



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #518

Forestry Account Condition (Natural Resources -- Conservation and Recreation)

CURRENT LAW

The conservation fund is a segregated (SEG) trust fund used to finance many of the state's resource management programs administered by the Department of Natural Resources (DNR). The conservation fund is divided into nine accounts, including the forestry account. The largest source of revenue to the account is a sum-sufficient transfer from the general fund equal to 0.1697 mill (16.97¢ per \$1,000) of equalized property value in the state.

OVERVIEW OF THE FORESTRY ACCOUNT

Article VIII, Section 10, of the Wisconsin Constitution allows the state to appropriate moneys for the purpose of acquiring, preserving and developing the forests of the state through a tax on property not to exceed 0.2 mill (20¢ per \$1,000 of property value). Prior to 2017, the tax rate was set at 0.1697 mill (16.97¢ per \$1,000 of property value). 2017 Wisconsin Act 59 reduced the rate to 0, replacing it with the sum-sufficient GPR transfer mentioned above. In 2018-19, the transfer is estimated at \$93,255,700. The bill estimates the transfer at \$97,753,400 in 2019-20 and \$101,736,100 in 2020-21.

The forestry mill rate transfer represents approximately 82% of all budgeted revenues to the forestry account in fiscal year 2018-19. The remaining amounts include: (a) the sale of timber on state forest lands; (b) the sale of stock from the state's tree nurseries; (c) camping and entrance fees at state forests; (d) severance and certain withdrawal payments from timber harvests on cooperatively managed county forests; and (e) withdrawal payments on privately owned land entered under the forest crop land and managed forest land (MFL) programs; and (f) a portion of the revenue from the sale of conservation patron licenses to reflect the fact that license holders are granted admission to state forests at no additional charge as part of the license.

Forestry revenues are authorized to support 556.8 positions in DNR. These staff include approximately 449 positions authorized for forest and southern forest operations. The forestry account also supports: (a) tree nursery operations; (b) prevention, detection and suppression of forest fires; (c) forest health and productivity, including administration of the MFL program and assistance to county forest administrators; (d) grants, loans and payments to certain towns, counties and private forest owners; and (e) a portion of DNR administrative costs. Furthermore, the forestry account is used to repay \$13.5 million in stewardship debt service and aids in lieu of taxes on property the department owns. 2015 Wisconsin Act 55 requires DNR to pay 50% of aids in lieu of taxes payments for lands acquired after 1991 from the forestry account. The remaining 50% is paid from the general fund (GPR).

In addition, the forestry account supports approximately 15 positions and certain costs of various other state agencies, including the Department of Agriculture, Trade and Consumer Protection, the Kickapoo Reserve Management Board, the UW System, and the Lower Wisconsin State Riverway Board.

The Governor's proposed budget and errata would increase DNR funding for forest fire protection grants and for county sustainable forestry grants. Attached is the condition statement of the forestry account. As the Attachment shows, the account is estimated to close the 2019-21 biennium with a cash balance of \$60 million and a closing balance of \$35 million given encumbrances and continuing balances.

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Attachment

ATTACHMENT

Forestry Account Condition Statement

	2017-18 <u>Actual</u>	2018-19 <u>Budgeted</u>	<u>Governor</u>		<u>Staff</u>
			<u>2019-20</u>	<u>2020-21</u>	
Opening Balance	\$32,401,600	\$39,671,800	\$44,703,000	\$50,459,500	
Transfer from the General Fund	\$89,259,600	\$93,255,700	\$97,753,400	\$101,736,100	
Timber Sales	9,199,100	9,200,000	9,200,000	9,200,000	
Campsite Fees	3,431,000	3,400,000	3,400,000	3,400,000	
State Forest Admissions	3,098,000	3,100,000	3,100,000	3,100,000	
Other	<u>5,638,900</u>	<u>5,277,100</u>	<u>4,546,600</u>	<u>4,563,900</u>	
Total Revenue	\$110,626,600	\$114,232,800	\$118,000,000	\$122,000,000	
Available Balance	\$143,028,200	\$153,904,600	\$162,703,000	\$172,459,500	
Expenditures					
State Forestry Operations	\$47,688,800	\$48,429,000	\$51,110,800	\$51,110,800	413.58
Southern Forest Operations	5,047,200	4,943,400	5,121,100	5,121,100	35.45
Stewardship Debt Service	13,500,000	13,500,000	13,500,000	13,500,000	
Forest Grants and Aids	8,333,500	8,464,000	8,897,100	8,897,100	
Property Development	<u>1,474,100</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	
Subtotal	\$76,043,600	\$77,336,400	\$80,629,000	\$80,629,000	449.03
Split-Funded Appropriations					
Internal Services	\$6,475,600	\$6,589,200	\$6,895,500	\$6,895,500	44.31
External Services	1,555,600	1,604,900	1,790,600	1,609,100	4.42
Division Management	4,852,900	5,672,600	5,825,000	5,825,000	52.34
Law Enforcement and Safety	786,800	928,900	945,300	1,253,600	6.70
Aids in Lieu of Taxes	6,699,100	6,936,100	7,026,100	7,026,100	
Debt Service, Maintenance, Development, and Assessments	4,013,000	6,086,500	5,233,600	5,275,900	
Reservation Fees	<u>279,000</u>	<u>244,400</u>	<u>244,400</u>	<u>244,400</u>	
Subtotal	\$24,662,000	\$28,062,600	\$27,960,500	\$28,129,600	107.77
Other Agency Appropriations					
Agriculture, Trade and Consumer Protection	\$1,648,000	\$1,587,600	\$1,688,200	\$1,688,200	9.75
State Historical Society - Northern Great Lakes Museum	63,500	51,900	66,100	66,100	1.00
University of Wisconsin System	134,500	134,500	386,700	386,700	1.00
Kickapoo Reserve Management Board	723,700	761,500	732,300	732,300	2.75
Lower Wisconsin State Riverway Board	54,100	56,100	61,800	61,800	0.50
Wild Rivers Interpretive Center	<u>27,000</u>	<u>27,000</u>	<u>27,000</u>	<u>27,000</u>	-
Subtotal	\$2,650,800	\$2,618,600	\$2,962,100	\$2,962,100	15.00
Compensation Reserves	-	\$1,184,000	\$691,900	\$692,000	
Total Expenditures	\$103,356,400	\$109,201,600	\$112,243,500	\$112,412,700	571.80
Closing Cash Balance	\$39,671,800	\$44,703,000	\$50,459,500	\$60,046,800	
Encumbrances and Continuing Balances	\$25,079,200	\$25,079,200	\$25,079,200	\$25,079,200	
Closing Balance	\$14,592,600	\$19,623,800	\$25,380,300	\$34,967,600	