



Legislative Fiscal Bureau

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Joint Committee on Finance

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Warren Knowles-Gaylord Nelson Stewardship Program Overview (DNR -- Stewardship Program)

CURRENT LAW

Under the Warren Knowles-Gaylord Nelson Stewardship program, DNR acquires land and provides grants to local units of government and non-profit conservation organizations (NCOs) for land acquisition, easements, and nature-based outdoor recreational property development activities. The state generally issues 20-year tax-exempt general obligation bonds to support the stewardship program. 2007 Act 20 extended the stewardship program to fiscal year 2019-20 and increased the annual bonding allocation for the program from \$60 million to \$86 million beginning in 2010-11. Act 20 also increased the total general obligation bonding authority for the stewardship program by \$860 million, for a total authorization of \$1,663,000,000. The stewardship program is made up primarily of two subprograms, the land acquisition subprogram, and the property development and local assistance subprogram. In addition, Act 20 created a recreational boating aids subprogram. The following table shows how the bonding authority was allocated in fiscal year 2009-10 under the previous stewardship program, and how it is expected to be allocated under the stewardship program from 2010-11 through 2019-20 under current law.

TABLE 1

DNR Annual Stewardship Allocations

	Previous Stewardship Program	Reauthorized Stewardship Program (beginning in 2010-11)
Land Acquisition		
General DNR Land Acquisition	\$32,500,000	\$48,000,000**
NCO Acquisition (minimum)	8,000,000	12,000,000
Board of Commissioners of Public Lands Natural Areas	<u>2,000,000</u>	<u>2,000,000</u>
Land Acquisition Subtotal	\$42,500,000	\$62,000,000
Property Development and Local Assistance		
Property Development	\$7,000,000	\$10,000,000
Local Assistance (maximum)	<u>8,000,000</u>	<u>11,500,000</u>
Property Development and Local Assistance Subtotal	\$15,000,000	\$21,500,000
Recreational Boating Aids	<u>\$2,500,000</u>	<u>\$2,500,000</u>
Total Allotment	\$60,000,000	\$86,000,000*

* Available annually for ten years from 2010-11 through 2019-20.

** Includes grants for county forests beginning in 2010-11.

Debt service for stewardship bonding is primarily funded from a sum sufficient general purpose revenue (GPR) appropriation (estimated at \$69.8 million in 2012-13 under the bill) with a portion of the funding coming from the forestry account of the conservation fund (\$13.5 million in 2012-13). The \$83.3 million total debt service estimate for 2012-13 is primarily for retiring stewardship program bonds, but also includes some debt service for a predecessor program and related to certain dam safety grants. Questions have been raised regarding the level of stewardship bonding and related debt service costs of the program. Table 2 shows the estimated debt service payments associated with the stewardship program under current law. Further, for illustration, estimated debt service payments are shown if the authorized level of bonding were set at \$60 million annually from fiscal years 2011-12 through 2019-20. For the purposes of this illustration, the debt service estimates shown in Table 2 do not reflect the effects of the proposed action that may be taken by the state to defer principal payments on state general obligation bonds, which would have the effect of lowering debt service costs in the biennium. As shown in the table, debt service payments on the \$1,663 million currently authorized for the program (principal repayment and interest) could total almost \$2.6 billion over the life of the program bonds (a period of over 50 years). Total debt service payments under the alternate scenario authorizing a total of \$1,429 million in bonds could be expected to total approximately \$2.2 billion over the life of the program bonds. This would represent a reduction of \$234 million in stewardship bonding authority and approximately \$362 million in debt service costs over a period of more than 30 years. Debt service reductions in the 2011-13 biennium would be expected at approximately \$2.6 million and \$10.6 million in 2013-15. Debt service savings would increase each biennia thereafter until peaking at approximately \$36 million in the 2021-23 biennium. While market rates for state general obligation bonds that would be issued over the next decade or more are uncertain, for purposes of this analysis the rate is estimated at 4.5%.

TABLE 2

**Approximate Debt Repayment Schedule Associated with Bonds
Authorized for the Stewardship Program (\$ in millions)**

<u>Fiscal Year</u>	<u>Current Stewardship Program</u>		<u>Stewardship Program With \$60 Million Annual Bonding Authorized 2011-12 Through 2019-20</u>	
	<u>Bonds Issued</u>	<u>Debt Payments</u>	<u>Estimated Issued</u>	<u>Debt Payments</u>
Through 2011	\$826.0	\$380.7	\$826.0	\$380.7
2012	86.0	74.7	60.0	74.4
2013	86.0	80.6	60.0	78.3
2014	86.0	85.5	60.0	81.2
2015	86.0	90.6	60.0	84.3
2016	86.0	96.5	60.0	88.2
2017	86.0	96.8	60.0	86.5
2018	86.0	100.3	60.0	88.0
2019	86.0	104.8	60.0	90.5
2020	86.0	109.7	60.0	93.5
2021	30.0	111.8	30.0	93.8
2022	24.0	110.9	24.0	92.9
2023	9.0	106.9	9.0	88.9
2024		102.0		84.1
2025		100.3		82.3
2026		92.8		74.8
2027		92.8		74.8
2028		84.3		66.4
2029		80.1		62.1
2030		76.7		58.7
2031		69.8		51.8
2032		64.3		46.4
2033		57.7		41.7
2034		51.1		37.1
2035		44.5		32.5
2036		37.9		27.9
2037		31.3		23.3
2038		24.7		18.7
2039		18.1		14.1
2040		11.5		9.5
2041		4.8		4.8
2042		2.5		2.5
2043		0.7		0.7
	<u>\$1,663.0</u>	<u>\$2,597.8</u>	<u>\$1,429.0</u>	<u>\$2,235.4</u>

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