4
Tribes	0.4	2.3
Total	17.1	100.0%

¹ Excludes approximately 2.0 million acres of forested property in urban areas that are known as urban forests.

² Includes 1.0 million acres of forestland owned by DNR and 200,000 acres owned by other state agencies.

Source: 2017 Forest Inventory and Analysis by the United States Forestry Service.

DNR manages state-owned forestland through two separate operational structures.

The State acquires forestland by purchasing it, including purchases made through the Warren Knowles-Gaylord Nelson Stewardship Program, and through donations. State-owned forestland is managed through two separate operational structures:

- northern state forest property, consisting of eight northern state forests and other state forestland, is managed primarily by DNR's Division of Forestry, which employs the majority of state staff engaged in public and private forestry management; and
- southern state forest property, consisting of two state forests and a state forest preserve, is managed primarily by personnel of the state park system.

In 2017, eight northern state forests accounted for 88.6 percent of state forest acreage.

As shown in Table 2, the eight northern state forests that comprise the northern forests accounted for 88.6 percent of state forest acreage in 2017. The Kettle Moraine State Forest, which is part of southern forests, consists of six noncontiguous parcels totaling 55,410 acres and accounted for 10.3 percent of state forest acreage.

Table 2

**Wisconsin State Forests
2017**

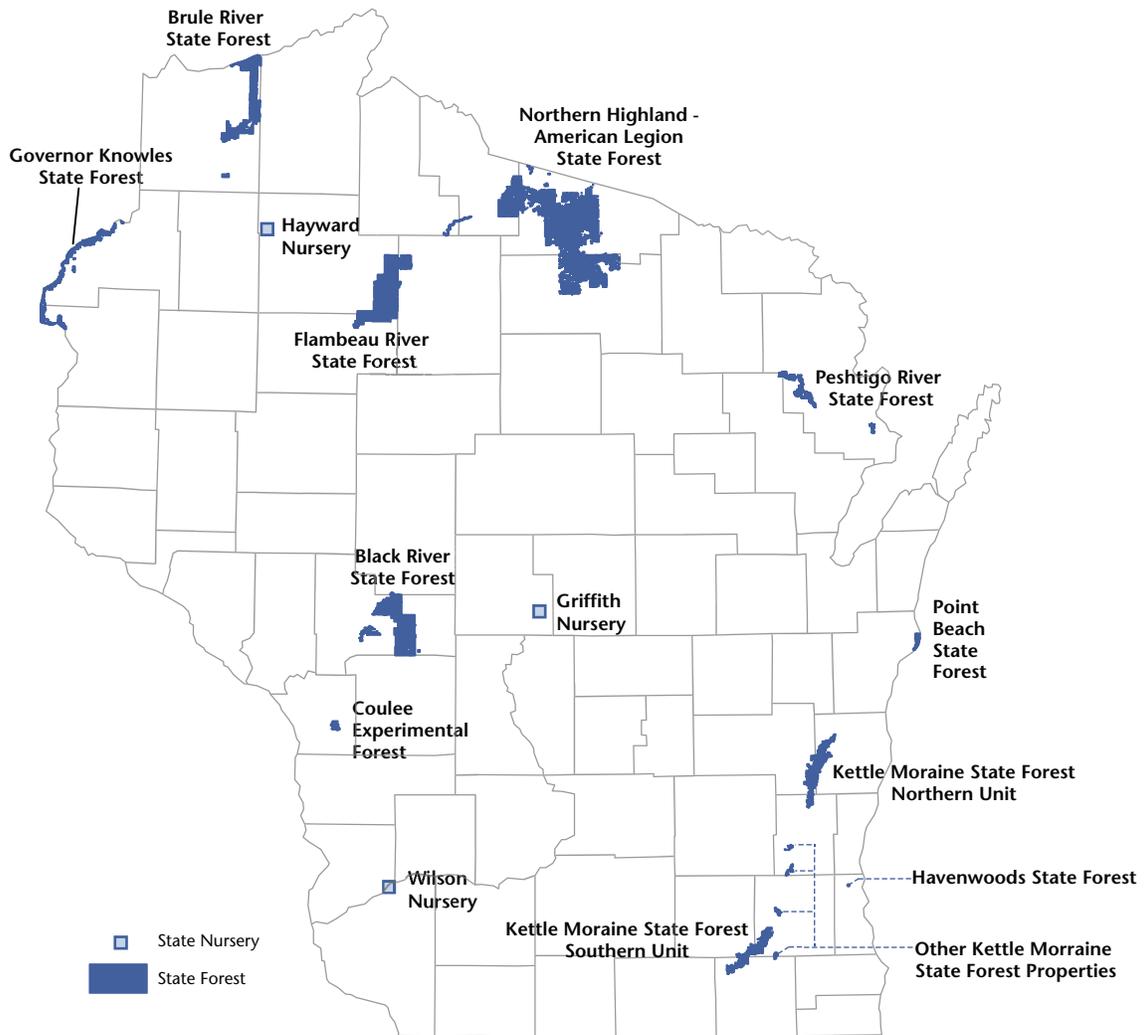
	Acreage	Percentage of Total
Northern Forests		
Northern Highland	174,203	32.3%
Flambeau River	91,172	16.9
Black River	68,690	12.8
American Legion	60,284	11.2
Brule River	47,463	8.8
Governor Knowles	21,154	3.9
Peshtigo River	11,142	2.1
Coulee Experimental	2,992	0.6
Subtotal Northern Forests	477,100	88.6
Southern Forests		
Kettle Moraine:		
Northern Unit	29,828	5.5
Southern Unit	21,631	4.0
Other Kettle Moraine Properties	<u>3,951</u>	<u>0.7</u>
Subtotal Kettle Moraine State Forest	55,410	10.3
Point Beach	2,943	0.5
Havenwoods	237	<0.1
Subtotal All Southern Forests	58,590	10.9
Other¹	2,994	0.5
Total	538,684	100.0%

¹ Includes properties such as demonstration forests and State-owned islands.

Figure 3 shows the location of Wisconsin’s state forests and DNR’s three tree nurseries, which are in Boscobel, Hayward, and Wisconsin Rapids. The nurseries produce and distribute seedlings for reforestation and conservation efforts.

Figure 3

Wisconsin State Forests and DNR Tree Nurseries



Department Reorganization

2017 Wisconsin Act 59 included an agency-wide reorganization of DNR's operations.

2017 Wisconsin Act 59 included an agency-wide reorganization of DNR's operations. The forestry program was removed from the Land and Forestry Program and established as a standalone division, and southern forests were placed within the newly created Division of Fish, Wildlife, and Parks. The Act also eliminated 10.0 FTE forestry and parks positions that were vacant. To comply with this provision, DNR eliminated 6.0 FTE forestry positions and 4.0 FTE parks positions.

As part of the reorganization, Act 59 required DNR to move the headquarters of the Chief State Forester to an existing DNR facility located north of State Highway 29 no later than January 1, 2018. In December 2017, the headquarters of the Chief State Forester was relocated from DNR's central office in Madison to a DNR service center located in Rhinelander. The Act also allows employees of the Division of Forestry who are located in DNR's central office in Madison to relocate to the new headquarters.

These moves are intended to enable DNR's forestry staff members to work more closely with the forestry industry, which is located primarily in the northern region of the state. By February 1, 2019, DNR is required to report to the co-chairpersons of the Joint Committee on Finance and the Governor on the number of staff members who have relocated.

The reorganization also consolidated credentialed law enforcement positions from DNR's state parks and forestry programs into the Bureau of Law Enforcement. In January 2018, DNR transferred 10.0 FTE positions from the Division of Forestry and 23.0 FTE positions from the Division of Fish, Wildlife, and Parks to the Bureau of Law Enforcement. DNR indicated this change was intended to reduce duplicative law enforcement efforts across program areas. Finally, Act 59 consolidated state park and recreational facilities management within the Division of Fish, Wildlife, and Parks. As a result of this change, 18.0 FTE positions from the Division of Forestry were transferred to the Division of Fish, Wildlife, and Parks.

In addition to changes directed by Act 59, the reorganization has also resulted in the establishment of a second deputy administrator for the Division of Forestry. One deputy, who is responsible for central forestry administrative matters, is stationed in Madison. Another deputy, who is responsible for forestry field operations, is stationed at the new headquarters in Rhinelander. Finally, the Division of Forestry was given sole responsibility for administering all of DNR's prescribed burning activities. A total of 7.0 FTE positions were transferred from other divisions to the Division of Forestry for this purpose.

Forestry Councils

Two forestry councils provide guidance to policy makers and DNR on forestry-related matters.

Two forestry councils provide guidance to policymakers and DNR administrators on forestry-related matters. Under s. 26.02, Wis. Stats., the Wisconsin Council on Forestry consists of 20 members, including four legislators, the Chief State Forester, private owners of forestland, and representatives of conservation interests, higher education, and the logging, lumber, and paper industries. All members are appointed by the Governor, who is also responsible for selecting the chairperson. Appendix 2 lists the members of the Wisconsin Council on Forestry as of May 2018.

The Wisconsin Council on Forestry is required to meet at least four times each year and to advise the Governor, the Legislature, DNR, and other state agencies as it deems appropriate on matters including the protection of forests from fire, insects, and disease; sustainable forestry; reforestation; management and protection of urban forests; increasing the public's knowledge and awareness of forestry issues; forestry research; increasing the economic development of, and employment in, the forestry industry; marketing and use of forest products; legislation on the management of forestland; and staffing and funding needs for state forestry programs.

The Wisconsin Urban Forestry Council was created by DNR to advise it on the best ways to preserve, protect, expand, and improve Wisconsin's urban and community forest resources. Urban forests are primarily managed for purposes such as storm water retention and mitigation, erosion control, wildlife habitat, energy conservation, improving human health, increasing property values, and attracting business, tourists, and residents. The bylaws of the Urban Forestry Council require it to meet at least quarterly and assist the Chief State Forester in the development and implementation of a state urban forestry plan, as well as assist all parties involved in urban forestry matters in coordinating activities in order to avoid duplication of effort.

The Urban Forestry Council is currently composed of 28 voting members appointed by the Secretary of DNR for three-year terms, as well as four ex-officio, non-voting members. The voting members include municipal and commercial arborists and representatives of relevant associations, organizations, institutions of higher education, local governments, utilities, the Department of Transportation, and the Department of Agriculture, Trade and Consumer Protection (DATCP). The Urban Forestry Council's ex-officio members include representatives of DNR and the United States Department of Agriculture. Appendix 3 lists the members of the Urban Forestry Council as of May 2018.

Concerns about the elimination of the forestry mill tax have been raised by both councils.

Concerns about the elimination of the forestry mill tax have been raised by both councils. 2017 Wisconsin Act 59, the 2017-19 Biennial Budget Act, eliminated the forestry mill tax beginning with property tax assessments as of January 1, 2017, and directed a transfer of GPR to the Forestry Account in an amount equal to what the forestry mill tax would have been. This amount was estimated to be \$89.3 million in FY 2017-18 and \$91.6 million in FY 2018-19.

In a May 2017 letter to the Joint Committee on Finance, the Wisconsin Council on Forestry expressed its concern about the loss of the forestry mill tax as a guaranteed funding source for the Forestry Account. It recommended the forestry mill tax be maintained through the 2017-19 biennium and that an audit be conducted to determine how Forestry Account funds are allocated.

In a November 2017 letter to the Chief State Forester, the Wisconsin Urban Forestry Council also raised concerns about the elimination of the forestry mill tax. Specifically, it raised concerns about potential competition with other programs for limited GPR funds. As a result, it requested a return of the forestry mill tax and its revenues as the primary source of Forestry Account funding.

In conducting this evaluation, we analyzed data on expenditures made by DNR and other agencies that received Forestry Account funds, and we interviewed DNR officials and field staff responsible for conducting forestry activities throughout the state. In addition, we interviewed industry, government, and environmental representatives appointed to the Wisconsin Council on Forestry and the chairperson of the Wisconsin Urban Forestry Council.

■ ■ ■ ■

Trends in Forestry Revenues, Expenditures, and Staffing ■

We analyzed trends in Forestry Account revenues and expenditures and found moderate growth in both. We also analyzed expenditures by type and purpose, changes in authorized staffing levels, and compliance with statutory spending and other requirements. We found that DNR has not complied with all statutory requirements associated with the expenditure of Forestry Account funds, such as spending at least 4.0 percent of annual forestry mill tax revenue on the purchase of forests in southeastern Wisconsin.

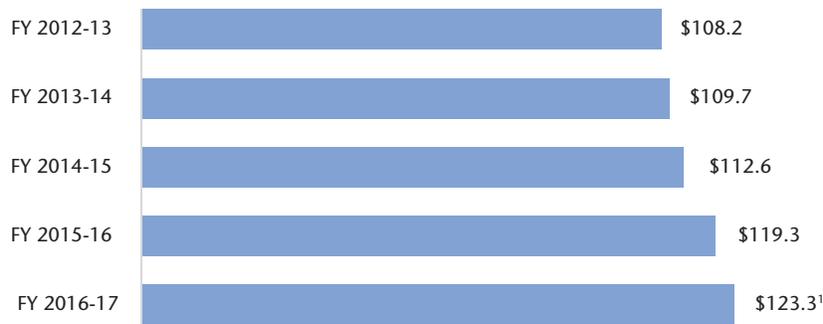
Forestry Account Funding

Forestry Account revenues increased from \$108.2 million in FY 2012-13 to an estimated \$123.3 million in FY 2016-17.

As shown in Figure 4, total Forestry Account revenues increased from \$108.2 million in FY 2012-13 to an estimated \$123.3 million in FY 2016-17, or by 14.0 percent. DNR annually produces a condition statement, which is a financial and management tool that provides a comprehensive overview of the revenues, expenditures, and balances of the funds, accounts, and programs DNR administers. In reviewing DNR's FY 2016-17 financial condition statement, we identified errors. Because DNR did not revise its condition statement by the time we completed our audit fieldwork in July 2018, the FY 2016-17 financial information for the Forestry Account is estimated.

Figure 4

Forestry Account Revenues
(in millions)



¹ Estimated because DNR's work on its FY 2016-17 condition statement was ongoing when we completed our audit fieldwork in July 2018.

The forestry mill tax accounted for more than 69.6 percent of total Forestry Account revenues in each year from FY 2012-13 through FY 2016-17.

As shown in Table 3, the forestry mill tax was the largest source of revenue for the Forestry Account. It represented more than 69.6 percent of total Forestry Account revenues in each year from FY 2012-13 through FY 2016-17. The next largest sources are federal revenue and revenue from the Managed Forest Law Program, which offers lower property tax obligations for private property owners in exchange for a commitment to implement sound forestry management practices. The program generates revenue primarily through fees paid by landowners who close their enrolled land to public access or who withdraw or transfer enrolled land. The remaining sources of revenue include timber sales from state forestland; license and permit fees paid for recreational use of State forests, such as camping fees; seasonal and daily trail user fees; conservation patron license fees; vehicle admission stickers required on motor vehicles that stop at designated sites within a state forest; and the sale of stock from state-owned tree nurseries.

Table 3

Forestry Account Revenues, by Source
(in millions)

Revenue Source	FY 2012-13	FY 2016-17 ¹	Percentage Change
Forestry Mill Tax	\$ 80.0	\$ 85.9	7.4%
Federal Revenue	8.3	10.3	24.1
Managed Forest Law Program Taxes and Fees ²	5.8	9.9	70.7
Timber Sales ³	6.4	8.5	32.8
Admission and Camping Fees ⁴	5.0	6.3	26.0
Nurseries Sales	1.7	1.1	(35.3)
Other Revenue ⁵	1.0	1.3	30.0
Total	\$108.2	\$123.3⁶	14.0

¹ Estimated because DNR's work on its FY 2016-17 condition statement was ongoing when we completed our audit fieldwork in July 2018.

² Represents fees paid by program participants who close their land to public access, fees paid for withdrawing or transferring land, and taxes on timber harvested in the program.

³ Includes revenue from the sale of timber from state forest land.

⁴ Includes camping fees, seasonal and daily trail user fees, conservation patron license fees, and vehicle admission stickers required on motor vehicles that stop at designated sites within a state forest.

⁵ Includes payments from other states, equipment rental fees, county forest loans and severance payments, and various sales and services, including fire suppression services and sales of camping firewood.

⁶ Includes \$677,400 in revenues that DNR has invoiced but not yet received payment.

2017 Wisconsin Act 59 created a \$5.0 million continuing appropriation within the Forestry Account for emergency situations.

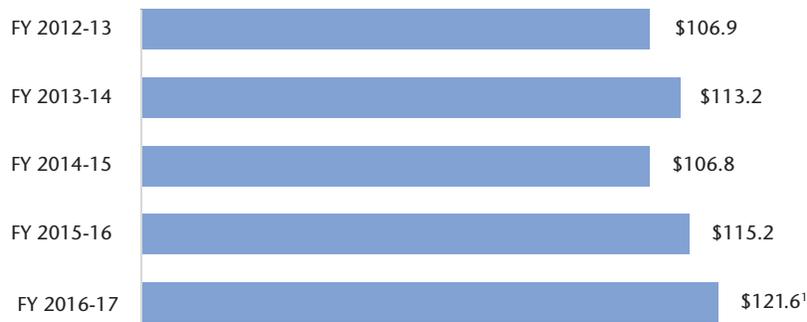
2017 Wisconsin Act 59, the 2017-19 Biennial Budget Act, created a \$5.0 million continuing appropriation within the Forestry Account for emergency situations. Section 20.370 (2) (cv), Wis. Stats., requires DNR to request approval from the Joint Committee on Finance in order to access these emergency funds. Funds may be requested when DNR determines that additional resources are needed to respond to significant issues, such as forest fires, disease, infestations, or other natural disasters affecting forests.

Forestry Account Expenditures

As shown in Figure 5, Forestry Account expenditures increased from \$106.9 million in FY 2012-13 to an estimated \$121.6 million in FY 2016-17, or by 13.8 percent.

Figure 5

Forestry Account Expenditures
(in millions)



¹ Estimated because DNR’s work on its FY 2016-17 condition statement was ongoing when we completed our audit fieldwork in July 2018.

Segregated revenue funded more than 92.9 percent of total Forestry Account expenditures in both FY 2012-13 and FY 2016-17.

To analyze forestry costs, we reviewed Forestry Account expenditures by funding source and expenditure type. Segregated revenue, which is primarily revenue from the forestry mill tax, funded more than 92.9 percent of total Forestry Account expenditures in both FY 2012-13 and FY 2016-17. As shown in Table 4, expenditures funded by segregated revenue increased 15.1 percent, from \$99.4 million in FY 2012-13 to an estimated \$114.3 million in FY 2016-17. Federal revenue also supported expenditures within the Forestry Account, including payments in lieu of taxes for national forest properties, fire suppression, and other forest management activities. For FY 2016-17, we estimate that the Forestry Account’s revenues exceeded its expenditures by \$1.7 million and that the balance in the Forestry Account at year end was \$30.8 million.

Table 4

Forestry Account Expenditures, by Funding Source

	FY 2012-13	FY 2016-17 ¹	Percentage Change
Segregated Revenue ²	\$ 99,354,600	\$114,313,100	15.1%
Federal Revenue	7,537,200	7,294,800	(3.2)
Total	\$106,891,800	\$121,607,900	13.8

¹ Estimated because DNR’s work on its FY 2016-17 condition statement was ongoing when we completed our audit fieldwork in July 2018.

² Generated primarily by the forestry mill tax.

As shown in Table 5, FTE Salaries and Wages was the largest single category of expenditures, but total non-personnel expenditures exceeded total personnel expenditures in both FY 2012-13 and FY 2016-17. The largest area of growth in terms of dollars was local aids, which increased by an estimated \$9.2 million (53.3 percent) during this period. This is largely the result of increased expenditures for aids in lieu of taxes to local governments.

Table 5

Forestry Account Expenditures, by Type

Expenditure Type	FY 2012-13	FY 2016-17 ¹	Percentage Change
Personnel Expenditures			
FTE Salaries and Wages	\$ 30,507,900	\$ 31,645,300	3.7%
Fringe Benefits	17,074,300	17,092,000	0.1
LTE Wages	3,739,200	4,422,900	18.3
Subtotal	51,321,400	53,160,200	3.6
Non-Personnel Expenditures			
Local Aids ²	17,278,100	26,481,600	53.3
Supplies and Services	22,938,000	26,000,500	13.4
Debt Service ³	15,232,300	15,466,400	1.5
Capital Projects ⁴	122,000	499,200	309.2
Subtotal	55,570,400	68,447,700	23.2
Total	\$106,891,800	\$121,607,900	13.8

¹ Estimated because DNR's work on its FY 2016-17 condition statement was ongoing when we completed our audit fieldwork in July 2018.

² Includes payments in lieu of taxes and other aids, county forest loans, and grants to private and county forest lands.

³ Includes debt service payments for the Warren Knowles-Gaylord Nelson Stewardship Program.

⁴ Includes expenditures for capital projects and finance charges.

Positions Funded by the Forestry Account

The number of authorized FTE positions in DNR funded by the Forestry Account declined 4.0 percent from FY 2012-13 to FY 2016-17.

Personnel expenditures made from the Forestry Account funded both permanent employees and limited-term employees (LTEs). As shown in Table 6, the total number of authorized FTE positions in DNR funded by the Forestry Account declined from 641.3 FTE positions in FY 2012-13 to 615.8 FTE positions in FY 2016-17, or by 4.0 percent. The largest decline in the number of positions was in forestry field operations, which experienced a decline of 20.5 FTE positions (6.0 percent). DNR attributes this decline, in part, to position reductions required by the 2013-15 and 2015-17 biennial budget acts. The largest increase was in state forest enforcement and recreation, which experienced a 6.0 FTE position increase (29.6 percent). DNR attributes this to increasing the use of FTE law

enforcement rangers for northern forests and discontinuing the use of LTE rangers for law enforcement purposes.

Table 6

Authorized FTE Positions Funded by the Forestry Account

	FY 2012-13	FY 2016-17	Percentage Change
Forestry and Direct Support			
Forestry Field Operations	340.5	320.0	(6.0)%
Southern Forest Operations ¹	43.3	41.4	(4.4)
Forestry Managers and Supervisors	60.5	60.0	(0.8)
Administrative Support	26.8	29.8	11.2
State Forest Enforcement and Recreation	20.3	26.3	29.6
Aeronautics and Equipment	13.0	13.0	0.0
Subtotal	504.4	490.5	(2.8)
Administration and Technology			
Finance	22.1	20.0	(9.5)
Human Resources	18.3	16.7	(8.7)
Information Technology	14.5	14.4	(0.7)
Legal Services	4.8	4.4	(8.3)
Management and Budget	4.2	2.6	(38.1)
General Administration	3.5	4.6	31.4
Subtotal	67.4	62.7	(7.0)
Customer Assistance and External Relations			
Customer Service and Licensing	11.7	11.6	(0.9)
Community Financial Assistance	7.8	6.1	(21.8)
Communication and Education Services	5.0	1.1	(78.0)
Customer Assistance and External Relations Administration	3.9	3.4	(12.8)
Subtotal	28.4	22.2	(21.8)
Other DNR Positions			
Facilities and Lands	32.1	32.9	2.5
Science Services	5.4	2.6	(51.9)
Endangered Resources	2.6	2.5	(3.8)
Environmental Analysis and Sustainability	–	1.5	–
Lands Program Management	1.0	0.9	(10.0)
Total Positions in DNR	641.3	615.8	(4.0)
Positions in Agencies Other than DNR	15.0	15.0	0.0
Total	656.3	630.8	(3.9)

¹ Southern forests are managed by personnel of the state park system.

Of the 630.8 FTE positions funded by the Forestry Account in FY 2016-17, 615.8 FTE positions (97.6 percent) were in DNR and 15.0 FTE positions (2.4 percent) were in other state agencies. Of the 15.0 FTE positions in other state agencies:

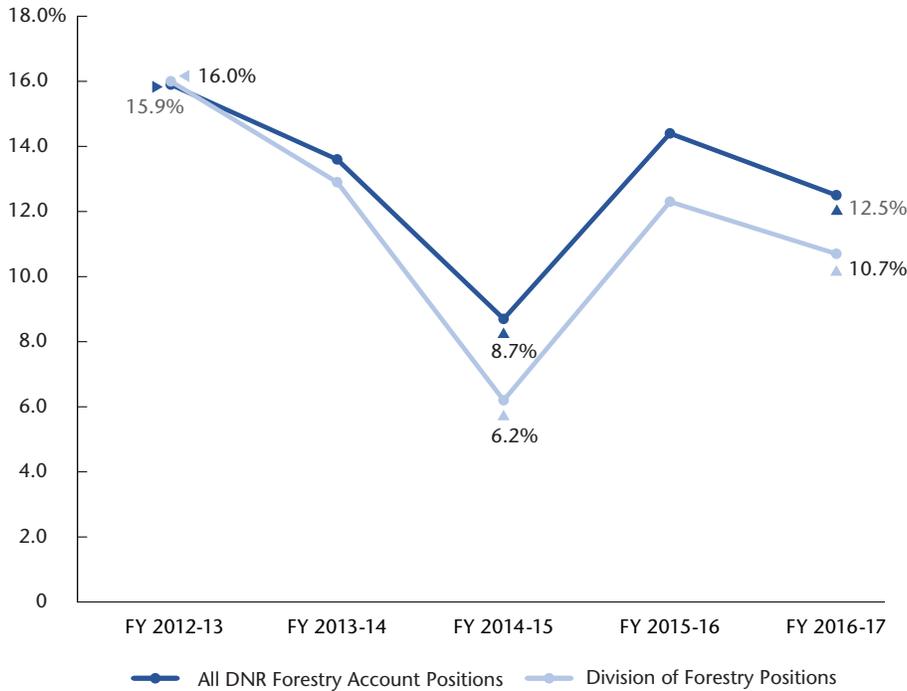
- 9.75 FTE employees were employed by DATCP and were primarily responsible for a variety of gypsy moth and other pest control activities;
- 2.75 FTE employees were employed by the Kickapoo Reserve Management Board and were primarily responsible for land management operations for the Kickapoo Valley Reserve, which is an 8,600-acre tract of public land located between the villages of La Farge and Ontario in southwestern Wisconsin that is used primarily for public recreation;
- 1.0 FTE employee was employed by the Wisconsin Historical Society and was responsible for visitor reception and information services at the Northern Great Lakes Visitor Center;
- 1.0 FTE employee was employed by the University of Wisconsin-Stevens Point and was responsible for the management of its paper science laboratory; and
- 0.5 FTE employee was employed by the Lower Wisconsin State Riverway Board and was responsible for land management operations for the Lower Wisconsin Riverway, which issues permits for timber harvests and agriculture activities on land bordering the Wisconsin River.

In FY 2016-17, the vacancy rate for all DNR positions funded by the Forestry Account was 12.5 percent.

We analyzed vacancy rates for DNR positions funded by the Forestry Account. Vacancy rates were calculated by dividing the number of unfilled positions by the number of authorized positions during each fiscal year. As shown in Figure 6, the vacancy rate for all DNR positions funded by the Forestry Account decreased from a high of 15.9 percent in FY 2012-13 to a low of 8.7 percent in FY 2014-15. In FY 2016-17, the vacancy rate for all DNR positions funded by the Forestry Account was 12.5 percent. The vacancy rate for positions within the Division of Forestry followed a similar trend, but for each year after FY 2012-13 the vacancy rate for these positions was lower than the vacancy rate for all positions funded by the Forestry Account.

Figure 6

Vacancy Rates for DNR Positions Funded by the Forestry Account



DNR indicated it has maintained Forestry Account position vacancies as a strategy to manage Forestry Account costs and stay within budgeted expenditure levels. However, DNR did not meet its goal of maintaining a vacancy rate of 5.0 percent or less for Forestry Account-funded positions in any year from FY 2012-13 through FY 2016-17. The vacancy rate was never below 8.7 percent during this period.

The number of positions that LTE work hours represented increased from 175.5 FTE positions in FY 2012-13 to 206.5 FTE positions in FY 2016-17.

In addition to permanent positions, the Forestry Account funded many LTEs. To help facilitate an understanding of the hours worked by LTEs, we converted LTE work hours into FTE positions. As shown in Table 7, the number of FTE positions that LTE work hours represented increased 17.7 percent, growing from 175.5 FTE positions in FY 2012-13 to 206.5 FTE positions in FY 2016-17. DNR indicated that the increased use of LTEs was largely the result of a temporary hiring freeze imposed on permanent employee recruitment that DNR initiated as it completed an internal reorganization.

Table 7

LTE Work Effort Represented in FTE Positions

	FY 2012-13	FY 2016-17	Percentage Change
Division of Forestry	93.6	108.3	15.7%
Southern Forests ¹	40.3	56.3	39.7
Science Services	18.9	17.9	(5.3)
Facilities and Lands	11.7	9.6	(17.9)
Department-wide Customer Assistance and Employee Services	7.6	10.1	32.9
Department-wide Administration and Technology	3.4	4.3	26.5
Total	175.5	206.5	17.7

¹ Southern forests are managed by personnel of the state park system.

Section 230.26, Wis. Stats., authorizes the creation of LTE appointments for less than 1,040 hours per year. Section ER 10.01, Wis. Adm. Code, further provides that the total time worked in any one position by an individual LTE may not exceed 1,039 hours of employment during a 12-month period.

We reviewed information from the most recent 12-month period from May 2017 through April 2018, to determine whether Division of Forestry LTEs had exceeded the 1,039-hour limit since the anniversary dates of their respective appointments. Of the 589 LTEs who reported time during our review period, we found only two LTEs (0.3 percent) had exceeded the 1,039-hour limit: one by 11.9 hours and the other by 1.0 hour.

Protective Occupation Status

State employees whose principal duties involve active law enforcement or active fire suppression or prevention are eligible for protective status.

Certain state and local government employees who participate in the Wisconsin Retirement System are designated as protective occupation employees. Section 40.02 (48) (a), Wis. Stats., provides that employees whose principal duties involve active law enforcement or active fire suppression or prevention are eligible for protective status when these duties require a high degree of physical conditioning and expose them to a high degree of danger or peril. Chapter 680 of the Wisconsin Human Resources Handbook further stipulates that at least 51 percent of an employee's duties must meet these requirements in order to qualify for protective status.

Examples of state employees who have protective status are police officers, conservation wardens, and state forest rangers. The designation of protective status allows state employees to retire earlier than state employees without protective status. For example, the normal retirement age, which is the age when no age reduction factor is applied to an individual's formula pension benefit, is a minimum of 53 years for protective occupation employees and 65 years for most other state employees. However, the normal retirement age may be reduced if an employee's total years of creditable service in the Wisconsin Retirement System exceeds a certain threshold based on employment type. The minimum retirement age, when employees may retire with reduced benefits, is 50 years for protective occupation employees and 55 years for other state employees.

State foresters first received protective status in 1965, when the protective status designation was enacted for state employees. In June 2017, there were 452.6 FTE authorized positions within the Division of Forestry. Of these, 259.0 FTE positions (57.2 percent) had protective status because they were determined to have met the statutory criteria for such status. DNR officials indicated that all 259.0 FTE positions included primary job duties associated with fire suppression, fire prevention, or law enforcement.

In December 2017, protective status was extended to an additional 12.0 FTE positions within the Division of Forestry.

DNR indicated that the number of state foresters with protective status has been fairly constant in recent years. However, the Department of Administration approved a request from DNR to extend protective status to an additional 12.0 FTE positions within the Division of Forestry in December 2017. This represents a 4.6 percent increase in the number of positions in the Division of Forestry with protective status. DNR indicated the job duties for these 12.0 FTE positions had changed, resulting in the positions meeting the statutory criteria for receiving protective status. These changes were the result of statutory changes in 2017 Wisconsin Act 59, which transferred sole responsibility for administering all of DNR's prescribed burning activities to the Division of Forestry.

Compliance with Statutory Requirements

We also analyzed the extent to which Forestry Account revenue was spent in compliance with four statutory requirements. First, since FY 2011-12, DNR has been required to spend in each fiscal year at least one-third of the amounts appropriated under s. 20.370 (7) (mc) and (mr), Wis. Stats., on town or county highways located within DNR properties or on roads used by a substantial number of visitors to DNR properties. These continuing appropriations were funded

with GPR from FY 2012-13 through FY 2014-15 and by segregated revenue from the Forestry Account in FY 2015-16 and FY 2016-17.

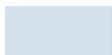
From FY 2012-13 through FY 2016-17, DNR was required to spend a total of \$3.6 million for town and county road projects and it spent \$3.8 million.

As shown in Table 8, DNR committed sufficient funds to road projects to meet the statutory spending requirement in every year except FY 2013-14 but spent less than the amount required in FY 2012-13 and FY 2015-16. However, over the entire five-year period we reviewed, DNR was required to spend a total of \$3.6 million to meet the required amount and it spent \$3.8 million. DNR indicated that the nature of these projects makes it difficult to consistently comply with the statutory requirement because road projects often take more than one year to complete. Therefore, some expenses for a project are not incurred in the year that funds are committed. Also, some projects are completed for less than the amount that had been projected.

Table 8

Compliance with Statutorily Required Expenditures for Town and County Road Projects

Fiscal Year	Required Expenditure Amount	Amount of Funds Committed	Actual Expenditures	Amount of Excess/ (Shortfall)	Percentage of Excess/ (Shortfall)
2012-13	\$ 886,000	\$887,900	\$861,600	\$ (24,400)	(2.8)%
2013-14	666,700	571,000	671,700	5,000	0.7
2014-15	666,700	721,900	772,300	105,600	15.8
2015-16	666,700	780,400	586,300	(80,400)	(12.1)
2016-17	666,700	712,900	907,600	240,900	36.1
Total	\$3,552,800			\$3,799,500	

 Indicates the statutory spending requirement for town and county road projects was not met.

Second, s. 25.29 (7) (a), Wis. Stats., requires DNR to use 8.0 percent of annual forestry mill tax revenue, or funds provided in lieu of the mill tax, to acquire and develop forests in a 16-county region of southeastern Wisconsin that consists of Calumet, Dodge, Fond du Lac, Jefferson, Kenosha, Manitowoc, Milwaukee, Outagamie, Ozaukee, Racine, Rock, Sheboygan, Walworth, Washington, Waukesha, and Winnebago counties. Third, s. 25.29 (7) (b), Wis. Stats., requires DNR to use 4.0 percent of annual forestry mill tax revenue, or funds provided in lieu of the mill tax, to purchase forests in the 16-county region.

We found that DNR was in compliance with an 8.0 percent annual expenditure requirement for acquiring and developing forests.

We reviewed expenditures from FY 2012-13 through FY 2016-17 that DNR indicated it made to acquire and develop forests in the 16-county region of southeastern Wisconsin. We reviewed the expenditures that DNR identified to determine whether they were consistent with this statutory requirement. Based on this review, we excluded two expenditures that we believe are not directly related to acquiring or developing forests. Excluding expenditures for the collection and disposal of car-killed deer and funding for the Forest Exploration Center, which is an education center located in Milwaukee County that is operated by a nonprofit organization, we found that DNR was in compliance with the 8.0 percent annual expenditure requirement because it spent more than 11.0 percent of forestry mill tax revenue to acquire and develop forests within the 16-county region in each of the five years we reviewed.

For four of the five years we reviewed, DNR was not in compliance with a 4.0 percent annual expenditure requirement for the purchase of forests.

However, we found that DNR was not in compliance with the 4.0 percent annual expenditure requirement for the purchase of forests in the 16-county region in southeastern Wisconsin for four of the five years from FY 2012-13 through FY 2016-17. As shown in Table 9, the percentage of forestry mill tax revenue DNR spent for the purchase of forests within the 16-county region decreased each year, declining from 4.9 percent in FY 2012-13 to 0.5 percent in FY 2016-17.

Table 9

Expenditures for the Purchase of Forests within the 16-County Region of Southeastern Wisconsin¹

	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Expenditures for the Purchase of Forests	\$3,896,900	\$2,962,700	\$1,692,700	\$ 875,100	\$ 470,500
4.0% of Total Forestry Mill Tax Revenue	3,201,500	3,176,000	3,254,000	3,332,100	3,433,900
Excess/(Shortfall)	695,400	(213,300)	(1,561,300)	(2,457,000)	(2,963,400)
Percentage Spent for the Purchase of Forests	4.9%	3.7%	2.1%	1.1%	0.5%

¹ Includes Calumet, Dodge, Fond du Lac, Jefferson, Kenosha, Manitowoc, Milwaukee, Outagamie, Ozaukee, Racine, Rock, Sheboygan, Walworth, Washington, Waukesha, and Winnebago counties.

Indicates that DNR did not comply with the 4.0 percent annual expenditure requirement for the purchase of forests under s. 25.29 (7) (b), Wis. Stats.

In attempting to measure its statutory compliance, DNR indicated that it does not differentiate between the requirement to spend 8.0 percent to acquire and develop forests in the 16-county region and the requirement to spend 4.0 percent to purchase forests in the 16-county region. Instead, it determines whether at least 12.0 percent of the revenue generated by the forestry mill tax was spent within the 16-county region for the purposes of acquiring, developing, and purchasing forests.

Using DNR’s approach, we found that from FY 2012-13 through FY 2016-17, DNR spent more than 12.0 percent of forestry mill tax funds to acquire, develop, and purchase land within the 16-county region defined by statutes.

However, excluding expenditures for the collection and disposal of car-killed deer and funding for the Forest Exploration Center, which are activities not directly related to land acquisition, development, or purchase, DNR’s approach did not achieve its 12.0 percent expenditure threshold for three of the five years we reviewed, as shown in Table 10.

Table 10

Percentage of Forestry Mill Tax Revenue Spent within the 16-County Region of Southeastern Wisconsin¹

	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Expenditures for Acquiring, Developing, and Purchasing Land ²	\$10,365,300	\$9,546,200	\$9,688,600	\$9,711,000	\$10,161,300
12.0 percent of Total Forestry Mill Tax Revenue	9,604,500	9,528,000	9,762,000	9,996,300	10,301,600
Excess/(Shortfall)	760,800	18,200	(73,400)	(285,300)	(140,300)
Percentage Spent for Acquiring, Developing, and Purchasing Land ²	13.0%	12.0%	11.9%	11.7%	11.8%

¹ Includes Calumet, Dodge, Fond du Lac, Jefferson, Kenosha, Manitowoc, Milwaukee, Outagamie, Ozaukee, Racine, Rock, Sheboygan, Walworth, Washington, Waukesha, and Winnebago counties.

² Excludes expenditures that are not directly related to land acquisition development, or purchase, including the collection and disposal of car-killed deer and funding for the Forest Exploration Center.

Indicates that DNR did not achieve the 12.0 percent expenditure threshold that it uses as its measure of statutory compliance with Forestry Account spending within the 16-county region of southeastern Wisconsin.

DNR’s goal of decreasing the overall amount of land it owns conflicts with a statutory directive to purchase additional forestland annually.

Although DNR indicated that it has a goal of decreasing the overall amount of land it owns, which is in conflict with the statutory directive to purchase additional forestland annually, it is required to comply with statutes and spend at least 4.0 percent of all forestry mill tax revenue, or funds provided in lieu of the mill tax, for the purchase of forests in the 16-county region.

Recommendation

We recommend the Department of Natural Resources comply with s. 25.29 (7) (b), Wis. Stats., by spending 4.0 percent of annual funds provided in lieu of the forestry mill tax revenue to purchase forests in the 16-county region specified by statutes.

Finally, 2015 Wisconsin Act 55, the 2015-17 Biennial Budget Act, included a nonstatutory provision requiring DNR to increase from 67 percent to 75 percent the amount of northern state forest property, excluding Governor Knowles State Forest, that it classifies as “forest production areas.” A forest production area is forestland for which the primary management objective is the production of timber and other forest products. Documentation provided by DNR indicates that 74.6 percent of northern state forest property is now classified as a forest production area. The largest proportional increase in a forest production area was in the Brule River State Forest, for which the forest production area was increased from 11,018 acres to 25,255 acres, or by 129.2 percent.

■ ■ ■ ■

Expenditures Categorized by Their Relationship to Forestry ■

We analyzed the extent to which Forestry Account expenditures made in FY 2016-17 were related to forestry activities. We estimate that 53.5 percent of expenditures was for activities that were primarily related to forestry, 40.5 percent of expenditures was for activities that support forestry in addition to other programs, and 6.0 percent of expenditures was for activities that were not directly related to forestry. We also found that an estimated \$25.9 million in Forestry Account expenditures made by DNR were for administration. Additionally, we found the expenditure of Forestry Account funds by UW System was not compliant with statutes and recommend that it spend the funds as required.

Categorizing Forestry Account Expenditures

In order to determine which expenditures were related to forestry, we reviewed current statutes that relate to the purpose of forestry in the state. Section 28.04 (2) (a), Wis. Stats., provides that DNR shall manage state forests to benefit current and future residents of Wisconsin. These benefits include soil protection, public hunting, protection of water quality, production of recurring forest products, outdoor recreation, native biological diversity, aquatic and terrestrial wildlife, and aesthetics. This broad statutory description reflects the numerous and diverse benefits that accrue from state forests.

Both the southern and northern forests provide similar and extensive recreational opportunities, such as camping, hiking, hunting, and fishing.

DNR manages the southern forests primarily for their recreational benefits. DNR considers them to be similar to state parks based on this recreational focus and provides for their management by personnel of the state park system. The northern forests also provide similar and extensive recreational opportunities, such as camping, hiking, hunting, and fishing. In describing the northern forests, DNR’s website regularly emphasizes their recreational aspects. For example, it states that the Brule River State Forest “offers exceptional recreational opportunities, including world-class trout fishing, river paddling, wildlife viewing, a 16-mile stretch of the North Country National Scenic Trail, [and] eight miles of Lake Superior shoreline”; and the Flambeau River State Forest “offers a variety of recreational opportunities” among which “canoeing is the most popular activity on the forest.”

DNR sells a significant amount of timber not only from state forests, but also from other DNR properties.

Many consider the production of forest products, such as timber, to be a key aspect of forestry. DNR sells a significant amount of timber from state forests, but also from other DNR properties, such as state parks and wildlife management areas. Of the 310,888 cords of wood that DNR sold from its properties in FY 2016-17, 61.8 percent was from state forests and 38.2 percent was from other DNR properties, as shown in Table 11.

Table 11

Timber Sales from DNR Properties
FY 2016-17

	Number of Cords	Percentage of Total
State Forests		
Northern Forests	183,381	59.0%
Southern Forests	8,703	2.8
Subtotal	192,084	61.8
Other DNR Properties		
Wildlife Management Properties	49,823	16.0
Rivers and Resource Areas	26,072	8.4
Fisheries Management Properties	21,174	6.8
State Parks	11,423	3.7
State Natural Areas	10,312	3.3
Subtotal	118,804	38.2
Total	310,888	100.0%

Some state forests were established to protect the headwaters of Wisconsin rivers.

We also found that the original purpose behind the establishment of some state forests was not for forest conservation, production of forest products, or recreational opportunities. For example, DNR's website states that the Northern Highland State Forest, which is the largest state forest, and the American Legion State Forest, which is the fourth-largest state forest, were established in 1925 to protect the headwaters of the Wisconsin, Flambeau, and Manitowish rivers. As noted, because they are contiguous, DNR manages these two forests together as the Northern Highland-American Legion State Forest.

There is also administrative overlap among state forests, state parks, and other DNR property. For example:

- the headquarters for the Peshtigo River State Forest is located within Governor Thompson State Park;
- six designated State Natural Areas are located within Governor Knowles State Forest; and
- one of DNR's fish hatcheries is located within the Brule River State Forest.

We describe Forestry Account expenditures using three categories.

We considered these factors in determining how to describe Forestry Account expenditures and created three categories. These categories are:

- activities that are primarily related to forestry, in which we included those activities associated with the development and care of forests for the primary purpose of forest conservation or producing forest products, such as timber;
- activities that support forestry in addition to other programs, in which we included those activities that may support forest conservation and the production of forest products, but also support other program areas, such as the operation and maintenance of shared facilities, and the use of forests for their social and recreational value, such as for camping, hiking, hunting, and fishing; and
- activities that are not directly related to forestry, in which we included those activities having a primary purpose that does not involve supporting forest conservation, producing forestry products, or providing social or recreational activities within a state forest.

As shown in Table 12, we found FY 2016-17 expenditures from the Forestry Account included an estimated:

- \$65.1 million (53.5 percent) for activities that are primarily related to forestry, of which \$62.9 million was spent by DNR and \$2.2 million was spent by other state agencies;
- \$49.2 million (40.5 percent) for activities that support forestry in addition to other programs, of which \$48.4 million was spent by DNR and \$0.8 million was spent by other state agencies; and
- \$7.3 million (6.0 percent) for activities that are not directly related to forestry, of which \$7.2 million was spent by DNR and \$62,200 was spent by other state agencies.

A more detailed summary of Forestry Account expenditures by activity is provided in Appendix 4.

Table 12

Forestry Account Expenditures, by Activity
FY 2016-17

	Expenditures ¹	Percentage of Total
Activities That Are Primarily Related to Forestry		
Grants and Aid	\$ 19,086,100	15.7%
Forestland Management	12,178,700	10.0
Fire Control	11,072,800	9.1
Management of Forest Law Programs	6,849,700	5.6
Forestry Administration (including Southern Forests)	5,046,300	4.1
Public Outreach and Education	3,283,000	2.7
Tree Cultivation, Forest Health, and Ecology	3,127,800	2.6
Forestry Planning Teams	1,045,700	0.9
Nursery Operations	1,036,600	0.9
Analysis and Conservation Activities	175,400	0.1
Activities Conducted by Other State Agencies	2,197,500	1.8
Subtotal	65,099,600	53.5
Activities That Support Forestry in Addition to Other Programs		
Department-wide Administration and Support Services:		
Administration and Technology	9,940,500	8.2
Shared Facility Operations and Maintenance	8,495,200	7.0
Customer Assistance and External Relations	2,460,000	2.0
Debt Service ²	15,466,300	12.7
Forest Recreation	6,558,300	5.4
Support for Other DNR Activities ³	3,811,200	3.1
Urban Forestry ⁴	1,729,200	1.5
Activities Conducted by Other State Agencies	784,400	0.6
Subtotal	49,245,100	40.5
Activities That Are Not Directly Related to Forestry		
Activities Conducted by DNR	7,201,000	6.0
Activities Conducted by Other State Agencies	62,200	< 0.1
Subtotal	7,263,200	6.0
Total	\$121,607,900	100.0%

¹ Estimated because DNR's work on its FY 2016-17 condition statement was ongoing when we completed our audit fieldwork in July 2018.

² Includes \$13.5 million in debt service for the Warren Knowles-Gaylord Nelson Stewardship Program.

³ Includes support for areas such as parks and recreation, aeronautics, general master planning, and miscellaneous land management activities.

⁴ Addresses issues such as energy conservation, storm water retention and mitigation, wildlife habitat, and the public health benefits derived from healthy trees growing in urban areas.

DNR Administrative Expenditures

In FY 2016-17, DNR's administrative expenditures totaled an estimated \$25.9 million and represented 21.9 percent of all Forestry Account expenditures it made.

As shown in Table 13, DNR's administrative expenditures funded by the Forestry Account totaled an estimated \$25.9 million in FY 2016-17, and they represented 21.9 percent of all Forestry Account expenditures made by DNR. These expenditures include an estimated \$20.9 million in department-wide administrative and support services, which are primarily overhead costs, such as expenditures for centralized human resources and information technology functions that DNR allocated to the Forestry Account and its other funding sources based on a formula, and an estimated \$5.0 million in administrative expenditures for forestry activities charged directly to the Forestry Account.

The percentage of DNR's Forestry Account expenditures made for administration declined since our prior audit in 2002.

The percentage of DNR's Forestry Account expenditures made for administration declined since our prior audit in 2002 (report 02-2), decreasing from 27.8 percent in FY 2000-01 to 21.9 percent in FY 2016-17. This is because total Forestry Account expenditures made by DNR increased by an estimated 76.6 percent while administrative expenditures increased by an estimated 38.9 percent. The result is a net decrease in the percentage of total expenditures that administrative costs represent. Some of the largest areas of growth in Forestry Account expenditures made by DNR from FY 2000-01 to FY 2016-17 include:

- debt service, which increased by an estimated \$12.1 million (356.7 percent);
- grants and aid, which increased by an estimated \$11.7 million (159.0 percent); and
- activities not directly related to forestry, which increased by an estimated \$5.9 million (470.6 percent).

Table 13

DNR Administrative Expenditures Funded by the Forestry Account
FY 2016-17

	Expenditures ¹	Percentage of Total
Department-wide Administration and Support Services		
Administration and Technology:		
Finance	\$ 2,551,900	9.8%
Information Technology	2,496,300	9.6
General Administration	2,246,500	8.7
Human Resources	1,744,700	6.7
Legal Services	570,800	2.2
Management and Budget	330,300	1.3
Shared Facility Operations and Maintenance:		
General Operations and Maintenance	4,591,400	17.7
Facility Leasing	1,544,800	5.9
Purchase, Maintenance, and Rental of Equipment	870,200	3.3
Aeronautics Administration	788,600	3.0
Service Centers	482,700	1.9
Other ²	217,500	0.8
Customer Assistance and External Relations:		
Customer Service and Licensing	1,216,700	4.7
Community Financial Assistance	508,400	2.0
Customer Assistance and External Relations Management	429,700	1.7
Support for the Office of Communications	305,200	1.2
Subtotal	20,895,700	80.5
Forestry Administration		
General Forestry Administration (including Southern Forests)	1,521,900	5.9
Information Technology	1,391,400	5.4
Administration of Grants and Aid	1,387,800	5.4
Staff Development and Training	424,900	1.6
Nursery Administration	213,600	0.8
Contract Administration	106,700	0.4
Subtotal	5,046,300	19.5
Total	\$ 25,942,000	100.0%
Total Forestry Account Expenditures Made by DNR	\$118,563,800	
Percentage of DNR's Forestry Account Expenditures Made for Administration	21.9%	

¹ Estimated because DNR's work on its FY 2016-17 condition statement was ongoing when we completed our audit fieldwork in July 2018.

² Includes costs for engineering, regional headquarters, Wild Rivers Interpretive Center, McKenzie Environmental Center, and purchase of fuel for pool vehicles.

The percentage of department-wide administrative costs for administration and technology that were charged to the Forestry Account decreased slightly from 52.9 percent in FY 2012-13 to 51.4 percent in FY 2016-17. The Forestry Account shares most of these administrative costs with six other accounts in the Conservation Fund, including the All-Terrain Vehicle Account, the Boat Registration Account, the Fish and Wildlife Account, the Parks Account, the Snowmobile Account, and the Water Resources Account. Although also included in the Conservation Fund, DNR staff indicated they do not charge administrative costs to the Endangered Resources Account or the Natural Resources Magazine Account because these accounts have relatively low revenues and number of authorized FTE positions.

The Forestry Account paid 51.4 percent of all administration and technology costs charged to the Conservation Fund in FY 2016-17.

DNR indicated that those department-wide administrative costs that are allocated to the seven accounts of the Conservation Fund are allocated based largely on the proportion of total FTE positions that each account represents. In FY 2016-17, there were a total of 1,403.3 authorized FTE positions for the seven accounts, of which the Forestry Account accounted for 615.8 FTE positions (43.9 percent). DNR staff indicated that while the Forestry Account had 43.9 percent of the FTE positions, it was charged for 51.4 percent of administration and technology costs in FY 2016-17 because there is a statutory limit of 16.0 percent that can be charged to the Fish and Wildlife Account. Therefore, the Forestry Account is charged more to compensate for that limit.

DNR Activities Not Directly Related to Forestry

In FY 2016-17, DNR spent \$7.2 million on activities that were not directly related to forestry.

Some expenditures made by DNR from the Forestry Account are not directly related to forestry. These estimated expenditures represent \$7.2 million (6.1 percent) of the \$118.6 million in Forestry Account expenditures made by DNR in FY 2016-17. As shown in Table 14, an estimated \$5.0 million was for aids in lieu of taxes paid to local governments for DNR property that was not directly related to forestry, including wildlife property, parks property, and fisheries property. These aids are paid to local governments to compensate them for the property taxes they would have collected if the land had been privately owned.

Before 2003, aids in lieu of taxes were funded entirely from a sum-sufficient GPR appropriation. 2003 Wisconsin Act 33, the 2003-05 Biennial Budget Act, appropriated \$3.0 million from the Forestry Account to help support these aid payments. In subsequent biennia, the amounts statutorily required to be contributed by the Forestry Account to help fund aid payments increased. In

FY 2016-17, the Forestry Account was required to pay 50.0 percent of aids to municipalities for land acquired after December 31, 1991, with the remaining amount to be paid by GPR. We found that the Forestry Account paid 50.0 percent of these aids in FY 2016-17.

The remaining \$2.2 million that we estimate DNR spent from the Forestry Account that was not directly related to forestry funded a wide range of activities. Examples of estimated expenditures from the Forestry Account in FY 2016-17 that were not directly related to forestry include:

- \$403,300 to manage the Car-Killed Deer program;
- \$116,800 for maintenance and development of public motorboat access sites on state lands;
- \$88,200 for a chronic wasting disease research project;
- \$67,000 for work on the DNR pheasant hatchery and the State Game Farm;
- \$60,300 for work associated with the preservation of the Karner blue butterfly;
- \$24,900 for a study of fish genetics;
- \$23,000 for the Deer Management Assistance Program;
- \$22,900 for well repair at a fish hatchery; and
- \$12,700 for elk research.

Table 14

DNR Expenditures Not Directly Related to Forestry
FY 2016-17

	Expenditures ¹	Percentage of Total
Aids in Lieu of Taxes		
Wildlife Properties	\$2,338,000	32.5%
Park Properties	1,861,000	25.8
Fisheries Properties	762,700	10.6
Other Non-Forest Properties	7,200	0.1
Subtotal	4,968,900	69.0
Other Activities		
Facilities and Lands	554,100	7.7
Science Services	505,700	7.0
Car-Killed Deer	403,300	5.6
Wildlife Management	311,000	4.3
National Heritage Inventory	139,500	1.9
Wisconsin State Fair	108,100	1.5
Fisheries Management	85,400	1.2
Endangered Resources Management	60,400	0.9
Water Resources Management	28,300	0.4
Unspecified Assistance to Other DNR Divisions	28,000	0.4
Air Management	8,300	0.1
Subtotal	2,232,100	31.0
Total	\$7,201,000	100.0%

¹ Estimated because DNR's work on its FY 2016-17 condition statement was ongoing when we completed our audit fieldwork in July 2018.

2015 Wisconsin Act 55, the 2015-17 Biennial Budget Act, authorized the Car-Killed Deer program to be funded through the Forestry Account. It had previously been funded with a combination of segregated revenue from the Fish and Wildlife Account of the Conservation Fund and GPR. The Car-Killed Deer program was transferred to the Department of Transportation by 2017 Wisconsin Act 59, the 2017-19 Biennial Budget Act, beginning in FY 2017-18.

Forestry Account Expenditures Made by Other State Agencies

In FY 2016-17, the Forestry Account funded activities in five other state agencies.

Although DNR made the majority of Forestry Account expenditures, the Forestry Account also funded activities in five other state agencies in FY 2016-17. Expenditures made from the Forestry Account by agencies other than DNR increased from \$2.9 million in FY 2012-13 to \$3.0 million in FY 2016-17, or by 3.4 percent. As shown in Table 15, DATCP made the largest expenditures from the Forestry Account by an agency other than DNR. DATCP's expenditures represented more than 50.0 percent of all expenditures made by other agencies in both FY 2012-13 and FY 2016-17. The Department of Tourism had no expenditures in FY 2016-17 because the Kickapoo Reserve Management Board, which was attached to the Department of Tourism in FY 2012-13, was made an independent agency in FY 2015-16.

Table 15

Forestry Account Expenditures by State Agencies Other Than DNR

Agency	FY 2012-13	FY 2016-17
DATCP	\$1,641,300	\$1,661,100
Kickapoo Reserve Management Board ¹	–	729,500
UW System	456,200	536,400
Wisconsin Historical Society	58,700	62,200
Lower Wisconsin State Riverway Board	48,400	54,900
Department of Tourism	710,700	–
Total	\$2,915,300	\$3,044,100

¹ Before FY 2015-16, the Kickapoo Reserve Management Board was administratively attached to the Department of Tourism.

We found that the Forestry Account expenditures made by the Wisconsin Historical Society were not directly related to forestry.

We reviewed the activities funded by the Forestry Account during FY 2016-17 for each of the five agencies. As shown in Table 16, four of the five agencies made Forestry Account expenditures for activities that supported forestry. We found that only the Forestry Account expenditures made by the Wisconsin Historical Society were not directly related to forestry. Expenditures for the activities of all five agencies were authorized by 2015 Wisconsin Act 55, the 2015-2017 Biennial Budget Act.

Table 16

Forestry Account Expenditures by State Agencies Other Than DNR
FY 2016-17

Agency	Funded Activities	Relationship of Funded Activities to Forestry
DATCP	Gypsy Moth Suppression and Other Pest Control	Primarily Related to Forestry
Kickapoo Reserve Management Board	Board Operations and Payments in Lieu of Taxes	Support Forestry in Addition to Other Programs
UW System	Grants to Support Environmental Education Programs; Paper Science Program at UW-Stevens Point; and Cooperative Forestry Grants	Primarily Related to Forestry
Wisconsin Historical Society	Funding for 1.0 FTE Position for the Northern Great Lakes Visitor Center	Not Directly Related to Forestry
Lower Wisconsin State Riverway Board	Board Operations	Support Forestry in Addition to Other Programs

In FY 2016-17, DATCP spent \$1.7 million from the Forestry Account for pest control activities.

In FY 2016-17, DATCP spent \$1.7 million from the Forestry Account for a variety of pest control activities, including pesticide application to mitigate gypsy moths and emerald ash borers, outreach and education efforts associated with pest control, lumber and firewood quarantines, and pest inspections at tree nurseries.

In FY 2016-17, Forestry Account expenditures made by the Kickapoo Reserve Management Board totaled \$729,500. Of this amount, \$424,700 was used to support 48.1 percent of the Board’s operating costs, and \$304,800 was for payments in lieu of taxes to local governments for public land overseen by the Board. The Board manages recreational opportunities and land resources, including timber harvests, for approximately 8,600 state-owned acres in Vernon County. Approximately 60 percent of these acres are forested.

In FY 2016-17, the Forestry Account funded UW System activities totaling \$536,400.

In FY 2016-17, the Forestry Account funded activities totaling \$536,400 within UW System, including \$399,100 for grants awarded by the Wisconsin Environmental Education Board, \$87,300 for the paper science program at UW-Stevens Point, and \$50,000 for the UW Center for Cooperatives.

The Wisconsin Environmental Education Board awards forestry grants to communities, schools, and organizations for environmental education programs. These forestry grants were intended to facilitate student learning about sustainable forestry practices and careers in the forest industry. The Board, which was eliminated in July 2017, spent \$399,100 for forestry grants in FY 2016-17, including funds it had encumbered in prior years.

Under s. 20.285 (1) (qm), Wis. Stats., the paper science program at UW-Stevens Point is required to be provided annually with \$78,000 from the Forestry Account. We found that in FY 2016-17, UW System Administration provided \$84,500 from the Forestry Account to the paper science program at UW-Stevens Point, which is \$6,500 more than permitted by statute. UW-Stevens Point used these funds along with \$2,800 it had encumbered from the prior year to fund the manager of a paper mill training facility who is responsible for ensuring the safety of students. Although UW System Administration indicated that it provided additional Forestry Account funds as wage adjustments for this manager, we found that it lacked the statutory authority to exceed the \$78,000 in Forestry Account funds specified by s. 20.285 (1) (qm), Wis. Stats.

The UW Center for Cooperatives is an interdisciplinary center supported by UW-Madison and UW-Extension. Of the \$50,000 in Forestry Account funds the Center was provided in FY 2016-17, \$29,700 was spent on grants to forest cooperatives and \$20,300 was spent on the Center's administrative expenses. Grants to forest cooperatives, which are primarily formed by private, non-industrial land owners, supported activities such as sustainable forest management workshops and the removal of invasive species from woodlands.

In FY 2016-17, the UW Center for Cooperatives exceeded by \$13,400 the statutory limit on administrative expenses paid by the Forestry Account.

Section 36.56 (2), Wis. Stats., limits to 5.0 percent the amount of Forestry Account funds that the Center may spend for its administrative expenses under s. 20.285 (1) (qm), Wis. Stats. In FY 2016-17, Forestry Account expenditures from the appropriation made under s. 20.285 (1) (qm), Wis. Stats., totaled \$137,300. Therefore, the administrative expenses permitted to be charged to the Forestry Account by the Center were limited to \$6,900 (5.0 percent). However, we found that the Center spent \$20,300 (14.8 percent) in Forestry Account funds for its FY 2016-17 administrative expenses, or \$13,400 (194.2 percent) more than authorized by statute.

☑ Recommendation

We recommend University of Wisconsin System Administration:

- *comply with the spending requirements specified in s. 20.285 (1) (qm), Wis. Stats., by limiting to \$78,000 annually the amount it provides in Forestry Account funds to the paper science program administered by the University of Wisconsin-Stevens Point; and*
- *ensure that the University of Wisconsin Center for Cooperatives spends no more than 5.0 percent of the total amount of annual Forestry Account funds it receives on administrative expenses, as required by s. 36.56 (2), Wis. Stats.*

UW System Administration indicated it agrees with both of our recommendations.

UW System Administration indicated it agrees with both of our recommendations. It noted that the funds it provided to UW-Stevens Point have increased over time to reflect pay plan increases. As part of its 2019-21 biennial budget request, UW System Administration plans to seek a statutory change to remove the specific amount to be provided to UW-Stevens Point. In addition, it indicated that the new executive director of the UW Center for Cooperatives is aware of the 5.0 percent statutory limitation on administrative expenses and will ensure its compliance with this requirement in FY 2018-19.

In FY 2016-17, the Wisconsin Historical Society spent \$62,200 from the Forestry Account to fund 1.0 FTE position at the Northern Great Lakes Visitor Center located near Ashland. This position is primarily responsible for responding to visitor inquiries about regional tourism opportunities, heritage issues, and museum exhibits, as well as coordinating the use of the Center's theatre auditorium.

Finally, the Lower Wisconsin State Riverway Board spent \$54,900 in Forestry Account funds in FY 2016-17 to support 25.0 percent of its operational costs. The Board regulates land use for approximately 95,000 acres of public and private property surrounding 92 miles of the lower Wisconsin River in Columbia, Crawford, Dane, Grant, Iowa, Richland, and Sauk counties. As part of its responsibilities, the Board administers a system of performance standards designed to protect the aesthetic integrity of the Lower Wisconsin State Riverway. It requires permits for activities such as construction and timber harvesting.

Stewardship Debt Service

Since 2011-12, the Forestry Account has contributed \$13.5 million annually for Stewardship Program debt service payments.

Under the Warren Knowles-Gaylord Nelson Stewardship Program, DNR uses proceeds from general obligation bonds to purchase and develop natural areas and to award grants to local governments and nonprofit organizations for the purchase and development of natural areas. Appropriations from the Forestry Account fund a portion of debt service payments for these purchases and awards. Under 2005 Wisconsin Act 25, the 2005-07 Biennial Budget Act, the Forestry Account was directed to annually provide \$13.5 million on an ongoing basis. This amount has been supplemented with additional Forestry Account funds at times, but it has totaled \$13.5 million annually since FY 2011-12.

As shown in Table 17, from FY 2012-13 through FY 2016-17, the Stewardship Program made \$397.7 million in debt service payments. The Forestry Account funded 17.0 percent of these payments. We attempted to determine the amount of debt payments made for principal and interest costs associated with forest acquisition and development over this period but could not because DNR does not maintain the specific information needed to do so.

Table 17

Source of Revenue for Stewardship Debt Service Costs (in millions)

Fiscal Year	General Purpose Revenue	Forestry Account	Land Sale Proceeds	Total Debt Service Amount
2012-13	\$ 66.3	\$13.5	–	\$ 79.8
2013-14	73.5	13.5	\$2.0	89.0
2014-15	55.8	13.5	0.3	69.6
2015-16	61.2	13.5	0.7	75.4
2016-17	70.4	13.5	–	83.9
Total	\$327.2	\$67.5	\$3.0	\$397.7

To assess the extent to which Forestry Account expenditures spent through the Stewardship Program benefit forestry, we analyzed property acquisition and easement expenditures made for forestland from Stewardship funds from FY 2012-13 through FY 2016-17. Information provided by DNR indicated that it spent a total of \$111.6 million through the Stewardship Program to acquire land and

easements over this period, with at least \$46.4 million (41.6 percent) spent to acquire land and easements for northern forests and county forests. Of the \$111.6 million in Stewardship funds spent, \$37.0 million (33.2 percent) was spent by local governments and nonprofit organizations for which DNR did not have data indicating the type of land purchased.

■ ■ ■ ■

Appendices ■

Appendix 1

Ownership of Wisconsin Forestland, in Acres
2017

County	Private Individual	County and Municipal	Corporate	Federal	State	Tribes	Total
Adams	188,650	1,659	42,239	803	9,240	–	242,591
Ashland	167,548	43,181	24,935	185,657	15,250	–	436,571
Barron	152,096	8,937	6,730	–	–	–	167,763
Bayfield	258,624	162,497	79,347	266,573	17,656	13,461	798,158
Brown	42,890	11,512	2,712	–	3,916	3,023	64,053
Buffalo	165,393	–	19,094	7,540	4,990	–	197,017
Burnett	204,956	89,546	22,722	–	56,301	8,072	381,597
Calumet	17,614	–	13,952	–	–	–	31,566
Chippewa	216,294	30,496	8,761	–	11,538	–	267,089
Clark	190,040	130,747	8,251	–	–	–	329,038
Columbia	85,773	–	5,994	–	12,113	–	103,880
Crawford	129,767	–	14,774	6,900	14,930	–	166,371
Dane	84,246	4,649	6,386	–	10,310	–	105,591
Dodge	41,942	–	5,605	–	1,551	–	49,098
Door	125,758	–	14,595	–	21,746	–	162,099
Douglas	274,570	257,255	72,758	–	58,280	–	662,863
Dunn	203,821	–	12,292	–	14,653	–	230,766
Eau Claire	108,552	53,192	2,991	–	–	3,255	167,990
Florence	106,094	34,102	60,855	79,085	12,266	–	292,402
Fond du Lac	24,634	–	5,281	–	11,504	–	41,419
Forest	116,488	8,956	91,048	343,157	14,784	14,289	588,722
Grant	161,871	–	19,291	10,967	11,257	–	203,386
Green	42,481	–	1,390	–	1,965	–	45,836
Green Lake	38,694	–	9,989	–	–	–	48,683
Iowa	132,569	–	10,990	–	13,395	–	156,954
Iron	120,212	168,586	64,005	–	74,323	14,010	441,136
Jackson	172,193	107,526	33,525	–	60,877	1,687	375,808
Jefferson	43,901	2,303	2,303	–	7,883	–	56,390
Juneau	174,280	20,353	7,907	53,302	19,612	–	275,454
Kenosha	8,634	3,023	7,426	–	3,102	–	22,185
Kewaunee	25,249	–	–	–	974	–	26,223
La Crosse	123,705	5,589	6,576	5,257	3,190	–	144,317
Lafayette	48,003	–	6,559	–	2,651	–	57,213
Langlade	171,443	123,499	69,066	36,287	15,161	–	415,456
Lincoln	231,528	93,222	80,120	–	16,513	–	421,383
Manitowoc	75,900	–	10,418	–	11,665	–	97,983

County	Private Individual	County and Municipal	Corporate	Federal	State	Tribes	Total
Marathon	365,443	56,790	40,342	728	9,403	–	472,706
Marinette	393,359	233,644	62,732	502	30,823	–	721,060
Marquette	125,544	893	4,895	–	6,620	–	137,952
Menominee	1,259	–	–	–	–	227,712	228,971
Milwaukee	2,533	9,610	–	–	–	–	12,143
Monroe	201,598	12,821	19,995	54,665	8,807	–	297,886
Oconto	181,014	38,480	6,843	126,251	3,223	–	355,811
Oneida	255,328	91,859	164,259	10,080	93,996	–	615,522
Outagamie	51,693	–	6,265	–	4,234	6,229	68,421
Ozaukee	11,924	3,427	4,191	–	3,255	–	22,797
Pepin	51,341	1,978	4,479	–	8,837	–	66,635
Pierce	91,079	646	10,490	–	4,989	–	107,204
Polk	221,276	25,026	18,054	–	19,066	–	283,422
Portage	156,369	3,211	6,225	–	17,557	–	183,362
Price	379,266	57,112	59,717	116,435	26,200	–	638,730
Racine	14,638	–	3,548	–	2,252	–	20,438
Richland	149,736	–	11,546	–	8,879	–	170,161
Rock	61,194	1,403	5,687	–	3,102	–	71,386
Rusk	261,137	79,059	59,461	–	13,565	–	413,222
Sauk	138,028	–	38,046	–	22,425	–	198,499
Sawyer	183,884	118,849	100,742	118,778	65,589	70,229	658,071
Shawano	220,540	2,550	31,612	6,197	8,691	14,739	284,329
Sheboygan	52,167	4,970	7,313	–	12,830	–	77,280
St. Croix	114,495	803	7,795	5,359	5,890	–	134,342
Taylor	257,732	16,248	12,958	118,295	–	–	405,233
Trempealeau	147,723	4,188	8,398	–	1,455	–	161,764
Vernon	198,948	1,926	13,236	2,651	15,367	–	232,128
Vilas	141,245	50,514	80,013	57,681	146,642	30,089	506,184
Walworth	32,842	277	768	–	16,571	–	50,458
Washburn	205,992	140,215	36,188	3,164	12,178	–	397,737
Washington	38,463	–	3,633	–	10,925	–	53,021
Waukesha	27,548	4,543	19,630	–	8,465	–	60,186
Waupaca	177,244	3,255	18,005	–	11,425	–	209,929
Waushara	143,893	3,479	15,114	–	7,067	–	169,553
Winnebago	29,048	–	–	–	2,447	–	31,495
Wood	136,821	42,446	28,302	893	23,439	–	231,901
Total	9,698,757	2,371,052	1,761,369	1,617,207	1,169,810	406,795	17,024,990

Source: 2017 Forest Inventory and Analysis by the United States Forestry Service.

Appendix 2

Members of the Wisconsin Council on Forestry

May 2018

Chairperson

Henry Schienebeck

Statutory Role: Represents the interests of persons who are members of an organization of timber producers

Vice-Chairperson

Jane Severt

Statutory Role: Represents the interests of counties that have county forests within their boundaries

Other Members

Janet Bewley

Statutory Role: Member of the State Senate

Troy Brown

Statutory Role: Represents the interests of the lumber industry

Matt Dallman

Statutory Role: Represents the interests of nonprofit conservation organizations whose purposes include the conservation and use of forest resources

Tom Hittle

Statutory Role: Represents the interest of a forest products company that owns and manages large tracts of private forest land that supply raw materials to the forest products industry

James Hoppe

Statutory Role: Represents the interests of the paper and pulp industry

James Kerkman

Statutory Role: Represents the interests of persons who are members of the Society of American Foresters

Nick Milroy

Statutory Role: Member of the State Assembly

Jeff Mursau

Statutory Role: Member of the State Assembly

Kenneth Price

Statutory Role: Forester who engages in the practice of providing consultation services on forestry issues

Mark Rickenbach

Statutory Role: Represents the interests of schools of forestry within the state that have curricula in the management of forestry resources that are accredited by the Society of American Foresters

Other Members *(continued)*

Jason Sjostrom

Statutory Role: Represents the interests of persons who are engaged in an industry that uses secondary wood

Fred Souba

Statutory Role: Chief State Forester

Paul Strong

Statutory Role: Employed by the United States Department of Agriculture, United States Forest Service, who shall be a nonvoting member

Tom Tiffany

Statutory Role: Member of the State Senate

Richard Wedepohl

Statutory Role: Represents the interests of owners of non-industrial, private forest land who manage the land to produce ecological, economic, and social benefits

Ken Zabel

Statutory Role: Represents the interests of persons who engage in the practice of conservation education

Vacant

Statutory Role: Represents the interests of persons who are members of labor unions that are affiliated with the forestry industry

Vacant

Statutory Role: Represents the interests of persons who are engaged in the practice of urban and community forestry

Appendix 3

Members of the Wisconsin Urban Forestry Council

May 2018

Chairperson

Jordan Skiff
Director of Public Works, Fond du Lac

Vice-Chairperson

August Hoppe
Owner, Hoppe Tree Service

Other Members

Will Andresen
University of Wisconsin-Extension

Kirsten Beyer
Medical College of Wisconsin

Wendy Braun
North American Stormwater and Erosion Control Association of Wisconsin

Todd Chwala
Superintendent of Parks, City of Eau Claire

Patty Dreier
Portage County Executive

Marla Eddy
Forester, City of Madison

Mark Freberg
Forester, City of Green Bay

Kristin Gies
Director, Mequon Nature Preserve, Inc.

Keith Hardie
Public Works, Village of Cumberland

Leif Hubbard
Wisconsin Department of Transportation

Thomas Landgraf
University of Wisconsin-Madison, School of Business

Other Members *(continued)*

Shirley Brabender Mattox
Tree Advocate, Oshkosh

Donald Merkes
Mayor, City of Menasha

Kimberly Miller
University of Wisconsin-Extension

Tony Nowak
Director of Parks and Forestry, Town of Greenville

Maggie Pipek
Eppstein Uhen Architects

Daniel Siewert
Wisconsin Public Service

David Sivyer
Forestry Services Manager, LLC

Dwayne Sperber
Wudeward Urban Forest Products, LLC

Blake Theisen,
Wisconsin Society of Landscape Architects

Jeffery Treu
Retired Utility Arborist, Waupaca

Kelli Tuttle
Bluestem Forestry Consulting

Les Werner
University of Wisconsin-Stevens Point

Shahla Werner
Department of Agriculture, Trade and Consumer Protection

Curt Witynski
League of Wisconsin Municipalities

Jeff Wolters
Wisconsin Nursery Association and Wisconsin Green Industry Federation

Ex-Officio Members

Jill Johnson
United States Department of Agriculture, United States Forest Service

Sara Minkoff
Urban Forestry Council Liaison, Department of Natural Resources

Jeff Roe
Urban Forestry Team Leader, Department of Natural Resources

Tracy Salisbury
Urban Forestry Coordinator, Department of Natural Resources

Detailed Forestry Account Expenditures

FY 2016-17

ACTIVITIES THAT ARE PRIMARILY RELATED TO FORESTRY Department of Natural Resources

Activity	Description	Expenditures	Percentage of Total	
Grants and Aid	Managed Forest Law Program Aid Payments to Local Governments for Private Forestland Closed to Public Access	\$ 7,003,600	5.8%	
	Aids in Lieu of Taxes for Federal Forestland	3,444,000	2.8	
	Aids to Local Governments for Private Forestland Enrolled in Managed Forest Law and Forest Crop Law Programs	1,930,300	1.6	
	Aids in Lieu of Taxes for Northern State Forest Properties	1,457,600	1.2	
	National Forest Income Aids to School Districts	1,279,100	1.1	
	County Forest Law Loans to Counties	1,248,900	1.0	
	Grants to Individuals and Organizations	847,800	0.7	
	County Forest Law Aids to Municipalities	717,600	0.6	
	Road Aid Payments to Local Governments	691,400	0.6	
	Sustainable Forestry Grants to Counties	258,300	0.2	
	Grants to Local Fire Departments	207,500	0.2	
	Subtotal	19,086,100	15.7	
	Forestland Management	Federal Forest Legacy Program Management	3,149,500	2.6
		Timber Sale Management	2,705,000	2.2
Forestland Planning		1,121,800	0.9	
Provision of Sustained Yield of Forest Products		926,400	0.8	
Reforestation		920,300	0.8	
Work on Federal Forests		844,700	0.7	
Radio Maintenance		803,100	0.7	
Cooperative Consulting Forester Program		600,200	0.5	
Maintenance of Ranger Stations		250,400	0.2	
Forestland Certification		235,900	0.2	

ACTIVITIES THAT ARE PRIMARILY RELATED TO FORESTRY
Department of Natural Resources

CONTINUED

Activity	Description	Expenditures	Percentage of Total
Forestland Management (continued)	Improving Timber Quality and Growth	\$ 203,900	0.2%
	Aerial Photography Project	181,200	0.1
	Law Enforcement	103,900	0.1
	State Forest Road Maintenance	67,700	0.1
	Land Control and Acquisition	64,700	0.1
	Subtotal	12,178,700	10.0
Fire Control	Presuppression Activities	2,550,700	2.1
	Research and Development of Fire-Fighting Equipment	2,307,700	1.9
	Fire Management Training for DNR Employees	1,505,600	1.2
	Fire Suppression	1,211,000	1.0
	Firefighting Assistance to Other States	668,300	0.5
	Statewide Fire Management Activities	423,700	0.3
	Assistance to Rural Fire Departments	387,200	0.3
	Fire Prevention Activities	364,600	0.3
	Fire Reporting System Development and Maintenance	313,800	0.3
	Prescribed Burning	304,300	0.3
	Fire Equipment Preparedness Activities	216,100	0.2
	Provision of Fire Training by DNR Employees	194,200	0.2
	Enforcement of Forest Fire Protection Laws	191,000	0.2
	Cooperative Fire Program Activities	133,900	0.1
	Forest Fire Detection Activities	131,200	0.1
	Firefighter Safety	82,900	0.1
	Aerial Fire Suppression	58,500	<0.1
	Work on Fire Towers	28,100	<0.1
	Subtotal	11,072,800	9.1

ACTIVITIES THAT ARE PRIMARILY RELATED TO FORESTRY
Department of Natural Resources

CONTINUED

Activity	Description	Expenditures	Percentage of Total
Management of Forest Law Programs			
	Enforcement of Program Requirements	\$ 3,092,900	2.5%
	Private Forest Law Programs	2,872,300	2.4
	County Forest Law Program	767,300	0.6
	Private Tax Law Recording Fees	117,200	0.1
	Subtotal	6,849,700	5.6
Forestry Administration			
	General Forestry Administration (including Southern Forests)	1,521,900	1.3
	Information Technology	1,391,400	1.1
	Administration of Grants and Aid	1,387,800	1.1
	Staff Development and Training	424,900	0.3
	Nursery Administration	213,600	0.2
	Contract Administration	106,700	0.1
	Subtotal	5,046,300	4.1
Public Outreach and Education			
	Marketing Analyses and Assistance to Landowners	948,300	0.8
	Education, Public Awareness, and Technical Assistance	608,300	0.5
	Wildfire Prevention Education	537,700	0.4
	Development of Forestry Exploration Center in Milwaukee County	499,900	0.4
	Development of Forestry Curriculum for Wisconsin Schools	492,000	0.4
	Private Forestry Assistance Program	100,500	0.1
	Driftless Forest Network Pilot Project	96,300	0.1
	Subtotal	3,283,000	2.7
Tree Cultivation, Forest Health, and Ecology			
	Silviculture and Forest Ecology	1,062,000	0.9
	Forest Inventory and Analyses	811,800	0.7
	Forest Health Diagnostics	574,000	0.5
	Forest Health Planning and Management	297,500	0.2
	Invasive Species, Disease, and Other Pest Control	246,700	0.2

ACTIVITIES THAT ARE PRIMARILY RELATED TO FORESTRY
 Department of Natural Resources

CONTINUED

Activity	Description	Expenditures	Percentage of Total	
Tree Cultivation, Forest Health, and Ecology (continued)	Gypsy Moth Suppression	\$ 69,800	0.1%	
	Emerald Ash Borer Mitigation	66,000	0.1	
	Subtotal	3,127,800	2.6	
Forestry Planning Teams	Equipment and Safety	858,400	0.7	
	Public Land Management	90,900	0.1	
	Private Land Management	47,700	<0.1	
	Forest Fire Management	14,300	<0.1	
	Forest Resource Education	14,000	<0.1	
	Forest Fire Prevention and Education	12,000	<0.1	
	Silviculture	8,400	<0.1	
	Subtotal	1,045,700	0.9	
	Nursery Operations	Facilities and Equipment	429,200	0.4
		Multiple Activities ¹	171,800	0.1
Seeding and Care for Growing Stock		105,400	0.1	
Production, Collection, Purchase, Storage, and Sale of Seed		100,600	0.1	
Distribution of Stock		68,600	0.1	
General Operations		59,600	<0.1	
Maintenance of Soil		57,300	<0.1	
Grading Stock		34,600	<0.1	
Production of State Park Stock		9,500	<0.1	
Subtotal		1,036,600	0.9	
Analysis and Conservation Activities	Developing Best Management Practices for Protection of Forest Water Quality	89,900	0.1	
	Socioeconomic Data Trends and Analysis	85,500	0.1	
	Subtotal	175,400	0.1	

**ACTIVITIES THAT ARE PRIMARILY RELATED TO FORESTRY
Other State Agencies**

CONTINUED

Agency	Description	Expenditures	Percentage of Total
Department of Agriculture, Trade and Consumer Protection	Gypsy Moth Suppression and Other Pest Control	\$ 1,661,100	1.4%
University of Wisconsin System	Forestry Grants and Support for the UW-Stevens Point Paper Science Program	536,400	0.4
	Subtotal	2,197,500	1.8

**ACTIVITIES THAT SUPPORT FORESTRY IN ADDITION TO OTHER PROGRAMS
Department of Natural Resources**

Activity	Description	Expenditures	Percentage of Total
Debt Service	Stewardship Program	\$ 13,500,000	11.1%
	Recreation Development	1,023,400	0.8
	Administrative Facilities	942,900	0.8
	Subtotal	15,466,300	12.7

**Department-wide Administration
and Support Services**

Administration and Technology:			
Finance		2,551,900	2.1
Information Technology		2,496,300	2.1
General Administration		2,246,500	1.8
Human Resources		1,744,700	1.4
Legal Services		570,800	0.5
Management and Budget		330,300	0.3
	Subtotal	9,940,500	8.2

ACTIVITIES THAT SUPPORT FORESTRY IN ADDITION TO OTHER PROGRAMS
Department of Natural Resources

CONTINUED

Activity	Description	Expenditures	Percentage of Total
Department-wide Administration and Support Services <i>(continued)</i>	Shared Facility Operations and Maintenance:		
	General Operations and Maintenance	\$ 4,591,400	3.8%
	Facility Leasing	1,544,800	1.3
	Purchase, Maintenance, and Rental of Equipment	870,200	0.7
	Aeronautics Administration	788,600	0.6
	Service Centers	482,700	0.4
	Engineering Costs	75,200	0.1
	Regional Headquarters	67,200	0.1
	McKenzie Environmental Center	27,000	<0.1
	Wild Rivers Interpretive Center	27,000	<0.1
	Purchase of Fuel for Pool Vehicles	21,100	<0.1
	Subtotal	8,495,200	7.0
	Customer Assistance and External Relations:	Customer Service and Licensing	1,216,700
Community Financial Assistance		508,400	0.4
Customer Assistance and External Relations Management		429,700	0.4
Support for the Office of Communications		305,200	0.3
Subtotal		2,460,000	2.0
Forest Recreation		Law Enforcement for Recreational Activities in State Forests	2,456,900
	Provision of Recreational Opportunities, such as Camping, Swimming, Fishing, Boating, and Hunting	1,897,200	1.6
	Development and Maintenance of Trails	906,000	0.7
	Visitor Services	891,300	0.7
	Camping Reservation System	406,900	0.3
	Subtotal	6,558,300	5.4

ACTIVITIES THAT SUPPORT FORESTRY IN ADDITION TO OTHER PROGRAMS
 Department of Natural Resources

CONTINUED

Activity	Description	Expenditures	Percentage of Total
Support for Other DNR Activities			
	Parks and Recreation	\$ 880,300	0.7%
	Miscellaneous Land Management Activities	759,200	0.6
	Partnership, Friends, and Volunteer Groups	447,700	0.4
	Natural Resources Education Program	308,100	0.3
	General Master Planning	275,700	0.2
	Interpretation and Education Activities	266,600	0.2
	Aids in Lieu of Taxes for Southern State Forest Properties	247,000	0.2
	Aeronautics	237,200	0.2
	State Wildlife Areas	133,400	0.1
	Stewardship Program	89,000	0.1
	Law Enforcement	72,900	0.1
	State Natural Areas	51,100	<0.1
	Incident Response Management	43,000	<0.1
	Subtotal	3,811,200	3.1
Urban Forestry			
	Advocacy Efforts	939,700	0.8
	Urban Forestry Grants to Communities	467,600	0.4
	Assessment and Planning	121,900	0.1
	Federal Urban Forestry Grant Program Activities	106,300	0.1
	Program Management	83,000	0.1
	Information, Education, and Technical Assistance	10,700	<0.1
	Subtotal	1,729,200	1.5

ACTIVITIES THAT SUPPORT FORESTRY IN ADDITION TO OTHER PROGRAMS

Other State Agencies

Agency	Description	Expenditures	Percentage of Total
Kickapoo Reserve Management Board	Board Operations and Payments in Lieu of Taxes	\$ 729,500	0.6%
Lower Wisconsin State Riverway Board	Board Operations	54,900	<0.1
	Subtotal	784,400	0.6

ACTIVITIES THAT ARE NOT DIRECTLY RELATED TO FORESTRY

Department of Natural Resources

Activity	Description	Expenditures	Percentage of Total
	Wildlife Properties	\$ 2,338,000	1.9%
	Park Properties	1,861,000	1.5
	Fishery Properties	762,700	0.6
	Other Properties	7,200	<0.1
	Subtotal	4,968,900	4.1

Aids in Lieu of Taxes for Non-Forestry Properties

	Facilities and Lands	554,100	0.5
	Science Services	505,700	0.4
	Car-Killed Deer	403,300	0.3
	Wildlife Management	311,000	0.3
	National Heritage Inventory	139,500	0.1
	Wisconsin State Fair	108,100	0.1
	Fisheries Management	85,400	0.1
	Endangered Resources Management	60,400	<0.1
	Water Resources Management	28,300	<0.1
	Miscellaneous Assistance to Other DNR Divisions	28,000	<0.1
	Air Management	8,300	<0.1
	Subtotal	2,232,100	1.8

Assistance to Other DNR Program Areas

ACTIVITIES THAT ARE NOT DIRECTLY RELATED TO FORESTRY

Other State Agencies

Agency	Description	Expenditures	Percentage of Total
Wisconsin Historical Society	Staff for the Northern Great Lakes Visitor Center	\$ 62,200	0.1%
TOTAL²		\$121,607,900	100.0%

¹ During FY 2016-17, some nursery codes used to record time and expenditures were consolidated. The consolidated codes include functions such as grading, distribution, seeding, and care for growing stock.

² Estimated because DNR's work on its FY 2016-17 condition statement was ongoing when we completed our audit fieldwork in July 2018.

Response ■

State of Wisconsin
DEPARTMENT OF NATURAL RESOURCES
101 S. Webster Street
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Madison WI 53707-7921

Scott Walker, Governor
Daniel L. Meyer, Secretary
Telephone 608-266-2621
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August 16, 2018

State Auditor Joe Chrisman
Legislative Audit Bureau
22 East Mifflin St., Ste. 500
Madison, WI 53703

Subject: Forestry Account Audit

Dear Mr. Chrisman:

Thank you for the opportunity to review the draft of the Legislative Audit Bureau evaluation of the Department of Natural Resources (DNR) administration of the Forestry Account. The report provides an extensive amount of information and data about state agency expenditures that further the state's forestry program and related administrative expenditures in support of the program.

I was pleased to see that the report showed that 93.5 percent of expenditures by the Department during FY2016-17 were made to implement and support our forestry program and it is compliant with all but one statutory requirement.

My only comment is on the finding that the Department is not spending 4 percent of GPR of mill-tax on purchasing land in a 16-county southeast Wisconsin region as specified in state statute. As explained in the report, the Department combines this statutory requirement (s. 25.29(7)(b) Wis. Stats.) with a second statutory requirement (s. 25.29(7)(a) Wis. Stats.) that requires the Department to use 8.0 percent of forestry account funds to acquire and develop forests in the same region. When expenditures for collection and disposal of car-killed deer and the Forest Exploration Center are excluded, as suggested by the Audit Bureau, it equals an average of 12.08 percent over the audit period.

It should also be noted that the Department is limited in its ability to purchase properties given the following factors:

- Since 2011, the statutes have added subcategories to the Stewardship program, including a two-thirds priority on easements instead of acquisitions to keep land on the tax rolls;
- Since 2013, statutes have prioritized selling at least 10,000 Department acres statewide;
- There is a limited number of parcels of manageable size for sale in the 16-county region that qualify for forest management purposes;
- The Department buys land from willing sellers only;
- The Department does not condemn property to meet this statutory requirement;

I appreciate the courtesy and professionalism your staff showed as they worked with Department staff to gather the needed information and data as well as their patience and understanding of the challenges presented by utilizing data from two different accounting systems and a new agency organizational structure. Thank you again for the opportunity to review the audit report.

Sincerely,

A handwritten signature in black ink that reads "Daniel L. Meyer". The signature is written in a cursive, flowing style.

Daniel L. Meyer
Secretary
Department of Natural Resources