



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #450

### Stewardship Debt Service (DNR -- Departmentwide)

[LFB 2013-15 Budget Summary: Page 321, #10 (part)]

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#### CURRENT LAW

The state generally issues 20-year tax-exempt general obligation bonds to support stewardship purchases and local grants. Debt service for stewardship bonding is primarily funded from a sum sufficient, general purpose revenue (GPR) appropriation in DNR, with a portion paid from the forestry account of the segregated conservation fund.

#### GOVERNOR

Provide \$7,580,500 GPR in 2013-14 and \$10,376,100 GPR in 2014-15 to reflect the estimate of debt service costs on state general obligation bonds primarily issued under the stewardship program.

#### DISCUSSION POINTS

1. In addition to GPR, since 1999-00, funds have been appropriated from the forestry account of the conservation fund for stewardship debt service payments. This shift was specified to be one-time only in each biennia from 1999-01 through 2003-05. However, under 2005 Act 25, \$13.5 million SEG annually beginning in 2006-07 was provided on an ongoing basis from the forestry account. Further, 2007 Act 5 provided an additional \$10.6 million in 2006-07 (for a total of \$24.1 million) from the forestry account for stewardship debt service payments (\$13.5 million was provided in 2007-08). 2009 Act 28 provided an additional \$5 million forestry SEG (for a total of \$18.5 million in 2009-10) and \$2.5 million in 2010-11 (for a total of \$16 million in 2010-11) and reduced the amount provided from GPR by the same amount. However, the 2010-11 additional payment was specified as a one-time payment. (Payments from the forestry account for stewardship debt service returned to \$13.5 million annually beginning in 2011-12.)

2. Primarily due to a significant level of vacancies, the forestry account is expected to have an available balance of approximately \$15.8 million on June 30, 2015, as shown in Table 1. The estimate assumes the Department will make an effort to fill existing vacancies (improving from a vacancy rate of over 16% currently to 10% by the second half of 2014). While reduced expenditures (lapses) are anticipated to continue for the 2013-15 biennium due to vacancies, authorized expenditures would be in line with anticipated revenues in fiscal year 2014-15 (\$106.1 million in anticipated revenues compared to \$106.3 in authorized, or budgeted, expenditures).

**TABLE 1**

**Forestry Account Estimates**

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Opening Balance	\$27,000,000	\$24,265,200	\$23,999,300
<b>Revenue</b>			
Mill Tax	\$79,950,000	\$81,058,700	\$83,188,900
Timber Sales	6,500,000	6,500,000	6,500,000
Nurseries	1,500,000	1,500,000	1,500,000
Forest Tax Law	5,500,000	8,000,000	9,000,000
Admission and Camping Fees	4,891,400	4,775,000	4,775,000
All Other Revenue	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,150,000</u>
Total Revenue	\$99,491,400	\$102,983,700	\$106,113,900
Total Available	\$126,491,400	\$127,248,900	\$130,113,200
Authorized Expenditures	\$107,226,200	\$106,249,600	\$106,339,400
Reserves and Lapses	<u>-5,000,000</u>	<u>-3,000,000</u>	<u>-1,200,000</u>
Total Estimated Expenditures	\$102,226,200	\$103,249,600	\$105,139,400
Cash Balance	\$24,265,200	\$23,999,300	\$24,973,800
Encumbrances/Continuing Balance	<u>9,157,100</u>	<u>9,157,100</u>	<u>9,157,100</u>
Available Balance	\$15,108,100	\$14,842,200	\$15,816,700

\*Includes amounts encumbered (committed, but not yet paid) as well as continuing balances from certain appropriations (such as for forestry development, nursery surcharge revenues, recording fees, and forest management plans) that are not available for general appropriation.

3. Table 2 shows state stewardship related debt services costs over the previous 12-year period and under the bill. Costs declined in 2003-04 primarily because of a state debt refinancing initiative to take advantage of lower interest rates and reduce short-term liabilities. From 2009-10 through 2011-12, GPR debt service payments for the program declined significantly due primarily to the state's decision to defer payment of principal on a large portion of its outstanding GPR-supported, general obligation debt, including the stewardship program debt. Since 2001-02, stewardship debt service payments provided from the forestry account have ranged between 16% and 72% of expenditures (in fiscal year 2009-10, the 72% is artificially high due to deferment of principal which lowered the payments significantly compared to anticipated costs). While the bill

would provide approximately 15% or less of the stewardship debt service payments over the 2013-15 biennium from forestry account SEG, an alternative could be to provide a greater portion of the payment from the forestry account rather than from GPR. Providing up to 20% (an additional \$10.3 million SEG over the biennium) would still allow the forestry account to maintain a positive balance, and providing the additional funding on a one-time basis would avoid creating a structural imbalance in the account for future biennia (Alternative 3). Or, a more modest level of 17% (an additional \$5 million SEG over the biennium) could be considered (Alternative 2). Debt service payments from GPR sources would rise by the amount of the one-time SEG offset in the 2015-17 biennium.

**TABLE 2**

**Stewardship Debt Service Payments**

<u>Fiscal Year</u>	<u>SEG</u>	<u>GPR</u>	<u>Total</u>	<u>% SEG</u>	<u>% GPR</u>
2001-02	\$4,901,900	\$19,774,000	\$24,675,900	20%	80%
2002-03	8,400,000	19,187,700	27,587,700	30	70
2003-04	10,000,000	8,649,200	18,649,200	54	46
2004-05	10,000,000	23,779,300	33,779,300	30	70
2005-06	14,100,000	25,618,900	39,718,900	35	65
2006-07	24,100,000	20,866,600	44,986,600	54	46
2007-08	13,500,000	34,104,900	47,604,900	28	72
2008-09	13,500,000	37,603,700	51,103,700	26	74
2009-10	18,500,000	7,235,000	25,735,000	72	28
2010-11	16,000,000	17,537,400	33,537,400	48	52
2011-12	13,500,000	13,767,000	27,267,000	50	50
2012-13*	13,500,000	70,682,000	84,182,000	16	84
AB 40 (Alternative 1)					
2013-14	13,500,000	78,262,500	91,762,500	15%	85%
2014-15	13,500,000	81,058,100	94,558,100	14%	86
Alternative 2					
2013-14	16,000,000	75,762,500	91,762,500	17%	83%
2014-15	16,000,000	78,558,100	94,558,100	17%	83
Alternative 3					
2013-14	18,352,500	73,410,000	91,762,500	20%	80%
2014-15	18,911,600	75,646,500	94,558,100	20%	80

**ALTERNATIVES**

1. Adopt the Governor's recommendation to provide \$7,580,500 GPR in 2013-14 and \$10,376,100 GPR in 2014-15 to reflect the estimate of debt service costs on state general obligation bonds primarily related to the stewardship program.

2. Delete \$2,500,000 GPR in 2013-14 and \$2,500,000 GPR in 2014-15 and instead

provide the same amount from forestry SEG in one-time funding for stewardship debt service payments.

<b>ALT 2</b>	<b>Change to Bill Funding</b>
GPR	- \$5,000,000
SEG	<u>5,000,000</u>
Total	\$0

3. Delete \$4,852,500 GPR in 2013-14 and \$5,411,600 GPR in 2014-15 and instead provide the same amount of forestry SEG in each year in one-time funding for stewardship debt service payments.

<b>ALT 3</b>	<b>Change to Bill Funding</b>
GPR	- \$10,264,100
SEG	<u>10,264,100</u>
Total	\$0

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