



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

April 26, 2007

Joint Committee on Finance

Paper #575

Forestry Account Overview (DNR -- Forestry and Parks)

Bill Agency

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.

DISCUSSION POINTS

1. Article 8, s.10(3) of the Wisconsin Constitution authorizes a state forestry tax of up to 0.2 mills (or 20¢ per \$1,000 of property value) for the purpose of acquiring, preserving, and developing the forests of the state. Between 1937 and 2004 (collected in 2005) s.70.58 of the statutes set the mill tax at 20¢ per \$1,000 of value; however, 2005 Act 25 limited the annual growth in the tax to 2.6% for each of the next three years. The forestry mill tax is expected to be approximately 17.2¢ per \$1,000 of value for tax years 2007(08) and thereafter.

2. The forestry mill tax generated \$80.3 million, or approximately 81% of the \$98.8 million in revenues to the forestry account for fiscal year 2005-06. The remaining \$18.5 million in revenues to the forestry account included: (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 withdrawal payments from timber harvests on cooperatively-managed county forests and on privately-owned land entered under the forest crop land and managed forest land programs; and (e) 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.

3. Forestry account revenues are used to support approximately 665 permanent staff positions in the Department of Natural Resources and to fund a variety of activities, including the following: (a) the operations of 23 state forests; (b) three tree nurseries; (c) prevention, detection and

suppression of forest fires; (d) forest health and productivity; (e) grants, loans and payments to certain towns, counties and private forest owners; (f) repayment of a portion of stewardship program debt; and (g) a portion of DNR administrative costs. In addition, the forestry account supports certain costs of other state agencies including gypsy moth control by the Department of Agriculture Trade and Consumer Protection, the Kickapoo Reserve Management Board and the Lower Wisconsin State Riverway Board. Expenditures from the forestry account totaled \$93.7 million in 2005-06.

4. The forestry account would be projected to have a negative available balance of approximately \$2.4 million on June 30, 2009, under the budget bill (SB 40) and 2007 Act 5 as shown in the following table. The account is anticipated to have a cash balance as a result of amounts encumbered (\$7.2 million committed, but not yet paid) from the previous year, and continuing balances from certain appropriations (such as for forestry development, nursery surcharge revenues, and recording fees) that are not available for general appropriation.

Estimated Forestry Account Condition Statement Under SB 40

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Opening Balance	\$30,153,600	\$19,116,700	\$13,717,100
Revenue	<u>99,721,700</u>	<u>102,850,000</u>	<u>109,130,000</u>
Total Available	\$129,875,300	\$121,966,700	\$122,847,100
Budgeted Expenditures	\$109,508,600	\$106,749,582	\$108,110,537
Compensation Reserves	<u>1,250,000</u>	<u>1,500,000</u>	<u>3,000,000</u>
Total Expenditures	\$110,758,600	\$108,249,600	\$111,110,500
Cash Balance	\$19,116,700	\$13,717,100	\$11,736,600
Encumbrances/Continuing Balances	<u>14,100,000</u>	<u>14,100,000</u>	<u>14,100,000</u>
Available Balance	\$5,016,700	-\$382,900	-\$2,363,400

5. A continuing appropriation for forestry management plan contracts can be reestimated at \$320,000 annually rather than the \$1,120,000 appropriated (Alternative #1). In order to enroll property in the Managed Forest Law (MFL) program, a landowner must submit a forestry management plan. 2005 Act 25 removed the requirement that DNR prepare the management plan if asked to do so by a forest landowner who intends to enroll in the MFL program. If DNR agrees to prepare the plan, DNR assesses a preparation fee based on the cost of preparing the plan. The Department may then prepare the plan using DNR foresters or may contract with certified plan writers to prepare the plan. The appropriation is used for DNR to contract with certified plan writers. As private landowners may use independent certified plan writers to prepare their management plans, demand for DNR plan preparation has declined. Expenditures under the appropriation have not exceeded \$300,000 to date. With this \$1.6 million biennial adjustment, the forestry account would be projected to have an available balance of approximately -\$0.8 million on June 30, 2009.

ALTERNATIVES TO BILL

1. Delete \$800,000 each year to reestimate the forestry management plan contracts appropriation to \$320,000 annually.

ALT 1	Change to Bill Funding	Change to Base Funding
SEG	-\$1,600,000	-\$1,600,000

2. Maintain current law.

Prepared by: Erin Rushmer