



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #435

### Stewardship Reauthorization (Natural Resources -- Stewardship)

[LFB 2021-23 Budget Summary: Page 421, #1]

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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 forestland; 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, 2022, 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. The program was last reauthorized in 2019 Wisconsin Act 9. Under the act, the program was extended for two years beginning on July 1, 2020.

**TABLE 1**

**Annual Stewardship Allocations, by Subprogram**

	<u>Current Law</u>
<b>Land Acquisition Subprogram</b>	
DNR Acquisition	\$9,000,000
Grants to NCOs	7,000,000
County Forest Grants	<u>5,000,000</u>
Subtotal	\$21,000,000
<b>Property Development and Local Assistance Subprogram</b>	
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

**DISCUSSION POINTS**

1. This paper discusses various program changes to the Knowles-Nelson Stewardship program under Assembly Bill 68/Senate Bill 111, which would reauthorize the program for 10 years and make numerous changes to funding allocations and procedures. Points below are mostly organized by stewardship subprogram. Alternatives are grouped by: (a) program changes for the Committee's consideration; and (b) changes to bonding authorization that the Committee could consider.

**Stewardship Program Background**

***Bonding Authorization***

2. 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 \$86 million bonding authorization and allowing DNR an annual allotment of \$86 million. This set the total stewardship bonding authority 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 program bonding authority at \$1,046.25 million.

3. 2019 Act 9 extended the program for two years, to 2021-22, at an annual allotment of \$33.25 million. Act 9 accomplished this by allowing DNR to use approximately \$23.9 million in

bonding authority that was not obligated to projects or purchases in prior years and unavailable for DNR to use. Additionally, Act 9 provided \$42.6 million in bonding authority to fully fund the two-year extension. Total statutorily authorized bonding authority under the program is currently \$1,088.9 million. Table 2 shows the level of bonding authorization and annual allotments for the program, by year.

**TABLE 2**

**Stewardship Statutory Bonding Authority and Annual Allotments**

<u>Act</u>	<u>Fiscal Years Years in Effect</u>	<u>Change to Authorization</u>	<u>Cumulative Total</u>	<u>Annual Allotment</u>
1999 Act 9	2001-2002	\$460,000,000	\$460,000,000	\$46,000,000
2001 Act 16	2003-2010	112,000,000	572,000,000	60,000,000
2007 Act 20	2011	860,000,000	1,432,000,000	86,000,000
2011 Act 32	2012-2013	-234,000,000	1,198,000,000	60,000,000
2013 Act 20 <sup>1</sup>	2014	-63,500,000	1,134,500,000	47,500,000
	2015			54,500,000
2015 Act 55	2016-2020	-88,250,000	1,046,250,000	33,250,000
2019 Act 9 <sup>2</sup>	2021-2022	42,600,000	1,088,850,000	33,250,000

<sup>1</sup> 2013 Act 20 set the annual bonding allotment at \$47.5 million in 2013-14, \$54.5 million in 2014-15, and \$50 million annually thereafter.

<sup>2</sup> 2019 Act 9 increased the total bonding authority by \$42.6 million and authorized DNR to use \$23.9 million in existing bonding authority that had lapsed through fiscal year 2018-19.

4. Prior to 2011, if the Department did not obligate the full amount allocated under a stewardship subprogram, DNR was directed to raise the annual bonding authority for the subprogram by an amount equal to the unobligated amount. 2011 Wisconsin Act 32 specified that this does not apply after fiscal year 2010-11. Beginning in fiscal year 2011-12, the statutes restrict DNR from carrying forward unobligated bonding authority into subsequent fiscal years, unless directed by statute. As described above, 2019 Act 9 allowed DNR to use this lapsed bonding authority, which totaled approximately \$23.9 million, to partially fund a two-year stewardship extension. As of June 30, 2020, DNR underspent its fiscal year 2019-20 annual allotment by approximately \$14.3 million. Uses of unobligated bonding authority are addressed in a separate paper.

***Stewardship Subprograms***

5. 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 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. 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 3 shows the annual allocations provided to each subprogram and its divisions since 2010-11.

**TABLE 3**

**Stewardship Program Allocations**

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16 through 2021-22</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
NCO Acquisitions	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	7,000,000
County Forest Grants	1,500,000	1,167,000	1,875,000	6,000,000	4,500,000	5,000,000
BCPL Natural Areas	2,000,000	2,000,000	2,000,000	0	0	0
Protection of Agricultural						
Conservation Easements (PACE)	0	5,200,000	0			0
County Dam Safety Grants	<u>0</u>	<u>300,000</u>	<u>100,000</u>	<u>0</u>	<u>1,900,000</u>	<u>0</u>
Subtotal	\$62,000,000	\$37,500,000	\$36,500,000	\$32,000,000	\$32,000,000	\$21,000,000
Recreational Boating Aids	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000
<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
Motorized Stewardship	0	0	0	500,000	500,000	500,000
Kettle Moraine Springs						
Fish Hatchery*	0	0	0	0	7,000,000	0
Local Assistance Grants	<u>11,500,000</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>6,000,000</u>	<u>6,000,000</u>	<u>6,000,000</u>
Subtotal	\$21,500,000	\$20,000,000	\$21,000,000	\$13,000,000	\$20,000,000	\$9,750,000
Total	\$86,000,000	\$60,000,000	\$60,000,000	\$47,500,000	\$54,500,000	\$33,250,000

\*\$26.6 million was 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.

6. 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. In addition, if at the end of a given fiscal year, any of the allocation for NCOs remains unobligated, DNR may carry forward the unobligated bonding authority into the following fiscal year for the county forest grant program.

7. 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.

8. Since 2015-16, DNR has been authorized up to \$9,750,000 each year for property development, including \$3,000,000 for development on Department-owned properties, \$250,000 for friends groups to perform development projects on DNR-owned properties, \$500,000 for grants for development of motorized recreational trails, and \$6,000,000 for local assistance grants.

9. 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.

10. The three statutory subprograms and categories of expenditures authorized under each are discussed in further detail in the following sections. Detail on program demand, and changes proposed to the subprograms by AB 68/SB 111, are described below.

### **Department Acquisitions**

11. 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.

12. Through May 26, 2021, DNR expended \$551.5 million from the stewardship program to acquire fee-title lands or easements on 706,583 acres of conservation land. 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. DNR has protected 1.8 million acres, or 83%, of the Department's 2.2-million-acre goal.

13. Of the \$9 million available for Department acquisitions, DNR may spend no more than one-third (\$3 million) on fee-simple acquisitions. The remaining two-thirds (\$6 million) may be used only to acquire conservation easements. DNR reports that the Department has focused funding for fee-simple acquisition on acquiring small parcels, including properties that are landlocked within DNR-owned properties (inholdings) and parcels adjacent to DNR-held lands.

14. AB 68/SB 111 would increase the annual allotment for department acquisitions to \$10 million. Since 2015-16, DNR has been authorized to obligate up to \$9 million annually on Department acquisitions. Since then, DNR has obligated between \$609,800 and \$7,698,900, averaging \$5,225,600 annually. In that time, DNR has acquired a total of 6,139 acres in fee title and 66,014 acres of conservation easements.

### ***Fee-Simple Acquisition Limit***

15. In recent years, there have been several significant land acquisition opportunities as large timber investment management organizations, or TIMOs, have sold off parcels of forestlands. It could be argued that limiting DNR no more than one-third of its land acquisition allotment on fee-simple transactions limits the ability to protect and conserve Wisconsin's landscapes. AB 68/SB 111 would eliminate this requirement. The Committee could consider deleting the restriction on the proportion of funds that may be used for fee-simple transactions [Alternative A1].

### ***Board of Commissioners of Public Lands Holdings***

16. Prior to 2013-14, DNR was allotted \$2 million each year from the land acquisition subprogram to acquire natural areas from the Board of Commissioners of Public Lands (BCPL). BCPL holds approximately 76,200 acres in trust for public education beneficiaries. The Board has established a goal of consolidating its land holdings in northeastern Wisconsin. Under the BCPL natural areas subprogram, DNR purchased land from BCPL for fair market value. BCPL used the proceeds to acquire consolidated forest blocking in the northeast consolidation zone.

17. AB 68/SB 111 would provide DNR with a \$1 million allotment annually between 2022-23 and 2025-26 for the BCPL natural areas subprogram, a total bonding allotment of \$4 million. Under the program, DNR and BCPL could negotiate the sale of Board properties. Properties under the control of the Board are considered the principal of the school trust funds and there are constitutional restrictions on their use. BCPL must receive fair market value for the sale. 2005 Wisconsin Act 352 allows BCPL to "bank" proceeds of land sales and use them for acquisitions that: (a) improve land management; (b) decrease forest fragmentation; or (c) increase public access to the land. BCPL may not hold more than 77,845 acres.

18. According to BCPL, the proposal would enable the Board to continue its longstanding goal of acquiring contiguous blocks of forestland that will be more efficient to manage. Since timber companies can typically harvest more timber from large, contiguous forest parcels than they can from smaller or more remote parcels, companies often bid higher stumpage rates on large, easily accessible forest properties. Therefore, BCPL's strategy of consolidating its timberland holdings is expected to improve the performance of the trust funds.

19. DNR indicates that the Department would seek to acquire BCPL properties that abut DNR lands and are within project boundaries. DNR notes that the Department has begun informal discussion on pursuing land purchases from the Board. The two agencies are in the preliminary process of identifying specific parcels that the Department may seek to purchase. While formal appraisals have not been conducted, BCPL and DNR estimate that \$4 million is a reasonable amount that would be needed to acquire BCPL natural areas that meet DNR land acquisition goals. Under the program, counties would also be eligible to receive grants to acquire BCPL properties that would be enrolled in the county forest program.

20. BCPL and DNR pursue different management strategies on agency-held lands. BCPL manages its forestlands for the benefit of the school trust funds and seeks to maximize timber yields. While the Board allows public recreation such as hunting on BCPL-held lands, it does so primarily

to reduce deer browsing and improve the merchantable timber on those properties. DNR is required to practice sustainable forestry and manages its lands for conservation, recreation, and to provide a supply of timber for the state's forest products industries. Since the proposal would likely lead to higher returns for the school trust funds as well as provide for more cohesive management on state forestland, the Committee could consider providing an annual stewardship allotment of \$1 million for the BCPL natural areas program [Alternative A2a].

21. While the stewardship program does not currently provide a specific allotment for BCPL natural areas, DNR may acquire properties from BCPL under current law. DNR may also provide grants to county forests to acquire BCPL properties. With limited funding for fee-simple acquisition, DNR must prioritize land acquisition projects. The Committee could take no action to provide a funding allotment for BCPL natural areas. If the Committee were to provide an increase in the annual allotment for Department acquisitions, DNR may use these funds to acquire lower-priority parcels, including BCPL natural areas.

22. Alternatively, the Committee could provide funding from the forestry account of the SEG conservation fund for DNR acquisition of BCPL natural areas. In general, expenditures from the forestry account may be used for acquiring, preserving and developing the forests of the state. Since BCPL manages most of its properties as timberlands, the Committee could consider creating a continuing appropriation for DNR to acquire land from BCPL and providing \$4 million as one-time funding in 2021-22 [Alternative A2b].

### *Ice Age Trail*

23. 1987 Wisconsin Act 98 made the acquisition, development, and operation of the Ice Age Trail a state priority, directing all state agencies to "consider the Ice Age Trail in the long-range plans for property owned by the state agency" [s. 23.17(5)(b)], and authorizing DNR to acquire land and easements and to coordinate with local governments, NCOs, and property owners to create a continuous trail across the state. The trail is maintained by the Ice Age Trail Alliance, a collection of several NCOs that coordinate trail maintenance.

24. Under the original stewardship program, established by 1989 Wisconsin Act 31, DNR was provided \$5 million in bonding authority, with an annual allotment of \$500,000 through 1999-2000, to acquire land and provide grants for the development of the Ice Age Trail. 2001 Wisconsin Act 16 increased annual bonding authority for DNR to acquire land for the Ice Age Trail to \$3 million from the land acquisition subprogram. This was reduced to \$1 million by 2015 Wisconsin Act 55, where it stands today.

25. It should be noted that the allotment for the Ice Age Trail is considered to be a part of the allotment for Department acquisitions and is not considered a separate acquisition allotment. Therefore, of the \$9 million allotted to DNR annually, the Department is to use \$1 million to acquire fee-title or easements for the Ice Age Trail.

26. The Ice Age Trail is planned to be 1,225 miles, stretching from Potawatomi State Park in Door County to the Minnesota border in Interstate State Park. Between the two, the trail meanders south, along the Niagara Escarpment, to Rock County where it turns north toward Devil's Lake State

Park. From there, the trail continues in a north-by-northwesterly direction to the St. Croix River. Of the planned 1,225-mile trail, DNR owns fee-title acreage that spans 549 miles. In addition to this, DNR owns easements on 15 miles of the trail. An additional 23 miles of the trail are owned by NCOs such as the Ice Age Trail Alliance.

27. Since 2015-16, DNR has acquired 134 acres of land for the Ice Age Trail at a cost of \$616,600. The Department also acquired easements on nine acres at a cost of \$21,000. Local governments and NCOs are eligible to acquire land for the Ice Age Trail under the local assistance stewardship subprogram and the NCO acquisition subprogram. In addition to stewardship funds, the Department has limited GPR funding for recreational development, including the Ice Age Trail. However, DNR indicates that funding to develop and maintain the Ice Age Trail is limited. AB 68/SB 111 would authorize DNR to expend funds and award grants under the land acquisition subprogram. This would allow DNR to expand Ice Age Trail development and hasten the completion of the trail.

28. As noted above, s. 23.17(5)(b) makes the Ice Age Trail a state recreational priority. Given the limited funding for the trail, the Committee could consider authorizing funding for the land acquisition subprogram to be used to Ice Age Trail maintenance and development [Alternative A3]. It could be argued that maintenance and development are inappropriate uses of land acquisition funding. In other provisions of AB 68/SB 111, the Governor proposes increasing the annual allotment for DNR property development, for friends grants, and for local assistance grants. With increases in funding for these subprograms, DNR could likely fund development and maintenance projects on the Ice Age Trail. Additionally, AB 68/SB 111 would provide funding from the parks account of the SEG conservation fund for Ice Age Trail development.

***NCO Acquisitions***

29. Prior to 2015-16, DNR was authorized to award up to \$12 million each year for land acquisition grants to NCOs. 2015 Wisconsin Act 55 reduced this to \$7 million. Table 4 compares NCO acquisition requests and awards since 2015-16, the year that the current funding levels were set. The table also shows the proposed annual allotment under Assembly Bill 68/Senate Bill 111.

**TABLE 4**

**Subprogram Demand: NCO Acquisitions, 2015-16 through 2020-21**

<u>Annual Allotment</u>	<u>AB 68/SB 111</u>	<u>Minimum Request</u>	<u>Average Request</u>	<u>Maximum Request</u>	<u>Percent Awarded</u>
\$7,000,000	\$10,000,000	\$4,271,200	\$6,467,300	\$7,160,600	68.7%

30. DNR has typically underspent its authorization for the NCO acquisition subprogram. While requests have averaged \$6,467,300 each year, DNR has awarded an average of \$4,442,600 each year. Occasionally, grant sponsors may withdraw grant requests or may request reduced award amounts. Furthermore, grant requests are awarded on the basis of estimated project costs, while final award amounts are based on actual project costs. If a project's actual costs are lower than the estimated costs, DNR reduces the project award, paying only 50% of eligible actual costs. Finally, DNR



typically awards funding in the year in which a project is approved. If a project is subject to review by the Joint Committee on Finance, DNR may be required to award funds in a subsequent fiscal year. For instance, in May 2018, DNR submitted a request to award a grant to the Nature Conservancy using fiscal year 2017-18 funds. The Committee approved the project in January 2020, using 2019-20 funds, reducing awards from the 2017-18 below statutory levels.

### ***County Forest Grants***

31. Prior to 2015 Act 55, DNR had discretion over the amount of annual land acquisition subprogram funding allocated to county forest grants. Act 55 specifies that \$5 million annually be set aside from the land acquisition subprogram only to provide grants to counties primarily for county forest grants. (The Department retains the discretion to allocate more than that amount.) In addition, 2013 Act 20 specified that, if at the end of a given fiscal year, any of the allocation for NCOs remains unobligated (currently \$7 million), DNR may carry forward the unobligated bonding authority into the following fiscal year to be used only to provide grants in that fiscal year to counties to acquire land to be included in a county forest. AB 68/SB 111 would continue to allocate \$5,000,000 in annual funding for the program; however, the bill would delete the provision directing NCO carry-forward authority to county forest grants.

32. 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. Table 5 compares the amount of funding available for county forest grants with grant awards since fiscal year 2015-16.

**TABLE 5**

#### **Land Acquisition Allotments for County Forest Grants**

<u>Fiscal Year</u>	<u>Allocated for County Forest Grants</u>	<u>Carried Over from NCO Grants</u>	<u>Total Available for County Forest Grants</u>	<u>Total Awarded for County Forest Grants</u>
2015-16	\$5,000,000	\$4,984,600	\$9,984,600	\$585,400
2016-17	5,000,000	1,584,541	6,584,541	282,200
2017-18	5,000,000	3,980,500	8,980,500	1,806,800
2018-19	5,000,000	4,098,510	9,098,510	3,602,800
2019-20	5,000,000	271,017	5,271,017	343,100

### **Property Development and Local Assistance**

#### ***DNR Property Development***

33. 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 and wetland restoration activities on DNR land. The Department notes that it typically can demonstrate more need for property development on DNR-owned lands than it is able to fund. At the April 7, 2021, DNR agency hearing before the Joint

Committee on Finance, the DNR Secretary estimated that the Department has a \$25 million property development backlog. DNR reports that the Department has deferred approximately \$20 million annually on property development projects in recent biennia.

34. 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. Projects are prioritized as follows: (1) projects that protect health and safety; (2) projects that maintain or replace DNR infrastructure; (3) projects that enhance existing facilities to improve service; and (4) new construction to promote outdoor recreation.

35. AB 68/SB 111 would increase the stewardship allotment for DNR property development from \$3 million to \$22 million annually from 2022-23 through 2025-26, and to \$23 million annually from 2026-27 through 2031-32. This would enable DNR to fund the property development backlog estimated by the DNR Secretary as well as fund the average amount of maintenance projects that have been deferred in recent years.

### ***Friends Grants***

36. DNR may provide up to \$250,000 annually in property development funds to friends groups and other NCOs to conduct property development projects on DNR lands. Friends groups are NCOs that exist to support a specific state recreation property or group of properties. Groups like the Ice Age Trail Alliance or the Friends of Devil's Lake provide voluntary support, including community service projects and donations to DNR properties. The groups can bring in outside funding to augment DNR resources. Additionally, the groups can support projects that enhance state properties that DNR may not otherwise plan or fund. These groups have first option on available funds. Table 6 compares friends group development requests and awards since 2016-17. The table also shows the proposed annual allotment under AB 68/SB 111.

37. As shown in the table, AB 68/SB 111 would increase the amount available for friends grants from \$250,000 to \$1,000,000 annually. Additionally, current law provides that no more than \$20,000 may go to a single project in any given year. AB 68/SB 111 would increase this to \$80,000. Given the high demand for the grants as well as limited support that DNR can provide to friends groups for property development, the Committee could consider authorizing DNR to award a maximum of \$80,000 to any single project [Alternative A4].

38. Additionally, the Committee could consider increasing the amount available for these grants from \$250,000 to \$1 million [Alternative A5a]. However, as shown in Table 6, friends groups have requested an average of \$296,500 annually since 2016-17. Increasing the amount that can be awarded to any single project may increase the total requested each year. The Committee could consider increasing funding for friends grants to \$500,000 [Alternative A5b]. DNR would likely be able to fund all grant requests, based on recent demand. Alternatively, the Committee could consider removing the limit on the amount of these grants that can be awarded each year. DNR could alter the funding the Department allots for friends group grants each year based on Department property development needs and priorities [Alternative A5c].

**TABLE 6**

**Subprogram Demand: Friends Group Development, 2016-17 through 2020-21**

<u>Annual Allotment</u>	<u>AB 68/ SB 111</u>	<u>Minimum Request</u>	<u>Average Request</u>	<u>Maximum Request</u>	<u>Percent Awarded</u>
\$250,000	\$1,000,000	\$244,600	\$296,500	\$372,300	84.3%

***Motorized Stewardship***

39. Current law establishes that property development 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. No annual funding level is established in statute or administrative code. DNR has allotted \$500,000 annually for these aids.

40. AB 68/SB 111 would eliminate motorized stewardship projects as a category of aids under the property development subprogram. However, local governments and NCOs would continue to be eligible to apply for grants under the local assistance subprogram for motorized recreation projects. Joint Finance action to date provides an annual increase of \$750,000 for local ATV and UTV projects and increased snowmobile trail aids by \$200,000 annually. It could be argued that providing motorized recreation aids from DNR's property development allotment is an inappropriate use of the subprogram given the Department's maintenance backlog. Under this perspective, the Committee could eliminate the motorized stewardship category of aids from the DNR property development allotment [Alternative A6a].

41. Alternatively, the Committee could provide an additional \$500,000 annual bonding allotment for local assistance grants for motorized recreation [Alternative A6b]. While DNR may already award local assistance grants for motorized recreation projects, creating a dedicated allotment for these aids would allow motorized stewardship projects to be prioritized and funded without competing with other local grants. Under current law, the statutes provide no specific funding amount for motorized stewardship projects, and DNR could alter the funding allotment it provides for these grants annually as DNR property development needs change.

***Local Assistance Grants***

42. Funding obligated for local assistance may be used for: (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. Stewardship funds may generally be provided for up to 50% of eligible project costs. 2015 Act 55 authorized DNR to award up to \$6,000,000 from the local assistance subprogram each year, effective in 2015-16. Table 7 compares local assistance grant requests and awards between 2015-16 and 2019-20. DNR has not finalized grant awards for 2020-21. The table also shows the proposed annual allotment under AB 68/SB 111.

**TABLE 7**

**Subprogram Demand: Local Assistance Grants, 2015-16 through 2019-20**

<u>Annual Allotment</u>	<u>AB 68/SB 111</u>	<u>Minimum Request</u>	<u>Average Request</u>	<u>Maximum Request</u>	<u>Percent Awarded</u>
\$6,000,000	\$18,000,000	\$15,184,400	\$19,845,600	\$23,163,300	30.2%

**Recreational Boating Aids**

43. The recreational boating aids subprogram has an annual stewardship bonding allotment of \$2,500,000 as well as \$400,000 SEG from the water resources account of the conservation fund. Funding for recreational boating grants totals \$2.9 million annually. AB 68/SB 111 would increase the bonding allotment for the recreational boating aids subprogram to \$3,000,000 annually, setting total authority for the subprogram at \$3,400,000.

44. Since 2015-16, 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 in eligible applications.

**Bonding Authorization and Allotment**

45. As described above, several stewardship subprograms receive more grant requests each year than DNR may fund. However, DNR does not typically obligate its entire allotted authority for the program in any given year. DNR has underspent its allotment authority for land acquisition grants to NCOs in each year since 2011-12. Since 2015-16, when current program levels took effect, DNR has provided approximately 62% of the funding available for these purposes. Table 8 compares annual allotments for each subprogram under current law and AB 68/SB 111. The table also shows average and maximum demand for each subprogram between 2015-16 and 2020-21, where data is available.

46. As shown in the table, under the Governor's proposed allotments for the stewardship program, DNR would be able to fund nearly all funding requests, based on recent program demand. Additionally, the proposal would enable DNR to reduce the reported maintenance backlog in parks and other properties. The Committee could consider reauthorizing the stewardship program for a 10-year period, beginning on July 1, 2022, and ending June 30, 2032, increasing program bonding authority by \$700 million, and providing annual allotments of \$70 million, as shown in Table 8 [Alternative B1a]. The Committee could also consider a two-year reauthorization with \$70 million annual allotments and \$140 million in additional bonding authority [Alternative B1b].

**TABLE 8**

**Alternative Annual Stewardship Allocations, by Subprogram**

	Current Law	Governor		Average Demand	High Demand
	<u>2016-2022</u>	<u>2023-2026</u>	<u>2027-2032</u>		
<b>Land Acquisition Subprogram</b>					
DNR Acquisition	\$9,000,000	\$10,000,000	\$10,000,000	\$5,225,600	\$7,698,900
BCPL Acquisitions	0	1,000,000	0		1,000,000 <sup>1</sup>
Grants to NCOs	7,000,000	10,000,000	10,000,000	6,467,300	7,160,600
County Forest Grants	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>1,324,100</u>	<u>3,602,800</u>
Subtotal	\$21,000,000	\$26,000,000	\$25,000,000	\$13,017,000	\$19,462,300
<b>Property Development and Local Assistance Subprogram</b>					
DNR Property Development	\$3,000,000	\$22,000,000	\$23,000,000	\$20,000,000	\$25,000,000 <sup>2</sup>
Friends Groups	250,000	1,000,000	1,000,000	296,500	372,300
Local Assistance Grants	6,000,000	18,000,000	18,000,000	19,845,600	23,163,300
Motorized Stewardship	<u>500,000</u>	<u>0</u>	<u>0</u>	<u>488,200</u>	<u>1,149,400</u>
Subtotal	\$9,750,000	\$41,000,000	\$42,000,000	\$40,630,300	\$49,685,000
Recreational Boating Aids	\$2,500,000	\$3,000,000	\$3,000,000 <sup>3</sup>	\$2,500,000	\$2,500,000
Total Annual Bonding Allocation	\$33,250,000	\$70,000,000	\$70,000,000	\$56,107,300	\$71,647,300

<sup>1</sup> DNR estimates that \$4 million is a reasonable cost to acquire a set of BCPL properties identified by DNR.

<sup>2</sup> DNR's capital budget is set each year based on project need and available funding. The Department defers an estimated \$18 million to \$20 million in maintenance projects each year. \$25 million is a high-end estimate of the Department's maintenance backlog.

<sup>3</sup> The Waterways Commission is required to consider the amount of funding available before it recommends a priority project. Therefore estimating program demand is not possible.

47. 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 better than it could using only cash. Eliminating or reducing DNR's ability to issue debt to acquire land, or requiring the Department to use cash, may make large or 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 reduce DNR's ability to develop new outdoor recreational opportunities in the most densely populated parts of the state.

48. 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.

49. Some also argue that because DNR land acquisition removes land from local taxation 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 other state appropriations. 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.

50. The stewardship program has typically been reauthorized for 10-year periods. However, the Legislature has made changes to the program in interim periods, as shown in Table 3. 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. However, 2019 Act 9 extended the program for a two-year period, from July 1, 2020 to June 30, 2022, to allow the Governor and DNR to develop a plan for a long-term reauthorization. Each alternative provides an option to reauthorize the program for either a two-year period or a ten-year period.

51. 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.

52. To reduce the level of bonding that must be authorized for the stewardship program, certain program allotments could be funded through alternate means. The forestry account of the SEG conservation fund can be used for acquiring, preserving and developing the forests of the state. Under current law, the forestry account expenditures include a portion of stewardship debt service, property development in state forests, and providing loans and other financing to counties to acquire and improve county forests.

53. The Committee could consider funding certain forestry-related stewardship programs from the conservation fund. The Committee could create a continuing appropriation for the county forest grant program, providing \$5 million per year, consistent with the current stewardship allocation [Alternative B2a]. As shown above, DNR seldom awards more than \$5 million for county forest grants. To prevent the appropriation from growing too large a balance that crowds out other forestry account expenditures, the Committee could consider requiring the appropriation lapse any amount in excess of \$10 million in the appropriation at the end of each fiscal year [Alternative B2b]. This would provide sufficient funding for county forest grants and allow DNR flexibility to award grants each year.

54. In addition to county forest grants, DNR is required to set aside \$2 million annually to

provide matching funding for federal forest legacy grants, which funds acquisition of easements on forestland. The Committee could create an annual appropriation from the forestry account, providing \$2 million annually for the forest legacy program [Alternative B3].

55. Leaving other annual allotments at the levels under current law, Alternatives B1 and B2 would reduce the annual stewardship bonding requirement by \$7 million, from \$33.25 million to \$26.25 million each year. The Committee could consider reauthorizing the stewardship program for 10 years, beginning on July 1, 2022, and ending on June 30, 2032, providing the program with \$262.5 million in bonding authority and annual allotments of \$26.25 million [Alternative B4a]. The Committee could also consider a two-year reauthorization with \$26.25 million annual allotments and \$52.5 million in additional bonding authority [Alternative B4b].

56. Alternatively, the Committee could consider leaving the total annual bonding allotment the same under current law and reallocating a portion of the allotment from land acquisition to other subprograms. Table 9 shows one possible reallocation. These allotments with would allow DNR to fund approximately 50% of requested local assistance grants and approximately half of reported DNR property development needs, while shifting about one-third of land acquisition funding to forestry SEG. The Committee could consider reauthorizing the stewardship program for 10 years, beginning on July 1, 2022, and ending on June 30, 2032, providing the program with \$332.5 million in bonding authority and annual allotments of \$33.25 million [Alternative B5a]. The Committee could also consider a two-year reauthorization with \$33.25 million annual allotments and \$66.5 million in additional bonding authority [Alternative B5b].

**TABLE 9**

**\$33.25 Million Alternative Stewardship Allocations, by Subprogram**

	<u>Current Law</u>	<u>Alternative</u>
<b>Land Acquisition Subprogram</b>		
DNR Acquisition	\$9,000,000	\$7,000,000 <sup>1</sup>
Grants to NCOs	7,000,000	7,000,000
County Forest Grants	<u>5,000,000</u>	<u>0<sup>2</sup></u>
Subtotal	\$21,000,000	\$14,000,000
<b>Property Development and Local Assistance Subprogram</b>		
DNR Property Development	\$3,000,000	\$6,000,000
Friends Groups	250,000	250,000
Local Assistance Grants	6,000,000	10,000,000
Motorized Stewardship	<u>500,000</u>	<u>500,000</u>
Subtotal	\$9,750,000	\$16,750,000
Recreational Boating Aids	\$2,500,000	\$2,500,000
Total Annual Bonding Allocation	\$33,250,000	\$33,250,000

<sup>1</sup> \$2 million would be provided annually from forestry account SEG.

<sup>2</sup> \$5 million would be provided annually from forestry account SEG.

57. Alternate program reauthorizations could be considered. In DNR's biennial agency budget request, the Department requested a \$500 million increase in the stewardship bonding authorization to fund a 10-year reauthorization with annual allotments of \$50 million. While the request did not specify subprogram funding levels, the Committee could consider the levels shown in Table 10 [Alternative B6a]. The Committee could also consider a two-year reauthorization with \$50 million annual allotments and \$100 million in additional bonding authority [Alternative B6b]. These allotments would allow DNR to fund approximately 76% of requested local assistance grants and approximately 75% of reported DNR property development needs, while leaving land acquisition subprogram allotments the same as under current law.

**TABLE 10**

**\$50 Million Stewardship Allocations, by Subprogram**

	<u>Current Law</u>	<u>Alternative</u>
<b>Land Acquisition Subprogram</b>		
DNR Acquisition	\$9,000,000	\$9,000,000
Grants to NCOs	7,000,000	7,000,000
County Forest Grants	<u>5,000,000</u>	<u>5,000,000</u>
Subtotal	\$21,000,000	\$21,000,000
<b>Property Development and Local Assistance Subprogram</b>		
DNR Property Development	\$3,000,000	\$10,000,000
Friends Groups	250,000	500,000
Local Assistance Grants	6,000,000	15,000,000
Motorized Stewardship	<u>500,000</u>	<u>500,000</u>
Subtotal	\$9,750,000	\$26,000,000
Recreational Boating Aids	\$2,500,000	\$3,000,000
Total Annual Bonding Allocation	\$33,250,000	\$50,000,000

58. The current subprogram levels have been in effect since 2015-16, the longest period of stable funding since the program was reauthorized in 2009. The Committee could consider reauthorizing the stewardship program at current funding levels for 10 years, beginning on July 1, 2022, and ending on June 30, 2032, providing the program with \$332.5 million in bonding authority and annual allotments of \$33.25 million [Alternative B7a]. The Committee could also consider a two-year reauthorization with \$33.25 million annual allotments and \$66.5 million in additional bonding authority [Alternative B7b].

59. Alternatively, the Committee could take no action [Alternative B8]. Without legislative action, the stewardship program will expire on June 30, 2022.



## ALTERNATIVES

### A. Program Changes

(The Committee can select from any of the alternatives below.)

1. Delete the restriction on the proportion of Department land acquisition funding that may be used for fee simple transactions.
2. Specify one of the following for DNR acquisitions of lands from the Board of Commissioners of Public Lands:
  - a. Provide an annual stewardship allotment of \$1 million from the land acquisition subprogram to acquire BCPL holdings; or
  - b. Create a continuing appropriation in the forestry account of the SEG conservation fund for the acquisition of land from the Board of Commissioners of Public Lands. Provide \$4 million as one-time funding in 2021-22.

ALT A2b	Change to Base
SEG	\$4,000,000

3. Authorize DNR to use funds from the \$1 million Ice Age Trail allotment in the Department acquisition subprogram to fund Ice Age Trail development and maintenance projects.
4. Increase the maximum grant award that can be given to any single friends grant from \$20,000 to \$80,000.
5. Change the amount that DNR may award from the property development subprogram each year for grants to friends groups and other NCOs for property development on DNR property as follows:
  - a. Increase the friends group allotment from \$250,000 to \$1,000,000 annually.
  - b. Increase the friends group allotment from \$250,000 to \$500,000 annually.
  - c. Delete the cap. (This would allow DNR to allocate funding as need and grant requests allow.)
6. Make one of the following changes to the motorized stewardship project category within the property development subprogram:
  - a. Repeal the program; or
  - b. Authorize DNR to award funds for the program from the local assistance annual allotment, rather than the property development annual allotment.

7. Take no action.

**B. Bonding Authorization and Annual Allotments**

1. Reauthorize the stewardship program with annual allotments of \$70 million, as described in Table 8, for one of the following:

- a. A 10-year period, beginning on July 1, 2022, and ending on June 30, 2032. Increase the bonding authorization for the program by \$700 million.

ALT B1a	Change to Base
BR	\$700,000,000

- b. A two-year period, beginning on July 1, 2022, and ending on June 30, 2024. Increase the bonding authorization for the program by \$140 million.

ALT B1b	Change to Base
BR	\$140,000,000

2. Make the following changes to annual allotment for the county forest grants subprogram:

- a. Delete the annual bonding allotment for county forest grants. Create a continuing appropriation for the county forest grant program, providing \$5 million per year, consistent with the current stewardship allocation.

ALT B2a	Change to Base
SEG	\$10,000,000

- b. In addition to Alternative B2a, require DNR to lapse any unencumbered balance in the appropriation in excess of \$10 million at the end of each fiscal year.

3. Reduce the annual allotment for the DNR land acquisition subprogram by \$2 million. Create an annual appropriation in the forestry account of the SEG conservation fund for the forest legacy program. Provide \$2 million SEG annually.

ALT B3	Change to Base
SEG	\$4,000,000

4. In addition to B2 and B3, reauthorize the stewardship program with annual allotments

of \$26.25 million for one of the following:

a. A 10-year period, beginning on July 1, 2022, and ending on June 30, 2032. Increase bonding authorization for the program by \$262.5 million.

<b>ALT B4a</b>	<b>Change to Base</b>
BR	\$262,500,000

b. A two-year period, beginning on July 1, 2022, and ending on June 30, 2024. Increase bonding authorization for the program by \$52.5 million.

<b>ALT B4b</b>	<b>Change to Base</b>
BR	\$52,500,000

5. In addition to B2 and B3, reauthorize the stewardship program with annual allotments of \$33.25 million one of the following:

a. A 10-year period, beginning on July 1, 2022, and ending on June 30, 2032. Increase bonding authorization for the program by \$332.5 million.

<b>ALT B5a</b>	<b>Change to Base</b>
BR	\$332,500,000

b. A two-year period, beginning on July 1, 2022, and ending on June 30, 2024. Increase bonding authorization for the program by \$66.5 million.

<b>ALT B5b</b>	<b>Change to Base</b>
BR	\$66,500,000

6. Reauthorize the stewardship program with annual allotments of \$50 million for one of the following:

a. A 10-year period, beginning on July 1, 2022, and ending on June 30, 2032. Increase bonding authorization for the program by \$500 million.

<b>ALT B6a</b>	<b>Change to Base</b>
BR	\$500,000,000

b. A two-year period, beginning on July 1, 2022, and ending on June 30, 2024. Increase bonding authorization for the program by \$100 million.

<b>ALT B6b</b>	<b>Change to Base</b>
BR	\$100,000,000

7. Reauthorize the stewardship program with no change to current annual allotments of \$33.25 million for one of the following terms:

a. A 10-year period, beginning on July 1, 2022, and ending on June 30, 2032. Increase bonding authorization for the program by \$332.5 million.

<b>ALT B7a</b>	<b>Change to Base</b>
BR	\$332,500,000

b. A two-year period, beginning on July 1, 2022, and ending on June 30, 2024. Increase bonding authorization for the program by \$66.5 million.

<b>ALT B7b</b>	<b>Change to Base</b>
BR	\$66,500,000

8. Take no action.

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