



## Legislative Fiscal Bureau

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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.

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