



Legislative Fiscal Bureau

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June 5, 2001

Joint Committee on Finance

Paper #632

Stewardship Review by the Joint Committee on Finance (DNR -- Departmentwide)

[LFB 2001-03 Budget Summary: Page 467, #15]

CURRENT LAW

Under the original and reauthorized Warren Knowles-Gaylord Nelson stewardship program, the Department of Natural Resources may not encumber or expend funding for a given project or activity of more than \$250,000 unless the Department receives the approval of the Joint Committee on Finance under a passive review process. DNR must notify the Committee in writing of the proposed project. If the Co-Chairpersons of the Committee do not notify DNR within 14 working days after the Department's notification that the Committee has scheduled a meeting to review the proposal, DNR may make the expenditure. If, within 14 working days after the date of the notification by DNR, the Co-Chairpersons of the Committee notify the Department that the Committee has scheduled a meeting to review the proposal, DNR may expend the proposed funding only upon the approval of the Committee.

Under administrative rule, the following land transactions require the approval of the Natural Resources Board: (a) acquisitions where the purchase price is \$150,000 or more; (b) acquisitions where more than 40 acres are outside of an established project boundary; (c) acquisitions where the purchase price exceeds the highest appraised value; (d) acquisitions by condemnation of land; (e) acquisitions by gifts of land to the Department; (f) acquisitions where improvement values exceed 35% of total appraised value; (g) acquisitions of short tenure with substantial increased value; (h) sales of state land that are no longer needed for conservation purposes where the value exceeds \$50,000 or where the acreage exceeds 40 acres. The Natural Resources Board need not approve stewardship grants provided by the Department.

GOVERNOR

Increase the Joint Finance passive review threshold for review of Stewardship 2000 projects to \$500,000.

DISCUSSION POINTS

1. Since the stewardship passive review provisions became effective on January 1, 1996, 62 projects have been submitted to Joint Finance for approval. Of these, 24 projects have been scheduled for review by the full Committee at a meeting under s. 13.10. Each of the projects reviewed was subsequently approved by the Committee. Of the 24 projects reviewed, the Committee modified the authorized expenditure or placed conditions on the grant or purchase in a number of instances before approving the request. In addition, a \$350,000 grant to the City of Green Bay to fund a portion of the acquisition of 34.2 acres of land in the Bairds Creek Parkway was scheduled for Committee review in December, 1998, but was withdrawn by DNR. The Department subsequently reduced the amount of the grant below the \$250,000 threshold for Joint Finance review.

2. Of the 62 projects submitted to Joint Finance for approval, 31 (50%) were over \$500,000. One motivation for including this provision in SB 55 has been that as property costs increase over time, more projects will become subject to review by the Joint Committee on Finance. In a situation where the timing of the purchase is an issue, the additional step of the passive review process can potentially delay a purchase by anywhere from three weeks to over a month, if review by the full Committee is required. In some instances, the ability to act within a limited time frame can be crucial to successful land purchase negotiations. It may be argued that reducing the number of purchases required to be reviewed by Joint Finance would allow DNR to execute land transactions more quickly. Alternatively, the magnitude of the expenditures in question may warrant continued legislative review. One alternative would be to provide some increase in the review threshold to reflect an increase in land values while maintaining Joint Finance review of large grants or purchases. Providing for Joint Finance passive review at \$350,000 would represent a 40% increase in the threshold level.

3. The Department generally negotiates with a potential seller over an extended period of time (months or even years is typical). Internal discussions and land reviews take place, and multiple appraisals may be performed by DNR staff or contracted for with private appraisers. Once an agreement is reached, (a) any purchase in excess of \$150,000, (b) that involves property outside of a current project boundary, (c) where improvements on the property increase the appraised value of the property, or (d) where the offer to the seller exceeds the appraised value of the property must be approved by the Natural Resources Board. Purchases approved by the Board that exceed \$250,000 are then submitted to the Joint Committee on Finance under the 14-day passive review process. If the Joint Finance Committee approves the purchase, it is submitted to the Governor for review and approval before the transaction is closed. Grant requests are processed as received based on available funding, and are not subject to Natural Resources Board Review. However, grants for \$250,000 or more are required to be submitted to the Joint Committee on Finance under the 14-day

passive review process, and to be approved by the Governor. Given that DNR's timeframe for acquiring property can range from months to years, adding an additional 14-day passive review period would not seem to have a significant effect overall in transaction efficiency. In addition, DNR has shown a willingness in the past to work with other conservation partners when timing of purchases was critical. For example, Joint Finance reviewed and approved a proposed DNR purchase at the December, 2000, s.13.10 hearing that had been purchased on DNR's behalf in June of 2000 by a local chapter of Trout Unlimited after the owner (who was entering a nursing home) needed to sell the property as soon as possible. DNR then purchased the land from the non-profit organization after completing the required DNR board review, the 14-day passive review process for the Joint Committee on Finance, and obtaining the approval of the Governor.

ALTERNATIVES TO BASE

1. Adopt the Governor's recommendation to increase the threshold for Joint Finance passive review of projects under the Stewardship 2000 program to \$500,000.
2. Increase the threshold for Joint Finance passive review of projects under the Stewardship 2000 program to \$350,000.
3. Maintain current law.

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