



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #546

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

[LFB 2003-05 Budget Summary: Page 320, #3]

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#### **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 \$572 million in general-obligation bonding authority for the Warren Knowles-Gaylord Nelson Stewardship 2000 program (\$46 million annually in 2000-01 and 2001-02, and \$60 million annually beginning in 2002-03 and ending in 2009-2010). In 2002-03, on a one-time basis, \$8.4 million is appropriated from the forestry account for the payment of principal and interest related to the acquisition and development of forest lands under the stewardship program. Previous to that action, \$4.9 million was expended in 2001-02; 1999 Act 9 appropriated \$3 million annually in the 1999-01 biennium only; and 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 each year of the 2003-05 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 forest lands under the Warren Knowles-Gaylord Nelson Stewardship program. The bill also specifies that the first draw for payments related to stewardship debt service be taken from the forestry account appropriation, with remaining payments made from the sum-sufficient GPR appropriation.

## DISCUSSION POINTS

1. Under current law, \$803 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 approach \$1.3 billion. Under the bill, DNR debt service payments primarily related to the stewardship program are expected to increase (from \$30.9 million in 2002-03) by approximately \$3.8 million in 2003-04 (to \$34.7 million) and by \$7.3 million in 2004-05 (to \$38.2 million).

**TABLE 1**

### Stewardship Bond Repayments

<u>Fiscal Year</u>	<u>SEG</u>	<u>GPR</u>	<u>Total</u>
1995-96		\$14,599,000	\$14,599,000
1996-97		16,034,000	16,034,000
1997-98	\$8,925,000	9,517,800	18,442,800
1998-99	8,925,000	10,130,100	19,055,100
1999-00	3,000,000	18,744,900	21,744,900
2000-01	3,000,000	21,334,700	24,334,700
2001-02	4,901,900	19,774,000	24,675,900
2002-03*	8,400,000	22,533,000	30,933,000
2003-04*	8,000,000	26,702,900	34,702,900
2004-05*	8,000,000	30,162,700	38,162,700

\*Estimated.

2. Under the budget bill, the forestry account would have a balance of approximately \$4.4 million at the end of the 2003-05 biennium. Traditionally, a balance of \$1.0 million is maintained in the forestry account as a contingency for forest fire emergencies. Further, it is argued that dry conditions across much of the state warrant maintaining a significant balance. However, as the balance of the forest fire emergency fund is currently estimated at \$500,000, maintaining an additional balance of \$1.0 million for forest fire emergencies may not be as necessary.

**TABLE 2**

**Forestry Account Condition  
(\$ in millions)**

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
Opening Balance	\$9.84	\$3.32	\$1.26
Revenue	<u>78.62</u>	<u>82.81</u>	<u>87.84</u>
Total Available	\$88.46	\$86.13	\$89.10
Expenditures	\$78.19	\$82.97	\$81.96
Encumbrances/Continuing Balance*	6.95	1.90	2.71
Closing Balance	\$3.32	\$1.26	\$4.43

\*Includes continuing balances from assigned segregated revenue appropriations (such as recording fees, county severance, and county severance loan payments), pay plan reserves, and anticipated lapses due to the hiring freeze.

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 (85% in fiscal year 2002) by revenues generated from the statewide forestry mill tax. This tax of 20¢ 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 fourth 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. The forestry account could support at least an \$8.0 million annual payment in debt service on an ongoing basis.

6. 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**

1. Approve the Governor’s recommendation to shift \$8,000,000 GPR of debt service costs each year to the forestry account for the payment of principal and interest related to the acquisition and development of forest lands under the stewardship program in the 2003-05 biennium only.

2. Shift \$8,000,000 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 \$8,000,000 SEG annually into subsequent biennia.)

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 forest lands under the stewardship program.

a. \$2,000,000

<u>Alternative 3a</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$4,000,000	\$4,000,000	\$0

b. \$1,500,000

<u>Alternative 3b</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$3,000,000	\$3,000,000	\$0

c. \$1,000,000

<u>Alternative 3c</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$2,000,000	\$2,000,000	\$0

d. \$500,000

<u>Alternative 3d</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$1,000,000	\$1,000,000	\$0

4. Delete provision.

<u>Alternative 4</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
<b>2003-05 FUNDING</b> (Change to Bill)	\$16,000,000	- \$16,000,000	\$0

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