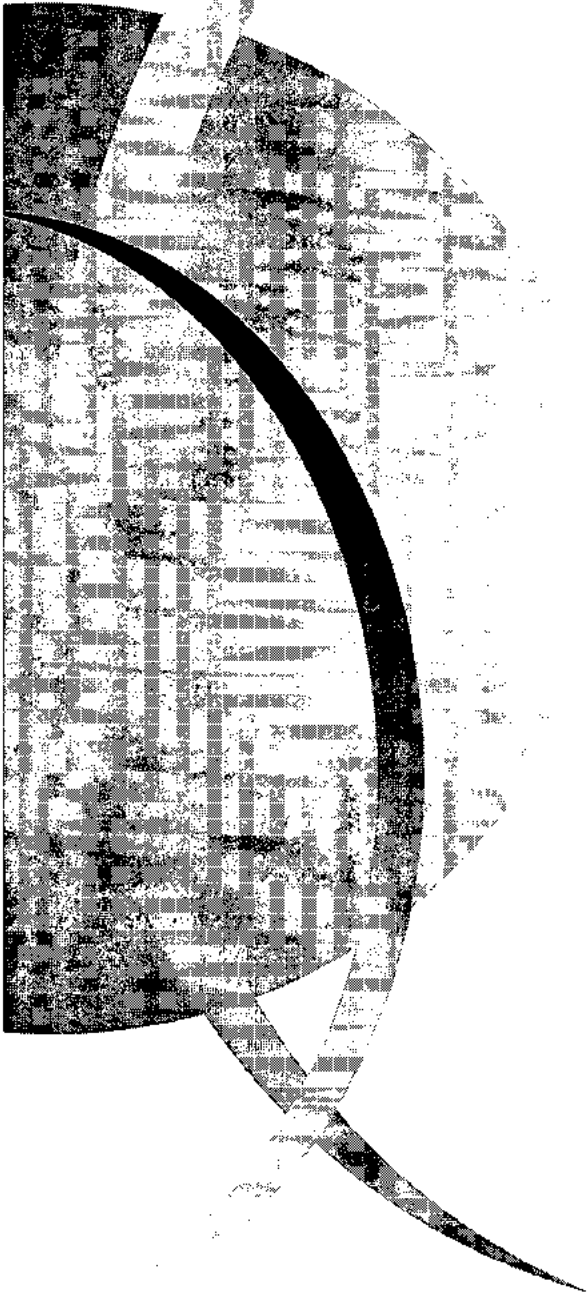


Conservation Fund

Informational Paper 60

Wisconsin Legislative Fiscal Bureau

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account in any fiscal year for administrative purposes. The 16% limit is statutorily defined to include DNR administrative and support services as well as division administration.

In June, 2006, the Legislative Audit Bureau released an audit concerning DNR fish and wildlife funding. The report analyzed revenues, expenditures, and staffing levels for DNR's fish and wildlife related activities in 2004-05. The LAB found that DNR's statutorily defined administrative costs were 11.1% in 2004-05, below the 16% limit (the statutory calculation of administrative costs does not include bureau administration and licensing costs). They also found that user fees funded \$68.2 million (56.7%) of DNR's total \$120.2 million in fish and wildlife expenditures. Other revenues included federal funds, bonding, GPR and program revenues. Further, the LAB found that 97.6% of user fee-funded expenditures provided some benefit to hunters and anglers. Of total fish and wildlife spending in 2004-05, 52.7% supported resource management and education, and 30.4% supported habitat development and land acquisition. The LAB recommended that the Department limit the use of generalized time accounting codes to track staff time, and increase project-planning efforts.

Split-Funded Appropriations. Functions that are funded by several conservation fund accounts are described under the "General Conservation Fund" section near the end of this paper.

Forestry Account

Revenue

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). This tax is frequently referred to as the "forestry mill tax" and is the only property tax levied by the state. The rate of the mill tax, which is established in statute, was set at 0.2 mill in 1937 and did not change until 2005.

Revenue from the mill tax increased an average 7.4% per year from 1970-71 to 2004-05. 2005 Act 25 limited the forestry mill tax levy to an annual increase of no more than 2.6% for the three subsequent years. The mill rate for the property tax assessment as of January 1, 2007, became the rate of the tax imposed for all subsequent years. The rate is now 0.1697 mill (16.97¢ per \$1,000 of property value).

The tax is collected with other property taxes on a calendar-year basis and is calculated by using each county's total equalized property value, as determined by the Department of Revenue, for the previous year. For 2014-15, the tax generated \$81.4 million, which is 77% of the total revenue that was credited to the forestry account in that fiscal year. Statutorily, at least 12% of the revenue generated by the tax must be used to acquire and develop forests within a sixteen-county region southeast of a line running generally from Rock to Outagamie to Manitowoc Counties.

Other sources of revenue to the forestry account include: (a) revenues from the sale of timber on state forest lands; (b) revenues from 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 law and managed forest law programs; (e) closed-acre fees under the managed forest law program; and (f) a portion of the revenue from the sale of the 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. Table 6 shows revenues to the forestry account in recent years.

Table 6: Forestry Account Revenue

	Actual 2014-15	Estimate 2015-16	2014-15 % of Total
Mill Tax	\$81,350,400	\$83,300,000	77.2%
Timber Sales	7,236,900	7,500,000	6.9
Nurseries	1,492,800	1,450,000	1.4
Forest Tax Law	8,989,000	9,360,000	8.5
Campsite Fees	2,440,800	2,700,000	2.3
Admission Stickers	2,475,900	2,780,000	2.4
Sales and Services	267,100	250,000	0.3
Conservation Patron Allocation	260,800	250,000	0.2
All Other Revenue	<u>802,900</u>	<u>800,000</u>	<u>0.8</u>
Total Revenue	\$105,316,600	\$108,390,000	100.0%

The 2005-07 budget directed DNR to prioritize reducing the backlog of incomplete timber harvests (approximately 170,000 acres) and forest inventory work on state-owned land. Further, 2005 Act 166 required DNR to set annual allowable timber harvest goals for all forested state properties, and to report by January 1 of each odd-numbered year on its progress in meeting the goals. In its 2015 submission, DNR reported a 34,500-acre backlog as of December, 2014, or about 20% of the original 2005 figure. The Department indicates it will continue to reduce the backlog until it reaches an annual operational level of approximately 21,500 acres or less than one year's calculated long-term allowable harvest. DNR indicates the backlog is due to a variety of factors including: difficulty establishing timber harvests on properties with seasonal restrictions, such as parks properties where timber harvests could interfere with recreational users and forested wetlands where weather conditions often prevent adequate ground freezing required for harvest; difficulty accessing certain areas for harvest; marketability limitations, including small acreage, limited volume, poor quality; and management delays associated with the development and revision of property master plans.

2015 Act 55 requires DNR to increase the percent of overall Northern State Forest property

acres classified by the Department as forest production areas from 67% to 75% (approximately 37,500 additional acres), with the exception of Governor Knowles State Forest in Burnett and Polk Counties. Northern State Forests include all state forests located outside the 16-county region composed of Calumet, Dodge, Fond du Lac, Jefferson, Kenosha, Manitowoc, Milwaukee, Outagamie, Ozaukee, Racine, Rock, Sheboygan, Walworth, Washington, Waukesha, and Winnebago Counties. In addition, the Act specifies that any land classified as a forest production area may not be classified under any other land management classification. Further, the Act specifies that in a DNR-prepared master plan for each Northern State Forest, the primary management objective of a forest production area is the production of timber and other forest products. The Act also requires DNR to establish the primary management objective of a forest production area to be the production of timber and other products, and requires DNR to maximize timber production on forest production areas while using accepted silvicultural practices.

The Act also specifies that the Department may not prohibit a person engaged in silviculture from crossing a recreational trail on DNR property (property that is owned by the state, under the jurisdiction or control of the Department). Further, the Act requires DNR to, at the request of a person engaging in silviculture, temporarily close a portion of a recreational trail on Department property. Before the recreational trail is reopened, DNR must require the person engaging in silviculture affecting the recreational trail to restore any portion of the recreational trail affected by the silvicultural activities to its condition prior to those activities. In addition, the Act specifies that DNR may not limit the scope of a silvicultural activity on Department property based on the proximity of that activity to a recreational trail on DNR property.

Timber revenues from state forests and other

Table 7: DNR Timber Sales Completed

Fiscal Year Completed	Acreage			Cord Equivalent	Total Revenue
	State Forest	Other State Lands	Total		
2010-11	10,600	4,600	15,200	287,500	\$10,055,800
2011-12	12,000	3,900	15,900	275,100	9,975,700
2012-13	10,800	5,400	16,200	277,800	9,742,600
2013-14	9,700	7,900	17,600	330,600	12,228,300
2014-15	9,800	6,100	15,900	274,900	11,081,100
2015-16	8,500	7,200	15,700	254,100	10,459,200

state lands from the last six fiscal years are shown in Table 7. The Department sells forest products in several units of measure including: board feet, or saw logs to be turned into boards which are reported in increments of thousand board feet, or MBF; cords, which are typically to be turned into pulp, paper, or chips and which are sold by volume; and tons, which are typically to be turned into pulp, paper, or chips sold by weight rather than volume. The table shows these units all converted to cord equivalent for comparison. One cord or cord equivalent is equal to a pile of wood four feet by four feet by eight feet or 128 cubic feet, which typically contains about 78 cubic feet of wood and 50 cubic feet of air space. It should be noted that the data reflects when timber sales were closed, not when a timber sale initially took place or when each acre was actually harvested. For example, a sale may have taken place in fiscal year 2012-13, with a majority of the timber from that sale harvested in fiscal year 2014-15, and with the final portion of the timber harvested and the sale closed out in the Department's timber harvest tracking system in fiscal year 2015-16. In such a case, all of the volume and all of the revenue is shown in Table 7 as fiscal year 2015-16 when the sale closed.

Expenditures

Forestry account revenues are used to fund several forestry programs and related administrative activities. 1999 Act 9 created a Division of Forestry within DNR (previously Forestry had been a bureau within the Land Division). Forestry account expenditures are shown in Table 8.

State Forest Operations.

The Department operates state forests under two separate administrative structures. Northern state forest properties are operated by DNR's forestry staff in a manner that generally focuses on the enhancement of their timber resources but also emphasizes recreational use. The eight southern state forest properties are operated by state parks personnel and managed to give priority to their recreational value.

In addition to the acreage owned in fee title or held in easement which is included in a state forest, DNR holds easements on approximately 239,000 acres of other forest land, including lands acquired with the assistance of the federal Forest Legacy Program. This total includes the first two phases of the Brule-St. Croix Legacy Forest easement on 65,868 acres in Bayfield, Burnett, Douglas, and Washburn Counties utilizing up to \$13.2 million from the stewardship program. Congress created the Forest Legacy Program to identify and protect environmentally important private forestlands threatened with conversion to non-forest uses. Phase III, which included an additional 7,100 acres in Douglas County, was approved by the Joint Finance Committee in June, 2016, but these acres are not included in the total shown. Under a conservation easement, development rights may be purchased from landowners to prevent development and subdivision, to require specific land practices (such as maintaining certain parcels as productive forest land), and to ensure public recreational access. Generally, easements are purchased in perpetuity and remain attached to the deed regardless of any change in the property's ownership.

DNR is statutorily required to practice "sustainable forestry" and use it to assure state forests are managed to provide a full range of benefits, including soil protection, public hunting, protection of water quality, production of recurring for

Table 8: Forestry Account Expenditures

	2014-15 Actual	2015-16 Appropriated	2014-15 % of Total	2016-17 Staff
Forestry Program Appropriations				
State Forestry Operations	\$48,312,100	\$52,305,900*	47.8%	449.08
Southern Forest Operations	5,067,000	5,489,200	5.0	41.45
Stewardship Debt service	13,500,000	13,500,000	13.4	0.00
FCL and MFL Aids	1,237,500	1,237,500	1.2	0.00
County Forest FCL and MFL	1,402,600	1,416,400	1.4	0.00
County Forest Loans	220,500	616,200	0.2	0.00
County Forest Project Loans	0	396,000	0.0	0.00
County Forest Loan Severance Payments	0	100,000	0.0	0.00
County Project Loans Severance Payments	0	350,000	0.0	0.00
County Sustainable Forestry Grants and County Forest Administrator Grants	1,531,700	1,526,900	1.5	0.00
Law Enforcement- Car-killed deer**	0	701,400	0.0	0.00
Urban Forestry Grants	503,000	524,600	0.0	0.00
Forestry Management Plan Contracts	100	316,800	0.0	0.00
Forestry - Management of National Forest Land	0	0	0.0	0.00
Fish, Wildlife and Forestry Recreation Aids	112,200	112,200	0.1	0.00
Recording Fees	138,400	89,100	0.1	0.00
Fire Emergency Other States	0	0	0.0	0.00
Reforestation	96,500	100,500	0.1	0.00
Wisconsin Private Forest Landowner Grants	763,900	1,147,900	1.8	0.00
Forest Fire Protection Grants	170,000	170,000	0.2	0.00
Assistance for NCOs and Private Conservation	224,100	0	0.2	0.00
Forestry Public Education Curriculum-UW Stevens Point	267,500	350,000	0.2	0.00
Parks and Forests Campground Reservations	350,700	291,400	0.3	0.00
Forestry Education and Professional Development	244,800	0	0.2	0.00
Karner Blue Butterfly Habitat Conservation Plan Fees	22,500	9,900	0.0	0.00
Cooperating Foresters	253,300	0	0.3	0.00
Property Development**	0	3,000,000	0.0	0.00
Resource maintenance and development-state park, forest, and riverway roads	0	2,000,000	0.0	0.00
Split-Funded Appropriations				
Administration and Technology Services	7,432,200	8,564,400	7.4	63.96
Customer Assistance and Employee Services	3,219,400	2,856,300	3.2	22.00
Land Program Management	136,000	126,100	0.1	0.88
Bureau of Facilities and Lands	2,952,900	3,399,500	2.9	32.91
Bureau of Science Services	878,600	537,900	0.9	2.54
Office of Business Support and Sustainability	0	130,700	0.0	2.00
Bureau of Endangered Resources	277,600	263,700	0.3	2.54
Administrative Facility Repair and Debt Service	902,400	2,349,300	0.9	0.00
Aids in Lieu of Taxes	5,922,200	6,204,100	5.9	0.00
Resource Acquisition and Development	1,821,500	738,700	1.8	0.00
Rent and Property Maintenance	234,600	128,400	0.2	0.00
Taxes and Assessments	12,100	65,700	0.0	0.00
Miscellaneous	83,300		0.0	0.00
Other Agency Appropriations				
Agriculture, Trade, and Consumer Protection	1,629,500	1,615,500	1.6	9.75
State Historical Society- Northern Great Lakes Museum	61,700	52,400	0.1	1.00
University of Wisconsin System	133,300	134,500	0.1	1.00
University of Wisconsin System - WEEB	205,700	200,000	0.2	0.00
Kickapoo Reserve Management Board	676,400	695,200	0.7	2.75
Lower Wisconsin State Riverway Board	53,400	56,800	0.1	0.50
Total	\$101,051,200	\$113,871,100	100.0%	632.36

*Includes \$1.395 million in one-time funding

**One-time funds

Table 9: Wisconsin's State Forests

	Counties	Acreage
Northern Forests		
Northern Highland	Iron, Vilas	174,203
Flambeau River	Ashland, Price, Rusk, Sawyer	91,172
Black River	Clark, Jackson	68,690
American Legion	Oneida	60,284
Brule River	Douglas	47,463
Governor Knowles	Burnett, Polk	21,154
Peshtigo River	Marinette, Oconto	11,142
Coulee Experimental Forest	La Crosse	<u>2,992</u>
Subtotal Northern Forests		477,100
Southern Forests		
Kettle Moraine-Northern Unit	Fond du Lac, Sheboygan, Washington	29,828
Kettle Moraine-Southern Unit	Jefferson, Walworth, Waukesha	21,631
Point Beach	Manitowoc	2,943
Kettle Moraine-Loew Lake	Washington	1,231
Kettle Moraine-Lapham Peak	Waukesha	1,057
Kettle Moraine-Pike Lake	Washington	752
Kettle Moraine-Mukwonago River	Walworth, Waukesha	911
Havenwood Forest Preserve	Milwaukee	<u>237</u>
Subtotal Southern Forests		58,590
Other Properties*		<u>2,944</u>
Total		538,634
Easement lands (includes Forest Legacy program)		238,997

*Other properties include demonstration forests, nurseries, state owned islands, and the sustainable forest education center.

est products, outdoor recreation, native biological diversity, aquatic and terrestrial wildlife, and aesthetics.

Table 9 identifies the eight largest northern forest properties and all southern state forests and the acreage of these properties as of July 1, 2016.

In 2003, the Governor directed DNR to explore forestry certification in response to a growing demand for certified wood from purchasers of Wisconsin timber products. Forest certification is a process in which a forest landowner undergoes an audit of their forest practices by a third party. If the third party determines that the landowner's forest practices meet the third party's definition of long-term sustainability, then that party will "certify" that the forest is well managed. Wood prod-

ucts originating from that forest can be marketed as having been grown and harvested in a "sustainable" manner, providing biological, social, and economic benefits. In 2004, 517,700 acres of state forests were dual-certified by the Sustainable Forest Initiative (SFI) and the Forest Stewardship Council (FSC). Third-party auditors conduct annual reviews of these forests.

As of June 30, 2016, approximately 7.4 million acres (47.07%) of Wisconsin forestland were certified including: (a) approximately 1,551,400 acres of DNR lands (primarily state forests but also including wildlife areas, natural areas, and other DNR lands dual-certified by the SFI and FSC); (b) approximately 2.4 million acres in County Forests (1,483,900 dual-certified by the FSC and SFI, 168,900 certified by the FSC, and 730,700 certi-

fied by the SFI); (c) approximately 2.6 million acres of managed forest law (MFL) land dual certified by the FSC and American Tree Farm System (ATFS), (d) 224,700 Menominee tribal forest lands certified by the FSC, and (e) 663,600 of private forest and local government forest lands certified by the SFI, FSC or ATFS.

The Department operates two tree nurseries (Boscobel and Wisconsin Rapids) that produce and distribute seedlings (trees and wildlife shrubs) used for reforestation and conservation purposes. Seedling distribution has declined in recent years, from approximately 7.7 million seedlings distributed by the nurseries in fiscal year 2009-10 to approximately 3.5 million seedlings distributed in fiscal year 2015-16. A third nursery, in Hayward, was operated by DNR through fiscal year 2012-13, when seedling production ended and existing nursery stock was processed and sold. Currently, the Forestry Division's reforestation program uses the Hayward Nursery facility as a seed cleaning and storage facility, and a seedling distribution center. (While no seedlings are produced at the Hayward Nursery, the public may purchase seedlings produced by the other nurseries at the Hayward Nursery.) DNR indicates that research plots, field trials, and seed orchards are also being established on the property. Nursery stock is sold at prices that reflect costs to administer the forest nursery program and, with the exception of seedlings distributed to pupils for Arbor Day activities, may not be used for ornamental or landscaping purposes. A 3¢ per seedling surcharge on the sale of nursery stock is dedicated to forestry public education and awareness programs.

The Department has broad authority in the prevention, detection, and suppression of forest fires. DNR utilizes funding to establish and maintain lookout towers, ranger stations and fire suppression and communications equipment and for fire law education and enforcement activities. The Department's forest fire control program takes primary responsibility for forest fires on public and private lands in most northern and many

southern counties. The forest fire control program also provides cooperative services to towns in those southern counties where wooded lands are more scattered. In addition, the Department also relies on local fire departments as needed for additional wildland fire suppression support. Under a Memorandum of Understanding (MOU), DNR reimburses each local fire department for their fire suppression efforts according to rates established in the MOU.

Department foresters assist private landowners and county foresters in a variety of sustainable forestry management activities, including the development of management plans and marketing strategies and how to address forest health issues. Of the estimated 17.1 million acres of forest land in the state, about 70% are privately-owned, while an additional 14% are part of forest properties owned by county and municipal governments.

2013 Act 20 specifies that beginning with payments received in fiscal year 2013-14, federal National Forest Income (NFI) payments received by DNR under Title I of the federal Secure Rural Schools (SRS) Act be provided to school districts that contain national forest lands within their boundaries based on the proportion of national forest lands within the school district, rather than being distributed to towns. In state fiscal year 2013-14, 27 school districts with national forest lands received \$1,648,900 under Title I of the federal SRS Act, based on the proportion of national forest lands in each district. In addition, the Act provided \$2.5 million SEG from the forestry account of the conservation fund in fiscal year 2013-14 only to be distributed by DNR to towns that were eligible to receive National Forest Income payments during fiscal year 2012-13, based on the proportion of national forest land located in the town. The \$2.5 million forestry SEG was provided by DNR in fiscal year 2013-14 to 11 county treasurers to be distributed to towns within their county. The \$2.5 million payment to towns in fiscal year 2013-14 was provided to compensate towns for a one-year loss of revenue from the switch of

NFI payments to towns, and a federal payment in lieu of taxes (PILT) formula that subsequently increased payments to towns. For state fiscal year 2015-16 (federal fiscal year 2014-15), school districts received approximately \$1.5 million under Title I of the federal SRS Act. Towns received approximately \$3.4 million in federal PILT payments in state fiscal year 2015-16.

Southern Forest Operations. DNR is provided over \$5 million annually with 41.45 positions for operations of the eight southern state forests, as shown in Table 8. Southern state forest properties are managed by state parks personnel in a manner that gives priority to their recreational value.

Stewardship Debt Service. Since fiscal year 1997-98, forestry account funds have been utilized for a portion of the payment of principal and interest related to the Warren Knowles-Gaylord Nelson stewardship program. Prior to 1998, debt service for the stewardship program had been primarily funded from general purpose revenue (GPR). Currently, \$13.5 million annually is paid from the forestry account, with the remainder funded from GPR.

Aids in Lieu of Property Taxes. Since 1992, when DNR acquires land, the Department pays aids in lieu of property taxes on the land to the city, village or town in which the land is located in an amount equal to the tax that would be due on the estimated value of the property at the time it was purchased, adjusted annually to reflect changes in the equalized valuation of all land, excluding improvements, in the taxation district. The municipality then pays each taxing jurisdiction a proportionate share of the payment, based on its levy. For lands purchased after July 1, 2011, the aids formula is adjusted so that estimated value means either the lower of the equalized value of the property in the year prior to purchase by DNR or the purchase price (instead of the purchase price, under prior law). In cases where the property had been previously tax exempt, the calculation would

be the lower of either: (a) the purchase price; or (b) the last recorded equalized value, or a payment of \$10 per acre, whichever amount was greater. In cases where the property had been tax exempt in the year prior to acquisition, or enrolled in the forest crop law (FCL) or managed forest law (MFL) program at the time of purchase, estimated value means the lesser of either the purchase price or an amount that would result in a payment of \$10 per acre.

Prior to 2003, aids in lieu payments were made entirely from a sum-sufficient, GPR appropriation. However, the 2003-05 biennial budget provided \$1 million in 2003-04 and \$2 million in 2004-05 from the forestry account of the conservation fund for these payments. Through fiscal year 2014-15, statutory language specified that the first draw for aids in lieu of property tax payments be taken from the forestry account appropriation. The amount increased over the next several years until reaching \$5,470,000 SEG annually, beginning in 2012-13. 2015 Act 55 specifies that, in fiscal year 2015-16, 45% of payments of aids in lieu of taxes (for lands acquired after 1991) be made from the forestry account of the conservation fund, and the remainder from GPR. Beginning in fiscal year 2016-17, 50% of payments of aids in lieu of taxes are required to be made from the forestry account with 50% from GPR (budgeted at \$6,750,000 GPR and \$6,750,000 forestry SEG in 2016-17).

Property Development - One Time. 2015 Act 55 provides \$3 million SEG in fiscal year 2015-16 and \$3 million SEG in fiscal year 2016-17 in one-time funding in a continuing appropriation from the forestry account for property development of Department lands.

State Park, Forest, and Riverway Roads. 2015 Act 55 deletes \$2 million GPR annually for state park, forest, and riverway road maintenance. (The statutory authority for the GPR appropriation remains; however no GPR funding is provided during the 2015-17 biennium.) The Act instead provides \$2 million forestry SEG annually in a

new continuing appropriation and specifies that funds from this appropriation, in addition to funds from the current law GPR appropriation (budgeted at \$0 GPR), may be utilized for state park, forest, and riverway road maintenance. The same requirements apply to the forestry SEG appropriation as to the GPR appropriation: DNR is required to expend not less than one-third of the amounts from each appropriation in each fiscal year for the renovation, marking, and maintenance of a town or county highway located within the boundaries of a state park, state forest, or other property under the jurisdiction of DNR or for the renovation, marking, and maintenance of roads which DNR certifies are utilized by a substantial number of visitors to state parks, state forests, or other DNR properties.

Forest Crop Law and Managed Forest Law Programs. The forest crop law (FCL) and the managed forest law (MFL) programs are designed to encourage landowners to manage private forest lands for the production of future forest crops for commercial use through sound forestry practices. Land enrolled under these programs is subject to a discounted property tax. Instead of traditional property taxes, landowners make payments to municipalities (which in turn pay a portion to the counties) in amounts determined by the date the land is entered into these programs. DNR distributes state aids to the municipalities in which the land designated as forest crop law and managed forest law is located.

2015 Act 358 made a number of changes to the FCL and MFL programs including: (a) increasing the minimum acreage required for designation of a parcel as MFL from 10 contiguous acres to 20 contiguous acres; (b) increasing the limit on the number of acres an MFL landowner may close to public access from 160 per municipality per landowner to 320 and requiring certain public access on open MFL land; (c) providing payments to local governments related to the number of closed acres in each locality; (d) eliminating yield and severance taxes for timber harvested on MFL and

FCL land and providing a one-time payment related to the elimination of the payments; (e) changing the withdrawal tax calculation for small MFL parcels to one based on a maximum multiplier of 10 years rather than the full length of participation in the program; (f) specifying that an order issued under the MFL subchapter of the statutes is a "contract between the state and the owner"; (g) removing the prohibition on leasing of MFL lands; (h) amending provisions regarding the sale and transfer of MFL land; (i) amending provisions regarding the withdrawal of MFL land; and (j) broadening the eligibility for persons who may submit preferential timber cutting notices for MFL land. In addition, the Act includes provisions specifying that: (1) the Department may prepare a state wildlife action plan but that the plan may not require action by property owners or DNR; and (2) the inclusion of a date (March 1, 2017) by which the Department must propose a variance to the master plans of all state forests except the southern state forests so that 75% of all land in those forests is classified as a forest production area. [The 2015-17 biennial budget bill, as enrolled, required DNR to propose a variance to the master plans of specified state forests so that 75% of all the land in those state forests combined is classified as a forest production area by March 1, 2017. However, the Governor vetoed the deadline. 2015 Act 358 restores the deadline].

Forest Crop Law Program. In return for the property tax benefit, property owners with land enrolled in FCL must comply with certain forestry practices and must allow hunting and fishing on all of the designated land. In addition, the landowner pays the town 10¢ per acre for land entered prior to January 1, 1972. On land entered since 1972, owners paid 83¢ per acre through 2002. The rate was adjusted to \$2.52 per acre for 2013 payments and is adjusted every tenth year thereafter. Certain special classes pay 20¢ per acre. In addition, prior to 2015 Act 358, DNR received severance taxes on timber harvested on the land. DNR also receives withdrawal penalties for land taken out of the program under certain conditions. The

revenue from the taxes and penalties was divided between the Department and the municipality and county in which the land is located. 2015 Act 358 eliminated severance taxes on FCL lands effective for removal of wood products from FCL land that occurs beginning on April 16, 2016.

On January 1, 1986, new entries into FCL were eliminated, although existing FCL orders will remain in effect until their expiration. The last FCL order expires in 2035. Landowners with land enrolled in the FCL program may convert their land to the managed forest law program when their FCL order expires. Early conversion into MFL is also available for a non-refundable application fee of \$30.

Managed Forest Law Program. DNR pays the municipality 20¢ per year for each MFL (and FCL) acre in the municipality, of which the municipality keeps 80% and sends 20% to the county.

1985 Act 29 created the managed forest law program, a landowner incentive program that provides a reduction in property tax for lands enrolled in the program in exchange for a commitment to sound management of private forest lands. Under the MFL program, an owner of 20 or more contiguous acres of productive forest land can petition DNR to enroll land in the MFL program, provided at least 80% of the parcel is capable of producing at least 20 cubic feet of sellable timber per acre per year. (2015 Act 358 increased the minimum acreage for enrollment in MFL from 10 contiguous acres to 20.) If the petition and corresponding forest management plan is approved, DNR issues an order designating the land as MFL for a period of 25 or 50 years. The landowner is required to follow the approved management plan throughout the period of the MFL order. If a landowner fails to follow the management plan, then DNR may withdraw the land from the program, and the landowner is subject to a withdrawal penalty. All MFL applications including conversion and renewal applications are subject to a \$30 non-refundable application recording fee. Prior to 2015

Act 358, a parcel developed for a human residence was not eligible to be enrolled in the MFL program. The Act prohibits the enrollment of a parcel if there is any building or improvement associated with a building located on the parcel, beginning with enrollments beginning on April 16, 2016.

2015 Act 358 specifies that an order issued under the MFL subchapter of the statutes, "shall constitute a contract between the state and the owner and shall remain in effect for the period specified in the application unless the land is withdrawn from the program." In addition, with certain exceptions, the Act specifies that the Department may not amend or otherwise change the terms of an order or management plan to conform with changes made to any provision of the subchapter after the date the order was entered into or the date the management plan was approved. Further, if a statute is enacted or a rule is promulgated during the period of the order that materially changes the terms of the order, the Act specifies that the landowner must elect between acceptance of the modifications to the contract consistent with the provisions of the statute or rule, or voluntary withdrawal of the land without penalty. 2015 Act 55 specifies that if the Department establishes a group certification program under which land designated as managed forest land may be certified as meeting certain forest management standards, DNR may enroll MFL land in the program only if the owner of the MFL land affirmatively elects to have the land enrolled.

Under current law, a landowner applying for enrollment in the MFL program must submit a forestry management plan. If a forestry management plan is not filed with the application, the application must contain a request that DNR prepare the plan. DNR may decline to prepare the plan, unless the Department determines that the applicant is unable to have a certified independent plan writer, as certified under criteria established by DNR administrative rule, prepare the plan. If DNR makes such a determination, the Department may prepare the plan, or may contract with an inde-

pendent certified plan writer to prepare the plan.

If DNR prepares the plan, the Department may charge a management plan preparation fee. The fee is determined by a formula based on the average of cost data supplied by independent certified plan writers for MFL plan preparations completed in the previous year (June 1 through May 31). The rate established in July, 2016, for entries effective January 1, 2018, is \$11.86 per acre, the rate established in June 2015, for entries effective January 1, 2017, was \$11.98 per acre. Certified plan writers are required to supply the cost data as part of their certification maintenance requirements. The fee is charged in addition to any recording or other fee required under current law. The first \$280 of each fee collected for the preparation of a management plan is deposited in a continuing appropriation for contracting for forestry management plans. Any additional funds are deposited in the forestry account and are available for general appropriation.

Like the forest crop law program, land enrolled under the MFL program is exempt from general property taxes. In exchange for this benefit, landowners must manage their forestland according to the approved forestry management plan and must make annual acreage share payments to municipalities (which in turn pay 20% to the counties) in amounts determined by the date the land was entered into the program. The initial acreage share payment was 74¢ per acre through 1992, with the rate adjusted in 1992 and every five years thereafter for land enrolled prior to 2004.

For land enrolled after April 28, 2004, the acreage share payment is equal to 5% of the average statewide property tax per acre of property assessed as productive forest land. The rate was initially calculated in 2004 and recalculated in 2007 and every five years thereafter, by the Department of Revenue, using the statewide average equalized value per acre for undeveloped land and the statewide average property tax rate, net of the school levy credit; this tax rate includes taxes lev-

ied in towns, villages, and cities, even though most productive forest land is in towns. Current rates were recalculated in 2012, and were effective January 1, 2013, for payments for the 2013 tax year due January 31, 2014. The current rate is 79¢ per acre for lands entered through 2004 and \$2.14 for lands entered after 2004. Revenues from these payments are divided between local units of government (80%) and counties (20%).

Land designated as open land under the MFL program generally must be open to the public for hunting, fishing, hiking, sightseeing, and cross-country skiing. In addition, 2015 Act 358 requires that MFL land designated as open be accessible to the public on foot by public road or from other land open to public access. Prior to 2015 Act 358, a landowner had the option of designating a maximum of 160 acres per municipality as closed to public access if an additional fee is paid for each acre closed to public access. 2015 Act 358 increased the cap on the number of closed MFL acres to 320 per municipality per landowner.

For each acre closed to the public on land entered after 2004, the landowner must make an additional payment equal to 20% of the average statewide property tax per acre of property assessed as productive forest land, based on the 2011-12 average of \$42.70 per acre. The fee currently is \$1.08 per acre for lands entered into the program between 1987 and 2004, and \$8.54 per acre for lands entered after 2004, for a total annual per-acre fee of \$10.68. The rates were adjusted in 2012 (using 2011 equalized property values for taxes payable in 2012) effective January 1, 2013, and will be adjusted every fifth year thereafter, using a formula that accounts for changes in the average statewide property tax for undeveloped lands. Revenues from closed-acreage payments are deposited as general revenues to the forestry account. Under 2015 Act 55 and 2015 Act 358, DNR must distribute certain proceeds from closed acreage fees to municipalities in which closed MFL land is located, in an amount that is proportional to the amount of closed MFL land in the

municipality. 2015 Act 55 requires \$1 million in 2014-15 and \$1 million in 2015-16 for these payments. 2015 Act 358 provides \$4.6 million for this purpose in 2016-17, \$6 million in 2017-18, and \$7 million in 2018-19.

2013 Act 81 allows for the temporary closure of certain MFL land within a proposed ferrous (iron) mining site, generally for a maximum of two years. In addition, the Act provides that DNR may close additional acres of MFL land in the proposed mining site to one or more of the five recreational activities (hunting, fishing, hiking, sight-seeing, and cross-country skiing) authorized on open MFL land if DNR determines that the closure is necessary to ensure the safety of the public, employees or agents of the mining applicant, or employees or agents of regulatory bodies. Further, 2013 Act 81 requires DNR to post information on the Department's website regarding what areas within a proposed ferrous mining site are open to public access for what periods of time with respect to each of the five recreational activities. The Act requires the owner of the proposed mining site to make the closed acreage payment for each acre that is closed to the public for any of the five recreational activities for any portion of time during the previous calendar year. In addition, for MFL orders that took effect before April 28, 2004, the Act requires the MFL owner to pay an annual amount equal to 15% of the average statewide property tax per acre of productive forest property, for each acre not open to all five recreational activities for any part of the previous calendar year [paid to the county (20%) and the municipality (80%)], which would be subtracted from the total withdrawal tax due if the property were to be removed from the MFL program prior to the end of the MFL order. The Act also requires the MFL land to be open to hunting deer during the regular nine-day November gun deer season and that land within 50 feet of Class I and II trout streams be open for fishing. Finally, the Act requires that, if an owner withdraws from MFL land located within a proposed ferrous mining site, DNR must issue the order for withdrawal within

30 days after receiving the request. In January, 2014, DNR closed over 1,000 acres of MFL lands in Iron and Ashland Counties under this provision. The closures were in relation to exploratory drilling at a potential iron mine site.

Prior to 2015 Act 358, land designated as managed forest law was prohibited from being developed for commercial recreation, for industry, or for any other use determined by DNR to be incompatible with the practice of forestry. 2007 Act 20 specified that owners of land designated as managed forest law may not enter into a lease or other agreement for consideration (compensation) permitting persons to engage in recreational activities on the land. Further, the Act specified that all leases of MFL land were invalid as of January 1, 2008. The Act defined recreational activities as hunting, fishing, hiking, sightseeing, cross-country skiing, horseback riding, and rental of cabins. This restriction did not apply to reasonable membership fees charged by a non-profit entity if approved by DNR. 2015 Act 358 eliminated the prohibition of leasing and authorizes an owner of MFL land to do either or both of the following: (a) permit a person who performs land management activities on the land to access the land to conduct recreational activities; or (b) enter into a lease or other agreement for consideration that permits persons to engage in a recreational activity on the land.

In addition to the acreage share and closed acre payments, prior to 2015 Act 358, landowners were required to pay a yield (severance) tax of 5% of the timber harvested on MFL land, based on average price of species harvested. The municipality retained 80% of the payment and remitted 20% to the county. 2015 Act 358 eliminated MFL yield taxes effective April 16, 2016. In addition, the Act requires DNR to determine whether the amount in closed acreage fees payable to each county and municipality in 2016 is less than the amount each received in severance and yield taxes in 2015, and for each county and municipality that will receive less in 2016 than it received in 2015, requires DNR to pay each county and municipality an

amount equal to the difference between the two amounts, no later than December 1, 2016. The Act appropriates \$1.4 million in 2016-17 for these payments.

DNR approval is required before an owner may cut timber on MFL land, except for timber cut for use as fuel in a landowner's home. A landowner must submit to DNR a notice of intent to cut timber on MFL-enrolled land 30 days prior to cutting. As amended by 2015 Act 55, DNR is prohibited from prescribing the amount of forest products to be removed if the notice was provided by a cooperating forester or by a forester accredited by one of several, specified organizations. In addition to cooperating foresters and foresters accredited by the organizations specified under 2015 Act 55, 2015 Act 358 prohibits DNR from prescribing the amount of forest products to be removed if a notice of intention to cut was provided by a person who has: (a) five years of experience engaged in the full-time profession of managing forests, including timber harvesting, wildlife, water quality, and recreation to maintain a healthy and productive forest; (b) this experience plus a bachelor's degree from an accredited higher education institution; and (c) this experience plus a degree or diploma from a two-year forestry program provided by an accredited technical or vocational school. The bill as enrolled would have required DNR to notify the person who filed the notice of intent to cut, by certified letter or email no later than the end of the next business day, of the Department's decision to approve or deny a cutting notice and state the reason for their decision. However, DNR approval would not be required for a notice submitted by a person meeting the experience and educational criteria. The Governor vetoed provisions relating to notices submitted by persons with forestry education and professional experiences.

Under the MFL program, the landowner is required to follow the approved management plan throughout the period of the MFL order. If a landowner fails to follow the management plan, DNR

may withdraw the land from the program, and the landowner is subject to a withdrawal fee and withdrawal taxes. Landowners may also request that DNR withdraw land from the program, and with certain exceptions, if land is withdrawn from the MFL program before the expiration of the MFL order, the landowner must pay a withdrawal fee and withdrawal taxes. The withdrawal fee of \$300 is deposited in the forestry account. The withdrawal taxes due (calculated by the Department of Revenue) are generally the higher of either: (a) the MFL owner's past tax liability, calculated using the assessed value of the property and net tax rate in the municipality in the year prior to withdrawal, multiplied by the years the land was designated as MFL; or (b) five percent of the stumpage value of merchantable timber on the land, less any acreage share and yield taxes paid by the owner. DNR remits all withdrawal taxes to the municipality where the land is located and the municipality retains 80% of the payment and remits 20% to the county. Under 2015 Act 358, this calculation applies to land that is part of a "large property," which is defined as one or more separate MFL (or FCL) parcels of land under the same ownership that are collectively greater than 1,000 acres in size. For all other parcels, withdrawal taxes due are calculated as the property tax rate applicable to the land in the previous year, multiplied by the number of years the land was enrolled in the program, or multiplied by 10 years, whichever is less.

Under s. 77.88(3) of the statutes, an owner may request that DNR withdraw a portion of an MFL order or DNR may order the withdrawal of land from the MFL program if the land is one of the following: (a) an entire parcel of managed forest land; (b) all of an owner's managed forest land within a quarter-quarter section (40 acres); or (c) all of an owner's managed forest land within a government lot or fractional lot as determined by the U.S. government survey plat. For Department-ordered withdrawals, (c) only applies if the withdrawal is required as a result of a mistake by the owner. If any remaining land under the MFL order

continues to meet the eligibility requirements of the MFL program, it may remain enrolled in the program.

2013 Act 1 prohibited DNR from requiring the withdrawal of a parcel from the FCL or MFL program based on the cutting of timber or other activities on FCL or MFL land related to bulk sampling for ferrous minerals if certain conditions are met.

2013 Act 20 required DNR, upon request of an owner, to withdraw at least one acre of the owner's land from the managed forest law (MFL) program, if all of the following apply: (a) the purpose for which the owner requests that the Department withdraw the land is to construct a residence; (b) the land was designated as managed forest land before October 11, 1997; (c) if the land is not subject to a city, village, town or county zoning ordinance that establishes a minimum acreage for the construction of a residence, the owner requests that the Department withdraw not more than three acres of land; and (d) if the land is subject to a city, village, town, or county zoning ordinance that establishes a minimum acreage for the construction of a residence that is more than one acre, the owner requests that the Department withdraw no more than the acreage of land required by the applicable zoning ordinance for construction of a residence. This option may only be exercised one-time per MFL "parcel" (acreage of contiguous land described in the MFL application under the same ownership). In addition, DNR may not order withdrawal of the remainder of the land under the MFL order unless the remainder fails to meet MFL program eligibility requirements. The owner would be required to pay the withdrawal fee of \$300 and the withdrawal taxes on the acreage withdrawn.

2015 Act 358 authorizes an owner to request to withdraw part of a parcel of the owner's land without paying withdrawal taxes or fees, and requires the DNR to issue an order of withdrawal for such land, if the DNR determines that the parcel is unsuitable, due to environmental, ecological, or

economic concerns or factors, for the production of merchantable timber. The order must withdraw only the number of acres that is necessary for the parcel to resume its sustainability to produce merchantable timber.

In addition, the Act authorizes an MFL owner to voluntarily withdraw part of an MFL parcel (one to five acres) for the purpose of selling or using the withdrawn portion of the parcel as a construction site. Such withdrawals are authorized one time during a 25-year order and two times during a 50-year order. An owner must pay withdrawal taxes and the fee for withdrawal of the land.

Further, under Act 358, when an owner of MFL land that has been damaged by a natural disaster notifies DNR of the damage, DNR is required to establish a period of time that the owner will have to restore the productivity of the land so that it meets MFL eligibility requirements. If the owner fails to complete the restoration during that time period, the owner may request the withdrawal of all or part of the land or DNR may order the withdrawal. The landowner is exempt from payment of withdrawal taxes or fees if DNR determines that the parcel is unable to meet MFL timber production requirements and the order withdraws only the number of acres necessary for the parcel to resume the required level of production.

Under current law, the Department of Revenue (DOR), with the assistance of DNR, is required, upon request of an owner of MFL land, to prepare an estimate of the amount of withdrawal tax that would be assessed if DNR were to issue an order to withdraw the land from the MFL program. Section 77.88(5g) of the statutes specifies that DOR charge a fee for the withdrawal tax estimate of either \$100 or \$5 per acre, whichever is greater.

In addition, section 77.88(2)(d) of the statutes specifies that when land enrolled in MFL is transferred, the transferee is required to file a transfer report with DNR and pay a \$100 transfer fee,

which is deposited in the forestry account. Further, a person selling currently enrolled MFL land that will remain subject to an MFL order after the sale is required to disclose this information to a prospective buyer. The written disclosure must be made by the seller within 10 days after acceptance of a contract of sale or option contract and must include an explanation that terms of MFL orders are for 25 or 50 years, that the Division of Forestry in the Department of Natural Resources monitors management plan compliance under the MFL program, and provide information on how to contact the Division of Forestry. In addition, the disclosure is required to contain the following statement, "Changes you make to a property that is subject to an order designating it as managed forest land, or to its use, may jeopardize your benefits under the program or may cause the property to be withdrawn from the program and may result in the assessment of penalties."

2015 Act 55 eliminated the Managed Forest Law (MFL) Board within DNR under a provision eliminating certain inactive boards and councils. Under prior law, the MFL Board consisted of the chief state forester or his or her designee and the following members appointed for three-year terms: (a) one member appointed from a list of five nominees submitted by the Wisconsin Counties Association (who serves as chairperson); (b) one member appointed from a list of five nominees submitted by the Wisconsin Towns Association; (c) one member appointed from a list of five nominees submitted by an association that represents the interests of counties that have county forests within their boundaries; and (d) one member appointed from a list of five nominees submitted by the council on forestry.

FCL and MFL Aids. Annually, the Department makes payments to each county that has more than 40,000 acres within its boundaries that are entered on the tax roll as FCL or MFL. The amount paid to each county is equal to the number of FCL and MFL acres in the county divided by the total number of FCL and MFL acres that are

within the boundaries of counties that are eligible for payments, multiplied by the amount appropriated for these payments. In the 2015-17 biennium, \$1,237,500 is appropriated annually for these payments.

County Forest, FCL and MFL Aids. Annually, DNR pays each town treasurer 30 cents for each acre of land entered in the county forest program in the previous year. The Department also pays towns and villages 20 cents for each acre enrolled in FCL and MFL. A municipality must submit 20 percent of all moneys received for FCL and MFL acreage to the county treasury.

County Forest Loans. A county may receive from the state no-interest loans to be used for the acquisition, development, preservation and maintenance of county forest lands, with a maximum loan of 50 cents per acre of county forest land. If the amounts appropriated for these loans are not sufficient to pay all of the amounts approved by DNR, the Department provides funding to eligible counties on a prorated basis.

County Forest Project Loans. The Department may allot additional interest-free forestry aid loans on a project basis to individual counties to permit the counties to undertake meritorious and economically productive forestry operations, including land acquisition. These additional aids may not be used for the construction of recreational facilities or for fish and game management projects.

County Sustainable Forestry Grants and County Forest Administrator Grants. Beginning in 2001-02, \$200,000 was provided annually to establish a grant program to increase the implementation of sustainable forestry practices on county forest land. This annual amount is currently \$241,000.

DNR provides grants to counties with county forest land for up to 50% of the salary and fringe benefit cost of a county forest administrator or as-

sistant forest administrator, with a maximum eligible fringe rate of 40% of salary. In addition, up to \$50,000 annually may be used for up to 50% of a county's dues to a not-for-profit organization that works with a county forest administrator and their respective forestry committee and functions as an organizational liaison to DNR (the Wisconsin County Forests Association). Funding of \$1,285,900 is available in 2015-16.

Car-Killed Deer. 2015 Act 55 provides \$701,400 forestry SEG on a one-time basis in 2015-16 and 2016-17 and requires DNR to administer a program for removal of car-killed deer from state, interstate, and U.S. highways. In fiscal year 2015-16, DNR spent \$550,800 on car-killed deer contracts. The Department notes that the average monthly contract rate for all counties for the first eight months of FY16 was approximately \$51,900 and for the last four months the monthly rate was \$34,000 reflecting the change in the scope of work. Previously, funding had been provided from fish and wildlife SEG and GPR, and the program covered removal of deer from any roadway.

In addition, the Act specifies that a person may take possession of the carcass of a deer killed in a motor vehicle collision, subject to certain CWD-related regulations, if the person contacts the DNR and identifies the following prior to taking possession: (a) the name and address of the person taking possession of the carcass; and (b) the location of the carcass. Further, the Act, as passed by the Legislature, would have required DNR to submit a report to the Governor, Joint Committee on Finance and appropriate standing committees of the Legislature by January 1, 2017, including the cost effectiveness of the program, the number of deer collected, and any recommendations regarding the program. The Governor item-vetoed the reporting requirement. Section 29.349 of the statutes currently requires any person taking possession of a bear or wild turkey killed in a motor vehicle collision on a highway to have the carcass tagged by a law enforcement officer. No fee is required for the tag. 2015 Act 55 removed the tag requirement for

deer.

Urban Forestry Grants. Under the urban forestry grant program, the Department awards grants to cities, villages, towns, counties, tribal governments and non-profit organizations for up to 50% of the cost of various projects, including tree management plans, tree inventories, brush residue projects, the development of tree management ordinances, tree disease evaluation, public education relating to trees in urban areas and other related projects. Under administrative rule, the minimum grant is \$1,000 and the maximum grant is \$25,000.

In addition, 2007 Act 13 specifies that DNR may also award grants under the urban forestry grant program to counties, cities, villages, towns, nonprofit organizations, and tribal governments for the costs of removing, saving, and replacing trees that have been damaged by catastrophic storm events in urban areas. To be eligible for a grant, the damage must have occurred in an area for which the Governor has declared a state of emergency due to a catastrophic storm event. Act 13 exempts disaster grant recipients from having to pay any portion of the costs in order to receive a grant. DNR is required to notify each grant applicant within 60 days after the application is submitted as to whether the application was approved or denied. The urban forestry grant program is provided of \$524,600 each year in a biennial appropriation in the 2015-17 biennium.

Forestry Management Plan Contracts. Beginning in 2001-02, funding from the forestry account has been made available to contract with consultant foresters to prepare MFL plans for new program enrollees. 2003 Act 228 created a continuing appropriation within the forestry account to receive MFL application fees for proposals that are submitted without timber management plans, with all revenues collected to be used by DNR to contract with consultant foresters to prepare MFL plans. As most applications are submitted with management plans, this appropriation has seen

little use in recent years.

Good Neighbor Authority - Federal Land Management. 2015 Act 55 provided \$395,000 forestry SEG in fiscal year 2015-16 in general forestry operations funding for DNR contracts under the Good Neighbor Authority program. The Good Neighbor Authority (GNA) is a U.S. Forest Service program that allows the Forest Service to enter into cooperative agreements or contracts with states to allow the states to perform watershed restoration and forest management services on National Forest and certain other federal lands. In addition, Act 55 placed \$355,000 forestry SEG in 2016-17 in the Joint Committee on Finance supplementation appropriation and required the Department to submit a report on activities supported by the initial funds, as well as submit a request for release of the funds to the Joint Committee on Finance before January 1, 2016. The report was submitted on January 22, 2016, and, following a 14-day passive review, the funds were released. The Act also created an appropriation for deposit of all moneys received from the sale of timber from federal land under the cooperative agreement to be used to administer, implement, and pay costs associated with the cooperative agreement and contracts. The Act requires that on June 30 of each fiscal year, 10% of the revenue received by DNR in that fiscal year from the sale of timber from federal land under a cooperative agreement lapse to the balance of the forestry account, until the amount lapsed reaches \$750,000.

Wildlife and Forestry Recreation Aids. Counties may apply for grants for the development of wildlife habitat and for outdoor recreational facilities on county forest lands. These projects are limited to those designed to benefit wildlife and the natural environment. County funding for habitat projects is limited to 10¢ for each acre registered as county forest land; however, funds that remain unallocated as of March 31 of each year may be allotted to any county, as long as the total received does not exceed 20¢ per acre registered as county forest. Counties are required to

complete a comprehensive county forest land use plan as part of the application process.

Recording Fees. A \$30 application, conversion, or transfer fee is dedicated to pay the register of deeds any recording fees related to notices of order under MFL. If the revenues from the MFL fees are not sufficient to pay the recording fees, the balance would be paid from the forestry general operations appropriation. Further, DNR may increase the fee, by rule, to cover actual costs.

Fire Emergencies -- Other States. An appropriation in the forestry account is utilized for the deposit of all moneys received from other states for forest fire fighting activities provided by DNR to be used for forest fire fighting activities. In fiscal year 2014-15, DNR did not expend any funding from this appropriation.

Reforestation. Forestry account funding is appropriated for reforestation activities on state forests and nursery properties.

Wisconsin Private Forest Landowner Grants. Beginning in 1997-98, \$1,000,000 was appropriated annually for a program to award grants for the costs of developing and implementing forest stewardship management plans by owners of 500 acres or less of nonindustrial private forest land in the state (the Wisconsin Private Forest Landowner Grant Program (WFLGP)). In the 2015-17 biennium, \$1,147,900 is appropriated each year for the program in a biennial appropriation.

Under statute, management plans are required to contain practices that protect and enhance: (a) soil and water quality; (b) endangered, threatened or rare forest communities; (c) sustainable forestry; (d) habitat for fish and wildlife; and (e) the recreational, aesthetic and environmental benefits that the forest land provides. Under administrative rule, grants are to be given for not less than 50%, but not more than 65% of eligible costs, with a maximum grant amount of \$10,000. DNR gives preference to projects that are directed to accom-

plish one or more of the following: (a) establish or reestablish forests through regeneration; (b) improve forest stand productivity, vigor, health or value; (c) encourage sustainability; (d) provide protection of soil and water resources; (e) include additional land under written forest stewardship management plans; (f) provide protection and enhancement of riparian areas and wetlands; (g) provide protection and enhancement of terrestrial wildlife habitat; or (h) provide endangered, threatened, or rare species habitat enhancement and natural community habitat maintenance and enhancement. In addition, 2007 Act 20 provided \$60,000 annually beginning in 2008-09 under WFLGP for grants to groups of interested parties for invasive plant projects in weed management areas defined by DNR rule. Under the Act, the groups must consist of landowners who each own less than 500 acres of nonindustrial private forest land.

Forest Fire Protection Grants. DNR may award grants for up to 50% of the costs of purchasing fire-resistant clothing and fire suppression supplies, equipment, training, and vehicles. Funds are available to cities, villages, towns, counties and fire suppression organizations that enter into a written agreement to assist DNR in the suppression of forest fires when requested. Approximately \$497,000 annually is currently available for the program (\$170,000 SEG and \$327,000 FED). 2015 Act 55 converts the appropriation to biennial, where unencumbered funds at the end of the biennium would lapse to the balance of the forestry account.

Assistance for Nonprofit and Private Conservation. Funding had been provided from the forestry account for grants to select non-profit conservation organizations (NCOs) including grants to Gathering Waters and the Natural Resources Foundation (also partially funded by the water resources account) and grants to the Ice Age Trail Alliance and the River Revitalization Foundation. Funding for these grants was eliminated by 2015 Act 55, while statutory authority remains.

(See "Grants to NCOs" near the end of this paper).

Forestry Education and Curriculum Development. Revenues from a 3¢ per seedling surcharge assessed on all seedlings sold at DNR tree nurseries (\$70,500 in 2015-16) were originally intended to be divided evenly between two forestry education appropriations related to sustainable forestry education. However, in practice, DNR used appropriation estimates, rather than actual surcharge revenues, to make these awards. Currently, revenues from the 3¢ seedling surcharge are deposited to the balance of the forestry account, and \$350,000 annually is provided from the forestry account for the UW-Stevens Point Learning Experiences and Activities in Forestry (LEAF) program which develops a kindergarten through 12th grade sustainable forestry education curriculum.

Parks and Forests Campground Reservations. DNR retains \$1 of each camping reservation fee collected by a private vendor (Active Network). The Department returns \$8.65 of every \$9.65 to Active Network from an appropriation in the forestry and parks accounts.

Timber Sale Contract Repairs. Section 28.05(1) of the statutes specifies the procedure for cutting timber in state forests, and specifies that DNR may require a person purchasing products or standing timber under a timber sale contract to provide surety for the proper performance of the contract, either directly or through a bond furnished by a surety company authorized to do business in Wisconsin. Generally, the Department requires surety (performance bond) on all lump-sum sales greater than \$2,000 and all scaled sales regardless of dollar value; lump-sum sales less than \$2,000 and sales where a forest products permit is being issued, which typically include a sale value of \$500 or less, do not require surety. All moneys received as sureties are deposited in an appropriation in the forestry account to be used to repair damage and recover costs incurred by the improper

er performance of timber sales contracts and to reimburse persons who provide sureties.

Forestry Education and Professional Development. Funding of \$148,500 annually had been provided for grants of up to 50% for individuals pursuing master logger certification or logger safety training through the Great Lakes Timber Professionals Association (GLTPA). Funding was eliminated under 2015 Act 55. In addition, \$300,000 in one-time funding in fiscal years 2013-14 and 2014-15 was provided in this appropriation for a grant to the GLTPA and Wisconsin County Forests Association for a timber study. (*See "Grants to NCOs"*).

Karner Blue Butterfly Habitat. 2007 Act 20 created an appropriation within the forestry account for the deposit of money received from fees paid by partners in the Karner blue butterfly habitat conservation plan, as well as money received from gifts, grants, and bequests to the plan to be used for plan administration and implementation. DNR administers the Karner blue butterfly habitat conservation plan under an agreement with the U.S. Fish and Wildlife Service. The plan allows Wisconsin land owners to manage land occupied by the federally endangered Karner blue butterfly, provided they follow certain guidelines to protect the species. Certain landowners whose land includes Karner blue butterfly habitat or whose management activities interfere with butterfly habitat are required to participate in the plan, while other landowners are encouraged to participate on a voluntary basis. Initial partners in the plan did not pay a participation fee; however, new partners in the plan, such as utility companies and large private landowners, must pay a one-time entry fee of \$2,550. In fiscal year 2014-15, the Department received approximately \$26,600 in revenue from Karner blue butterfly gifts and fees.

Cooperating Foresters. 2005 Act 166 directed DNR to establish a program allowing cooperating foresters to assist the state in the harvesting and selling of timber from state forest lands and au-

thorizing cooperating foresters to receive a portion of the proceeds from each sale. 2007 Act 20 created a continuing appropriation in the forestry account into which the portion of the sale proceeds that DNR pays to a cooperating forester is credited to make the required payments.

Further, 2011 Act 32 provides \$550,000 SEG annually in the state forests operations appropriation for timber regeneration and requires DNR to establish a program allowing cooperating foresters to assist in the regeneration of harvested areas on state lands, and to meet the annual allowable timber harvest established under s. 28.025 of the statutes. Section NR 1.26 of the administrative code addresses these requirements and specifies that tasks included in cooperating forester contracts for state land timber harvests may include: updating of forest reconnaissance; marking of trees and harvest boundaries; estimating volume; preparing maps; recommending timber sale contract terms or operational specifications; and inspecting active harvests. According to the rule, DNR will determine which of these services are appropriate to contract for on individual timber sales.

In fiscal year 2015-16, 17 projects totaling \$62,300 were contracted with 10 cooperating forester firms to assist the Department in establishing timber sales on Department-owned lands. Projects included timber sale marking, pre- and post-establishment volume cruises, and boundary line establishment.

Split-Funded Appropriations. Functions that are funded by several conservation fund accounts are described under the "General Conservation Fund" section near the end of this paper.

Department of Agriculture, Trade and Consumer Protection (DATCP). The forestry account provides funding for the gypsy moth program, emerald ash borer program, and other forest pest programs in DATCP. Gypsy moth control and monitoring programs have been conducted since 1971 in a cooperative effort. The gypsy

moth is a leaf-eating pest of trees and shrubs. According to DATCP, forest pests, including the emerald ash borer, have continued to take on a higher emphasis and workload at DATCP as new pests continue to arrive in the U.S. The forestry account funding may also be used for plant protection activities, including nursery regulation and control of other plant pests. Approximately \$1.62 million annually is budgeted in the 2015-17 biennium for these purposes.

University of Wisconsin System. 1997 Act 27 appropriated \$200,000 annually for the Wisconsin Environmental Education Board (WEEB) for grants for forestry-related environmental education programs. The Board, a part of the University of Wisconsin System, is responsible for identifying needs and establishing priorities for environmental education in public schools. GPR and environmental fund SEG were also used to fund a portion of the grants. Up to 5% of the amount appropriated from the forestry account was allowed to be used for the costs of administering the grants. 2015 Act 55 eliminates forestry account funding for the WEEB beginning in fiscal year 2016-17, and the UW-System statutory requirements related to WEEB were deleted effective June 30, 2017.

Under 1999 Act 9, \$50,000 is provided annually to the University of Wisconsin – Madison Center for Cooperatives to award grants to form forestry cooperatives that consist primarily of private, non-industrial forest owners. Further, 2005 Act 25 provided \$78,000 annually with 1.0 position beginning in 2005-06 for the University of Wisconsin-Stevens Point paper science program (\$84,500 is budgeted for this purpose in 2015-16).

State Historical Society. Funding has been provided since 1997 for a position for interpretative programming at the Northern Great Lakes Visitor Center near Ashland in Bayfield County. (See "Grants to NCOs".)

Kickapoo Valley Reserve Management Board. Operations of the Kickapoo Valley Re-

serve (KVR) Management Board have been funded from the forestry account since 1997, and are budgeted at \$415,200 annually in the 2015-17 biennium. The 11-member Board is administratively attached to the Department of Tourism, and sets policy and manages the 8,600-acre Reserve in Vernon County acquired from the federal government adjacent to the Kickapoo River to preserve and enhance its unique environmental, scenic and cultural features, to provide facilities for the use of visitors and to promote the reserve as a recreational site. The forestry account also funds aids in lieu of property taxes payments to local governments for Reserve property (budgeted at \$280,000 in each year of the 2015-17 biennium). The Governor's 2015-17 biennial budget bill would have transferred the KVR to DNR, rather than the Department of Tourism for administrative purposes, but this provision was deleted under 2015 Act 55. In addition, 2015 Act 55 specifies that KVR is to be budgeted as a separate agency.

Lower Wisconsin State Riverway Board (LWSRB). The forestry account funds 25% of the operating costs of the Lower Wisconsin State Riverway Board, the remaining 75% comes from the water resources account. The nine-member board is administratively attached to DNR beginning in 2015-16, and is intended to preserve and protect the scenic beauty and natural character of the Lower Wisconsin State Riverway through controlled land use and development. 2015 Act 55, which transferred the LWSRB attachment from Tourism to DNR, specifies DNR is to process and forward personnel and biennial budget requests of the LWSRB without change, except as requested or concurred in by the LWSRB.

Forestry Headquarters Relocation. 2015 Act 55 requires the Department of Natural Resources to develop a plan to move the headquarters of the Division of Forestry from the City of Madison to a northern location in Wisconsin. The plan must provide, in detail, the costs of relocating the headquarters, a timeline for implementing the relocation, and a list of options for northern locations in

Wisconsin. The Act requires the plan to be completed in time to be included in the DNR 2017-19 biennial budget request. The Department submitted their "Division of Forestry Relocation" proposal alongside their 2017-19 agency budget request in September, 2016. According to the report, DNR assessed a range of options for the location of the northern headquarters and considered any interested municipality north of U.S. Highway 10. Of the 43 interested municipalities, DNR chose Hayward, Rhinelander, and Wausau, each of which currently has DNR offices. These communities were selected due to their proximity to a variety of forestry professionals and organizations with whom DNR forestry headquarters staff currently works.

The report notes that there is insufficient space available in existing DNR facilities to incorporate employees likely to relocate to a northern forestry headquarters. Therefore, the analysis estimated both the cost of new construction and the cost of leasing a facility. Both estimates were based on a lease of approximately 14,100 square feet of space and housing approximately 45 staff. For new construction, the Department estimated the cost of constructing a new forestry headquarters building in Wausau. The report assumes costs for con-

structing the headquarters in Wausau would be perhaps 10% lower than in either Rhinelander or Hayward, due to other locations having perhaps greater transportation costs for building materials and having less access to available bidders.

According to the report, DNR estimates construction of a new headquarters facility in Wausau would require: (a) \$250,000 for the purchase of a one- to two-acre building site; (b) approximately \$5.4 million in bonding for capital construction, fees, furnishings, infrastructure, and information technology needs; and (c) \$337,500 for moving expenses, as shown in Table 10. Annual costs of approximately \$542,300 would be expected, including debt service of \$431,800 and annual operations and building maintenance costs of approximately \$110,500. The Department assumes debt service would be paid from conservation fund SEG. According to the report, the estimated total cost at the end of the 20-year debt service payments would be approximately \$11.4 million.

According to the report, leasing a facility would most likely require modifying an existing building to suit forestry headquarters needs, which would involve costs to fit out the space, or finding a property that could be built to suit DNR's needs

Table 10: Forestry Headquarters Relocation Report Cost Estimates

	<u>Construction</u>		<u>Leasing</u>	
	<u>Amount</u>	<u>Description</u>	<u>Amount</u>	<u>Description</u>
Initial Occupancy Costs (One-Time)	\$250,000	Land purchase	\$746,400	Fit-out costs
	<u>337,500</u>	Moving expenses	<u>337,500</u>	Moving expenses
Subtotal	\$587,500		\$1,083,900	
20-Year Annualized Costs	\$8,635,200*	Debt service (\$431,760 annually)	\$9,263,800	Lease payments (\$362,700 initial payment increased by 2.5% annually)
	<u>2,211,000</u>	Operations and maintenance (\$110,550 annually)	<u>91,200</u>	IT and communication costs (19 years)
Subtotal (20 Years)	\$10,846,200		\$9,355,000	
20-Year Total Cost	\$11,433,700		\$10,438,900	

*Assumes \$5,396,900 in general obligation bonds are issued to fund construction, with bonds carrying a 20-year term and an approximate 5% interest rate.

and then leased to the Department. Initial costs were estimated at \$1,083,900, as shown in the table, including: (a) the \$746,400 cost to fit out the space, including furnishings, infrastructure, and information technology needs; and (b) moving costs of \$337,500.

Using an initial annual lease payment of approximately \$362,700 for a Wausau headquarters, with 2.5% annual inflation, the Department estimated a total 20-year lease cost of \$9.26 million, plus an additional \$91,200 in estimated total information technology and communication costs, for a total annualized cost over 20 years of \$9,335,000. (The initial-year IT costs are included in the \$746,400 fit-out costs.) According to the report, the total estimated cost of leasing space after 20 years would be \$10.4 million. The timeline of any relocation would be contingent on several legislative and administrative decisions in implementing a relocation beginning in the 2017-19 biennium. Further, although DNR used a 20-year period to compare costs between the facility options, the cost advantages of either option would also likely depend on additional considerations not directly addressed in the 2016 report. These may include such factors as operation and maintenance costs throughout the lifespan of a newly constructed facility.

Parks Account

Revenue

1995 Act 27 eliminated the requirement that state park operations be funded equally from the parks account and the general fund. The percentage of GPR as a portion of the state parks operating budget has declined in recent years. For 2014-15, approximately 28% of the state park \$16.7 million budget for direct operations was GPR supported (\$4.6 million) and approximately 72% was parks SEG-supported (\$12.1 million). 2015 Act 55

removed all GPR support for parks operations, beginning in 2015-16, and also increased admission fees, trail pass fees, and camping fees, and provided additional expenditure authority from the parks account to continue base-level funding for state park and trail operations.

2015 Act 55 also requires DNR to study and prepare a report, regarding potential additional sources of revenue for parks operations and maintenance. The study was to include, at a minimum, revenue estimates for a program under which a person may voluntarily purchase a state park vehicle admission sticker when the person registers a vehicle with the Department of Transportation, and revenue estimates for increased camping fees at state parks based on local market conditions or seasonal demand, the amenities or facilities offered by a park, or other features or conditions of a park. DNR is required to report the results of the study, and recommendations for closing any structural imbalance in the parks account, to the Governor, the Joint Committee on Finance, and the appropriate standing committees of the Legislature, by December 1, 2016.

The Department's report noted that the parks account was expected to have a projected structural imbalance (authorized expenditures exceeding anticipated revenues) of approximately \$1.4 million annually. The report included four short-term revenue options as well as four long-term options, including the required option of an admission purchase through annual vehicle registrations as shown in Table 11. As noted in the report, the short-term recommendations would primarily involve demand-based pricing to align fee structures with local market conditions. According to the report, in fiscal year 2015-16, approximately 17 million people visited Wisconsin State Parks properties. The report identified six properties accounting for approximately 33 percent of total attendance, including Devil's Lake, Governor Dodge, High Cliff, Kohler-Andrae, Peninsula, and Willow River State Parks. Table 11 summarizes the estimates DNR reported for several revenue