



Legislative Fiscal Bureau

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

February 7, 2019

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Natural Resources: Stewardship Grant for Florence County Forest Acquisition
(Gunnulson Tract) -- Agenda Item III

REQUEST

On June 13, 2018, the Department of Natural Resources (DNR) requested approval under s. 23.0917 (6m) of the statutes to provide a county forest grant of \$330,800 to Florence County for the acquisition of 214.05 acres in the Town of Homestead, known as the Gunnulson tract. An objection to the request was made on July 6, 2018.

BACKGROUND

County Forest Programs

The Knowles-Nelson Stewardship land acquisition subprogram authorizes DNR to provide grants to counties to acquire land to be included in a county forest. Of \$21 million available annually for DNR to obligate from the land acquisition subprogram, the statutes specify at least \$5 million be set aside for grants to counties primarily for county forest grants. In addition, if at the end of a given fiscal year, any of a separate \$7 million allocation for grants to nonprofit conservation organizations (NCOs) remains unobligated, DNR may carry forward the unobligated bonding authority for NCOs into the following fiscal year to be used only to provide grants for acquisitions for county forests.

Counties are required to provide matching funds of at least 50% of the land acquisition costs. County cash matches may include: (a) county funds; (b) other local or federal matching funds or grants; or (c) contributions from non-governmental entities or organizations. Counties also may match grants with land holdings, including: (a) any donated portion of the land to be purchased in part with the grant, if the land is being acquired for a price less than fair market value; (b) the fair market value of land purchased not earlier than one year prior to grant application; or (c) 50% of the fair market value of land owned by the county more than one year prior to grant application.

Lands acquired with a county forest grant, as well as any lands offered as the county match, must be incorporated into the county forest. A county is prohibited from converting the land or the rights in the land acquired using program grant money to a use that is inconsistent with the type of nature-based outdoor recreation for which the grant was awarded, unless otherwise approved by the Natural Resources Board. Lands added to a county forest are eligible for state aids of 30¢ per acre, payable to towns in which the county forest acreage is located. Towns also receive 10% of annual county timber harvest revenues in proportion to each town's county forest acreage.

Florence County Forest and Project Descriptions

Florence County would use grant funding of \$330,755 to acquire 214.05 acres in the Town of Homestead. The parcel contains several stands of varying species, including aspen, fir, spruce, red pine, jack pine, and scrub oak. The property currently contains 124 acres held in the Managed Forest Law (MFL) under open access. The acquisition would increase acreage contiguous with other Florence County Forest areas. Forest acreage north of the subject property is not currently accessible via public roads. As of June 30, 2018, Florence County had approximately 36,400 acres enrolled in the county forest.

The subject property contains access to 0.6 miles of the Little Popple River, a class II trout stream and statutorily designated wild river that runs from west to east across the property. The Little Popple River drains into the Menominee River about three miles east of the property's eastern boundary. The property is also near the project boundaries of both the Pine-Popple Wild River corridor and the Spread Eagle Barrens State Natural Area.

A mostly north-south, state-funded snowmobile trail runs through the acquisition property. DNR expects the purchase to secure long-term rights to the snowmobile trail corridor, which is currently subject to an agreement with the private landowner. Florence County also was awarded state snowmobile trail aids in 2016 for a \$116,000 project to replace a bridge on the trail over the Little Popple River.

Florence County would match the acquisition with 274.05 acres spread among five parcels of current county-owned lands not yet enrolled in the county forest. The parcels are located in the Towns of Tipler, Commonwealth, Homestead and Fence. Two of the parcels contain water bodies, namely the Lake of Dreams in the Town of Tipler and Mud Creek in the Town of Fence. Two other parcels include frontage on county trunk highways. All parcels would be incorporated into the Florence County Forest. The appraised values of the match parcels were determined through analysis of comparable sales of parcels in and around Florence County. The attachment summarizes the parcels offered as match and their values for purposes of the grant.

ANALYSIS

The county forest grant program allows counties to match 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. DNR administrative rules provide 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.

The proposal would provide Florence County with 50% matches on the county-owned parcels offered. According to Florence County officials and sales histories reviewed for the appraisal reports for each match property, the match parcels have mostly been in county ownership for at least 10 years. The lands have been in forest production and public recreational uses, with no other uses indicated.

Due in part to the land-match provision, counties may occasionally withhold acquired lands from formal enrollment in a county forest. Acquiring lands as they become available, without immediately designating acreage for the county forest, allows counties to use such parcels for one or both of: (a) immediate forest production and subsequent timber income; and (b) for use in subsequent land deals, either as a swap or for stewardship grant match. Acquiring and holding land in this fashion allows counties to pursue the long-term establishment of contiguous blocks of forest when relatively smaller purchase opportunities arise, while preserving an ability to match future significant forest acquisitions. The leveraging of previous purchases for stewardship grants also may allow counties to avoid funding occasional large forest acquisitions through other means, including county forest loans through DNR. Although DNR county forest loans generally provide counties flexibility in repayment in exchange for a portion of annual timber harvest revenues, DNR staff reports some counties find it infeasible to divert annual timber harvest revenues from other county program priorities.

Another perspective may argue match parcels that have already contributed to forest production for a significant term do not match the state grant expenditure in the same fashion that newer woodland acquisitions would. From this viewpoint, county-owned lands already in productive forestry uses may be appropriate to add to a county forest irrespective of any other prospective additions.

The Committee could consider approving the grant request as submitted (Alternative 1). The acquisition would secure permanent access to the existing snowmobile trail corridor and preserve lands around the Little Popple River. Designating the acquisition and match lands as county forest would more permanently assign such acreage to forest production; lands enrolled in the county forest program may later be withdrawn, but only upon a two-thirds vote by the county board. Further, DNR program rules require lands withdrawn from the county forest, but for which grant funds were used for acquisition, to be replaced with parcels of equal value and contribution to the forest.

Any reduction in state matching funds could lead to the county abandoning the purchase, with the parcel perhaps ultimately listed for private sale. Florence County reports the county has not budgeted additional funds for a cash match to the grant. Further, although the seller wishes to see the tract preserved for long-term forestry use, it is not known whether the seller would accept a lower sale price based on a lower state match.

The Department indicated with the submission of the grant for Committee review that 2017-

18 county forest grant funds would be obligated for the grant. When the request was submitted in June, 2018, DNR indicated the grant was to utilize fiscal year 2017-18 funds. However, the 2017-18 fiscal year has ended and the accounting for the year has closed. DNR would be required to utilize its 2018-19 stewardship bonding allocation at this time. As DNR may not formally encumber, or obligate, stewardship funds until the project is approved by Joint Finance, and county forest grant allocations do not carry forward to subsequent fiscal years, 2017-18 funds associated with this grant are now unavailable for obligation without further authorization by the Legislature.

ALTERNATIVES

1. Approve the Department of Natural Resources request to grant \$330,800 from the Knowles-Nelson Stewardship program to Florence County for: (a) the acquisition of the Gunnulson tract [\$161,000]; (b) a 50% match on current county holdings to be incorporated into the Florence County Forest [\$162,400]; and (c) a 50% match on eligible transaction costs [\$7,400]. Specify funds are to be obligated using 2018-19 stewardship funding for county forest grants.

2. Deny the request.

Prepared by: Eric Hepler and Paul Ferguson
Attachment

ATTACHMENT

Florence County Forest -- Acquisition and Match Parcel Summary

Parcel (Town Location)	Acres	Appraisal Basis		Grant Basis	
		DNR-Accepted Value	Dollars per Acre	Grant Percentage	Grant Value
Acquisition Summary					
Homestead	214.05	\$322,000	\$1,504	50%	\$161,000
Match Summary					
Commonwealth	128.05	\$177,500	\$1,386	50%	\$88,750
Tipler	41.00	23,250	567	50	11,625
Fence	40.00	47,000	1,175	50	23,500
Commonwealth	33.00	39,000	1,182	50	19,500
Homestead	<u>32.00</u>	<u>38,000</u>	1,188	50	<u>19,000</u>
Match Subtotals	274.05	\$324,750			\$162,375
Eligible Transaction Costs (Payable to County)					\$7,380
Totals	488.10	\$646,750			\$330,755