



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #633

### Warren Knowles-Gaylord Nelson Stewardship Program (DNR -- Departmentwide)

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#### CURRENT LAW

DNR is authorized \$46 million in general obligation bonding authority annually through 2009-10 for the Warren Knowles-Gaylord Nelson Stewardship 2000 program, with \$34.5 million specified for land acquisition and \$11.5 million for property development and local assistance. For local assistance grants, the grant applicant (generally a local government or non-profit conservation organization) must submit two appraisals for any project estimated to be over \$200,000.

#### GOVERNOR

No provision.

#### DISCUSSION POINTS

1. In October of 2000, the Legislative Audit Bureau (LAB) released an evaluation of the Warren Knowles-Gaylord Nelson Stewardship program. Based on its findings, a number of recommendations were made to improve the program. Key amongst these was a recommendation that for grants over \$200,000, DNR should independently obtain an appraisal separate from any appraisal submitted by grant applicants. While DNR concurred with this recommendation, the Department indicated that application of this rule would be hindered by s. 23.0917 (7)(e), which requires the grant applicant to submit two appraisals for any project estimated to be over \$200,000

2. Under the Warren Knowles-Gaylord Nelson Stewardship program, DNR determines

grant amounts based on reviews of property appraisals provided by grant applicants, who typically contract with private appraisers for this service.

3. However, the need to secure sufficient grant funding in order to undertake projects may place pressure on interested applicants to secure the most favorable appraisals possible.

4. While s. 23.0917(7)(e) does require the grant applicant to submit two appraisals, there is no statutory language prohibiting DNR from seeking a third appraisal. However, as appraisals are considered an eligible grant expense, DNR would generally pay 50% of the cost for appraisals contracted for by the grant applicant, should a grant be awarded. The Department would not be responsible for appraisal costs related to unsuccessful applications. Also, should an additional appraisal be required, DNR would need to either complete the appraisal with available staff or contract for the service (paying 100% of the cost). Therefore, requiring an additional appraisal would increase costs to the Department. While costs associated with appraisals can vary based on the size and location of the property, over the last three years costs averaged \$1,200 per appraisal. Since DNR generally pays 50% of the cost of the two appraisals, one alternative would be to require the grant applicant (local government unit or NCO) to pay for the cost of one appraisal of the property, and to require DNR to pay for the second appraisal. If additional appraisals were required, the current 50% grant-eligibility cost share could be maintained.

5. Under the initial Stewardship program, DNR awarded 147 grants for \$200,000 or more between 1990 and 2000. Grant managers within the Bureau of Community Financial Assistance indicate that this number is likely to increase under Stewardship 2000 due to greater levels of available grant funding and general increases in property values.

6. The Department uses stewardship program funds to pay miscellaneous closing costs and appraisals as part of its land acquisition activities; as this is an established practice within DNR, requiring additional appraisals would not necessitate appropriation of additional funding. However, to the extent that additional funds were required for appraisals, less money would be available for land purchase. Alternatively, ensuring accurate estimates of appraised property values may affect the purchase price paid by local governments and NCOs and the grant levels paid by DNR to acquire land (DNR generally awards up to 50% of approved appraisal amounts for local assistance grants).

7. Additional recommendations made by the Legislative Audit Bureau included prohibiting local governments and NCOs from submitting appraisals commissioned or paid for by the seller of the property as part of the stewardship grant application process, and a recommendation to allow DNR staff to develop a blended appraised value when appropriate. (This approach would allow DNR staff to choose various components from different appraisals of the same property to generate a new appraised value.) The Department has concurred with these recommendations and has incorporated them into their grant review process.

## **ALTERNATIVES TO BASE**

1. Require DNR to independently obtain an appraisal separate from any appraisal submitted by grant applicants for grants over \$200,000. This would be in addition to the two appraisals that applicants are currently required to submit under statute.

2. Delete the statutory requirement under s. 23.0917(7)(e) that requires applicants to submit two appraisals for grants over \$200,000. Instead, require grant applicants to pay for and submit one appraisal, and require DNR to independently obtain an additional appraisal, separate from any submitted by the applicant. Allow DNR to require more than one appraisal from the applicant. However, specify that any additional appraisals required would be considered eligible expenses under the grant program. (DNR would pay up to 50% of the cost for any additional appraisals required.)

3. Delete the statutory requirement under s. 23.0917(7)(e) that requires applicants to submit two appraisals for grants over \$200,000. Instead, require grant applicants to submit at least one appraisal, and require DNR to independently obtain an additional appraisal, separate from any submitted by the applicant (DNR would pay for its appraisal and up to 50% of the applicant's appraisal).

4. Maintain current law. (Grant applicants would be required to submit two appraisals for purchases exceeding \$200,000, and DNR would retain the option to obtain an independent appraisal.)

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