



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #660

Shift Stewardship Debt Service to Forestry Account (DNR -- Forestry and Parks)

[LFB 2001-03 Budget Summary: Page 478, #1]

CURRENT LAW

Most of the \$231 million in bonding authorized for the original Warren Knowles-Gaylord Nelson stewardship program has been issued or committed. Further, the statutes authorize \$460 million in general-obligation bonding authority for the Warren Knowles-Gaylord Nelson Stewardship 2000 program (\$46 million annually beginning in 2000-01 and ending in 2009-2010). 1999 Act 9 appropriated \$3 million annually in the 1999-01 biennium only from the forestry account for the payment of principal and interest related to the acquisition and development of state forests under the stewardship program. Previous to that action, 1997 Act 27 appropriated \$8.7 million annually from forestry SEG and \$225,000 annually from the water resources account in 1997-99 only for the same purpose.

GOVERNOR

Under the bill, \$8 million in 2001-02 and \$4 million in 2002-03 for the 2001-03 biennium only would be shifted from GPR to the forestry account of the conservation fund for the payment of principal and interest related to the acquisition and development of state forests under the Warren Knowles-Gaylord Nelson Stewardship program.

DISCUSSION POINTS

1. Under current law, \$691 million in general obligation bonding has been authorized over a 20-year period (from 1990-91 to 2009-10) for the stewardship program. Total debt retirement payments over a period of 30 or more years are expected to exceed \$1.1 billion. Under

the bill, DNR debt service payments primarily related to the stewardship program are expected to increase by \$16.1 million for the 2001-03 biennium (from \$23.8 million in 2000-01 to \$29.5 million in 2001-02 and to \$34.2 million in 2002-03).

2. Under the budget bill, including action by the Joint Committee on Finance to date, the forestry account would have a balance of approximately \$6.2 million at the end of the 2001-03 biennium. However, the Building Commission has proposed using \$2.37 from the forestry account to fund a visitor's center at the Kickapoo Valley Reserve. If this proposal were approved, the balance of the forestry account would be approximately \$3.8 million in June of 2003. Traditionally, a balance of \$1.0 million is maintained in the forestry account as a contingency for forest fire emergencies. However, if the cap on the forest fire emergency fund is increased from \$500,000 to \$1.0 million (as proposed under the bill), maintaining this balance for forest fire emergencies would not be as necessary.

3. The Committee may choose to maintain the balance in the forestry account to fund future forestry initiatives.

4. Another option would be to shift some or all of this available balance for payment of stewardship debt service from the forestry account. The forestry account is largely funded (80% in fiscal year 2000) by revenues generated from the statewide forestry mill tax. This tax of 20 cents per \$1,000 of property value is collected with other property taxes; from the perspective that revenue to the forestry account is largely generated through a state-wide property tax, it may be reasonable to direct these funds to be used in place of GPR for debt service payments for forestry-related land purchases.

5. This would be the third biennium in which forestry account funding has been used on a "one-time" basis to fund a portion of stewardship debt retirement costs. As a one-time appropriation, the SEG funding is not considered available for this purpose in future biennia unless it is again appropriated; rather, the sum sufficient GPR appropriation for debt retirement must pay these costs in the future. This practice contributes to the structural deficit in the general fund under the bill. An alternative would be to provide a permanent appropriation from the conservation fund for stewardship debt repayment. However, the structural balance of the forestry account should also be considered. The forestry account could support a \$6 million annual payment in debt service on an ongoing basis.

6. Funding under the stewardship program has been used to acquire and develop land for a variety of recreational uses, parks, forests, wildlife habitat, fisheries, boating, natural areas, and other environmental and conservation purposes. From this perspective, it could be argued that other accounts in the conservation fund should contribute to the payment of stewardship debt service as well (such as the all-terrain vehicle account, the fish and wildlife account, the parks account, the endangered resources account, and the water resources account).

7. Under the bill, and Committee action to date, the fish and wildlife account would have a balance of approximately \$9.4 million at the end of the 2001-03 biennium. The ATV account

would have a balance of approximately \$400,000, the water resources account would have a balance of approximately \$920,000, the parks account would have an estimated balance of \$530,000, and the endangered resources account would have a balance of approximately \$145,000 on June 30, 2003.

8. However, it could be argued that the stewardship program was funded with general obligation bonds to reflect the statewide recreational and conservation benefits of land purchases that were envisioned under the program regardless of the particular location or purpose of the purchase. Therefore, general fund support for the program was deemed appropriate. Shifting a portion of the debt service to the segregated conservation fund may be viewed by some as counter to the intent of the stewardship program.

ALTERNATIVES TO BASE

1. Approve the Governor’s recommendation to shift \$8,000,000 GPR in 2001-02 and \$4,000,000 GPR in 2002-03 of debt service costs to the forestry account for the payment of principal and interest related to the acquisition and development of state forests and nurseries under the stewardship program.

<u>Alternative 1</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	-\$12,000,000	\$12,000,000	\$0
<i>[Change to Bill]</i>	\$0	\$0	<i>[\$0]</i>

2. Alternatively, shift \$6,000,000 GPR annually of debt service costs to the forestry account for the ongoing payment of principal and interest related to the acquisition and development of forest lands under the stewardship program. (This would provide ongoing support of \$6,000,000 annually into subsequent biennia.)

<u>Alternative 2</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	-\$12,000,000	\$12,000,000	\$0
<i>[Change to Bill]</i>	\$0	\$0	<i>[\$0]</i>

3. In addition to Alternative 1 or 2, shift one of the following annual amounts for debt service costs to the forestry account for the payment of principal and interest related to the acquisition and development of state forest lands under the stewardship program.

a. \$1,000,000

<u>Alternative 3a</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	-\$14,000,000	\$14,000,000	\$0
<i>[Change to Bill]</i>	-\$2,000,000	\$2,000,000	<i>[\$0]</i>

b. \$2,000,000

Alternative 3b	GPR	SEG	TOTAL
2001-03 FUNDING (Change to Base)	- \$16,000,000	\$16,000,000	\$0
<i>[Change to Bill]</i>	- \$4,000,000	\$4,000,000	\$0]

4. Shift \$3,000,000 in each year of debt service costs to the fish and wildlife account for the payment of principal and interest related to the acquisition and development of properties open to hunting and fishing under the stewardship program. (This may be done in addition to, or in place of, the previous alternatives.)

Alternative 4	GPR	SEG	TOTAL
2001-03 FUNDING (Change to Base)	- \$6,000,000	\$6,000,000	\$0
<i>[Change to Bill]</i>	- \$6,000,000	\$6,000,000	\$0]

5. Shift \$400,000 in each year of debt service costs to the water resources account for the payment of principal and interest related to the acquisition and development of properties with recreational boating access under the stewardship program. (This may be done in addition to, or in place of, the previous alternatives.)

Alternative 5	GPR	SEG	TOTAL
2001-03 FUNDING (Change to Base)	- \$800,000	\$800,000	\$0
<i>[Change to Bill]</i>	- \$800,000	\$800,000	\$0]

6. Shift \$150,000 in each year of debt service costs to the ATV account for the payment of principal and interest related to the acquisition and development of recreational properties under the stewardship program. (This may be done in addition to, or in place of, the previous alternatives.)

Alternative 6	GPR	SEG	TOTAL
2001-03 FUNDING (Change to Base)	- \$300,000	\$300,000	\$0
<i>[Change to Bill]</i>	- \$300,000	\$300,000	\$0]

7. Shift \$50,000 in each year of debt service costs to the parks account for the payment of principal and interest related to the acquisition and development of new park and recreational properties under the stewardship program. (This may be done in addition to, or in place of, the previous alternatives.)

Alternative 7	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	- \$100,000	\$100,000	\$0
<i>[Change to Bill]</i>	- \$100,000	\$100,000	\$0]

8. Shift \$50,000 in each year of debt service costs to the endangered resources account for the payment of principal and interest related to the acquisition and development of natural areas under the stewardship program. (This may be done in addition to, or in place of, the previous alternatives.)

Alternative 8	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	- \$100,000	\$100,000	\$0
<i>[Change to Bill]</i>	- \$100,000	\$100,000	\$0]

9. In addition to any of Alternatives 3 to 8, specify that the payments from the conservation fund for stewardship-related debt service would be one-time funding.

10. Maintain current law.

Alternative 10	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	\$0	\$0	\$0
<i>[Change to Bill]</i>	- \$12,000,000	\$12,000,000	\$0]

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