

# Natural Resources

## Conservation and Recreation

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### LFB Summary Items for Which an Issue Paper Has Been Prepared

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## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

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June, 2019

Joint Committee on Finance

Paper #515

### Stewardship Extension (Natural Resources -- Conservation and Recreation)

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#### CURRENT LAW

The Warren Knowles-Gaylord Nelson Stewardship Program authorizes the Department of Natural Resources (DNR) to incur debt for the purposes of: (a) acquiring land to expand recreational opportunities and protect environmentally sensitive areas; (b) developing outdoor recreational facilities on state conservation lands; (c) providing grants to local governments and nonprofit conservation organizations (NCOs) typically for up to 50% of the cost of acquiring or developing land for outdoor recreational activities; (d) providing grants to counties for up to 50% of the cost of acquiring forestry land; and (e) providing grants to local governments for developing all-terrain and utility terrain vehicle trails and facilities. The program is authorized until June 30, 2020, after which DNR may not obligate additional funding.

Under the current authorization, DNR may obligate up to \$33.25 million annually, divided between three statutory subprograms: (a) land acquisition; (b) property development and local assistance; and (c) recreational boating aids, as shown in Table 1. Beginning in 2011-12, DNR may not carry forward funding from an annual allocation that is not obligated by the close of a fiscal year.

**TABLE 1**

**Annual Stewardship Allocations, by Subprogram**

	<u>Current Law and Request</u>
<i>Land Acquisition Subprogram</i>	
DNR Acquisition	\$9,000,000
Grants to NCOs	7,000,000
County Forest Grants	<u>5,000,000</u>
Subtotal	\$21,000,000
 <i>Property Development and Local Assistance Subprogram</i>	
DNR Property Development	\$3,250,000
Local Assistance Grants	6,000,000
Motorized Stewardship	<u>500,000</u>
Subtotal	\$9,750,000
 Recreational Boating Aids	 \$2,500,000
 Total Annual Bonding Allocation	 \$33,250,000

The program was last reauthorized in 2007 Wisconsin Act 20. Under the act, the program was extended for 10 years beginning on July 1, 2010, and was provided with \$86 million in annual bonding authority. The program has been altered occasionally since then, including in 2011 Wisconsin Act 32, when program allocations were reduced to \$60 million per year; 2013 Wisconsin Act 20, when program allocations were reduced to \$47.5 million in fiscal year 2013-14 and \$54.5 million in 2014-15; and in 2015 Wisconsin Act 55, when program allocations were reduced to \$33.25 million annually, where they stand today.

**GOVERNOR**

Extend the stewardship program at current funding levels for two years, through June 30, 2022. Further, provide no additional bonding authority; rather, specify that existing bonding authority may be obligated for the program. The Governor's Budget in Brief indicates that an advisory commission will explore options for the future of the program.

As an errata item, provide \$42.6 million in new bonding authority to accomplish the original intent to allow a two-year extension. Additionally, modify statutory provisions to allow DNR to utilize previously unobligated bonding authority during the two-year extension.

## DISCUSSION POINTS

### Stewardship Bonding Authorization

1. 1999 Wisconsin Act 9 reauthorized the stewardship program for a 10-year period, beginning on July 1, 2000. Section 20.866(2)(ta) of the statutes was created to allow the state to contract up to \$460 million in public debt for the stewardship program, with an annual bonding authority of \$46 million. 2001 Wisconsin Act 16 increased stewardship bonding authority to \$572 million, and provided DNR an annual allotment of \$60 million from fiscal year 2002-03 to 2009-10. 2007 Wisconsin Act 20 further extended the stewardship program, providing an additional \$860 million bonding authorization and allowing DNR an annual allotment of \$86 million. This set the total stewardship bonding authority under s. 20.866(2)(ta) at \$1,432 million. Statutory bonding authority was reduced by \$234 million in 2011 Wisconsin Act 32, \$63.5 million in 2013 Wisconsin Act 20 and \$88.25 million in 2015 Wisconsin Act 55. These reductions set the current statutory bonding authority at \$1,046.25 million, as shown in Table 2. Table 3 summarizes the annual allotments by fiscal year.

**TABLE 2**

#### Stewardship 2000 and Beyond Statutory Bonding Authority

<u>Act</u>	<u>Change to Authorization</u>	<u>Cumulative Total</u>
1999 Act 9	\$460,000,000	\$460,000,000
2001 Act 16	112,000,000	572,000,000
2007 Act 20	860,000,000	1,432,000,000
2011 Act 32	-234,000,000	1,198,000,000
2013 Act 20	-63,500,000	1,134,500,000
2015 Act 55	-88,250,000	1,046,250,000
Current Statutory Bonding Authority		\$1,046,250,000

**TABLE 3**

#### Stewardship Annual Allotments, by Fiscal Year

<u>Fiscal Year</u>	<u>Annual Allotment</u>
2001 - 2002	46,000,000
2003 - 2010	60,000,000
2011	86,000,000
2012 - 2013	60,000,000
2014	47,500,000
2015	54,500,000
2016 - 2022 (Governor)	33,250,000

## Available Bonding Authority

2. The Governor's proposed biennial budget would extend the stewardship program by two years at current funding levels using the remaining unexpended and uncommitted bonding authority in s. 20.866(2)(ta) of the statutes. The Governor's Budget in Brief reported that during the two-year extension, the Governor would create an advisory commission to provide recommendations for a long-term stewardship reauthorization. The Department of Administration initially estimated that approximately \$68 million of that bonding authorization was available.

3. An errata document submitted to the Joint Committee on Finance by the State Budget Office on May 1<sup>st</sup> reestimated that \$23.9 million was available from the stewardship bonding authorization. Therefore, the bill would need to be amended to provide DNR with \$42.6 million in additional bonding authority for a two-year stewardship extension. Table 4 shows the remaining stewardship bonding authority that is estimated to be available at the end of 2019-20, assuming DNR will obligate its entire \$33.25 million annual allotment in each of 2018-19 and 2019-20. The components of Table 4 are described below.

**TABLE 4**

### Remaining Stewardship Bonding Authority

<b>Statutory Bonding Authority</b>	<b>\$1,046,250,000</b>
<b>Unavailable Authority</b>	
Expended Authority	\$885,221,400
Encumbered Authority	29,725,000
Committed Authority	87,002,400
Designated for Authorized Projects	<u>7,033,200</u>
Subtotal -- Assigned Bonding Authority	\$1,008,982,000
Fiscal Year 2019-20 Estimated Expenditures	<u>33,250,000</u>
Total Unavailable Authority	\$1,042,232,000
<b>Offsets and Available Authority</b>	
Lapsed Authority (Statutory Authority, Less Unavailable Amount)	\$4,018,000
Lapsable Authority (offsets Committed Authority)	<u>19,871,500</u>
Subtotal	-\$23,889,500
Potential Available Bonding Authority	\$23,889,500

4. DNR has updated its bonding authority estimate after reviewing the sum of program expenditures and encumbrances, as well as those funds that have been committed but have not yet been encumbered. As of April 19, 2019, DNR had expended \$885,221,300 from the stewardship program. This means that approximately \$885 million in projects and grants have received final reimbursement and are officially "closed projects."

5. In addition, DNR had encumbered an additional \$29,725,000. This means that DNR will pay up to this amount on projects with active contracts or assistance agreements, pending the submission of final project costs and audited financial statements. These are primarily grants to local units of government that are under construction. DNR does not pay these until a community has identified its final project cost and invoices the Department, typically within 90 days of a project's completion.

6. Additionally, DNR has committed an additional \$87,002,400. These are funds that DNR has tentatively awarded but, pending final project bids or contracts, has not encumbered. One large component of committed but not encumbered funds are stewardship projects that have been awarded in 2018-19. DNR expects to encumber these funds before June 30, 2019. Additionally, \$5.2 million tentatively awarded in 2018-19 is pending before the Joint Committee on Finance.

7. Approximately half of the committed-but-unencumbered funds (\$43,772,200) are statutory earmarks. For instance, 2013 Act 20 directed DNR to expend up to \$7 million and 2015 Act 55 directed DNR to expend up to \$19.6 million for infrastructure improvements at the Kettle Moraine Springs Fish Hatchery. DNR has received bids on the project but cannot encumber final project funding until a contract is signed. It should be noted that \$14.6 million of the committed funds are for a flood control project in Trempealeau County, which were earmarked by 2017 Wisconsin Act 59. Due primarily to federal delays in obligating funding matches, DNR is unable to encumber these funds at this time.

8. Approximately \$7,033,200 of previously unobligated bonding authority has been designated by the Legislature for a category of projects but no specific use has been identified by DNR. This amount includes \$3.9 million that was designated by 2017 Wisconsin Act 71. The act allowed DNR to expend up to \$4.5 million from unobligated stewardship bonding authority to be used for parks water infrastructure projects.

9. In total, the sum of expended, encumbered, committed, and designated bonding authority means that approximately \$1,008,982,000 in stewardship bonding authority is unavailable. Under the assumption that DNR will obligate the entirety of its \$33.25 million annual allotment in fiscal year 2019-20, the total amount of unavailable bonding authority is \$1,042,232,000, as shown in Table 4.

10. DNR has identified \$4,018,000 in available past authority. These funds include the remainder of authorized amounts after a project is reimbursed and the final project or grants costs are below the initially authorized amount. This amount is lapsed and cannot be used by DNR, unless directed to by the Legislature. Additionally, DNR has identified \$19,871,500 in known lapsable funds. The bulk of funds in this category (\$15,798,200) are similar to the available past authority in that they were initially awarded for projects that were completed for less than the estimated amounts. Although DNR expects that the projects will be completed for less than the initially awarded amounts, as the projects are ongoing, DNR may not formally lapse the funds. These lapsable funds offset the committed-but-unencumbered bonding authority. This means that DNR has identified \$15,798,200 from the committed authority that will not be necessary to complete ongoing projects, reducing the committed authority to approximately \$71.2 million.

11. Approximately \$1,573,300 of these funds are two projects approved by DNR in fiscal year 2017-18 that are awaiting review by the Joint Committee on Finance. While DNR had held \$1.6 million in 2017-18 bonding authority, the Department is prepared to obligate moneys from either 2018-19 or 2019-20 bonding authority, if the projects are approved in either fiscal year.

12. In addition to providing \$42.6 million in bridging bonding authority, the Committee would need to amend the bill to allow DNR to use past unobligated bonding authority in order to achieve the proposed two-year extension. Prior to fiscal year 2011-12, if DNR did not obligate its entire annual allotment for a given stewardship subprogram, the Department could raise bonding authority for the subprogram by an equivalent amount in the subsequent fiscal year. 2011 Wisconsin Act 32 eliminated this rollover authority starting in fiscal year 2012. Therefore, DNR is not authorized to use unobligated (lapsed) bonding authority unless directed by the Legislature. The Committee could consider approving the Governor's request, as modified by the errata letter, to allow DNR to use the \$23.9 million in lapsed stewardship bonding authority as well as providing \$42.6 million to achieve a two-year extension at current funding levels [Alternative 1].

### **Stewardship Subprograms**

13. Under the stewardship program, the DNR acquires land and provides grants to local units of government and nonprofit organizations for land acquisition and property development activities through the issuance of 20-year tax exempt general obligation bonds. The program is divided into three active statutory subprograms: (1) land acquisition; (2) property development and local assistance, and (3) recreational boating aids, as noted above. Furthermore, 2013 Act 20 directed DNR to provide stewardship grants for local motorized stewardship projects but did not set an annual allocation. DNR awards these grants under the property development and local assistance subprogram. Table 5 shows the annual allocations provided to each subprogram and its divisions.

**TABLE 5**

**Subprogram Allocations**

	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16 through FY20</u>	<u>10-Year Allocation Total</u>
<b>Land Acquisition</b>							
DNR Acquisitions	\$46,500,000	\$16,833,000	\$20,525,000	\$14,000,000	\$13,600,000	\$9,000,000	\$156,458,000
NCO Acquisitions	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	7,000,000	95,000,000
County Forest Grants	1,500,000	1,167,000	1,875,000	6,000,000	4,500,000	5,000,000	40,042,000
BCPL Natural Areas	2,000,000	2,000,000	2,000,000	0	0	0	6,000,000
Protection of Agricultural							
Conservation Easements (PACE)	0	5,200,000	0			0	5,200,000
County Dam Safety Grants	0	300,000	100,000	0	1,900,000	0	2,300,000
Subtotal	\$62,000,000	\$37,500,000	\$36,500,000	\$32,000,000	\$32,000,000	\$21,000,000	\$305,000,000
<b>Recreational Boating Aids</b>	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$25,000,000
<b>Property Development and Local Assistance</b>							
DNR Property Development	\$10,000,000	\$12,000,000	\$13,000,000	\$6,500,000	\$6,500,000	\$3,250,000	\$64,250,000
Motorized Stewardship	0	0	0	500,000	500,000	500,000	3,500,000
Kettle Moraine Springs							
Fish Hatchery*	0	0	0	0	7,000,000	0	7,000,000
Local Assistance Grants	11,500,000	8,000,000	8,000,000	6,000,000	6,000,000	6,000,000	69,500,000
Subtotal	\$21,500,000	\$20,000,000	\$21,000,000	\$13,000,000	\$20,000,000	\$9,750,000	\$144,250,000
Total	\$86,000,000	\$60,000,000	\$60,000,000	\$47,500,000	\$54,500,000	\$33,250,000	\$474,250,000

\*\$26.6 million is enumerated for the Kettle Moraine Springs Fish Hatchery project by 2015 Act 55. This includes up to \$19.6 million in previously authorized, but unobligated stewardship funds along with the \$7 million set aside in fiscal year 2014-15.

14. Under the land acquisition subprogram, DNR may acquire land for any of the purposes specified under statute, such as forests, parks, fisheries or wildlife areas, and natural areas. Of the \$21 million annual obligation authority provided under the land acquisition subprogram, \$9 million may be used by the Department for acquiring conservation land, \$7 million may be used to provide matching grants to nonprofit conservation organizations (NCOs) for the acquisition of conservation land, and \$5 million may be used to provide matching grants to county forests.

15. The Department is statutorily required to give priority to: (a) acquisition of land that preserves or enhances the state's water resources, including land along the Lower Wisconsin State Riverway and land abutting wild rivers, wild lakes, and land along the shores of the Great Lakes; (b) acquisition of land for the stream bank protection program; (c) acquisition of land for habitat areas, fisheries, and natural areas; and (d) acquisition of land in the middle Kettle Moraine and the Niagara Escarpment corridor. Furthermore, the Department is required by administrative rule to give priority to lands within 40 miles of Wisconsin's 12 largest cities. From July 1, 1989 through March 31, 2019, DNR has used approximately \$543,902,800 million in stewardship bonds to acquire fee title or easements on 690,688 acres of conservation land.

16. Property development and local assistance provides funding to DNR, municipalities, and nonprofit groups to improve nature-based recreation facilities. Funding obligated for property

development is used for: (a) property development on DNR land; (b) property development on conservation easements adjacent to DNR land; and (c) grants to friends groups and NCOs for property development activities on DNR land. Funding obligated for local assistance may generally be provided for up to 50% of the cost of any of the following: (a) grants for acquisition of urban green space; (b) grants for acquisition and development of local parks; (c) grants for acquisition of property development rights; and (d) grants for acquisition and development of urban rivers. Additionally, subprogram funds may be used for aids to the state, counties, villages or towns for snowmobile, all-terrain vehicle (ATV), and utility terrain vehicle (UTV) trail aid projects.

17. The recreational boating aids subprogram was created by 2007 Act 20 and was provided \$1.5 million in 2007-08 and \$2.5 million annually beginning in 2008-09. Under the recreational boating aids program, DNR provides matching grants to municipalities, counties, town sanitary districts, public inland lake protection and rehabilitation districts, qualified lake associations, the Milwaukee River Revitalization Council, and the Lower Wisconsin State Riverway Board for projects to develop recreational boating facilities.

18. DNR reports that several stewardship subprograms are frequently oversubscribed. The local assistance subprogram has received more grants than it can fund each year since at least 2003-04. Since the annual subprogram funding level was set at \$6,000,000 in 2013-14, DNR has received an average of \$20,237,700 in local assistance grant requests per year. Since 2013-14, DNR has been able to fund 30% of the total value of local assistance requests.

19. The Department notes that it typically can demonstrate more need for property development on DNR-owned lands than it is able to fund. DNR prioritizes property development projects based on a number of factors, including useable life of the project, immediacy of need, and other sources of funding such as donations and grants. DNR uses stewardship funding for those projects with a lifespan of 20 years or more. Further, DNR may provide up to \$250,000 annually in property development funds to friends groups and other nonprofit conservation organizations (NCOs) to conduct property development projects on DNR lands. These groups have first option on available funds. Since 2016-17, DNR has received requests from friends groups totaling \$306,800, on average, each year. DNR has been able to fund approximately 81% of these requests.

20. Since 2011-12, DNR has encumbered nearly its entire bonding allotment for the recreational boating aids subprogram in each fiscal year. Additionally, DNR typically can provide a recreational boating aids grant to each applicant in every fiscal year. The recreational boating aids subprogram is unique in that the Waterways Commission, a five-member board that includes a resident of each of the Great Lakes areas in the state, as well as a member from the Mississippi River area, the Lake Winnebago watershed, and the inland areas of the state, recommends projects and funding amounts. The Waterways Commission is required to consider the amount of funding available before it recommends a priority project. Therefore, it is likely that the Commission recommends fewer projects than it receives eligible applications for.

21. Though several subprograms receive more grant requests than DNR may fund, DNR does not typically obligate its entire allotted authority for other subprograms. DNR has underspent its allotment authority for land acquisition grants to NCOs in each year since 2011-12. In that time, DNR has provided approximately 57% of the funding available to the Department for these purposes. Since

fiscal year 2011-12, DNR may carry underspent amounts from the NCO acquisition subprogram into the following fiscal year for the purposes of providing grants to counties to acquire forest land.

22. DNR is unable to report the extent to which the county forest grant subprogram is oversubscribed. Unlike other grant subprograms, county forest grants do not have a set application date. Rather, counties work with DNR on a continuing basis to develop applications for these grants. DNR accepts grants on a rolling basis and provides funding as it is available. DNR has typically spent nearly its entire authority for these grants. As large timber investment management organizations (TIMOs) continue to sell off large landholdings, DNR may receive more requests for county forest grants as counties avail themselves of the opportunity to purchase larger forest blocks.

23. The county forest grant program allows counties to match prospective stewardship-funded purchases with other county-owned lands, with both the grant-funded acquisition and the match parcels required to be added to the county forest. Section NR 51.962 (4)(a)6. of the administrative code provides that counties may be compensated: (a) for 50% of the fair market value of lands purchased more than one year prior to the grant application; or (b) for 100% of the fair market value of lands purchased up to one year prior to the grant application. Lands also must otherwise be eligible for addition to the county forest under statutory criteria. However, the administrative code provision that provides a grant for the full fair market value of recent acquisitions could result in county forest grants that exceed the 50% state share established in statute. The Committee could consider specifying DNR may not implement the rule provision [Alternative 8].

### **Statutorily Obligated Projects**

24. Since 2011-12, certain unobligated bonding authority may not be used without further legislative authorization. Table 6 summarizes these unobligated amounts since 2011-12.

**TABLE 6**

### **Unobligated Stewardship Bonding Authority, Fiscal Year 2012 through 2018**

<u>Fiscal Year</u>	<u>Unobligated Amount</u>
2011-12	\$18,788,200
2012-13	5,667,200
2013-14	3,399,900
2014-15	9,532,400
2015-16	12,038,500
2016-17	11,359,600
2017-18	<u>7,659,600</u>
Total	\$68,445,400

25. Prior to 2011-12, the Legislature would typically obligate funding for a given project from one of the stewardship subprograms, reducing that subprogram's rollover amount that DNR could bring into the following fiscal year. Since 2011-12, the Legislature has regularly directed DNR

to use existing bonding authority that would otherwise be unavailable. These projects have included DNR property development projects, such as the Kettle Moraine Springs Fish Hatchery in Sheboygan County, and grants to local governments. 2015 Act 55 directed DNR to spend up to \$27,855,300 from unobligated stewardship balances and 2017 Acts 59 and 71 directed DNR to spend up to \$30,265,300 from unobligated stewardship balances. While the total unobligated balance shown in Table 6 is \$68.4 million, the Legislature committed up to \$58.1 million from this balance, reducing the total amount of unobligated stewardship bonding authority to approximately \$10.3 million.

26. It should be noted how the unobligated amounts differ from the unexpended and uncommitted amounts described in the following sections. Unobligated amounts are those left available if not committed to a project or grant by DNR in the fiscal year those funds were available. Unobligated stewardship funds since 2011-12 require further legislative direction for their subsequent use, due to the limitations on DNR carrying those funds to future fiscal years. Unobligated amounts represent the minimum amount from one or more fiscal years that is available for further legislative direction without affecting either future annual allotments to DNR or the overall bonding authorization for the program.

27. However, because stewardship-funded grants and projects may be completed for less than the amount initially committed to the project, additional bonding authority may remain unexpended despite having been committed earlier. The budget bill and the administration's errata propose to utilize all authorized but unexpended stewardship funds, including those previously committed and lapsed, for the short-term extension of the program.

### **Stewardship Reauthorization**

28. The Governor's Budget in Brief indicates that the administration intends to call a commission to develop recommendations for the stewardship program under a longer-term reauthorization. Similar approaches have been taken before. In 1998, the Governor appointed a Blue Ribbon Task Force on the Stewardship Program to evaluate the program and make recommendations for its future. The task force was composed of legislators, current and former state and local government officials, and representatives from the University of Wisconsin, business, conservation, and environmental groups. Several key components of the task force and the advisory council's recommendations were incorporated into the Stewardship 2000 reauthorization in the 1999-01 biennial budget, including increasing the bonding authority, reducing the number of designated subprograms, facilitating increased small-group participation, and providing greater flexibility for DNR to transfer funding between fiscal years.

29. In addition, the Stewardship Advisory Council, which was established by DNR in 1994, made several recommendations for the reauthorization of the program in 2007. Some, such as increasing the statutory cap on the percentage of state-provided matching funds from 50% to 75% of project funding in select cases and increasing the threshold where a second appraisal is required for certain land acquisition grants, were incorporated into the extended program. Proponents of establishing an advisory commission point out that such a commission can take a long-term view and examine how the program could be modified to better meet the needs of the state. Additionally, some have pointed out that a commission may be able to develop a consensus vision of how to improve the program. The Committee could consider establishing a commission to recommend changes to the

program for a long-term stewardship reauthorization. By establishing a legislatively-directed commission, the Committee would be able to ensure that its concerns about the stewardship program are addressed in a long-term reauthorization [Alternative 9].

30. While the Governor's proposal would extend the program for two years, stewardship has typically been reauthorized for 10-year periods. However, the Legislature has made changes to the program in interim periods, as shown in Table 2. Proponents of this approach argue that a 10-year reauthorization will provide the program stability and that program changes may be made in future biennia without creating uncertainty about the program's future.

31. Many stewardship applicants prepare project applications over an extended period of time, often more than a year prior to submitting an application. Major local development projects, for instance, may need to receive approvals through local commissions and governments before an application can be submitted. Counties may begin acquiring tracts of land to enroll in county forest and use as a match for a stewardship grant years prior to application. A two-year stewardship extension may create uncertainty about the program's future and may deter communities from preparing an application for a local stewardship grant. Since stewardship funding is commonly paired with federal grant funding in local development or land acquisition projects, creating uncertainty in the stewardship program may reduce the amount of federal funding that can be used on projects in the state.

32. In DNR's 2019-21 budget request, the agency requested a 10-year reauthorization, at current funding levels, beginning on July 1, 2020, through June 30, 2030. This could be accomplished in two different ways. The Committee could consider providing DNR with \$308.6 million in additional bonding authority and direct DNR to use the \$23.9 million in lapsed bonding authority discussed above in fiscal year 2020-21 [Alternative 2]. This would provide DNR with the minimum additional bonding authority needed to accomplish a full 10-year reauthorization at current program levels.

33. The Committee could also consider providing an additional \$332.5 million in bonding authority to fund the program at current levels through June 30, 2030 [Alternative 3]. This approach would provide DNR with the bonding authority required to provide the program a full 10-year reauthorization at current program levels.

34. Under this approach, the \$23.9 million in bonding authority, which currently is expected to be available on July 1, 2020, would remain available. However, as the authority has lapsed, under current law the Legislature would need to act to authorize use of the funds. In past biennia, the Legislature has directed DNR to use unobligated stewardship bonding authority for various specific projects and given DNR discretion on how to prioritize projects that fit within those purposes. For instance, 2017 Act 71 allowed DNR to obligate up to \$4.5 million from previously unobligated bonding authority to improve water infrastructure in state parks, as described above.

35. Additionally, when 1999 Wisconsin Act 9 created a new bonding authorization for the stewardship program under 20.866(2)(ta) of the statutes, the Legislature allowed DNR to use the remaining bonding authority under the previous authorization (s. 20.866(2)(tz) of the statutes) for certain limited capital development purposes. As of September 30, 2018, DNR had approximately

\$70,200 remaining from these funds. DNR reports that it has a backlog of capital development needs on parks, forests, trails, fish hatcheries, and other properties. The Committee could consider allowing DNR to use lapsed authority from the current authorization for limited capital development and property maintenance projects [Alternative 6].

36. The Governor's Budget in Brief reports that environmental protection, resource conservation, and outdoor recreation are high priorities for the administration. Stewardship enables the state, local governments, and NCOs to conserve natural spaces that are open for nature-based outdoor recreation. It could be argued that the stewardship program should be expanded to further promote Wisconsin's outdoor economy and to protect the resources of the state. During the current authorization period, which began on July 1, 2010, program funding has been reduced several times, from an annual allotment of \$86 million in fiscal year 2010-11 to \$33.25 million under current law. It could be argued that general price inflation as well as increased property values and labor costs have increased cost of land acquisition, capital development, and other expenses for which stewardship has been used. The Committee could consider increasing stewardship funding to reflect these costs. One alternative would be to increase program funding to the levels originally established by 1999 Act 9. This would raise bonding authority by \$460 million and provide an annual allotment of \$46 million [Alternative 4].

37. If the Committee were to raise stewardship bonding authority and annual allocations, subprogram funding levels would need to be increased as well. As noted above, several stewardship subprograms are currently oversubscribed, receiving more grant requests than may be funded in a given year. Grants to local units of government and property development grants to friends groups are routinely oversubscribed. Recreational boating aids grants may also demonstrate greater demand than DNR can fund. Furthermore, DNR notes that it has many priority property development projects that the Department has been unable to fund. The Committee could consider increasing funding for both the property development and local assistance and the recreational boating aids subprograms.

38. Although a variety of allocations could be considered, Table 7 shows potential subprogram funding levels that would provide more funding for stewardship grant applications under a \$46 million annual allocation. Provided with the funding shown in the table, DNR would be able to fund nearly all friends group grants, as well as increase the number of property development projects that could be conducted on Department-held public lands. Furthermore, the Waterways Commission could increase the number of recreational boating aids projects that it recommends for funding. Additionally, such a funding level would allow DNR to award approximately 75% of requested local assistance project funds.

**TABLE 7**

**Potential Subprogram Funding Levels under a \$46 Million Annual Allotment**

<u>Subprogram</u>	<u>Funding Level</u>
<b>Land Acquisition</b>	
DNR Acquisition	\$9,000,000
NCO Grants	7,000,000
County Forest Grants	<u>5,000,000</u>
Subtotal	21,000,000
<b>Property Development and Local Assistance</b>	
DNR Property Development	\$4,500,000
Friends Group Grants	500,000
Local Units of Government	<u>15,500,000*</u>
Subtotal	20,500,000
<b>Recreational Boating Aids</b>	\$4,500,000
Total	\$46,000,000

\*Includes \$1 million for motorized stewardship grants.

39. Some argue that the state should not incur debt to acquire property. Bonding is typically used by the state to fund capital development projects, such as building construction. Bonds may be preferred for these projects, as construction and development costs may be spread over the usable life of the project. Under these circumstances, bonding may also provide immediate tangible benefits to the state from the capital project.

40. On the other hand, it could be argued that because DNR land acquisition removes land from the tax rolls and requires the state to pay aids in lieu of taxes to the community in which the land is located, stewardship may increase expenditures from state funds. Under this perspective, land acquisition should be conducted by DNR using appropriated funds, rather than through issuance of debt. However, some may counter that public lands provide nature-based recreational opportunities and benefit the state's outdoor economy. Furthermore, public lands may provide ecological benefits, including erosion control, rainwater management, carbon sequestration, and other effects that can reduce the harmful effects of human activities. Under this perspective, land acquisition is a capital development that provides immediate and long-term benefits to the people of the state.

41. Under current law, DNR may expend from the conservation fund approximately \$3,596,400 for various purposes related to resource acquisition, development, and maintenance. In fiscal year 2017-18, DNR expended approximately \$1,759,200 from these appropriations. While it should be noted that DNR is constrained in how it may use these funds, it could be argued that the Department ought to use the moneys appropriated by the Legislature before it issues debt. Under this perspective, the Committee could consider reauthorizing the stewardship program for 10 years, beginning on July 1, 2020, and ending on June 30, 2030, providing the program with \$232.5 million

in bonding authority and annual allotments of \$23.25 million [Alternative 5]. Compared to current law, this alternative would provide a \$10 million reduction in annual allotments.

42. If the Committee pursues this alternative, subprogram funding levels would need to be altered. As noted above, property development, friends group grants, and local assistance grants have typically demonstrated greater demand than DNR has been able to fund. Furthermore, these are all capital developments for which bonding has traditionally been used. The Committee could consider reducing subprogram funding for DNR and NCO land acquisition, which have typically underspent their annual allotment, in order to increase funding levels for these projects. Table 8 shows potential subprogram funding levels under an annual allotment of \$23.25 million.

**TABLE 8**

**Potential Subprogram Funding Levels under a \$23.25 Million Annual Allotment**

<u>Subprogram</u>	<u>Funding Level</u>
<b>Land Acquisition</b>	
DNR Acquisition	\$0
NCO Grants	5,250,000
County Forest Grants	<u>3,500,000</u>
Subtotal	\$8,750,000
<b>Property Development and Local Assistance</b>	
DNR Property Development	\$4,000,000
Friends Group Grants	500,000
Local Units of Government	<u>7,500,000*</u>
Subtotal	\$12,000,000
<b>Recreational Boating Aids</b>	\$2,500,000
<b>Total</b>	<b>\$23,250,000</b>

\*Includes \$500,000 for motorized stewardship grants.

43. The levels shown in Table 8 would reduce DNR's role in land acquisition, while still allowing counties to acquire forest lands and NCOs to acquire public recreation lands, albeit to a lesser extent than under current law. The \$5,250,000 annual allotment for NCOs is roughly in line with the average value of grants to NCOs DNR has provided annually since 2011-12.

44. It should be noted that under current law, DNR may use those unspent amounts from the NCO allotment to increase the funding available for county forest grants in the subsequent fiscal year. Reducing the amounts available for NCO grants may reduce the amount available for county forest grants. In recent years, there have been several large land acquisition opportunities as large timberland owners, or TIMOs, have sold off parcels of forest lands. Counties have been able to use stewardship funds to acquire large contiguous blocks of forest land. These lands are open for public recreation and provide revenues to counties as well as DNR from timber harvests. Reducing the amount of funding

available for county forest grants may lead TIMOs to seek other buyers by subdividing lots in areas that could be used for private holdings or development. While this may expand a local property tax base it may also have the adverse impact of increasing fragmentation of the state's forests.

45. DNR has established a goal of protecting 2.2 million acres of conservation land. The Department has created project boundaries, denoting those areas that it seeks to conserve through fee simple or easement lands. Of the 2.2-million-acre goal, DNR has protected 1.8 million acres, or 83% of the Department's goal. Reducing the amount of bonding authority available for DNR to acquire land may make the Department unable to accomplish this goal. If the Committee pursues this option, it may consider providing non-bonding methods for DNR land acquisition. As noted above, DNR has a series of appropriations for land acquisition and development. The Committee could consider increasing or creating a land acquisition appropriation. Under the bill, revenues to the forestry account of the segregated (SEG) conservation fund are expected to exceed expenses by over \$8.5 million in each year of the biennium. The Committee could provide DNR \$5 million each year in a continuing appropriation from the forestry account to acquire and preserve public recreation land [Alternative 7].

46. One benefit of bonding is that it allows the state to finance large projects or developments over the life of the project, breaking a large one-time cost into a series of smaller payments over 20 years. By using bonding, the state may receive immediate benefits from an expensive project, and may be able to afford larger projects than it could using only cash. Eliminating or reducing DNR's ability to issue debt to acquire land, requiring the Department to use cash, may make large, expensive acquisitions impossible for the Department to afford. This could have the adverse impact of curtailing the state's ability to expand recreational opportunities in areas of the state with higher property values, including Dane, Milwaukee, Ozaukee, Washington, or Waukesha Counties. This could hamper DNR's ability to develop new outdoor recreational opportunities in the most densely populated parts of the state.

### **Bonding Authority and Debt Service**

47. Annual debt service payments for principal and interest on stewardship bonds are primarily funded from general purpose revenues (GPR), with a portion paid from forestry SEG. Under current law, \$13.5 million forestry SEG is provided on an ongoing basis for this debt service. Furthermore, under 2013 Act 20, DNR was required to offer for sale at least 10,000 acres of fee-title land. DNR is required to use the proceeds of these sales to retire stewardship debt. Table 9 shows debt service payments made on stewardship bonds since 1999-2000.

**TABLE 9****Stewardship Debt Repayments**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$6,406,300	\$7,815,600	\$14,221,900
2001	8,150,300	9,109,600	17,259,900
2002	7,730,000	10,047,500	17,777,500
2003	9,578,400	11,408,300	20,986,700
2004	3,090,000	12,168,800	15,258,800
2005	14,819,200	13,262,700	28,081,900
2006	17,444,500	16,357,200	33,801,700
2007	21,080,000	18,094,900	39,174,900
2008	20,593,200	21,499,000	42,092,200
2009	23,852,300	22,202,500	46,054,800
2010	-	25,016,400	25,016,400
2011	5,064,300	27,658,400	32,722,700
2012	-	26,663,900	26,663,900
2013	46,165,500	30,409,300	76,574,800
2014	55,040,600	30,591,900	85,632,500
2015	40,035,400	27,551,200	67,586,600
2016	45,673,600	27,332,000	73,005,600
2017	55,400,300	26,919,800	82,320,100
2018	52,391,100	26,209,300	78,600,400
2019	<u>55,076,100</u>	<u>26,409,500</u>	<u>81,485,600</u>
Total	\$487,591,100	\$416,727,800	\$904,318,900

48. The amounts paid for debt service vary from year to year based on a number of factors, including expenditures by DNR, the types of bonds issued, the interest rate at which bonds are issued, and occasional refinancing or debt restructuring actions taken by the state. Debt restructuring is most noticeable in state fiscal years 2009-10, 2010-11, and 2011-12; in 2009-10 and 2011-12, the state paid only interest on debt for stewardship and a number of other purposes.

49. Table 10 shows scheduled debt service for outstanding stewardship bonds under both the original bonding authorization (1989-1999) as well as the current bonding authorization. The table shows all debt that has been issued to fund the stewardship program through May, 2019. The table represents all stewardship-related debt that the state is currently obligated to pay. Included in these amounts is approximately \$26.3 million in outstanding debt service for the original stewardship program and approximately \$687.9 million outstanding debt service for bonds issued since fiscal year 1999-2000. Not included in the table is approximately \$2.5 million outstanding debt service on land acquisition and recreation bonding programs that predated the stewardship program.

**TABLE 10****Outstanding Stewardship Debt**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$57,791,500	\$26,059,200	\$83,850,700
2021	55,189,300	22,695,800	77,885,100
2022	53,575,500	19,869,100	73,444,600
2023	42,148,300	17,395,900	59,544,200
2024	44,683,800	15,364,500	60,048,300
2025	39,609,400	13,538,200	53,147,600
2026	38,116,300	11,547,100	49,663,400
2027	37,506,000	9,790,800	47,296,800
2028	32,924,100	7,930,200	40,854,300
2029	29,672,100	6,526,200	36,198,300
2030	27,962,400	5,117,900	33,080,300
2031	22,789,900	3,826,800	26,616,700
2032	18,741,200	2,847,000	21,588,200
2033	14,163,800	2,067,400	16,231,200
2034	9,419,200	1,452,900	10,872,100
2035	9,353,400	1,014,700	10,368,100
2036	7,218,000	608,400	7,826,400
2037	3,084,700	262,400	3,347,100
2038	1,549,200	108,200	1,657,400
2039	<u>614,400</u>	<u>30,700</u>	<u>645,100</u>
Total	\$546,112,500	\$168,053,400	\$714,165,900

50. It is important to note that Table 10 reflects the state's outstanding stewardship debt service obligations in nominal dollar values. Price levels generally rise over time, reducing the relative worth of a dollar. Therefore, the real (inflation-adjusted) value of debt service obligations is likely to be lower than the values shown in the table as inflation raises wages and increases state tax revenues. Furthermore, the table reflects the debt service currently scheduled and does not anticipate future debt issues or refinancing actions taken by the state, nor does the table reflect projects for which DNR has currently obligated state debt but for which bonds have not been issued.

### **Hypothetical Debt Service Projections**

51. The majority of debt the state issues consists of serial bonds in which principal is repaid in smaller sums over the life of the issues. The individual bonds have different maturity dates and different interest rates. The principal payments may be made equal in each year or have different structures reflecting market conditions at the time of the issue or the debt policies of the issuers. Typically, the longest life of a serial bond in a given bond issue is 20 years.

52. The following series of tables show projections of annual debt service obligations under different stewardship scenarios. The estimates rely on several assumptions. As noted above, under current law the stewardship program is provided with annual bonding authority of \$33,250,000. DNR may obligate up to this amount in each fiscal year through June 30, 2020. These estimates assume that DNR will obligate this entire amount in each fiscal year in both 2018-19 and 2019-20. It should be noted that DNR has typically underspent its bonding authority in most fiscal years. The estimates also assume that bonds will be issued with a 5% interest rate. While the true interest cost of the most recent state general obligation bond issue was 3.8%, for budget projections, 5% is used to approximate a long-term running average interest rate. Furthermore, these estimates assume that the bonds are issued for a 20-year term and that no refinancing actions will be taken by the state. The annual debt service shown in each table for any given fiscal year is the cumulative total of all annual payments due on bonds issued up to that year. It should be noted that these estimates also include the debt service scheduled on bonds that have been issued through May, 2019. If the stewardship program is reauthorized for 10 years, DNR would be able to obligate debt through June 30, 2030. These projections assume that debt is issued in the fiscal year in which it is obligated and that the bonds will be amortized after 20 years. Table 11 summarizes the annual payment and the total debt service for a single year's bond issue under each scenario.

**TABLE 11**

**Hypothetical Payments Due on a Single Year's Debt Issue**

<u>Alternative</u>	<u>Annual Bonding Authority</u>	<u>Annual Debt Service Payment</u>	<u>Total 20-Year Debt Service Payment</u>	<u>10-Year Reauthorization Total Debt Service</u>
2 & 3	\$33.25 million	\$2,668,100	\$53,361,300	\$533,613,000
4	\$46 million	3,691,200	73,823,180	738,231,800
5	\$23.25 million	1,865,600	37,312,800	373,128,000

53. Table 12 shows a projection of annual principal repayment and interest under a 10-year reauthorization at current program levels [Alternative 2 and 3]. As noted, these estimates assume that DNR obligates the full \$33.25 million annual allotment under current law in both fiscal year 2018-19 and 2019-20 as well as the full \$33.25 million annual allotment under the alternative. Under these projections, the state would be obligated to pay approximately \$2,668,100 annually for 20 years on a single year's debt issuance of \$33.25 million. Principal repayment would vary between \$1,005,600 and \$2,541,000; interest payments would vary between \$127,100 and \$1,662,500. Over the 20-year life of each \$33,250,000 in bonds, the state would be obligated to pay approximately \$53,361,300.

**TABLE 12****Hypothetical Debt Service under a 10-Year Reauthorization, at \$33.25 Million per year**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$58,797,100	\$27,721,700	\$86,518,800
2021	57,250,700	25,970,500	83,221,200
2022	56,745,500	24,703,300	81,448,800
2023	46,482,400	23,734,000	70,216,400
2024	<u>50,240,200</u>	<u>23,148,400</u>	<u>73,388,600</u>
Subtotal	\$269,515,900	\$125,277,900	\$394,793,800
2025	\$46,449,100	\$22,706,800	\$69,155,900
2026	46,303,700	22,036,200	68,339,900
2027	47,108,300	21,533,000	68,641,300
2028	44,012,000	20,854,800	64,866,800
2029	<u>42,320,000</u>	<u>20,558,900</u>	<u>62,878,900</u>
Subtotal	\$226,193,100	\$107,689,700	\$333,882,800
2030-2034	\$176,349,200	\$89,455,400	\$265,804,600
2035-2039	129,321,100	54,606,800	183,927,900
2040-2044	94,411,000	25,652,000	120,063,000
2045-2050	<u>49,322,200</u>	<u>6,707,100</u>	<u>56,029,300</u>
Total	\$945,112,500	\$409,388,900	\$1,354,501,400

54. Table 13 shows a projection of annual principal repayment and interest under a 10-year reauthorization with an annual allocation of \$46 million, the program funding level set by the 1999 stewardship reauthorization [Alternative 4]. These estimates assume that DNR obligates the full \$33.25 million annual allotment under current law in both fiscal year 2018-19 and 2019-20 as well as the full \$46 million annual allotment under the alternative. Under these projections, the state would be obligated to pay approximately \$3,691,200 annually for 20 years on a single year's debt issuance of \$46 million. Principal repayment would vary between \$1,391,200 and \$3,515,400; interest payments would vary between \$175,800 and \$2,300,000. Over the 20-year life of each \$46,000,000 in bonds, the state would be obligated to pay approximately \$73,823,200.

**TABLE 13****Hypothetical Debt Service under a 10-Year Reauthorization, at \$46 Million per year**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$58,797,100	\$27,721,700	\$86,518,800
2021	57,250,700	25,970,500	83,221,200
2022	57,131,100	25,340,800	82,471,900
2023	47,272,900	24,989,800	72,262,700
2024	<u>51,455,800</u>	<u>25,002,100</u>	<u>76,457,900</u>
Subtotal	\$271,907,600	\$129,024,900	\$400,932,500
2025	\$48,111,100	\$25,137,300	\$73,248,400
2026	48,434,300	25,021,100	73,455,400
2027	49,731,100	25,048,800	74,779,900
2028	47,151,500	24,877,000	72,028,500
2029	<u>46,002,100</u>	<u>25,061,600</u>	<u>71,063,700</u>
Subtotal	\$239,430,100	\$125,145,800	\$364,575,900
2030-2034	\$201,504,800	\$114,431,300	\$315,936,100
2035-2039	161,895,500	73,187,100	235,082,600
2040-2044	129,639,300	35,439,600	165,078,900
2045-2050	<u>68,235,400</u>	<u>9,279,000</u>	<u>77,514,400</u>
Total	\$1,072,612,700	\$486,507,700	\$1,559,120,400

55. Table 14 shows a projection of annual principal repayment and interest under a 10-year reauthorization with an annual allocation of \$23.25 million, a reduction of \$10 million annually from current law [Alternative 5]. These estimates assume that DNR obligates the full \$33.25 million annual allocation under current law in both 2018-19 and 2019-20 as well as the full \$23.25 million annual allocation under the alternative. Under these projections, the state would be obligated to pay approximately \$1,865,640 annually for 20 years on a single year's debt issuance of \$23.25 million. Principal repayment would vary between \$703,100 and \$1,776,800; interest payments would vary between \$88,800 and \$1,162,500. Over the 20-year life of each \$23,250,000 in bonds, the state would be obligated to pay approximately \$37,312,800.

**TABLE 14**

**Hypothetical Debt Service under a 10-Year Reauthorization, at \$23.25 Million per year**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$58,797,100	\$27,721,700	\$86,518,800
2021	57,250,700	25,970,500	83,221,200
2022	56,443,100	24,203,300	80,646,400
2023	45,862,400	22,749,200	68,611,600
2024	<u>49,286,800</u>	<u>21,694,600</u>	<u>70,981,400</u>
Subtotal	\$267,640,100	\$122,339,300	\$389,979,400
2025	\$45,145,700	\$20,800,600	\$65,946,300
2026	44,632,600	19,695,200	64,327,800
2027	45,051,200	18,775,600	63,826,800
2028	41,549,700	17,700,200	59,249,900
2029	<u>39,432,100</u>	<u>17,027,400</u>	<u>56,459,500</u>
Subtotal	\$215,811,300	\$93,999,000	\$309,810,300
2030-2034	\$156,619,400	\$69,866,400	\$226,485,800
2035-2039	103,772,700	40,034,100	143,806,800
2040-2044	66,780,900	17,975,300	84,756,200
2045-2050	<u>34,488,500</u>	<u>4,689,900</u>	<u>39,178,400</u>
Total	\$845,112,900	\$348,904,000	\$1,194,016,900

**ALTERNATIVES**

1. Approve the Governor's request as modified by the errata letter to provide \$42.6 million in additional bonding authority and allow DNR to use rollover authority to use \$23.9 million in lapsed stewardship bonding authority.

<b>ALT 1</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
BR	\$42,600,000	\$42,600,000

2. Reauthorize the stewardship program at current funding levels for 10 years, effective when the current program expires, on June 30, 2020, through June 30, 2030. Raise the current bonding authorization by \$308.6 million. Allow DNR to use lapsed bonding authority from the current stewardship authorization, under s. 20.866(2)(ta) in fiscal year 2020-21.

ALT 2	Change to	
	Base	Bill
BR	\$308,610,500	\$308,610,500

3. Reauthorize the stewardship program at current funding levels for 10 years, effective when the current program expires, on June 30, 2020, through June 30, 2030. Raise the current bonding authorization by \$332.5 million.

ALT 3	Change to	
	Base	Bill
BR	\$332,500,000	\$332,500,000

4. Reauthorize the stewardship program with an annual allotment of \$46 million, effective when the current program expires, on June 30, 2020, through June 30, 2030. Raise the current bonding authorization by \$460 million.

ALT 4	Change to	
	Base	Bill
BR	\$460,000,000	\$460,000,000

5. Reauthorize the stewardship program with an annual allotment of \$23.25 million, effective when the current program expires, on June 30, 2020, through June 30, 2030. Raise the current bonding authorization by \$232.5 million.

ALT 5	Change to	
	Base	Bill
BR	\$232,500,000	\$232,500,000

6. In addition to Alternatives 3, 4, or 5 for reauthorizing the stewardship program, authorize DNR to use up to \$23.9 million in unobligated bonding authority for capital development and property maintenance projects on DNR-held lands.

7. In addition to Alternative 5, provide DNR \$5 million forestry SEG annually in a continuing appropriation to acquire land.

ALT 7	Change to	
	Base	Bill
SEG	\$10,000,000	\$10,000,000

8. Specify DNR may not implement the provision of NR 51.962(4)(a)6., which allows counties to receive a match on 100% of the fair market value of lands to be enrolled in the county forest and acquired within one year prior to the stewardship acquisition. (This alternative may be adopted in addition to any others.)

9. Create a commission with members appointed by the Assembly, Senate, and Governor to provide recommendations for the future of the stewardship program, including funding levels and sources, and program uses. (This alternative may be adopted in addition to any others.)

10. Take no action. (The Stewardship program would expire June 30, 2020.)

Prepared by: Eric Hepler





## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

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June, 2019

Joint Committee on Finance

Paper #516

### **Parks Staffing and Operations (Natural Resources -- Conservation and Recreation)**

[LFB 2019-21 Budget Summary: Page 298, #2]

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#### **CURRENT LAW**

State parks operations are funded primarily from the parks account of the segregated (SEG) conservation fund. Account revenues derive mostly from parks motor vehicle admission fees and camping fees. Parks revenue is also derived from other charges, including trail use fees, golfing at Peninsula State Park and swimming at Blue Mounds State Park. In addition, a portion of the revenue from the sale of patron licenses is deposited in the parks account to reflect the parks-related privileges granted to patron license holders, including an annual park vehicle admission, trail pass and Heritage Hill State Park admission.

These revenues fund the operations and maintenance of 77 recreational properties open to the public, including: (a) 45 state parks (another five state parks are state-owned but operated locally by municipalities or nonprofit groups); (b) 15 state trails (another 25 trails are state-owned, but locally operated and maintained); (c) two national scenic trails; (d) eight southern forests; and (e) seven recreation areas. The operating costs for the parks system include staff costs for: (a) park managers, who supervise the daily operation of state parks; (b) park rangers, who are primarily responsible for certain enforcement and skilled maintenance activities; (c) park naturalists, who develop and present the educational programs offered at the parks; (d) visitor services staff; and (e) maintenance personnel. Operations costs also include supplies for utilities, including electricity and fuel, sewer and water, cleaning, and maintenance. Limited-term and seasonal employees are utilized extensively in the state park system.

#### **GOVERNOR**

Increase general operations funding for state parks and recreational areas by \$1,431,200

annually from the conservation fund to reflect greater costs associated with higher parks attendance, as well as maintenance and development of parks facilities. DNR indicates that it would raise the hourly wage for seasonal limited-term employees (LTEs) from \$11.05 per hour to \$12.55 per hour, on average, to improve hiring and retention; the provision would increase amounts budgeted for LTE salary and fringe by \$931,200 annually.

Additionally, the bill would increase base funding for costs attributable to maintenance, utilities and other operational costs of recently completed facilities at several state parks and southern forests. An additional \$301,500 in supplies and services would support systemwide costs due to increased park and southern forest attendance in recent years. Funding would also be provided for costs (\$150,000) associated with additional electrified campsites authorized under 2017 Wisconsin Act 59.

## **DISCUSSION POINTS**

### **Parks Funding and Revenues**

1. Prior to 1995, parks were funded equally from general purpose revenue (GPR) and parks account SEG. After several GPR reductions, 2015 Wisconsin Act 55 removed GPR support for parks operations. In 2014-15, GPR supported about 28% of parks operations. To offset this reduction, 2015 Act 55 raised parks admission fees, trail use fees, and camping fees.

2. Over the last 10 fiscal years, parks operations appropriations have remained in a range of approximately \$16.7 million to \$17.9 million. Under the bill, parks operations would be budgeted at \$18.7 million in 2019-20 and \$19.2 million in 2020-21, which includes the parks account portion of DNR's law enforcement expenditures.

3. Parks admissions fees are the largest source of revenue to the parks account. Parks visits have generally risen each year. As shown in Table 1, sales of parks admissions stickers have grown by an average annual rate of 3.6% since 2008. Additionally, parks visits have increased at a similar rate, growing by approximately 2.1%, on average, each year. The Department argues that this increase in admissions can have the deleterious effect of increasing strain on parks infrastructure. Without an increase in operations budgets, DNR argues, parks quality will decline. In his testimony before the Joint Committee on Finance, the DNR Secretary Designee argued that declines in the quality of park experiences would risk parks visits as attendees may seek outdoor recreation elsewhere.

**TABLE 1****State Park Admissions and Attendance (Calendar Year)**

	<u>Reduced Rate*</u>	<u>Resident Stickers</u>	<u>Non- Resident Stickers</u>	<u>Total Stickers</u>	<u>Change from the Prior Year</u>	<u>Total Visits</u>	<u>Change from the Prior Year</u>
2008	57,285	136,161	30,038	223,484		13,556,342	
2009	64,535	150,582	33,395	248,512	11.2%	14,435,928	6.5%
2010	68,082	154,258	34,223	256,563	3.2	14,305,434	-0.9
2011	68,494	149,102	32,967	250,563	-2.3	14,176,871	-0.9
2012	76,361	161,555	34,525	272,441	8.7	15,480,894	9.2
2013	77,338	154,428	33,394	265,160	-2.7	15,110,701	-2.4
2014	80,905	158,070	33,671	272,646	2.8	15,133,691	0.2
2015	88,184	170,650	35,998	294,832	8.1	16,304,067	7.7
2016	91,242	183,082	35,734	310,058	5.2	17,460,007	7.1
2017	95,651	188,531	36,672	320,854	3.5	17,957,983	2.9
2018	97,964	192,290	40,280	330,534	3.0	17,062,623	-5.0

\*Includes senior citizen stickers.

4. 2017 Wisconsin Act 59 provided DNR with flexibility to set campsite and daily admissions fees, within statutorily defined limits, based on demand, season, site quality, and other characteristics. Section 27.01(7)(f) delineates the minimum and maximum fees for daily parks admissions fees for residents and non-residents. DNR charges \$8 for resident daily motor vehicle admission to most parks but charges \$13 for admission to Devil's Lake, and \$10 for admission to Willow River and Peninsula State Parks. Additionally, s. 27.01(10)(d) of the statutes allows DNR to set the nightly camping fee in state parks between \$15 and \$30 per night for residents and between \$19 and \$35 per night for nonresidents; fees are determined by the DNR Secretary. DNR has used its demand-based pricing authority to lower camping fees from the rates set in 2015 Act 55 at 36 properties and raise camping fees at 38 properties. DNR currently sets camping fees between \$15 and \$20 per weeknight for residents and between \$16 and \$22 per weekend night for residents. Non-resident rates are \$5 higher than the resident rate at each park. Campsites with electricity may cost between \$10 and \$15 more than a standard campsite.

5. In the April, 2019, meeting of the Natural Resources Board (NRB), DNR reported that since the implementation of demand-based pricing, the Department has seen an increase in certain parks revenues. Between July 1, 2018, and December 31, 2018, campsite reservations revenues were 10% above those over a similar period in the prior fiscal year and parks admissions revenues were 11% higher than those in same period in the previous fiscal year. Much of the increased revenue is derived from the three highest demand parks, with annual sales at Devil's Lake, Peninsula, and Willow River up 11.3% since the implementation of demand-based pricing. Furthermore, in the first six months of the fiscal year, parks revenues were approximately \$1,000,000 above a similar period in the previous fiscal year.

6. For budgetary purposes, DNR estimates that both parks admissions sticker and campsite

fee revenues will increase by approximately 1% each year. Table 2 shows the parks account condition under the bill, given the approximately \$1 million increase in revenues in 2018-19 over a comparative period in 2017-18 and assuming a roughly 1% increase in both parks fees and campsite fees each subsequent year. Given the observed revenue increases, it is reasonable to estimate that total annual parks revenue in the 2019-21 biennium will be approximately \$23.2 million and \$23.4 million, respectively, or over \$1.0 million above parks revenues in 2017-18. However, under these projections, increasing base funding may reduce the balance of the parks account.

**TABLE 2**  
**Parks Account Condition**

	2017-18 <u>Actual</u>	2018-19 <u>Budgeted</u>	2019-20 <u>Governor</u>	2020-21 <u>Governor</u>	2019-20 <u>Staff</u>
<b>Opening Balance</b>	\$11,678,600	\$10,912,100	\$7,637,300	\$5,797,300	
<b>Revenue</b>	22,169,300	23,100,000	23,200,000	23,400,000	
<b>Available Balance</b>	33,847,900	34,012,100	27,648,100	26,008,100	
<b>Expenditures</b>					
Parks, Recreation, and Interpretive Operations	15,909,500	14,937,000	17,016,600	17,016,600	111.45
Parks Development (One-Time)	178,200	3,189,200	0	0	
Department of Tourism	12,100	12,100	12,100	12,100	
<b>Split-Funded Appropriations</b>					
Internal Services	1,755,400	1,786,200	1,869,200	1,869,200	12.23
External Services	266,000	283,400	284,600	284,600	0.93
Division Management	1,492,300	1,619,000	1,587,200	1,587,200	14.24
Law Enforcement and Safety	1,384,100	1,640,900	1,669,900	2,214,500	12.06
Aids in Lieu of Taxes	23,700	24,100	24,100	24,100	
Debt Service, Maintenance, Development, and Assessments	735,400	1,182,900	1,322,700	1,334,400	
Reservation Fees	<u>1,179,100</u>	<u>1,005,600</u>	<u>1,005,600</u>	<u>1,005,600</u>	
Subtotal	\$6,836,000	\$7,542,100	\$7,763,300	\$8,319,600	39.46
<b>Compensation Reserves</b>	0	694,400	248,000	248,000	
<b>Total Expenditures</b>	\$22,935,800	\$26,374,800	\$25,040,000	\$25,596,300	
<b>Closing Cash Balance</b>	10,912,100	7,637,300	5,797,300	3,601,000	
<b>Encumbrances and Continuing Balances</b>	2,404,600	2,404,600	2,404,600	2,404,600	
<b>Available Balance</b>	\$8,507,500	\$5,232,700	\$3,392,700	\$1,196,400	

7. Enhanced revenue options and increased parks visits have increased revenues to the parks account, as shown in Table 2. However, increased parks visits have added to deterioration of

parks facilities. In recent years, DNR has listed several deferred maintenance projects in its capital budget request to offset the wear and tear caused by greater visitation. The Legislature has recently provided funds for development and maintenance in state parks. 2017 Act 59 created a continuing appropriation for parks development projects with \$1 million parks account SEG in one-time funding each fiscal year of the 2017-19 biennium. DNR has used these funds for campsite electrification as well as various projects including signage, fire rings, picnic tables, parking lot expansion, and building repairs at state parks. In April 2018, the Joint Committee on Finance approved a request by DNR under section 13.10 of the statutes to provide \$2.2 million from the balance of the parks account in additional one-time funding for small capital projects that were not previously funded in the 2017-18 legislative session. As of May 31, 2019, DNR has expended \$1,660,800 from this appropriation, leaving \$2,539,200 remaining. Additionally, 2017 Act 71 authorized DNR to obligate up to \$4.5 million in unused stewardship bonding authority for parks water infrastructure projects.

8. The Governor's proposal would increase parks expenditure authority to reflect increased costs of hiring and retaining seasonal employees as well as supplies and services at high-demand parks, new facilities, and newly electrified campgrounds, as shown in Table 3. It should be noted that these funds would be provided as ongoing funding, increasing the parks operation base budget. These expenses are detailed further in a subsequent section. As noted above, demand-based pricing as well as increased parks visits and advance campsite reservations have raised parks revenues in the past year. While the account condition above anticipates a revenue increase of \$1 million, good weather and high parks attendance through June 30 may continue to increase revenues in 2018-19, relative to 2017-18. Therefore, the Committee could consider raising parks base operations funding by the \$1.43 million annually requested by the Governor. Additionally, the Department has some discretion to adjust camping and admissions fees and may opt to do so if additional revenues are required to preserve the parks account balance.

**TABLE 3**

**Governor's Proposed Use of Parks Funding Increase**

<b>LTE Staffing</b>	
Wage Increase	\$750,000
Fringe Benefits	<u>181,200</u>
Subtotal	\$931,200
<b>Supplies and Services</b>	
High-Traffic Parks	\$301,500
New Facilities	<u>48,500</u>
Subtotal	\$350,000
Electric Campground Services	\$150,000
Total	\$1,431,200

9. Increased funding under the Governor's proposal would reduce the amounts that would accumulate in the balance. This may limit the amount of funding available for future property development projects and other one-time expenses. However, one could argue that increasing parks

operations base funding would allow DNR to adequately fund basic operations and basic maintenance and up keep tasks to maintain parks facilities consistent with park users' expectations.

10. Parks visits and campsite stays are highly dependent on weather, and inclement weather tends to reduce parks visits and revenues. Nearly 60% of all visits to parks occur in the first half of the fiscal year. Daily visits to Wisconsin State Parks typically peak in mid to late summer. Approximately 18.9% of daily visits to parks occur in July and approximately 17.4% of daily visits to parks occur in August. (June sees the third highest number of visits, with approximately 16% of all daily parks visits occurring in that month.) This makes parks revenues highly dependent on a fairly short time period. Given the uncertainty in weather conditions and parks revenues, it may be worthwhile to limit the increase in parks baseline funding to approximately \$1,000,000, or 70% of the Governor's request, consistent with additional revenue identified by DNR in 2018-19. Table 4 shows reduced funding alternatives. Subsequent alternatives in this paper would reduce new funding proportionally on this basis.

11. The Committee could also take no action on any of the Governor's recommendations [Alternatives A3, B3, and C3]. If the increases were not provided, DNR could seek additional funding under s. 13.10 of the statutes if revenues during the 2019-21 biennium would support additional expenditures.

**TABLE 4**

**70% Funding Alternative**

LTE Staffing	
Wage Increase	\$500,000
Fringe Benefits	<u>120,800</u>
Subtotal	\$620,800
Supplies and Services	\$250,000
Electric Campground Services	\$125,000
Total	\$995,800

12. Although alternative funding amounts are presented in the following sections for each component of the Governor's recommendation, the Department would have flexibility allocate the funding as necessary in general parks operations over the course of the biennium. As such, if the Committee were to pick any amount in the range under Alternatives A through C that may be less than the Governor's recommendation, DNR could use that amount for some combination of the staffing and other program costs discussed in the following sections.

**Parks Staff**

13. DNR uses LTEs extensively in state parks. DNR currently has 10.35 parks positions that have been vacant for one year or longer. DNR occasionally may leave positions open for extended

periods of time in order to reallocate budgeted salaries and fringe benefits to additional LTE positions. In calendar year 2018, DNR hired 482 LTEs to work in state parks and southern forests as laborers, visitor services associates, and parks and recreation specialists. Of these, 359 were seasonal employees, hired for average terms of 18.9 weeks. In calendar year 2019, DNR expects to hire 450 seasonal parks LTEs. DNR reports that due to position reductions, it has used LTEs to fill gaps in service, in addition to providing seasonal labor.

14. DNR reports that it has acute recruitment and retention issues in Door and Sauk Counties, where Peninsula and Devil's Lake State Parks are located, respectively. In July 2018, DNR parks had funding for 425 LTE staff and had 380 of those filled, leaving over 10% of limited-term appointments vacant. Additionally, many parks LTEs leave their positions before the end of the season, creating staffing shortages during the busy Labor Day weekend. The Department indicates that \$931,200 from the Governor's proposed base funding increase would be spent to raise LTE wages (\$750,000) and attendant fringe costs (\$181,200). Wages would increase from \$11.05 per hour to \$12.55 per hour, on average. Wage increases would be targeted for laborer, visitor services associate, and parks and recreation specialist LTE classes.

15. The starting wage for DNR seasonal parks laborers is \$9.43 per hour. Laborers may earn a maximum of \$11.75 per hour and earn, on average, \$10.59. Laborers' duties include mowing grass and clearing brush, picking up litter, and cleaning facilities and other general maintenance tasks. The starting wage for visitor service associates is \$9.43 per hour. Visitor services associates may earn a maximum of \$14.85 per hour and earn, on average, \$10.80 per hour. Visitor services associates are primarily responsible for greeting visitors, collecting admissions fees, and providing information to parks guests. Parks and recreation specialists start at a minimum wage of \$11 per hour and may earn a maximum of \$17.25 per hour. On average, these positions earn \$13.20 per hour. Senior parks and recreation specialists may earn \$20 per hour. Parks and recreation specialists perform general maintenance, collect admissions fees, register campers and provide assistance to parks visitors. Wages for each position as well as comparable private sector occupations in Wisconsin and nationally are summarized in Table 5.

**TABLE 5**

**Seasonal Employee Wages**

<u>Job Title</u>	<u>Minimum</u>	<u>Average</u>	<u>Maximum</u>
DNR Laborer	\$9.43	\$10.59	\$11.75
Landscaping and Groundskeeping Workers (Wisconsin Mean)	9.45	15.29	23.05
Landscaping and Groundskeeping Workers (National Mean)	9.98	14.88	21.47
DNR Visitor Services Associate	\$9.43	\$10.80	\$14.85
DNR Parks and Recreation Specialist	11.00	13.20	17.25
Recreation Worker (National Mean)	8.88	13.61	20.52
Recreation Worker (Wisconsin Mean)	8.25	12.12	19.10

Note: Minimum and maximum wages for private sector comparisons reflect the 10th and 90th percentile of employment, respectively.

Source: "Occupational Employment and Wages, May, 2018." Bureau of Labor Statistics.

16. It could be argued that Wisconsin's starting wage for certain parks employees is competitive with similar private sector employment in Wisconsin. However, DNR may struggle to compete against local employment. Table 6 shows the starting wage for seasonal parks workers in several Wisconsin counties. Wage data came from each county's employment webpage and is intended to show wages for comparable seasonal parks employees. Counties listed were chosen based on their population and proximity to popular DNR parks. The median starting wage of those counties listed in the table is \$11.00 per hour, which is equal to the DNR starting wage for parks and recreation specialists. However, several counties pay higher starting wages than DNR, including Door and Dane, which are close to two of the most visited state parks (Peninsula and Devil's Lake, respectively).

**TABLE 6**

**Starting Wage of Seasonal Parks Workers**

<u>County</u>	<u>Wage</u>
Dane	\$16.24
Door	11.75
Eau Claire	13.67
La Crosse	13.29
Marathon	11.00
Milwaukee	7.77
Outagamie	10.17
Waukesha	9.53
Winnebago	11.00
DNR Parks LTEs	9.43

17. DNR hiring managers have flexibility to set wages within specified ranges, based on a candidate's qualifications and other conditions. Budgets for individual parks are set through a regional work planning process, based on park needs. DNR intends to geographically target wage increases at those areas that experience the most significant hiring and retention issues and would provide additional LTE funding in those regions.

18. The Committee could consider providing \$750,000 annually for parks LTE wages and \$181,200 for associated fringe costs, as recommended by the Governor [Alternative A1]. Alternatively, the Committee could fund approximately 70% of the Governor's request and provide \$500,000 for LTE wages and \$120,800 for associated fringe costs [Alternative A2], allowing DNR to target the increases to those areas where it experiences hiring difficulties.

**Supplies and Services Funding**

19. The Governor's proposed funding increase would allot \$350,000 for supplies and services related to higher parks traffic and new facilities. DOA reports that \$301,500 would be used for paper towels, cleaning supplies, bathroom tissue, and other basic supplies. Logically, as parks visits increase, more of these supplies are used. Additionally, DNR reports \$48,500 will be used for

supplies, maintenance and utilities for new facilities, as shown in Table 7.

**TABLE 7**

**Funding for New Facilities**

<u>Property</u>	<u>Facility</u>	<u>Annual Cost</u>
Council Grounds State Park	Open Shelter	\$1,500
Devil's Lake State Park	Boat Storage Building	2,500
High Cliff State Park	Boat Launch	5,000
Kinnickinnic State Park	Campground	10,000
Mirror Lake State Park	Amphitheater	2,500
Peninsula State Park	Toilet Shower Building	3,000
Peninsula State Park	Lift Station	1,500
Peninsula State Park	New Tower	2,500
Peninsula State Park	New Trail System	7,500
Kettle Moraine State Forest -- Pike Lake Unit	Amphitheater	2,500
Potawatomi State Park	New Trail System	5,000
Willow River State Park	Dam	<u>5,000</u>
Total		\$48,500

20. The Committee could consider providing \$350,000 for supplies and services, as proposed by the Governor [Alternative B1]. It should be noted that the Pike Lake Unit is a part of the Kettle Moraine State Forest, and is therefore managed as a part of the southern forests, rather than state parks. The Governor's request would allocate all funding to the state parks budgetary subprogram. The Committee could consider separating the \$2,500 identified for the Pike Lake Unit and allocating it to the southern forest budgetary subprogram [Alternative B1].

21. 2015 Act 55 provided \$180,400 SEG annually to cover increased utility and other costs. Notwithstanding one-time funds provided by the Legislature, parks base supplies and services funding has not increased since fiscal year 2015. Over a similar time period, parks visits have increased by approximately 13%, from 15.1 million visitors in calendar year 2014 to 17.1 million visitors in calendar year 2018. The allotment for supplies and services in the Governor's proposed funding increase, including the \$150,000 for electric campsite services (described below), is approximately a 14% increase in the current base allotment for supplies and services and is in proportion to increased parks visits. However, as noted above, parks revenues may not support a full increase. The Committee could consider providing \$250,000 SEG annually for supplies and services to reflect 70% of the Governor's request [Alternative B2].

**Electric Campsite Services**

22. In addition to the campsite fee increases described above, 2017 Act 59 raised the limit on the total number of DNR campsites that could be electrified from 30% to 35%. Electric campsites fees are generally \$10 above the base camping fee for any given park. 2017 Act 59 set the electric campsite fee at \$15 above base fees at Devil's Lake, High Cliff, Kohler-Andrae, Peninsula, and Willow River State Parks.

23. DNR indicates that it will use \$150,000 of the Governor's proposed parks base funding increase to pay for costs related to newly electrified campsites. DNR estimates that the 200 campsites that have been electrified or are planned to be, subsequent to Act 59, will be occupied 150 nights each year. The Department further estimates that the use of these campsites incurs \$5 in costs to DNR. Therefore, the costs related to these new sites equals 200 sites times 150 nights of use times \$5 use cost (\$150,000).

24. As of April, 2019, 1,360 of a total of 3,967 DNR campsites were electrified (for a total of 34.3%). DNR plans to provide electricity to 35% of all campsites by 2021. DNR planned to electrify 200 campsites. Electrical upgrades were initially planned for campsites in 20 parks. Due to cost constraints, this was reduced to 16 parks. DNR has used one-time property development funds provided under 2017 Act 59 (described above) to fund the electrification of 191 campsites. Of these, 140 will be completed by the end of May, 2019, and DNR expects the remaining 51 will be completed by autumn of 2019. DNR reports that the cost of campsite electrification range from \$2,158 to \$11,240, with an average cost of \$5,340 per site. Costs vary based on a park's remoteness and existing electrical infrastructure.

25. Most electrified campsites on DNR properties are open and available for reservations from April to October, approximately 210 days. DNR reports that during the summer peak season, which runs from May 15 to September 15 (123 days), an electrified campsite is occupied between 85% and 100% of nights. Depending on weather and other factors, an electrified campsite is occupied between 120 and 170 nights each year.

26. In 2013, as a part of a electrification project, DNR metered an electrified campsite to sample camper electricity use. The study found that, on average, electric use at campsites cost \$4.50 per night stay. Campers and RVs are a large driver of these costs. According to DNR, camper electrical usage is less efficient than household usage. Campers tend to have less efficient pumps, heating and air conditioning systems, and lighting systems than a household. DNR estimates that campers, on average, use \$5 in electricity at DNR campgrounds per night stay.

27. Given the costs incurred, the Committee could consider providing DNR \$150,000 for electrical use at newly electrified campsites [Alternative C1]. Since campsite fees are \$10 higher for electrical campsites than for non-electrified sites within the same park, the proposal would provide DNR expenditure authority based on the revenues that these sites raise.

28. However, as noted above, approximately 51 of the campsites will not be completed until the peak camping season has ended. It is unlikely that they will be occupied 150 nights during fiscal year 2019-20, as DNR's calculation assumes. The Committee could consider providing \$125,000 SEG annually for supplies and services related to new electrical campsites. This would approximate the \$5.00 per night electrical costs for 141 sites, occupied 150 nights in the first year of the biennium and 191 sites occupied 150 nights during the second year of the biennium, averaged over each of the two years [Alternative C2].

## ALTERNATIVES

### A. Parks Staffing

1. Approve the Governor's recommendation to provide \$931,200 parks SEG annually to increase LTE wages by approximately \$1.50 per hour (\$750,000) and associated fringe costs (\$181,200).

ALT A1	Change to	
	Base	Bill
SEG	\$1,862,400	\$0

2. Provide \$620,800 parks SEG annually to increase LTE wages by approximately 70% (\$500,000) and associated fringe costs (\$120,800).

ALT A2	Change to	
	Base	Bill
SEG	\$1,241,600	- \$620,800

3. Take no action.

ALT A3	Change to	
	Base	Bill
SEG	\$0	- \$1,862,400

### B. Supplies and Services

1. Provide \$350,000 parks SEG annually for supplies and services. As a clarification of the intended funding, move \$2,500 to the budgetary subprogram for Southern Forests to reflect supplies and services intended for Kettle Moraine State Forest -- Pike Lake.

ALT B1	Change to	
	Base	Bill
SEG	\$700,000	\$0

2. Provide \$250,000 parks SEG annually for supplies and services.

ALT B2	Change to	
	Base	Bill
SEG	\$500,000	- \$200,000

3. Take no action.

<b>ALT B3</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
SEG	\$0	- \$700,000

**C. Electric Campsite Services**

1. Provide \$150,000 parks SEG annually for supplies and services related to increased costs of operating new electrical campsites.

<b>ALT C1</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
SEG	\$300,000	\$0

2. Provide \$125,000 parks SEG annually for supplies and services related to increased operating costs of those campsites that will be available for reservations in either year of the biennium.

<b>ALT C2</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
SEG	\$250,000	- \$50,000

3. Take no action.

<b>ALT C3</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
SEG	\$0	- \$300,000

Prepared by: Eric Hepler



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

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June, 2019

Joint Committee on Finance

Paper #517

### **Law Enforcement Radios (Natural Resources -- Conservation and Recreation)**

[LFB 2019-21 Budget Summary: Page 299, #3]

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#### **CURRENT LAW**

The Department of Natural Resources (DNR) Bureau of Law Enforcement (BLE) is responsible for enforcement of state laws regarding fish and wildlife, motorized recreation and environmental quality, as well as for ensuring public safety at DNR recreational properties. DNR law enforcement personnel may respond to incidents in coordination with other law enforcement agencies. The Department's current inventory of law enforcement radios includes 365 mobile radios and 430 portable radios. Of these, the Department reports that 330 mobile radios and 210 portable radios were purchased before 2010 and use outdated technology, while an additional 45 portable radios purchased in 2011 and 2012 are nearing obsolescence.

#### **GOVERNOR**

Provide \$1,288,300 (\$53,500 GPR, \$1,154,600 conservation fund SEG, and \$80,200 environmental fund SEG) annually as one-time funding for the purchase of law enforcement radios. BLE indicates that it would use this funding to purchase 390 multi-band mobile radios and 290 multi-band portable radios.

#### **DISCUSSION POINTS**

1. BLE reports that it has a large inventory of mobile and portable police radios that use outdated technology and that are not currently capable of communicating with many city, county, and state radio systems. The Governor proposes to provide DNR with \$1,288,300 in each year of the biennium. This funding would support the first two years of a four-year master lease for 390 multi-band mobile radios, which are mounted to service vehicles, and 290 multi-band portable radios, which

are carried by law enforcement personnel. Newly acquired radios will replace the Department's current inventory. Radios would be divided among full-time and limited-term employee (LTE) wardens as shown in Table 1. Radios purchased for maintenance would be used as replacement for radios needing service or other situations where additional radios are necessary.

**TABLE 1**

**Allotment of Radios among Wardens**

<u>Mobile Radios</u>	<u>Quantity</u>	<u>Portable Radios</u>	<u>Quantity</u>
Truck-Mounted (Full-Time Wardens)	230	Full-Time Wardens	230
Watercraft-Mounted (Full-Time Wardens)	100		
Maintenance/Support	20	Maintenance/Support	20
Truck-Mounted (LTE Wardens)	<u>40</u>	LTE Wardens	<u>40</u>
Total	390	Total	290

2. The proposal would divide funding among law enforcement functions as shown in Table 2. Funding was allocated among law enforcement appropriations based on the number of positions funded by each appropriation.

**TABLE 2**

**DNR Law Enforcement Radios -- 2019-21 Funding**

<u>Appropriation</u>	<u>Annual Allocation</u>	<u>Fund</u>
General Program Operations	\$53,500	GPR
Environmental Enforcement	\$80,200	Environmental SEG
Fish, Wildlife, Parks and Forestry Enforcement	\$963,100	Conservation SEG
Boat Enforcement	124,900	
ATV Enforcement	53,500	
Water Resources Enforcement	<u>13,100</u>	
Conservation Fund Subtotal	\$1,154,600	
Annual Total	\$1,288,300	

3. The amounts shown in Table 2 would fund the first two years of a four-year master lease. The Governor's budget also proposes increasing funding for the State Patrol in the Department of Transportation (DOT) to purchase additional radios. (Previous Committee action approved \$1,840,700 over the biennium under a modified request from the administration and DOT.) DNR indicates that, if both requests are approved, it will work with the State Patrol to identify one supplier. DNR argues that this will reduce burdens on State Patrol radio technicians and will save the agencies

time and costs of maintenance, as State Patrol technicians currently service all radios for both State Patrol and DNR law enforcement.

4. In addition to enforcing fish and wildlife, motorized recreation, and environmental quality law enforcement, DNR wardens may respond to other emergencies, as requested and as staffing allow. The radios DNR intends to purchase would enable DNR wardens to communicate on the same channels as the State Patrol and local law enforcement in many communities. It is reasonable to conclude that the acquisition of these radios would have a statewide impact as DNR wardens would be better connected to and more able to respond to emergencies across the state.

5. However, DNR wardens primarily patrol state conservation lands. Under this perspective, it could be argued that DNR law enforcement radios should be acquired using SEG funding only. The Committee could consider providing \$1,288,300 annually to fund the first two years of the master lease without using DNR GPR appropriations, as shown in Table 3 [Alternative 2].

**TABLE 3**

**DNR Law Enforcement Radios -- 2019-21 Funding**

<u>Appropriation</u>	<u>Annual Allocation</u>	<u>Fund</u>
Environmental Enforcement	\$83,700	Environmental SEG
Fish, Wildlife, Parks and Forestry Enforcement	\$1,004,700	Conservation SEG
Boat Enforcement	130,300	
ATV Enforcement	55,900	
Water Resources Enforcement	<u>13,700</u>	
Conservation Fund Subtotal	\$1,204,600	
Annual Total	\$1,288,300	

6. As noted above, DNR intends to pursue a four-year master lease to acquire the radios. If the proposal is approved, DNR would need the same amount (\$1,288,300) in each year of the 2021-23 biennium for the final two years of the master lease. The Committee could consider providing one-time funding for DNR to purchase the radios outright [Alternative 3]. DNR indicates that the one-year cost acquiring the radios is \$4,618,800. The funding would be allocated among law enforcement appropriations as shown in Table 4. As shown in the table, the total cost of the four-year master lease is approximately \$534,000 higher than the one-time purchase option. DNR notes that a large one-time cost will not place substantial strain on the balance on any account that would be used to purchase the radios.

**TABLE 4****Comparison of Master Lease and One-Time Purchase**

<u>Appropriation</u>	<u>Percent Split</u>	<u>Four-Year Lease Total Cost</u>	<u>One-Time Purchase</u>
General Program Operations (GPR)	4.2%	\$214,000	\$192,000
Environmental Enforcement (SEG)	6.2%	\$320,800	\$287,500
Fish, Wildlife, Parks and Forestry Enforcement	74.8%	\$3,852,400	\$3,452,500
Boat Enforcement	9.7	499,600	447,900
ATV Enforcement	4.2	214,000	192,000
Water Resources Enforcement	1.0	<u>52,400</u>	<u>46,900</u>
Conservation Fund (SEG) Subtotal		\$4,618,400	\$4,139,300
Total	100.0%	\$5,153,200	\$4,618,800

7. DNR reports that it may not be able to complete the acquisition and installation of radios within one year, as it would purchase the radios from a different source than that which completes the installation. The Department estimates that after money is appropriated, the acquisition and installation of new radios could take roughly a year or more. If the process is delayed, the Department is concerned that funding may lapse. A four-year master lease provides DNR with greater flexibility if the contract or procurement is delayed.

8. Many of DNR's current stock of radios use only very high frequency (VHF) bands, rather than VHF-trunked bands. DNR reports that VHF radios using only conventional scanning technology limit the number of users that can communicate at one time and are therefore nearing obsolescence. The Department notes that there have been a series of incidents recently in which DNR wardens could not communicate with other first responders. VHF-trunked radios can improve interoperability by using a more efficient frequency-scanning technology. This enables all radio users to access all frequencies within a range, rather than allowing only certain users to use certain channels.

9. DNR has 221 credentialed full-time wardens and 40 credentialed LTE wardens. DNR would equip all wardens with a portable radio, to be carried by the warden, and a mobile radio, to be mounted on the warden's vehicle. DNR indicates that wardens work alone more often than other law enforcement officers. Currently, DNR also uses LTE wardens in many of the same capacities as full-time law enforcement. LTE wardens often work solo and are outfitted and trained to the same level as full-time wardens. Therefore, DNR believes that it is important to provide the equivalent radio technology to LTE and full-time wardens.

10. It could be argued that providing two radios to each warden is redundant. DNR points out that wardens spend a significant amount of time on foot during normal field duties, necessitating the use of portable radios. DNR further argues that gaps in radio coverage necessitate the use of mobile radios. The Department points out that the state's radio towers were designed to provide local

coverage for county or local first responders. This local system leaves many "dead zones," where radio coverage is weaker. Mobile radios have stronger reception that can provide a wider range of coverage for users. DNR reports that its stock of mobile radios are older than its portable radios and are most urgently in need of replacement.

11. The Committee could consider providing funding to replace 390 mobile units but no portable units [Alternative 4]. This would provide wider coverage for wardens and would incur less cost. Additionally, DNR indicates that most of its portable radios are operable and are therefore less in need of replacement than its stock of mobile radios. The Department estimates that this would cost \$713,600 (\$30,000 GPR, \$44,200 environmental SEG, and \$640,100 conservation SEG) in each year of the biennium. Furthermore, equal funding would need to be appropriated in each year of the 2021-23 biennium to complete the final two years of the master lease.

12. One drawback to this option is that wardens would still keep their current inventory of portable radios, which may not be fully compatible with the mobile radios. Further, DNR believes that the current stock of portable radios is nearing obsolescence and will need to be replaced eventually. If funding is denied for portable radios in this biennium, DNR reports that it will request funding in the 2021-23 biennium. Funding the acquisition of mobile and portable radios in two tranches may incur greater costs than funding the purchase of both together, as DNR will be unable to benefit from bulk pricing.

13. Finally, if the Committee took no action [Alternative 5], the Department would maintain its current stock of radios. Continued use of these radios may incur greater maintenance costs as DOT radio technicians would operate two different radio systems. DNR reports that it will need to acquire new radios in the coming years and will request funding in the 2021-23 biennium if funding were denied now.

**ALTERNATIVES**

1. Approve the Governor's proposal to provide \$1,288,300 (\$53,500 GPR, \$80,200 environmental SEG, and \$1,154,600 conservation SEG) in each year of the biennium to fund a master lease for the acquisition of 390 mobile radios and 290 portable radios for DNR wardens.

ALT 1	Change to	
	Base	Bill
GPR	\$107,000	\$0
SEG	<u>2,469,600</u>	<u>0</u>
Total	\$2,576,600	\$0

2. Provide \$1,288,300 (\$83,700 environmental SEG and \$1,204,600 conservation SEG) in each year of the biennium to fund a master lease for the acquisition of 390 mobile radios and 290 portable radios for DNR wardens.

ALT 2	Change to	
	Base	Bill
GPR	\$0	-\$107,000
SEG	<u>2,576,600</u>	<u>0</u>
Total	\$2,576,600	-\$107,000

3. Provide \$4,618,800 as an annual appropriation in fiscal year 2019-20 for the purchase of 390 mobile radios and 290 portable radios for DNR wardens.

ALT 3	Change to	
	Base	Bill
GPR	\$192,000	\$85,000
SEG	<u>4,426,800</u>	<u>1,850,200</u>
Total	\$4,618,800	\$1,935,200

4. Provide \$713,600 (\$30,000 GPR, \$44,200 environmental SEG, and \$640,100 conservation SEG) in each year of the biennium for purchasing only mobile (vehicle-mounted) radios.

ALT 4	Change to	
	Base	Bill
GPR	\$60,000	-\$47,000
SEG	<u>1,368,600</u>	<u>- 1,101,000</u>
Total	\$1,428,600	-\$1,148,000

5. Take no action.

ALT 5	Change to	
	Base	Bill
GPR	\$0	-\$107,000
SEG	<u>0</u>	<u>- 2,469,600</u>
Total	\$0	-\$2,576,600

Prepared by: Eric Hepler



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June, 2019

Joint Committee on Finance

Paper #518

### **Forestry Account Condition (Natural Resources -- Conservation and Recreation)**

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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. The largest source of revenue to the account is a sum-sufficient transfer from the general fund equal to 0.1697 mill (16.97¢ per \$1,000) of equalized property value in the state.

#### **OVERVIEW OF THE FORESTRY ACCOUNT**

Article VIII, Section 10, of the Wisconsin Constitution allows the state to appropriate moneys for the purpose of acquiring, preserving and developing the forests of the state through a tax on property not to exceed 0.2 mill (20¢ per \$1,000 of property value). Prior to 2017, the tax rate was set at 0.1697 mill (16.97¢ per \$1,000 of property value). 2017 Wisconsin Act 59 reduced the rate to 0, replacing it with the sum-sufficient GPR transfer mentioned above. In 2018-19, the transfer is estimated at \$93,255,700. The bill estimates the transfer at \$97,753,400 in 2019-20 and \$101,736,100 in 2020-21.

The forestry mill rate transfer represents approximately 82% of all budgeted revenues to the forestry account in fiscal year 2018-19. The remaining amounts 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 (e) withdrawal payments on privately owned land entered under the forest crop land and managed forest land (MFL) programs; and (f) 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.

Forestry revenues are authorized to support 556.8 positions in DNR. These staff include approximately 449 positions authorized for forest and southern forest operations. The forestry account also supports: (a) tree nursery operations; (b) prevention, detection and suppression of forest fires; (c) forest health and productivity, including administration of the MFL program and assistance to county forest administrators; (d) grants, loans and payments to certain towns, counties and private forest owners; and (e) a portion of DNR administrative costs. Furthermore, the forestry account is used to repay \$13.5 million in stewardship debt service and aids in lieu of taxes on property the department owns. 2015 Wisconsin Act 55 requires DNR to pay 50% of aids in lieu of taxes payments for lands acquired after 1991 from the forestry account. The remaining 50% is paid from the general fund (GPR).

In addition, the forestry account supports approximately 15 positions and certain costs of various other state agencies, including the Department of Agriculture, Trade and Consumer Protection, the Kickapoo Reserve Management Board, the UW System, and the Lower Wisconsin State Riverway Board.

The Governor's proposed budget and errata would increase DNR funding for forest fire protection grants and for county sustainable forestry grants. Attached is the condition statement of the forestry account. As the Attachment shows, the account is estimated to close the 2019-21 biennium with a cash balance of \$60 million and a closing balance of \$35 million given encumbrances and continuing balances.

Prepared by: Eric Hepler  
Attachment

## ATTACHMENT

### Forestry Account Condition Statement

	2017-18 <u>Actual</u>	2018-19 <u>Budgeted</u>	<u>Governor</u>		<u>Staff</u>
			<u>2019-20</u>	<u>2020-21</u>	
<b>Opening Balance</b>	\$32,401,600	\$39,671,800	\$44,703,000	\$50,459,500	
Transfer from the General Fund	\$89,259,600	\$93,255,700	\$97,753,400	\$101,736,100	
Timber Sales	9,199,100	9,200,000	9,200,000	9,200,000	
Campsite Fees	3,431,000	3,400,000	3,400,000	3,400,000	
State Forest Admissions	3,098,000	3,100,000	3,100,000	3,100,000	
Other	<u>5,638,900</u>	<u>5,277,100</u>	<u>4,546,600</u>	<u>4,563,900</u>	
Total Revenue	\$110,626,600	\$114,232,800	\$118,000,000	\$122,000,000	
<b>Available Balance</b>	\$143,028,200	\$153,904,600	\$162,703,000	\$172,459,500	
<b>Expenditures</b>					
State Forestry Operations	\$47,688,800	\$48,429,000	\$51,110,800	\$51,110,800	413.58
Southern Forest Operations	5,047,200	4,943,400	5,121,100	5,121,100	35.45
Stewardship Debt Service	13,500,000	13,500,000	13,500,000	13,500,000	
Forest Grants and Aids	8,333,500	8,464,000	8,897,100	8,897,100	
Property Development	<u>1,474,100</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	
Subtotal	\$76,043,600	\$77,336,400	\$80,629,000	\$80,629,000	449.03
<b>Split-Funded Appropriations</b>					
Internal Services	\$6,475,600	\$6,589,200	\$6,895,500	\$6,895,500	44.31
External Services	1,555,600	1,604,900	1,790,600	1,609,100	4.42
Division Management	4,852,900	5,672,600	5,825,000	5,825,000	52.34
Law Enforcement and Safety	786,800	928,900	945,300	1,253,600	6.70
Aids in Lieu of Taxes	6,699,100	6,936,100	7,026,100	7,026,100	
Debt Service, Maintenance, Development, and Assessments	4,013,000	6,086,500	5,233,600	5,275,900	
Reservation Fees	<u>279,000</u>	<u>244,400</u>	<u>244,400</u>	<u>244,400</u>	
Subtotal	\$24,662,000	\$28,062,600	\$27,960,500	\$28,129,600	107.77
<b>Other Agency Appropriations</b>					
Agriculture, Trade and Consumer Protection	\$1,648,000	\$1,587,600	\$1,688,200	\$1,688,200	9.75
State Historical Society - Northern Great Lakes Museum	63,500	51,900	66,100	66,100	1.00
University of Wisconsin System	134,500	134,500	386,700	386,700	1.00
Kickapoo Reserve Management Board	723,700	761,500	732,300	732,300	2.75
Lower Wisconsin State Riverway Board	54,100	56,100	61,800	61,800	0.50
Wild Rivers Interpretive Center	<u>27,000</u>	<u>27,000</u>	<u>27,000</u>	<u>27,000</u>	-
Subtotal	\$2,650,800	\$2,618,600	\$2,962,100	\$2,962,100	15.00
<b>Compensation Reserves</b>	-	\$1,184,000	\$691,900	\$692,000	
<b>Total Expenditures</b>	\$103,356,400	\$109,201,600	\$112,243,500	\$112,412,700	571.80
<b>Closing Cash Balance</b>	\$39,671,800	\$44,703,000	\$50,459,500	\$60,046,800	
<b>Encumbrances and Continuing Balances</b>	\$25,079,200	\$25,079,200	\$25,079,200	\$25,079,200	
<b>Closing Balance</b>	\$14,592,600	\$19,623,800	\$25,380,300	\$34,967,600	





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June, 2019

Joint Committee on Finance

Paper #519

### **Forest Fire Protection Grants (Natural Resources -- Conservation and Recreation)**

[LFB 2019-21 Budget Summary: Page 300, #5]

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#### **CURRENT LAW**

The Department of Natural Resources (DNR) provides matching grants for municipalities and fire companies to acquire fire-resistant clothing, fire suppression supplies, vehicles, and other equipment, as well as training in forest fire suppression techniques. Municipalities may be eligible for program grants if they have entered into an agreement with DNR to assist forest fire suppression. The program is currently funded at \$170,000 from the forestry account of the segregated (SEG) conservation fund each year. State funding is provided under a biennial appropriation, meaning all amounts appropriated for the biennium may be spent at any time in the biennium. The program also uses federal funding from the U.S. Forest Service in the Department of Agriculture.

#### **GOVERNOR**

Provide \$278,000 each year in additional forestry SEG for forest fire protection grants. State funding for forest fire protection grants would be \$448,000 each year.

#### **DISCUSSION POINTS**

1. Forest fire protection grants were created as a pilot program by 1997 Wisconsin Act 27. Under the original program, grants could be used for up to 50% of the cost of acquiring fire suppression clothing, supplies, equipment, and vehicles. Administrative rules set the minimum award at \$750 for fire departments and \$5,000 for county fire suppression organizations; the rule also set the maximum award at \$10,000 for fire departments and \$25,000 for county fire suppression

organizations. In other words, a fire department must conduct a project of at least \$1,500. A fire department may expend more than \$20,000; however, DNR will only match costs up to \$10,000.

2. All applicants must have a memorandum of understanding (MOU) with DNR to provide forest fire suppression in defined areas within their jurisdiction. DNR reports that 767 fire departments currently have an MOU. The MOU must stipulate whether the fire department may request reimbursements from DNR for costs associated with responding to forest fires. Grant applications from fire departments that agree not to request reimbursements are weighted higher than applications from those fire departments that may request reimbursement. Currently 372 (48.5%) fire departments may request reimbursement. Since 2009, DNR has reimbursed fire departments for approximately 28% of responses. The percentage of fire departments that request reimbursement typically has not varied based on the number of fire events in the state.

3. The primary recipients of forest fire protection grants tend to be rural and voluntary fire departments. Local fire departments are generally able to respond to fire emergencies faster than the DNR suppression unit. Short response times allow units to fight fires while still small, potentially resulting in the loss of fewer acres of forest land and developed properties. The Department argues that these grants improve the effectiveness of most local fire departments in fighting forest fires by providing better coordination, training, and equipment.

4. 1997 Act 27 provided one-time funding of \$525,000 SEG annually and DNR was instructed to promulgate rules for a pilot program to provide supplies, training, and other related projects for local fire departments to fight forest fires. 1999 Wisconsin Act 9 made the program permanent, funding it at \$525,000 (\$327,000 FED and \$198,000 forestry SEG) annually. 2001 Wisconsin Act 16 increased forestry SEG funding by \$250,000 annually, setting the available amount at \$448,000 forestry SEG and \$327,000 FED per year. Act 16 further expanded the allowable uses of the grants to include fire prevention materials and forest fire suppression training. 2009 Act 28 reduced state funding by \$278,000 forestry SEG each year to \$170,000 each year. State funding has been set at \$170,000 annually since. The Governor's proposal would restore the funding that was cut in 2009 (\$278,000 forestry SEG), returning the program to \$448,000 SEG [Alternative 1].

5. Federal funding has varied from year to year. Since state fiscal year 2014-15, federal funding has ranged from \$357,000 to \$686,200, averaging \$468,800, as shown in Table 1. It should be noted that the SEG funding shown in the table is the amount expended in the state fiscal year, rather than the amount awarded, which has been \$170,000 in each fiscal year. This discrepancy is discussed further below.

**TABLE 1**

**Forest Fire Protection Grants Expended by Fund Source**

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>Average</u>
SEG	\$170,000	\$132,484	\$207,516	\$10,000	\$130,000
FED	<u>394,200</u>	<u>356,916</u>	<u>437,984</u>	<u>686,200</u>	<u>468,800</u>
Total	\$564,200	\$489,400	\$645,500	\$696,200	\$598,800

6. Federal funding comes primarily from the U.S. Forest Service Volunteer Fire Assistance (VFA) grant. The VFA grant functions similarly to DNR's forest fire protection grants, providing funding to states to award matching grants for technical training and firefighting equipment to rural fire departments. DNR also uses the U.S. Forest Service State Fire Assistance (SFA) grant program to fund forest fire protection grants. DNR mainly uses the SFA grant primarily for its own fire suppression expenses, such as controlled burns or fire monitoring. However, DNR will occasionally provide additional local fire suppression grants through the Department's SFA award. The U.S. Forest Service issues guidance to states between May and July on the amount of funds available for grants. States must then apply for these grants. Awards are typically made to states by July.

7. The Department reports that grant applications have routinely exceeded available funds. An average of 8% of grant requests are unfilled each year. Additionally, DNR may prorate awards when requests exceed available funding. An average of 17% of requests are prorated, receiving a lower award than the application would be eligible for each year. Table 2 below summarizes the number of requests awarded by DNR since 2014-15.

**TABLE 2**

**Fire Protection Grants Applicant Funding Status, by Fiscal Year**

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>Average</u>
Number of Applicants	249	246	207	225	231.75
Number of Awards Fully Funded	143	149	191	201	171
Percent of Awards Fully Funded	57.4%	60.6%	92.3%	89.3%	74.9%
Number of Awards Prorated	79	68	6	12	41.25
Percent of Awards Prorated	31.7%	27.6%	2.9%	5.3%	16.9%
Total Applicants Receiving Funding	222	217	197	213	212.25
Percent of Applicants Receiving Funding	89.2%	88.2%	95.2%	94.7%	91.6%

8. While DNR has been able to provide funding to approximately 90% of applicants in the last two completed fiscal years, some applicants receive less funding than they request or than they are eligible to receive. Since 2014-15, Table 3 shows DNR has funded between 31% and 86% of the grant amounts requested. Over the five years shown, DNR was unable to fund approximately half of grant amounts requested, on average. Over that time, requests have averaged approximately \$780,400 above available grant funding, as shown in Table 3.

**TABLE 3**

**Fire Protection Grant Amounts Awarded**

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>Average</u>
Total Awards	\$564,200	\$489,400	\$645,500	\$696,200	\$598,800
Total Request	\$1,753,500	\$1,575,000	\$1,380,300	\$808,000	\$1,379,200
Percent of Request Awarded	32.2%	31.1%	46.8%	86.2%	49.0%
Request Amount Unmet	\$1,189,300	\$1,085,600	\$734,800	\$111,800	\$780,400

9. Total expenditures from the state award portion of the grants vary from year to year in the table due to the timing of DNR grant awards. DNR may tentatively award all of its expenditure authority for a given fiscal year, but it will not necessarily pay those awards in the same fiscal year. DNR makes reimbursements to fire departments after a project has been completed, pending a final audit. For example, DNR paid \$10,000 in grant awards in 2017-18. As of May, 2019, DNR has expended \$232,800 on fire suppression grant awards in 2018-19. This amount includes \$155,200 associated with grants awarded in fiscal year 2017-18. DNR expects to make final payments related to 2017-18 awards by June 30, 2019. Additionally, DNR reports that it has tentatively awarded its entire expenditure authority, both SEG and FED, for applications made in fiscal year 2018-19.

10. State funding under the bill, when paired with available federal funding would allow DNR to award approximately 70% of the requested grant amounts, on average, as opposed to less than 50% of the requested amount under current law. For many fire departments, these grants are the primary or only means by which they can train and be prepared for forest fire suppression. Given the benefits to the state and the level of unmet demand, the Committee could consider aiming to fund approximately 85% of the average grant requests. Since federal funds have averaged approximately \$450,000, the Committee could consider providing \$530,000 SEG, which would bring the total amount available for grants to \$700,000 SEG and \$450,000 FED (\$1,150,000 in total) [Alternative 2].

11. While the amount of forestry funding available for these grants has remained constant since fiscal year 2009-10, the purchasing power of these grants has declined due to inflation. The Consumer Price Index (CPI) has risen approximately 13% since June, 2009, when current funding levels were set. If forest fire protection grants had been indexed to inflation, the amount of state funding available in fiscal year 2019-20 would have increased by approximately \$20,000. The committee could consider increasing the available funding to \$190,000 to reflect inflation [Alternative 3].

12. Since many fire departments use DNR forest fire protection grants to acquire equipment, an alternate measure of inflation that may more accurately reflect the cost of forest fire equipment is the cost of heavy machinery and equipment. Since June 2009, the cost of producing certain agricultural and silvicultural equipment has increased by approximately 19.3% and the cost of producing truck and bus bodies has increased by approximately 18.6% according to the U.S. Bureau

of Labor Statistics. While these measures do not account for the final consumer price for these products, they illustrate how the cost of heavy equipment has outpaced the general inflation rate. Given the overall rise in the cost of heavy equipment, the Committee could consider providing an additional \$32,500 forestry SEG annually for forest fire protection grants to reflect the approximately 19% increase in prices related to heavy equipment since 2009 [Alternative 4].

13. It could be argued that well-equipped and well-trained fire departments will be able to suppress forest fires more effectively and quickly than would otherwise happen. Of the 378 fire departments that may request reimbursement from DNR, only 154 may request reimbursement for initial attack (the first hour of firefighting) response. A well-trained and well-equipped fire department may be able to suppress a forest fire within one hour, allowing fewer departments to request reimbursement. Increasing the amount available for these grants may reduce expenditures from DNR's general forestry operations used to fund reimbursements.

14. However, it could be argued that local fire departments benefit most from these grants, as they receive supplies, training, and equipment that may be used in routine firefighting, in addition to forest fire suppression. Additionally, these communities would bear the greatest cost for damages associated with forest fires in their areas. From this perspective, it may be reasonable to encourage local funding of these initiatives. Taking no action would leave the grants at their base level funding of \$170,000 forestry SEG each year [Alternative 5].

## ALTERNATIVES

1. Approve the governor's request to provide an additional \$278,000 forestry SEG annually for forest fire protection grants.

ALT 1	Change to	
	Base	Bill
SEG	\$556,000	\$0

2. Provide an additional \$530,000 forestry SEG annually for forest fire protection grants, to cover roughly 85% of requested grants.

ALT 2	Change to	
	Base	Bill
SEG	\$1,060,000	\$504,000

3. Provide an additional \$20,000 forestry SEG annually for forest fire protection grants, to reflect price increases of 13% since 2009, due to inflation.

<b>ALT 3</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
SEG	\$40,000	- \$516,000

4. Provide an additional \$32,500 forestry SEG annually for forest fire protection grants, to reflect increased costs of heavy equipment that could be used to fight forest fires.

<b>ALT 4</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
SEG	\$65,000	- \$491,000

5. Take no action.

<b>ALT 5</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
SEG	\$0	- \$556,000

Prepared by: Eric Hepler



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One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

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June, 2019

Joint Committee on Finance

Paper #520

### Wisconsin Forest Practices Study (Natural Resources -- Conservation and Recreation)

[LFB 2019-21 Budget Summary: Page 300, #6]

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#### CURRENT LAW

The Department of Natural Resources (DNR) has general responsibility for executing matters pertaining to forestry in Wisconsin, including collecting data on forest use and advancing the cause of forestry. The Wisconsin Council on Forestry is a 20-member, statutory body that advises the Legislature, Governor, DNR, and other state agencies on a variety of matters affecting forests in Wisconsin. The Council on Forestry generally is charged with advising on: (a) management and protection of forests from fire and pests; (b) reforestation and forestry genetics; (c) increasing public knowledge and awareness of forestry issues; (d) research, marketing and economic development of the forestry industry; (e) staffing and funding needs for state forestry programs.

Wisconsin statutes require the Wisconsin Council on Forestry to prepare a biennial report that summarizes the state of the state's forest resources and the market for forest products, and that provides recommendations to improve the state's forestry industry. Additionally, 2013 Wisconsin Act 20 required DNR to provide a \$300,000 grant in each year of the 2013-15 biennium to study Wisconsin's forestry practices.

#### GOVERNOR

Provide \$225,000 from the forestry account of the segregated (SEG) conservation fund annually for implementing the recommendations of the forest practices study, including: (a) the development of an integrated monitoring program for forest management; (b) research on forest economics and the impact of forest management guidelines; and (c) developing and implementing online and in-person training for forestry professionals.

## DISCUSSION POINTS

1. 2013 Act 20 required DNR to provide \$300,000 forestry SEG to the Great Lakes Timber Professionals Association (GLTPA) and the Wisconsin County Forests Association to study the state's forest practices. The groups were asked to consider how Wisconsin could continue to provide sustainably grown wood fiber to support competitive wood-using industries in the future. Studies commissioned by the groups investigated several questions relating to Wisconsin's forestry industry including: (a) whether land ownership changes, experienced over the last 15 years, affected the supply of wood fiber; (b) whether seasonal restrictions impact the supply of wood fiber; (c) whether there are impediments in the forest product supply chain that may place Wisconsin timber at a competitive disadvantage; and (d) whether there are other factors that might prohibit Wisconsin from remaining competitive into the future.

2. Two studies examined the impact of harvest restrictions, including: (a) regulations meant to reduce soil scarification, a process that can increase soil erosion and degrade water quality; and (b) travel restrictions intended to prevent the spread of invasive species including the emerald ash borer and oak wilt fungi. The studies pointed out that many restrictions were developed using scientific research and scientist input. Further, many of the restrictions appear to have positive impacts on water quality, wildlife, biodiversity, and forest health. The study authors, however, pointed out that many of the harvest restrictions may have unintended consequences; soil scarification, for instance, may increase erosion, but it may also till forest soil and enable seeds to plant. Study participants suggested more research is required to understand the efficacy of harvest restrictions as well as potential trade-offs.

3. In addition to ecological restrictions, the studies examined other harvest restrictions, such as those closing smaller roadways to heavy trucks, including those used to haul timber from cut sites. Smaller roadways that have thinner layers of asphalt and have shallower banks than state trunk highways are subject to significant flexion during the spring thaw, when melt water saturates the ground. However, the forest practices study recommended further consideration of whether these restrictions are uniformly necessary, and whether some roadways with less traffic or with lower speed limits may be able to withstand heavy loads associated with logging trucks with little deleterious impact.

4. The administration's proposal would increase funding for the DNR to study the impact and efficacy of harvest restrictions and implement the recommendations of the study. The administration proposes providing \$100,000 forestry SEG annually for DNR to fund research on timber harvest restrictions. Additionally, the Governor proposes providing \$75,000 forestry SEG annually to develop, implement and evaluate an integrated outreach program. Finally, DNR would use \$50,000 forestry SEG to develop, implement, and coordinate in-person and online training for foresters (public and private), loggers, landowners, and others on silvicultural management topics.

5. Amid growing property values, as well as strong timber harvests, the balance of the forestry account has grown over the past several fiscal years. (The condition of the forestry account under the bill is discussed in a separate budget paper entitled, "Forestry Account Condition.") On June 30, 2021, the forestry account is expected to have a closing balance of \$35 million. Providing annual expenditure authority of \$225,000 will not risk the account's structural condition or significantly affect

available balances. The Committee could consider providing \$225,000 annually for implementation of the recommendations of the forest practices study [Alternative 1].

6. The forest practices study implementation plan discusses weaknesses in current forestry outreach activities. The implementation plan assigns responsibility for evaluating current outreach efforts to the DNR and UW-Extension. However, the plan describes how the elimination of funding for the Wisconsin Environmental Education Board, as well as less available funding in the UW-Extension and DNR budgets, have reduced outreach efforts and programming innovation in public forestry entities. DNR argues that it needs expenditure authority to develop a system to evaluate outreach efforts. DNR determined that developing a system to monitor outreach efforts would cost \$75,000 annually and would be an ongoing expense. The Department intends to use this funding to hire four limited-term employees (LTEs) to monitor and evaluate departmental outreach efforts. DNR indicates that existing forestry staff are unable to accomplish this work. The Committee could consider providing \$75,000 on an ongoing basis to hire four LTEs to perform monitoring and evaluation of DNR forestry outreach efforts [Alternative 2].

7. In addition to monitoring outreach efforts, DNR would use the funding authority in the Governor's proposal to fund research projects investigating the economics, feasibility and impact of forest management guidelines. The forest practices implementation plan indicates that rutting, stand maintenance and rotation are priority research subjects. The administration indicates that this funding would be used primarily to fund projects by outside researchers. DNR estimates that it would need to contract for approximately 1,500 hours of work on external research in each year of the biennium. The administration's proposal would provide DNR with \$100,000 annually on an ongoing basis to fund research projects [Alternative 3]. DNR, however, indicates that these funds would be needed as a one-time expense. The Committee could consider providing \$100,000 annually to DNR on a one-time basis for projects to evaluate and update the state silvicultural manual [Alternative 4].

8. As noted above, 2013 Act 20 directed DNR to award \$600,000 to the GLTPA and the Council on Forestry to develop the forest practices study. Of this amount, approximately \$139,300 remains unexpended. DNR reports that, while GLTPA has not submitted its final report, as required by s. 26.105(3) of the statutes, the study is complete and funds will lapse to the balance of the forestry account on June 30, 2019. The Committee could consider providing DNR the remaining \$139,300 for research projects related to the forest practices study [Alternative 5].

9. The Governor's proposal would also provide \$50,000 forestry SEG annually for DNR to develop and implement in-person and online trainings for people engaged in the forestry profession. The forest practices study argued that DNR should expand forest economics and operations training to other sectors, beyond public forestry professionals. The Committee could consider providing funding for DNR to create these outreach and training programs [Alternative 6].

10. The Committee could also take no action [Alternative 7]. Using existing funding, DNR forestry staff could propose agency research into different silvicultural techniques during the Department's research agenda process absent Committee action. Over the 2015-16 through 2017-18 fiscal years, DNR has had \$1.2 to \$2.5 million left unexpended in its primary forestry operations appropriation, from which the funding under this provision would be provided. However, DNR reports that if expenditure authority is not provided, the Department will either reduce core work

prioritized in the 2017 realignment or forgo implementation of policies recommended by the forest practices study.

**ALTERNATIVES**

1. Approve the Governor's request to provide \$225,000 forestry SEG for implementing the recommendations of the forest practices study.

ALT 1	Change to	
	Base	Bill
SEG	\$450,000	\$0

2. Provide \$75,000 forestry SEG annually for LTEs to develop and implement a monitoring system for forestry guidelines.

ALT 2	Change to	
	Base	Bill
SEG	\$150,000	- \$300,000

3. Provide \$100,000 forestry SEG in each year of the biennium on an ongoing basis for DNR to fund research projects related to the forest practices study's recommendations.

ALT 3	Change to	
	Base	Bill
SEG	\$200,000	- \$250,000

4. Provide \$100,000 forestry SEG in each year of the biennium on a one-time basis for DNR to fund research projects related to the forest practices study's recommendations.

ALT 4	Change to	
	Base	Bill
SEG	\$200,000	- \$250,000

5. Provide \$139,300 in 2019-20 for funding research projects related to the forest practices study. (This amount remains encumbered for the forest practices study under s. 20.370(5)(ax) of the statutes.)

ALT 5	Change to	
	Base	Bill
SEG	\$139,300	- \$310,700

6. Provide \$50,000 forestry SEG in each year of the biennium for DNR to prepare and offer online and in-person training on forest management techniques.

<b>ALT 6</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
SEG	\$100,000	- \$350,000

7. Take no action.

<b>ALT 7</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
SEG	\$0	- \$450,000

Prepared by: Eric Hepler





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One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
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June, 2019

Joint Committee on Finance

Paper #521

### **Recreational Vehicle Fuel Tax Transfer (Natural Resources -- Conservation and Recreation)**

[LFB 2019-21 Budget Summary: Page 291, #3 and 301, #8]

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#### **CURRENT LAW**

Transfers are made annually from the transportation fund to the conservation fund to reflect the motor fuel tax used by recreational vehicles, including motorboats, snowmobiles, all-terrain vehicles (ATVs) and utility-terrain vehicles (UTVs). By statute, transfers are based on the fuel tax rate and the number of registered recreational vehicles as of certain dates in the preceding fiscal year.

#### **GOVERNOR**

Increase annual transfers by \$5,625,900 in 2019-20 and \$7,395,500 in 2020-21 from the transportation fund to the ATV (ATVs and UTVs), snowmobile, and water resources (motorboats) accounts of the segregated conservation fund under the recreational vehicle fuel tax formulas, as shown in Table 1. These reestimates are intended to account for increases in the motor fuel tax under the bill.

**TABLE 1****Recreational Vehicle Gas Tax Transfers**

	Base	2019-20		2020-21	
		Change	Total	Change	Total
Motorboats	\$13,140,000	\$2,664,000	\$15,804,000	\$3,840,000	\$16,980,000
Snowmobile	4,670,000	1,643,000	6,313,000	1,965,000	6,635,000
ATVs	1,931,000	1,115,800	3,046,800	1,345,600	3,276,600
UTVs	<u>351,500</u>	<u>203,100</u>	<u>554,600</u>	<u>244,900</u>	<u>596,400</u>
Total	\$20,092,500	\$5,625,900	\$25,718,400	\$7,395,500	\$27,488,000

**MODIFICATION**

Reestimate the revenue transferred from the transportation fund to the ATV, snowmobile, and water resources accounts of the segregated conservation fund under the recreational vehicle fuel tax formulas as shown in Table 2. These reestimates are intended to reflect transfers for estimated recreational vehicle registrations in the 2019-21 biennium and the application of the motor fuel tax rate under current law (30.9¢ per gallon).

**TABLE 2****Recreational Vehicle Motor Fuel Tax Transfer Reestimates**

	Base	Change to Base	Change to Bill	Total
<b>2019-20</b>				
Motorboats	\$13,140,000	-\$80,500	-\$2,744,500	\$13,059,500
Snowmobile	4,670,000	578,300	-1,064,700	5,248,300
ATVs	1,931,000	-56,800	-1,172,600	1,874,200
UTVs	<u>351,500</u>	<u>182,900</u>	<u>-20,200</u>	<u>534,400</u>
Total	\$20,092,500	\$623,900	-\$5,002,000	\$20,716,400
<b>2020-21</b>				
Motorboats	\$13,140,000	-\$188,700	-\$4,028,700	\$12,951,300
Snowmobile	4,670,000	239,200	-1,725,800	4,909,200
ATVs	1,931,000	-56,800	-1,402,400	1,874,200
UTVs	<u>351,500</u>	<u>182,900</u>	<u>-62,000</u>	<u>534,400</u>
Total	\$20,092,500	\$176,600	-\$7,218,900	\$20,269,100

Further, reestimate DNR aids appropriations as shown in Table 3. Basic ATV, UTV and snowmobile trail aids are funded by the motor fuel tax transfer for each vehicle type. Snowmobile supplemental trail aids are based on the number of nonresident annual snowmobile trail passes sold in the prior fiscal year multiplied by \$47. In 2018-19, 19,477 nonresident annual snowmobile trail passes were sold.

**TABLE 3**

**DNR Appropriation Reestimates**

	<u>2019-20</u>	<u>2020-21</u>
Snowmobile Trail Aids	\$578,300	\$239,200
Snowmobile Supplemental Trail Aids	115,400	166,100
ATV Trail Aids	-56,800	-56,800
UTV Trail Aids	<u>182,900</u>	<u>182,900</u>
Change to Base / Change to Bill	\$819,800	\$531,400

**Explanation:** The following paragraphs describe the motor fuel tax reestimate formulas.

**Motorboat:** The annual transfer to the water resources account is based on: (a) the motor fuel tax rate of 30.9¢ per gallon; (b) the actual 603,766 motorboats registered on January 1, 2019, and an estimated 598,800 motorboats registered on January 1, 2020, each multiplied by 50 gallons; and (c) multiplied by 1.4.

**Snowmobile:** The annual transfer to the snowmobile account is based on: (a) the motor fuel tax rate of 30.9¢ per gallon; (b) the actual 219,157 snowmobiles registered on March 31, 2019, and an estimated 205,000 snowmobiles registered on March 31, 2020, each multiplied by 50 gallons; and (c) multiplied by 1.55. Including appropriated registration revenues, local snowmobile trail aids would be budgeted at \$8.1 million each year in the 2019-21 biennium.

**ATV:** The annual transfer to the ATV account is based on: (a) the motor fuel tax of 30.9¢ per gallon and (b) the actual 242,617 ATVs registered on February 28, 2019, and an estimated 242,600 ATVs registered on February 28, 2020, each multiplied by 25 gallons. Local ATV trail aids would total approximately \$3.5 million each year.

**UTV:** The annual transfer to the ATV account for utility-terrain vehicles is based on: (a) the motor fuel tax of 30.9¢ per gallon; and (b) the actual 69,182 UTVs registered on February 28, 2019, and an estimated 69,200 UTVs registered on February 28, 2020, each multiplied by 25 gallons. UTV trail aids would be approximately \$534,000 in each year of the 2019-21 biennium.

	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
SEG	\$2,151,700	- \$10,869,700

Prepared by: Eric Hepler





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One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

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June, 2019

Joint Committee on Finance

Paper #522

### **Off-Highway Motorcycles (Natural Resources -- Conservation and Recreation)**

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#### **CURRENT LAW**

2015 Wisconsin Act 170 created regulations pertaining to off-highway motorcycles (OHMs). An OHM is a two-wheeled motor vehicle that is straddled by the operator, that is equipped with handlebars, and that is designated for off-highway operation. The statutes generally require off-highway motorcycles to be registered with the Department of Natural Resources (DNR). Nonresident users of OHMs must purchase a nonresident trail pass, the revenues for which are deposited in the all-terrain vehicle (ATV) account of the segregated (SEG) conservation fund. All OHM registration revenues are deposited in the state transportation fund. A sum-sufficient appropriation of general purpose revenue (GPR) is made to DNR in the amount equal to OHM registrations. The appropriation is to be used for: (a) OHM projects undertaken by the state or by local government units; (b) issuing and renewing OHM registrations; (c) OHM safety grants, similar to the ATV safety grant program; and (d) state and local law enforcement operations related to OHMs.

#### **GOVERNOR**

As an errata, convert the sum-sufficient GPR appropriation to a transfer to the conservation fund. Create a continuing SEG appropriation for the same purposes currently specified under the GPR appropriation.

#### **DISCUSSION POINTS**

1. DNR received \$41,500 from the sum-sufficient appropriation in 2017-18 and expended \$5,900. As the appropriation is sum-sufficient, the \$35,600 unencumbered amount lapsed to the general fund at the close of the fiscal year. In 2018-19, DNR is appropriated \$60,100 and has

encumbered \$55,000 as of June, 2019.

2. The Governor's recommended errata would be consistent with the treatment of registration and other fees from motorized recreational vehicles that stay in their respective accounts or in continuing appropriations for such purposes as trail aids. The Committee could consider the Governor's recommended errata item providing a new conservation SEG continuing OHM appropriation funded by a transfer of the OHM registrations calculated under current law and appropriated for the same purposes as under current law. The current sum-sufficient appropriation could be repealed. Further, the Committee could reestimate the transfer at \$60,100 each year in the 2019-21 biennium from the adjusted base of \$43,000 (Alternative 1). The Committee could also consider providing an additional \$35,600 GPR in 2019-20 to replenish the OHM appropriation with the amount lapsed from 2017-18 (Alternative 2).

### ALTERNATIVES

1. Repeal s. 20.370 (9)(jb) of the statutes pertaining to OHM regulations and project aids. Create a new conservation SEG continuing OHM appropriation funded by a transfer of the OHM registrations calculated under current law, and appropriated for the same purposes as provided by s. 20.370 (9)(jb). Reestimate the transfer at \$60,100 each year in the 2019-21 biennium.

ALT 1	Change to	
	Base	Bill
GPR	\$34,200	\$34,200
SEG	<u>120,200</u>	<u>120,200</u>
Total	\$154,400	\$154,400

2. Adopt Alternative 1. In addition, transfer \$35,600 in 2019-20. (This would compensate the OHM program for the amounts lapsed in 2017-18.)

ALT 2	Change to	
	Base	Bill
GPR	\$69,800	\$69,800
SEG	<u>155,800</u>	<u>155,800</u>
Total	\$225,600	\$225,600

3. Take no action.

Prepared by: Paul Ferguson



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One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

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June, 2019

Joint Committee on Finance

Paper #523

### County Forest Grants (Natural Resources -- Conservation and Recreation)

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#### CURRENT LAW

The Department of Natural Resources (DNR) may provide grants to counties with forests enrolled in the county forest program to encourage the implementation of sustainable forestry practices. Additionally, DNR provides grants to counties with county forest land for up to 50% of the salary and fringe benefit costs of a county forest administrator or assistant forest administrator, with a maximum eligible fringe rate of 40% of salary. Both grants are paid from a single biennial appropriation from the forestry account of the segregated (SEG) construction fund. Base funding for these grants is \$1,526,900 SEG annually. DNR typically allocates \$1,285,900 for county forest administration grants and \$241,000 for sustainable forestry grants.

#### GOVERNOR

As an errata, provide \$165,000 forestry SEG annually to increase funding by \$87,000 for sustainable forestry grants (to \$328,000) and by \$78,000 for county forest administrator grants (to \$1,363,900).

#### DISCUSSION POINTS

1. Twenty-nine counties have land enrolled in the county forest program under s. 28.10 of the statutes. In total, 2,395,400 acres are enrolled as county forest lands as of June 30, 2018. Section 28.11(5) of the statutes requires counties to work with DNR to establish a 15-year comprehensive land use plan for county forest land. Section 28.11(5)(b) of the statutes requires counties with land enrolled as county forest to complete an annual work plan with the assistance of a DNR forester. The plan is required to include a timber harvest schedule, a listing of forest management projects to be undertaken, and a budget showing estimated plan costs. DNR works with counties to estimate the amount of time necessary for the forestry management activities listed in a county's annual plan. This

is referred to as "county forest time standards." DNR provides technical forestry assistance to counties, subject to agreement between the county and the Department, and consistent with the county's comprehensive forest plan.

2. Each year, the Department sets aside a minimum of 46,000 hours for time standards work. Each county works with DNR to determine the number of hours that Department foresters may provide to assist counties under their annual work plan. In some years, the total number of hours DNR has agreed to provide under time standards agreements is less than 46,000 hours. However, DNR still plans for staff to work with counties for at least 46,000 or more hours, as availability and workload permit. In 2017-18, DNR estimated that it would need to provide 45,572 hours under time standards agreements with counties. The Department exceeded this amount by approximately 2,448 hours. Since 2014, DNR has exceeded the agreed-upon time standards by approximately 2,600 hours annually, on average, or 5.7%.

3. In addition to DNR providing staff to assist with county forest management, county sustainable forestry grants and county forest administrator grants are intended to assist counties with the objectives of their county forest plans. The Governor's proposal would increase funding for the program by \$165,000 SEG annually, which is intended to be allocated as \$87,000 annually for sustainable forestry grants and \$78,000 for administrator grants. Under administrative rule, DNR may offer grants for the time standards, but, to date, has been unable to do so. As the grants are budgeted from one appropriation, DNR has discretion in allocating funding provided under current law and the bill.

4. Sustainable forestry grants were created by 2001 Wisconsin Act 16 to promote short-term sustainable forestry projects on county forest lands, including geographic information systems (GIS) mapping efforts, expediting backlogged timber sales, and forest improvement practices. Other uses of grants include invasive plant surveys, mapping roads and survey corners, and timber theft abatement efforts. Sustainable forestry is defined by s. 28.04(1)(e) of the statutes as "the practice of managing dynamic forest ecosystems to provide ecological, economic, social and cultural benefits for present and future generations."

5. County forest administrator grants contribute 50% of the salary and fringe benefit costs of a professional forester serving as a county forest administrator or assistant county forest administrator, assisting counties in ensuring that professional forestry expertise is available to manage county forest lands. Additionally, DNR may award up to \$50,000 from the county forest administrator grant program to counties for up to 50% of a county's dues to the Wisconsin County Forests Association.

6. As shown in Table 1, DNR preliminary annual funding allocations for the two grant programs have been adjusted periodically, allowing the program to add more counties as well as fully fund program commitments. Currently, all 29 counties with county forest lands participate in both programs.

**TABLE 1****County Forest Grants Funding**

<u>Fiscal Year</u>	<u>Sustainable Forestry Grant</u>	<u>Forest Administrator Grant</u>	<u>Total</u>
2000-01	-	\$675,000	\$675,000
2001-02	\$200,000	675,000	875,000
2002-03	200,000	675,000	875,000
2003-04	200,000	675,000	875,000
2004-05	200,000	675,000	875,000
2005-06	250,000	675,000	925,000
2006-07	250,000	1,348,200	1,598,200
2007-08	250,000	1,348,200	1,598,200
2008-09	250,000	1,348,200	1,598,200
2009-10	247,500	1,329,400	1,576,900
2010-11	247,500	1,329,400	1,576,900
2011-12	247,500	1,329,400	1,576,900
2012-13	247,500	1,329,400	1,576,900
2013-14	247,500	1,329,400	1,576,900
2014-15	247,500	1,329,400	1,576,900
2015-16	241,000	1,285,900	1,526,900
2016-17	241,000	1,285,900	1,526,900
2017-18	241,000	1,285,900	1,526,900
2018-19	241,000	1,285,900	1,526,900
2019-20 (Governor)	328,000	1,363,900	1,691,900
2020-21 (Governor)	328,000	1,363,900	1,691,900

7. As shown in the table, funding amounts for each of the grant funding peaked in fiscal year 2008-09. 2009 Wisconsin Act 28 reduced both grants by approximately 1% in 2009. Under 2015 Wisconsin Act 55, the Governor partial-vetoed grant funding by \$50,000, as that was the amount designated from the county forest administrator grant for dues to the Wisconsin County Forest Association. This veto intended to eliminate ongoing funding to several non-profit conservation organizations. However, Act 55 did not eliminate the statutory authority for DNR to provide grants to counties to cover their dues to the Wisconsin County Forests Association.

**A. County Forest Administrator and Time Standards Grants**

8. County forest administrator grants provide up to half the cost of an eligible forest administrators salary and fringe costs. Fringe benefits may be no more than 40% of the administrator's salary. DNR also intends to use funding provided through the administrator grant to provide time standards grants. These grants were created to enable counties to hire limited-term employees (LTEs) and contractors to conduct some of the work listed in a county's time standards. LTEs and contractors are hired to perform work the DNR forestry staff would otherwise be required for. By reducing staff hours dedicated to county time standards, DNR may prioritize other core forestry work, including management of DNR-owned forests. DNR argues that these grants allow counties to hire workers to

perform prescribed activities at a lower cost than DNR could provide.

9. The county forest administrator grant is funded through the same appropriations as the sustainable forestry grant and receives priority during grant cycles each year. DNR pays the full amount due to counties under the administrator grant prior to paying the county sustainable forestry grant or the time standards grant. However, as the total appropriation level has remained constant or declined for much of the past 10 years, DNR reports that full funding of the county forest administrator grant has reduced grant funding for the other two grants, as wage and fringe costs have increased. As the amount of money available for these grants has declined, DNR must reduce award amounts for other grants. Table 2 shows actual expenditures by DNR for these grants in each fiscal year since 2013-14.

**TABLE 2**  
**County Forest Grants Actual Expenditures**

<u>Fiscal Year</u>	<u>Sustainable Forestry Grant</u>	<u>Forest Administrator Grant</u>	<u>Total</u>
2013-14	\$381,900	\$1,235,800	\$1,617,700
2014-15	279,200	1,276,600	1,555,800
2015-16	380,400	1,272,000	1,652,400
2016-17	258,300	1,278,900	1,537,200
2017-18	242,800	1,201,300	1,444,100
2018-19	212,800	1,421,100	1,633,900

10. The time standards grant was created in administrative code in 2014 to provide moneys to counties to hire LTEs or contractors to perform work outlined in a county forest's time standards, work that would otherwise be conducted in cooperation with DNR. To date, DNR has been unable to fund the grant since it would come at the expense of the other grant programs funded by the appropriation. DNR reports that at least five counties (Clark, Eau Claire, Iron, Jackson, and Langlade) have expressed interest in the program; however, funding concerns have precluded implementation. If funding were made available, counties may seek time standards grant funding, as the grants would provide counties more flexibility in hiring and management decisions than DNR supplying the work as they perform agreed-upon time standards.

11. The Governor's proposal would increase funding by \$78,000 annually [Alternative A1], which DNR indicates it would use to provide a source of funding to time standards grants. DNR estimates that at a standard LTE rate of \$25 per hour, counties could hire contractors to perform 3,120 hours of work. As noted, this is work that, under each county's agreed-upon time standards would otherwise be conducted with the assistance of DNR. DNR would then be able to redirect this time to forestry work in state forests.

12. As noted above, DNR has typically exceeded its agreed-upon time standards by an average of 2,600 hours annually since 2013-14. While DNR may agree to commit fewer than 46,000

hours to time standards, the Department will provide more hours to county forest work, as staff capacity and availability allow. DNR has exceeded its minimum allotted hours by an average of 2,270 hours in each fiscal year since 2013-14. The Committee could consider increasing county forest grant funding by an amount that would enable DNR to provide time standards grants for that amount over 46,000 hours that it would otherwise commit to county time standards. At a standard LTE rate of \$25 per hour, \$57,000 annually would allow DNR to provide time standards grants which could enable counties to contract for 2,280 hours of time standards work [Alternative A2].

13. Given that no grants have been awarded under the time standards grant to date, DNR is unable to report on any effects of the program. The Committee could consider providing any increase as a one-time expense, rather than an ongoing increase in expenditure authority [Alternative A3]. This would allow DNR to determine interest in the program and identify strengths and weaknesses of the program. The Committee could consider additional funding in future biennia.

14. As noted above, a county forest's time standard is an agreement between DNR and the county under which DNR foresters commit to provide assistance to county foresters to complete agreed-upon work in county forests. It may be that counties will not pursue this grant, as DNR is committed to provide forestry assistance. Furthermore, it is not known how LTEs may perform relative to DNR forestry staff and whether DNR forestry staff may be required to assist on work that the time standards grant was intended to complete. Under this perspective, the Committee could consider taking no action [Alternative A4].

**B. County Sustainable Forestry Grants**

15. County sustainable forestry grants have been allocated \$241,000 annually since 2015-16. However, because DNR typically awards all county forest administrator grants before sustainability grants, actual awards may vary. The administration reports that, on average, it is unable to provide \$87,000 in county sustainable forestry grant requests. Increasing DNR expenditure authority is intended to fully fund the program. Table 3 shows the difference between requests and awarded amounts by fiscal year since 2014-15. On average, DNR is able to fund approximately 76% of requests.

**TABLE 3**

**Sustainable Forestry Grant Requests by Fiscal Year**

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>Average</u>
Requested Amounts	\$443,200	\$372,900	\$306,100	\$342,500	\$366,175
Award Amounts	393,100	238,900	247,900	237,900	279,450
Difference	50,100	134,000	58,200	104,600	86,725
Percent of Requests Funded	88.7%	64.1%	81.0%	69.5%	76.3%

16. It should be noted that the amounts shown in the table reflect the amounts awarded, and not expenditures. Under the program, DNR sets an application deadline after which the Department

reviews applications and announces tentative awards for eligible applicants. DNR will generally pay half the award amount prior to a project and will pay the remaining grant amount after a project is completed and grant awardees have submitted audited statements of final project costs. Table 3 shows the preliminary amounts awarded in each year while Table 2 shows the actual expenditures after project completion.

17. The minimum grant amount that may be awarded is \$1,000 and no single grant may account for more than one-quarter of the available funding amount in any given year. Since fiscal year 2013-14, individual grant awards have varied from a low of \$2,250 to a high of \$61,675. The average grant award is for \$21,890. In recent years, grants have been used to undertake projects including reforestation, oak wilt control, invasive species management, access road improvement, LTE staff wages, and surveillance equipment acquisition and installation. Grants may not be used to fund land acquisition, salaries or benefits for permanent staff, land surveying, or computer equipment.

18. The Governor's proposal [Alternative B1] would enable DNR to, on average, cover shortages in county sustainable forestry grants program. Revenues to the forestry account are expected to exceed expenditures each year in the 2019-21 biennium, meaning the forestry account would be able to fund the proposed increase.

19. The Committee could also consider providing \$9,000 in each year of the biennium [Alternative B2]. This amount would restore the typical annual funding allocation that was reduced by the 2015 Act 55 veto, as well as the 2009 Act 28 reduction. Additionally, this amount would enable DNR to fund approximately 68% of the requested award amounts.

20. Under administrative rule, DNR gives preference to grants requesting funding for storm-related damage and other short-term unanticipated projects. Since 2009, labor costs have increased, making silvicultural management more expensive. Additionally, changing precipitation patterns have led to more intense rainstorms and flooding. This may increase the weather-related damage caused to the state's forests and may lead to a greater increase in requests for short-term projects. According to the Bureau of Labor Statistics, seasonally adjusted wages for construction, extraction, farming, fishing, and forestry workers have increased by approximately 20.7% since June 2009. The Committee could consider providing \$51,500 SEG to reflect an approximately 20.7% increase in funding for county sustainable forestry grants, setting the annual funding level at \$292,500 SEG [Alternative B3]. This amount represents a 21% increase from funding levels set by the 2009-11 biennial budget and reflects increased costs of labor for short-term forestry projects. This would allow DNR to fund approximately 80% of requests. The Committee could also take no action to retain current funding for county forest sustainability grants [Alternative B4].

## **ALTERNATIVES**

### **A. County Forest Administrator and Time Standards Grants**

1. Approve the Governor's request to provide \$78,000 forestry SEG in each year of the biennium to the county forest grants appropriation for county time standards grants.

<b>ALT A1</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
SEG	\$156,000	\$156,000

2. Provide \$57,000 forestry SEG annually to the county forest grants appropriation for time standards grants.

<b>ALT A2</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
SEG	\$114,000	\$114,000

3. In addition to Alternative A1 or A2, specify funding is on a one-time basis in the 2019-21 biennium.

4. Take no action.

**B. County Sustainable Forestry Grants**

1. Approve the Governor's request to provide \$87,000 forestry SEG in each year of the biennium to the county forest grant appropriation for county sustainable forestry grants.

<b>ALT B1</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
SEG	\$174,000	\$174,000

2. Provide \$9,000 forestry SEG in each year of the biennium to restore funding for county sustainable forestry grants to pre-2009 levels.

<b>ALT B2</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
SEG	\$18,000	\$18,000

3. Provide \$51,500 forestry SEG in each year of the biennium to increase funding for county sustainable forestry grants to reflect increased costs of forestry labor.

<b>ALT B3</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
SEG	\$103,000	\$103,000

4. Take no action.

Prepared by: Eric Hepler



# **NATURAL RESOURCES**

## **Conservation and Recreation**

### **LFB Summary Items for Which No Issue Paper Has Been Prepared**

<u>Item #</u>	<u>Title</u>
4	Remove Tribal Gaming Revenues from Snowmobile Enforcement
7	Forestry Mill Rate Reestimate
9	Automatic Renewal for Hunting, Fishing, and Trapping Licenses

### **LFB Summary Item Removed From Budget Consideration**

<u>Item #</u>	<u>Title</u>
10	Eminent Domain for State Trails