



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #460

### Forestry Account Overview (DNR -- Parks and Forestry)

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#### CURRENT LAW

The conservation fund is a segregated (SEG) trust fund used to finance many of the state's resource management programs administered by the Department of Natural Resources (DNR). The conservation fund is divided into nine accounts, including the forestry account.

#### OVERVIEW OF THE FORESTRY ACCOUNT

Article 8 §10 (3) of the Wisconsin Constitution authorizes a state forestry tax of up to 0.2 mills (or 20¢ per \$1,000 of property value) for the purpose of acquiring, preserving, and developing the forests of the state. The forestry mill tax is 16.97¢ per \$1,000 of value for tax years 2007(08) and thereafter. For 2014 (tax year 2015) the median forestry mill tax was estimated to be \$25.46 for a \$150,500 home, or 0.9% of the median \$2,832 tax bill.

The forestry mill tax is estimated to generate over \$81 million, or approximately 77% of the almost \$106 million in anticipated revenues to the forestry account for fiscal year 2014-15. The remaining \$25 million in revenues would include: (a) the sale of timber on state forest lands; (b) the sale of stock from the state's tree nurseries; (c) camping and entrance fees at state forests; (d) severance and certain withdrawal payments from timber harvests on cooperatively-managed county forests and on privately-owned land entered under the forest crop land and managed forest land programs; and (e) a portion of the revenue from the sale of conservation patron licenses to reflect the fact that license holders are granted admission to state forests at no additional charge as part of the license.

Under the bill, forestry account revenues would be used to support 635 full-time equivalent staff positions to fund a variety of activities. This includes approximately 620 DNR staff and the following programs: (a) the operations of 23 state forests; (b) tree nursery operations; (c) prevention, detection and suppression of forest fires; (d) forest health and

productivity, including administration of the managed forest law (MFL) program and assistance to county forest administrators; (e) grants, loans and payments to certain towns, counties and private forest owners; (f) repayment of a portion of stewardship program debt; and (g) a portion of DNR administrative costs. In addition the forestry account supports approximately 15 staff and certain costs of various other state agencies including forest pest control by the Department of Agriculture Trade and Consumer Protection, the Kickapoo Reserve Management Board and the Lower Wisconsin State Riverway Board. Expenditures from the forestry account totaled \$104.5 million in 2013-14 as shown in the following table.

Although forestry mill tax revenues had been modestly declining (along with statewide property values) since fiscal year 2008-09, revenues are expected to increase beginning in fiscal year 2014-15, with total account revenues expected to exceed currently authorized expenditures through the 2015-17 biennium. In the past, DNR had maintained substantial vacancies in the forestry account. However, vacancies have been reduced from approximately 16% in April, 2013, to approximately 12% currently, and the Department's goal is to reduce forestry vacancies to 5% or less. Under the bill, the forestry account could be expected to have an available balance of approximately \$26.4 million on June 30, 2017. It should be noted that while anticipated revenues (\$113.2 million) are expected to exceed authorized ongoing expenditures (\$106.6 million) by approximately \$6.6 million in fiscal year 2016-17, a reduction in revenues or an increase in ongoing expenditures beyond that amount could create a structural imbalance in the account going into the 2017-19 biennium.

#### **JOINT COMMITTEE ON FINANCE -- PREVIOUS ACTION**

During its April 22, 2015, executive session on AB 21/SB 21, the Committee, by unanimous vote, appropriated \$701,400 each year from the forestry account for the removal of car-killed deer on a one-time basis for the 2015-17 biennium. This action reduces the June 30, 2017, available balance to approximately \$25 million.

## Forestry Account Condition

	Actual <u>2013-14</u>	Estimated <u>2014-15</u>	<u>Governor</u>		2016-17 <u>Staff</u>
			<u>2015-16</u>	<u>2016-17</u>	
Opening Balance	\$27,469,800	\$26,550,100	\$27,433,700	\$29,650,800	
Revenue					
Mill Tax	79,399,800	81,300,000	84,242,000	87,840,000	
Timber Sales	7,461,500	7,600,000	7,600,000	7,600,000	
Forest Tax Law	8,382,500	8,600,000	8,875,000	9,150,000	
Admission and Camping Fees	5,411,500	5,575,000	5,835,000	5,990,000	
Nurseries	1,494,800	1,500,000	1,500,000	1,500,000	
All Other Revenue	<u>1,411,300</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,100,000</u>	
Total Revenue	\$103,561,400	\$105,675,000	\$109,152,000	\$113,180,000	
Total Available	131,031,200	132,225,100	136,585,700	142,830,800	
<b>Expenditures</b>					
State Forestry Operations	51,099,100	50,325,800	50,910,900	50,910,900	449.08
Southern Forest Operations	5,036,300	5,281,700	5,504,200	5,504,200	41.45
Stewardship Debt Service	13,500,000	13,500,000	13,500,000	13,500,000	0.00
Grant and Aid Programs	7,278,500	8,640,600	7,914,500	7,914,500	0.00
Other Forestry Program					
Appropriations	1,285,800	840,900	840,900	840,900	0.00
Car-Killed Deer**	0	0	701,400	701,400	0.00
Administration and Technology	7,833,400	8,215,900	8,564,400	8,588,100	65.59
Customer Assistance and Licensing	3,195,300	3,310,000	3,203,600	3,203,600	23.98
Division Management and					
Bureau Operations	4,086,100	4,317,400	4,384,400	4,384,400	39.92
Debt Service, Maintenance and					
Development	2,483,900	2,682,500	3,216,400	3,326,600	0.00
Aids in Lieu of Taxes and					
Assessments	5,947,200	5,989,800	5,989,800	5,989,800	0.00
Other State Agencies	2,735,500	2,686,800	2,704,400	2,371,000	15.00
Planned Reduction/Vacancies		<u>-1,000,000</u>	<u>-500,000</u>	<u>0</u>	
Total Expenditures	\$104,481,100	\$104,791,400	\$106,934,900	\$107,235,400	635.02
Cash Balance	\$26,550,100	\$27,433,700	\$29,650,800	\$35,595,400	
Encumbrances/Continuing					
Balance*	<u>10,592,400</u>	<u>10,592,000</u>	<u>10,592,000</u>	<u>10,592,000</u>	
Available Balance	\$15,957,700	\$16,841,700	\$19,058,800	\$25,003,400	

\*Includes amounts encumbered (committed, but not yet paid) as well as continuing balances from certain appropriations (such as for forestry development, private forest grants, state forest operations, and recording fees) that are not available for general appropriation.

\*\*Reflects Committee action on April 22, 2015, to provide one-time funding for the biennium.

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