

## TABLE OF CONTENTS

Governmental Accounting_____	1
Conservation Fund/Forestry Account_____	2
Forestry Account Revenues_____	2
Forestry Mill Tax_____	2
Recreation Admission and Use Fee_____	3
Sale of Forest Products_____	3
Sale of Nursery Stock_____	3
Forest Tax Law Severance, Yield and Withdrawal Payments_____	4
Investment Income_____	4
Miscellaneous Fees and Sales_____	4
Expenditures from the Forestry Account_____	5
Forestry_____	5
Southern Forests_____	5
Property Management_____	6
Research_____	6
Aids Administration_____	6
Resource Acquisition and Development - State Funds_____	6
Environmental Analysis & Review_____	6
Forestry - Reforestation_____	6
Youth and Education Programs_____	7
Resource Acquisition and Development - Taxes and Assessments_____	7
Resource Aids for County FCL, Private FCL, MFL_____	7
County Forest Variable Acreage Loans_____	7
County Forest Project Loan_____	8
Resource Aids_____	8
Urban Forestry & County Forest Administrator Grants_____	8
Aids in Lieu of Taxes_____	8
Recreational Aids for Wildlife Habitat_____	8
Resource Aids - Lake States Wood Utilization Consortium_____	8
Historical Summary of Expenditures for Local Support_____	9
Administrative Facilities - Repair & Maintenance_____	9
Administrative Facilities - Debt Service_____	9
Aeronautics and Communications_____	9
Administration Sub-program Operations_____	9
Wisconsin Conservation Corps_____	10
Gypsy Moth Eradication_____	10
The Financial Condition of the Forestry Account-end of the 1996 fiscal year_____	11
Management of the Forestry Account_____	11

## **THE FORESTRY ACCOUNT:**

### **AN**

## **OVERVIEW AND EXPLANATION**

**(Based on 1996 fiscal year data and terminology)**

This report is designed to be an informational document which describes the function and operations of the Forestry Account. The account's history, purpose, authorizations, revenues, and expenditures will be described.

1996 fiscal year data and terminology will be utilized in this initial report. This information will be pre-reorganization. As the report is up-dated, terminology will be adjusted to match the reorganized Department.

The Forestry Account is a sub-group of the Conservation Fund. Other accounts within the Conservation Fund are: Parks Account, Fish and Wildlife Account, Water Resources Account, Endangered Resources Account, Snowmobile Account, Boating Account, Motorcycle Recreation Account, All-Terrain Vehicle Account, and the Natural Resources Magazine Account. These accounts are funded from a variety of segregated revenue sources.

The Conservation Fund is described in Wisconsin Statute 25.29. This statute outlines in a general manner the germane uses for which Forestry Account funds may be utilized.

### **GOVERNMENTAL ACCOUNTING**

Governmental agencies utilize a Fund Accounting System. This system is distinct from commercial accounting because of the difference between the missions of the public and private sectors. The Department of Natural Resources differ from private sector entities in the following manner:

- a) Taxes, grants, and user fees are the principal sources of revenue for the agency.
- b) The agency's spending authority is received from the Legislature and the legislature provides oversight for the operations of the Department.
- c) Because of the absence of a profit performance indicator, the Department's expenditures are subjected to two primary control functions: restrictions on the use of the appropriated funds and the utilization of annually lapsing appropriations.

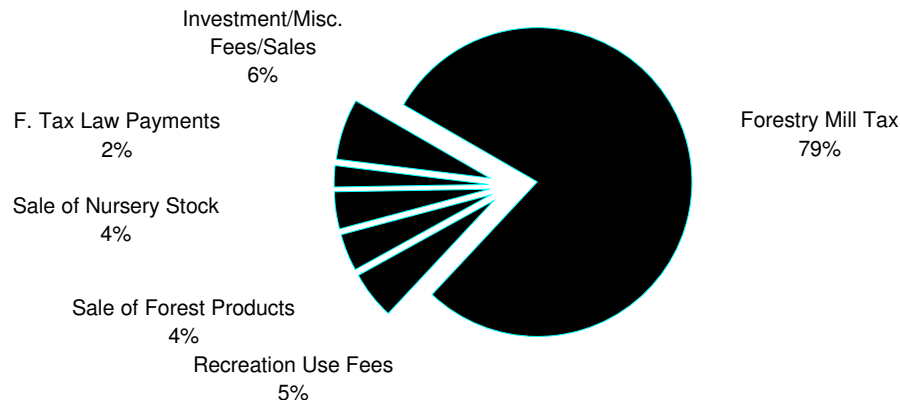
## Conservation Fund / Forestry Account

The Department's Conservation Fund is a special revenue type of fund, used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes. An example of a specific revenue source with legal expenditure restrictions is the Forestry Mill Tax. The collection of the mill tax is authorized in the Wisconsin Constitution for the specific purpose of acquiring, preserving and developing the forests of the state.

The Forestry Account is supported from a number of revenue sources and finances a wide variety of activities both within and outside of the Department. During the 1996 fiscal year the Account supported 616.74 permanent positions within the Department. All of the funded activities carried out by these positions have a link to acquiring, preserving, and developing the forests of the state. One should be aware that the acquiring, preserving, and developing the forests of the state phrase has been subject to a variety of interpretations since the inception of the statute. Generally the interpretations have followed the evolution of forestry and the public expectations of what the Department should produce concerning forestry related benefits.

## FORESTRY ACCOUNT REVENUES

### Forestry Account - Revenue Sources - 1996 FY



The revenues that fund the Forestry Account are received from the forestry mill tax; recreation admission and use fees; the sale of forest products; the sale of nursery stock; severance, yield, and withdrawal payments associated with the forest tax programs; investment income; and a variety of miscellaneous fees and sales.

Forestry Mill Tax: The Forestry Mill Tax is authorized in both the Wisconsin Constitution and the Wisconsin Statutes.

Wisconsin Constitution - Article VIII, Section 10, (3). "The state may appropriate moneys for the purpose of acquiring, preserving and developing the forests of the state. Of the moneys appropriated under the authority of this subsection in any one year an amount not to exceed two-tenths of one mill of the taxable property of the state as determined by the last preceding

state assessment may be raised by a tax on property". (1924 amendment to the Constitution.)

Wisconsin Statute 70.58, Forestation State Tax (Forestry Mill Tax). "There is levied an annual tax of two-tenths of one mill for each dollar of the assessed valuation of the property of the state as determined by the department of revenue under s. 70.57, for the purpose of acquiring, preserving and developing the forests of the state and for the purpose of forest crop law and county forest law administration and aid payments, and for the acquisition, purchase and development of forests described under s. 25.29 (7) (a) (b), the proceeds of the tax to be paid into the conservation fund. The tax shall not be levied in any year in which general funds are appropriated for the purposes specified in this section, equal to or in excess of the amount which the tax would produce". (First created in 1931, mill tax was set at 2/10 mill in 1937).

The establishment of this tax provided a process that has generated a revenue source from which the state has been able to establish an effective forestry effort. The tax provides stable, dependable financing from which the Legislature has funded projects that significantly benefit the citizens of the state. George Blanchard, a State Senator from Rock County, and William Aberg, a Madison attorney and active member of the Izaak Walton League, were instrumental in the establishment of the Forestry Mill Tax legislation; Governor Kohler signed the legislation into law.

Recreation Admission and Use Fees: Admission to and use of recreational sites within the northern and southern state forests requires that a fee be paid. Examples of recreational sites are campgrounds, boat landings, and designated trails. These fees collected at the northern and southern forests are deposited within the Forestry Account. (Similar fees collected at a State Park are deposited in the Parks Account.)

A vehicle admission sticker is required on all motor vehicles stopping within a state forest; a camping fee is required for an overnight stay within a campground; and a trail pass is required for individuals biking, horseback riding, or cross-country skiing on designated trails. Trail fees are not required for hiking on the designated trails.

Sale of Forest Products: Forest products such as logs, pulpwood, and firewood are sold from Department properties. The revenues generated from the sale of these products from the northern and southern state forests (s. 28.08) are deposited into the Forestry Account. Sale revenues from other department lands are deposited into the appropriate, associated account.

Sale of Nursery Stock: The three state forest tree nurseries annually sell tree and shrub seedlings to county, industrial, and private landowners. This nursery stock may only be used for conservation plantings. All sale receipts are deposited into the Forestry Account.

A one cent surcharge (s. 28.06 (2m)) is added to the sale of each seedling to help fund the control of the gypsy moth in Wisconsin. This surcharge is deposited in the Forestry Account and annually transferred to the Department of Agriculture Trade and Consumer Protection (DATCP).

Forest Tax Law Severance, Yield, and Withdrawal Payments: Administration of the Private Forest Crop Law, the County Forest Crop Law, the Woodland Tax Law, and the Managed Forest Law creates a flow of revenues to the Forestry Account. Yield and severance taxes are collected for the sale of timber stumpage from these lands. The withdrawal of lands from the Private Forest Crop Law or the Managed Forest Law creates a financial penalty for the landowner. These penalties are deposited into the account before the lands are withdrawn.

Investment Income: Investment income is generated based on the monthly cash balance in the Forestry Account. A positive cash balance produces a revenue to the account. A negative cash balance generates a cost to the account. A negative cash balance is created when the large influx of Mill Tax revenues are credited many months after the start of the fiscal year and significant expenses are accrued early in the fiscal year.

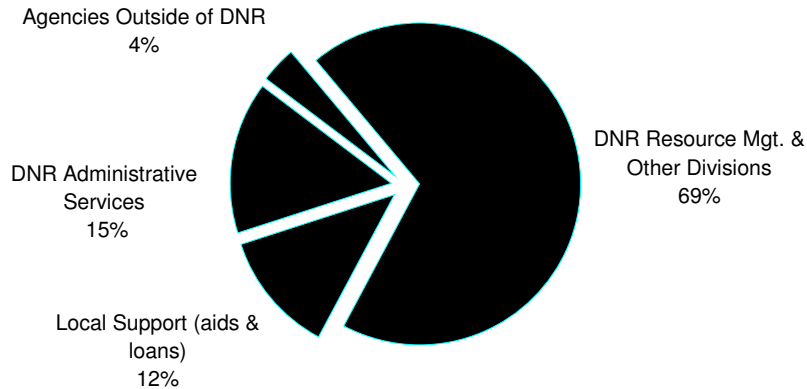
Miscellaneous Fees and Sales: This miscellaneous category includes a variety of revenue generating activities. These revenues include such items as the recovery of fire suppression costs; Managed Forest Law petition fees associated with new applications, transfer requests and withdrawal requests; the rental of equipment to counties and other public agencies; dog trial permits; easements and land use permits; concession payments; building sales; and salvage material sales. The MFL closed acreage assessments are deposited as a miscellaneous fee.

**SUMMARY - Revenues To The Forestry Account:**

Source	Revenues To the Forestry Account by Fiscal Year					
	1986	1988	1990	1992	1994	1996
Forestry mill tax	\$24,520,000	\$24,376,731	\$19,288,752	\$26,590,242	\$34,567,003	\$40,315,999
Recreation use fees	1,291,800	1,473,896	1,464,370	1,687,687	2,292,046	2,442,784
Sale of forest products	814,100	661,986	1,011,835	1,301,114	1,478,919	2,075,329
Sale of nursery stock	810,000	1,024,464	2,053,071	1,603,499	1,438,007	1,917,228
Forest Tax Law payments	666,100	834,182	744,159	1,250,218	998,469	1,185,504
Investment income	1,334,600	576,961	178,383	(111,955)	215,454	15,155
Miscellaneous fees & sales	656,300	539,097	413,494	339,288	414,655	3,257,665
Total	\$30,092,900	\$29,487,317	\$25,154,064	\$32,660,093	\$41,404,553	\$51,209,664

**EXPENDITURES FROM THE FORESTRY ACCOUNT**

## Forestry Account - Expenditures by Major Categories - 1996 FY



### APPROPRIATIONS & EXPENDITURES - DIVISIONAL PROGRAMS:

Forestry (s. 20.370 (1) (mu)): The Forestry sub-program is responsible for developing and implementing a balanced management and protection program for the state's forest resource. These responsibilities include fire prevention; fire management and control; forest nurseries and tree improvement; administration of the forest tax laws; urban forestry assistance; assistance to private forest landowners; state forest management; liaison activities with the County Forests; forest hydrology, ecology, and silvicultural expertise; and insect and disease expertise.

During the 1996 fiscal year the Forestry Account supported a forestry staff of 419.61 and a base budget of \$26,052,800. The program is significantly decentralized with ninety-three percent of the staff located away from the Central Office.

The Forest Nurseries operate within a sub-set of this appropriation. Because the nurseries are a "business-type" governmental operation, they utilize an enterprise fund accounting system. All the costs, including depreciation, associated with the production and distribution of tree and shrub seedlings to the public are recovered. The price of the nursery stock is re-established annually so that all costs may be recovered. Enterprise accounting requires the state's nursery program to operate as a "business".

Southern Forests (s. 20.370 (1) (mu)): The Southern Forests are large, recreational forest properties located in southeastern Wisconsin and are administered by the Bureau of Parks and Recreation. These properties are managed to produce the benefits described in statute 28.04. The Forestry Account supports 39.68 positions within the Southern Forests program and funds almost the entire operating budget of approximately \$3 million.

The following properties are supported by this appropriation: Northern Kettle Moraine State Forest, Southern Kettle Moraine State Forest, Point Beach State Forest, Bong Recreation Area, Havenwood Forest, Cedarburg Bog, Lowes Lake, and Lapham Peak.

Property Management (s. 20.370 (1) (mu)): This appropriation supports a portion of the operations of the Bureau of Facilities and Lands. The Bureau is responsible for providing a comprehensive range

of property management related services to field managers. These services include: planning and budgeting for the maintenance of capital assets, technical design and construction expertise for facility improvements, land acquisition, reality services, and land management planning expertise. For fiscal year 1996, the Forestry Account supported 27.12 program staff and contributed approximately \$2 million to the total operational base budget of \$9,594,000.

The Department manages over 1.2 million acres of land and nearly \$120,000,000 worth of capital improvements.

Research (s. 20.370 (1) (mu)): This appropriation supports a portion of the Department's research program. The Bureau of Research conducts and facilitates eco-system management research; provides technical information transfers; provides assistance in short-term problem solving, literature searches, system modeling; and advises on contract and program-directed research. \$111,899 of the appropriation is used to fund a variety of forestry research projects with the University of Wisconsin and others.

Aids Administration (s. 20.370 (5) (mu)): This appropriation supports the administration of a number of conservation aid and grant programs. Grant and aid programs such as the Urban Forestry grants, snowmobile trail aids and all-terrain vehicle trail aids are coordinated by this sub-program. The Forestry Account supports 4.68 FTE's within the Aids Administration program.

Resource Acquisition and Development - State Funds (s. 20.370 (1) (ks)): This continuing appropriation funds both acquisition and improvement projects at Forestry properties (e.g. ranger stations, state forests, nurseries, and fire towers). No personnel costs are associated with this authorization. Statute 23.09 (2) provides general guidance as to the use of these funds.

This appropriation supports numerous small maintenance and renovation projects at the forestry properties.

Forestry Account funding for acquisition was significantly reduced during the 1989/91 budget process. However, be aware that the following biennium the Warren Knowles-Gaylor Nelson Stewardship acquisition program (statute 23.0915) was initiated which utilizes General Purpose Revenue Bonding as the funding source. Annually \$25 million may be expended for the Stewardship acquisition program.

Environmental Analysis & Review (s. 20.370 (1) (mv)): This subprogram is responsible for the coordination of the Department's review of potentially major public and private proposals under the Wisconsin Environmental Policy Act. This Act requires state agencies to prepare Environmental Impact Statements for all major actions which would significantly affect the environment. The Forestry Account supports 2.29 of the 34 FTE's within the Environmental Analysis & Review subprogram.

Forestry - Reforestation (s. 20.370 (1) (cq)): This appropriation is continuous and provides funding to support the reforestation of the state forests and the operations of the nurseries as described in statute chapters 26 and 28. No personnel costs are associated with this authorization. These funds are generally used to purchase and process seed for the state nurseries.

Youth and Education Programs (s. 20.370 (5) (gg)): This appropriation supported the operations of the four resident youth conservation camps. These camps provided meaningful natural resources work and learning experiences for Wisconsin's youth. Funding was significantly reduced during the 1995/97 biennium.

Resource Acquisition and Development - Taxes and Assessments (s. 20.370 (1) (kq)): The

appropriation provides funds to pay taxes and assessments associated with properties under the control of the department. These taxes and assessments are paid to the counties and townships in which the state lands are located.

Historical Summary of Expenditure by Programs:

Appropriation	Expenditures by Fiscal years					
	1986	1988	1990	1992	1994	1996
Forestry	\$16,960,500	\$18,026,639	\$19,372,904	\$20,608,400	\$23,491,583	\$25,324,053
Southern Forests	2,000,400	2,087,403	2,254,803	2,515,862	2,802,825	2,904,874
Property Management	109,800	117,153	403,594	1,025,537	1,407,601	1,666,954
Research	\$650,800	\$354,338	\$443,672	\$243,079	\$288,435	\$487,675
Aids Administration	59,500	139,583	169,880	192,332	222,541	271,478
Resource Acq. & Dev.	5,743,300	1,238,373	338,144	664,852	461,962	211,882
Environmental Analysis & Review	88,100	90,601	97,744	85,831	121,329	142,439
Reforestation	139,700	73,615	(51,701)	175,902	62,700	110,096
Youth & Education Programs	271,200	112,205	123,278	260,798	262,139	79,420
Taxes & Assessments	33,800	32,803	35,515	63,239	18,912	66,202
Total	\$26,057,100	\$22,272,713	\$23,187,833	\$25,835,832	\$29,140,027	\$31,265,073

APPROPRIATIONS & EXPENDITURES FOR LOCAL SUPPORT:

Resource Aids for County FCL, Private FCL, MFL (s. 20.370 (5) (bv)): Wisconsin statutes 77.85 (2) and 77.05 (2) require the Department to pay to towns and villages twenty cents for every acre of Managed Forest Law and Forest Crop Law land in the municipalities. Also Wisconsin statute 28.11 (8) (a) requires the Department to pay to the towns thirty cents for every acre of county forest lands in the municipalities. All of these payments are made from this appropriation.

County Forest Variable Acreage Loans (s. 20.370 (5) (bs)): This appropriation provides interest-free loans to those counties with designated County Forests for forestry operations. A county may request up to \$0.50 per acre of forest land. The loan is repaid from severance payments associated with the forest products sold from the County Forest. Statute 28.11 (8) (b) (1) authorizes this program.

From the 1996 fiscal year appropriation nineteen County Forests received loans totaling \$545,947.

County Forest Project Loan (s. 20.370 (5) (bt)): This appropriation provides interest-free loans for forestry operations to those counties with designated County Forests. Generally the funding is used for land acquisition and capital development projects. The loan is repaid from severance payments associated with the forest products sold from the County Forest. Statute 28.11 (8) (b) (2) authorizes this program.



During the 1996 fiscal year project loans were made that resulted in the purchase of land on the Gordon Flowage within the Douglas County Forest, the purchase of trucks for the Eau Claire County Forest, and the purchase of site preparation equipment for the Jackson County Forest.

Resource Aids (s. 20.370 (5) (br)): Annual payments are made to those counties having more than 40,000 acres enrolled in either the Forest Crop Law or the Managed Forest Law. Statute 23.09 (18) authorizes these payments. The appropriation is pro-rated to the qualifying counties. Counties receiving 1996 resources aids funding were: Adams, Ashland, Bayfield, Douglas, Florence, Forest, Iron, Langlade, Lincoln, Marathon, Marinette, Oneida, Price, Rusk, Sawyer, Shawano, Vilas, Washburn, and Waupaca.

Urban Forestry & County Forest Administrator Grants (s. 20.370 (5) (bw)): The Urban Forestry grant (s. 23.097) provides financial assistance to communities for the development and implementation of urban forestry activities. The emphasis of the grants is to increase the ability of a municipality to manage their urban forests.

The County Forest Administrator grant (s. 28.11 (5m)) provides funding to counties to assist with the salary cost of a county employed professional forester. The following twenty counties received a grant from the 1996 appropriation: Ashland, Barron, Bayfield, Chippewa, Clark, Douglas, Eau Claire, Florence, Forest, Juneau, Lincoln, Marinette, Oconto, Oneida, Polk, Price, Rusk, Sawyer, Taylor, and Vilas.

Aids in Lieu of Taxes (s. 20.370 (5) (dg)): The Department of Natural Resources pays aids-in-lieu-of-taxes for state forest and state nursery lands the Department owns in fee title or leases from the Federal government. These tax payments are to compensate the municipalities for the reduced taxing base. Statutes 70.113 and 70.114 authorize these payments.

Recreational Aids for Wildlife Habitat (s. 20.370 (5) (as)): This appropriation provides grant funds to counties with County Forests for the development of wildlife habitat. Counties may annually request up to \$0.10 per acre of forest land for projects that will improve the natural environment for wildlife on the county forest lands. Statute 23.09 (17m) authorizes these payments.

Resource Aids - Lake States Wood Utilization Consortium (s. 20.370 (5) (ax)): This appropriation provides research, development, and demonstration grants which enhance the forest products industry. The Department of Natural Resources, the Department of Commerce and the forest products industry are represented in the consortium. Statute 26.37 authorizes this program. The Consortium was organized and staffed during the 1996 fiscal year. Grants, however, were not issued during the initial year.

Historical Summary of Expenditures for Local Support:

Appropriation	Expenditures by Fiscal Year					
	1986	1988	1990	1992	1994	1996
Resource Aids to Townships & Counties for CFCL, FCL, MFL	\$1,669,200	\$1,178,258	\$1,039,374	\$1,064,792	\$1,091,962	\$2,229,423
County Forest Loans	0	0	580,027	622,400	662,525	545,948
County Forest Project Loans	0	0	0	0	14,878	177,500
Resource Aids to Counties - (Tax Law Lands >40,000 acres)	NA	NA	1,250,000	1,250,000	1,250,000	1,250,000
Urban Forestry Grants to Communities & County Forest Adm. Grants	NA	NA	NA	NA	408,796	644,878
Aids in Lieu of Taxes	444,900	628,665	597,073	593,049	563,341	502,341
Recreation Aids for Wildlife Habitat on County Forests - \$0.10/acre	NA	NA	NA	NA	NA	153,162
Resource Aids - Lake State Wood Utilization Consortium	NA	NA	NA	NA	NA	0
Total	\$2,114,100	\$1,806,923	\$3,466,474	\$3,530,241	\$3,991,502	\$5,503,252

APPROPRIATIONS & EXPENDITURES FOR ADMINISTRATIVE SERVICE SUPPORT:

Administrative Facilities - Repair & Maintenance (s. 20.370 (8) (br)): A continuing appropriation that supports the acquisition, development, and construction of new structures and the maintenance of existing structures. The funding is directed to administrative facilities that benefit multiple sub-programs.

Administrative Facilities - Debt Service (s. 20.370 (7) (aq)): This sum-sufficient appropriation funds the principal and interest on bonds issued for the acquisition, construction, or improvement of the Department's administrative facilities. The Forestry Account contributes 28.47% of the annual payment to the debt service.

Aeronautics and Communications (s. 20.370 (1) (mu)): This appropriation supports a portion of the Department's aeronautic and communication operations. These operations compliment Forestry's fire management program. The Forestry Account supports 4.88 FTE's within the Aeronautics and Communication sub-program.

Administration Sub-Program Operations (s. 20.370 (8) (mu)): This appropriation contributes to the overall management and support services of the Department of Natural Resources.

The funding provides support for the Department Secretary, Regional Directors, and associated management specialists. The support services provide to the Department the following expertise: fiscal management; purchasing; fiscal reporting; legal services; budget and management analysis and planning; office and clerical services; electronic information technologies; personnel management; and affirmative action planning. Other Accounts and Funds also contribute to the support of these management and support services.

The Forestry Account supported 108.11 permanent positions within the Administrative programs during the 1996 fiscal year. These positions were distributed among the administration sub-programs in the following manner:

<u>Sub-Program</u>	<u>Positions</u>
District Management	49.75
Information Mgt.	15.21
Program Services	10.75
Finance	10.14
Personnel	6.69
Administration	4.62
Information & Educ.	4.46
Management & Budget	3.65
Legal Services	<u>2.84</u>
	108.11

These positions within the Administration sub-programs represent 17.5% of the 616.74 positions funded from the Forestry Account. The positions are allocated to the Forestry Account based on a use and cost analysis formula.

SUMMARY - Expenditures for Administrative Service Support:

Appropriation	Expenditures by Fiscal Year					
	1986	1988	1990	1992	1994	1996
Adm. Facilities - Repair & Maintenance	\$56,000	\$73,166	\$187,352	\$181,413	\$68,365	\$131,417
Adm. Facilities - Debt Service	141,200	121,694	109,330	82,483	115,986	199,776
Aeronautic & Communication	357,800	317,297	220,654	264,675	302,966	323,798
General Program Operations	6,052,500	6,150,451	6,007,100	5,527,927	5,899,550	6,248,404
Total	\$6,607,500	\$6,662,608	\$6,524,436	\$6,056,498	\$6,386,867	\$6,903,395

APPROPRIATIONS & EXPENDITURES FOR AGENCIES OUTSIDE OF THE DNR:

Wisconsin Conservation Corps (s. 20.399 (1)(u) & (2)(q)): This appropriation supports the costs associated with the WCC crews and with the administration of the program. The objective of the Wisconsin Conservation Corps is to provide meaningful employment and training experiences for unemployed young adults.

Gypsy Moth Eradication (s. 20.115 (7)(q) & (qb)): These appropriations for Department of Agriculture Trade and Consumer Protection (DATCP) provide funding to eradicate the gypsy moth from Wisconsin. Paragraph (qb) is a segregated revenue derived from a surcharge on the sale of individual tree seedlings from the state nurseries. For fiscal year 1997, \$832,600 was appropriated to paragraph (q) and \$200,000 to paragraph (qb). Paragraph (q) is an annual appropriation and paragraph (qb) is a continuous appropriation.

These funds are utilized to control gypsy moth populations in Wisconsin. This control will reduce the damage to Wisconsin's forestry and tourism economies and environmental resources. The DATCP and the DNR work cooperatively to control this insect.

SUMMARY - Expenditures by Agencies Outside of the DNR:

Appropriation	Expenditures by Fiscal Year					
	1986	1988	1990	1992	1994	1996
WI. Conservation Corps	\$559,100	\$335,496	\$297,700	\$345,890	\$427,989	\$721,157
Gypsy Moth op' for DATCP	NA	NA	NA	170,844	540,116	939,152
Total	\$559,100	\$335,496	\$297,700	\$516,734	\$968,105	\$1,660,309

THE FINANCIAL CONDITION OF THE FORESTRY ACCOUNT- end of the 1996 fiscal year

Opening Cash Balance (7/1/95)	\$ 8,589,267
All Revenues (during 1996fy)	\$51,209,664
All Expenditures (during 1996fy)	<u>\$45,332,029</u>
Closing Cash Balance (6/30/96)	<u>\$14,466,902</u>

Because the primary revenue to the Forestry Account is a property tax with a fixed mill rate and because property values in Wisconsin have annually increased since 1987, the Account has been fiscally strong.

However, everyone must be aware of how quickly a positive Account balance can be eliminated. When property values decline or stabilize, the annual revenue increase will also decline or stabilize.

MANAGEMENT OF THE FORESTRY ACCOUNT

The ability to manage the Forestry Account during both surplus and deficit is a major concern of the Forestry program. Forestry has experienced the consequences of managing the account during a stabilization of property values and understands the importance of maintaining a significant balance within the account.

Because the mill rate is a fixed rate, the annual change in revenue receipts is directly related to the change in statewide property values. A five percent increase in property values, produces a five percent increase in mill tax revenue. Historically, past sustained annual property value increases has produced large, unappropriated balances within the Account. These balances grow until the legislature identifies a significant use. The large account balance that was available in the mid-1980's was utilized in-part to establish the Wisconsin Conservation Corps and the resource aid payments to those Counties with at least 40,000 acres of tax law lands.

The Department and the Forestry program manage the account by adjusting the draw that Forestry and others within the Department expend from the account. This is accomplished when revenues

are declining by holding vacancies open, by reducing expenditures, by restricting budget initiatives, and by appropriation reductions. For example, during the 1987/89 biennial budget process, appropriations that supported the Forestry program were directly reduced by \$2.9 million per year. This reduction included 28.84 positions.

During the 1996 fiscal year, appropriations from the Forestry Account provided \$38,168,468 for operational expenditures. Salary and fringe accounted for 73.2% of these operational costs. Because personnel costs represent a large portion of all of the operational expense budgets that draw from the Forestry Account, funding reallocations and reductions are very difficult decisions to implement.

Future management of the Account will become more complex as new, continuous draws are added. Non-DNR draws on the account are a significant concern. This is because the ability to manage the Account within the Department is compromised. Sometime in the future the growth in property values will stabilize or decline. When this happens the present draws on the Account will need to be adjusted to maintain the Account's integrity.