



Public Property: State Faces Deadline for Conservation

After three decades, the Warren Knowles-Gaylord Nelson Stewardship Program faces intense financial pressures: core spending on conservation land purchases is at its lowest level but debt payments remain near their peak. Should state officials renew the program and, if so, at what funding level?

As it marks its 30th anniversary this year, the Knowles-Nelson Stewardship program finds itself at a crossroads. The state land-purchase program has amassed a legacy of contributions to such projects as the Ice Age Trail, which winds across Wisconsin; and the Hank Aaron State Trail, which heads for home past Miller Park toward Milwaukee's lakefront.

However, the future of the Stewardship program is uncertain as it nears its expiration date of June 30, 2020. Among state officials and stakeholders, one side seeks to reverse the decline in land purchases and other program spending, while the other seeks to hold down those expenditures, pointing to the substantial debt remaining on the hundreds of thousands of acres that have been acquired.

Current Gov. Tony Evers has expressed support for a 10-year renewal of Stewardship, but in his 2019-21 budget plan proposed extending the program for just two years at the current borrowing level of \$33.3 million

per year. It is unclear whether lawmakers will support that amount of funding.

In addition, a review of the Stewardship program finds it facing the following financial challenges:

- The annual allotment for borrowing, which funds the program, is down 61.3% from its 2011 peak, without accounting for inflation. (All figures come from the Legislative Fiscal Bureau (LFB) and all years are fiscal years unless otherwise noted.)
- The actual overall program spending of \$23 million in 2018 was about one-quarter of what it was in 2007. The \$2.9 million spent last year on DNR land purchases was the least in the program's history, without adjusting for inflation. In addition, 2018 marked the first time DNR land purchases were not the program's largest expenditure.
- At the same time, overall annual costs of the program remain

relatively high and near their 2014 peak. The state needed \$93.6 million in 2018 to cover Stewardship debt payments and aids to local governments to replace revenues lost to untaxed public lands. That amount approaches the annual budget of the state Department of Agriculture, Trade, and Consumer Protection.

- These rising costs reflect the program's protection of more than 800,000 acres in Wisconsin. The land was purchased at a substantial cost, but much of it is owned outright by the state and, like any asset, can increase in value over time.

The program has drawn matching grants from private organizations and the federal government and enjoyed some bipartisan backing in the Legislature over the years. Surveys sponsored by advocates also show public support for conservation funding, though they also show most voters are not familiar with the Stewardship program itself.

Some Stewardship critics warn that the cost of buying and maintaining public lands has become unaffordable. Stewardship, they maintain, has run up too much debt, locked away too much property from private ownership and development, and taken too much land off local tax rolls.

Supporters say the program’s cost represents an investment in the state’s environment and in public recreation at a time when an increasingly urban population has fewer opportunities to visit private lands in rural areas. They say it helps protect land, water, and timber resources that contribute to the forest products industry and to Wisconsin’s estimated **\$17.9 billion outdoor recreation economy**. They say Stewardship has protected endangered species as well as sensitive wetlands that may be poor candidates for development but protect against flooding. Finally, they say leaving the program’s long-term future in doubt makes it harder to set up deals, since property sales take time to complete.

Under then-Governor Walker, the Wisconsin Department of Natural Resources (DNR) proposed renewing the program for an additional 10 years at the current funding level. Evers wants to use his proposed two-year extension to gather ideas for a new Stewardship initiative by appointing a blue ribbon task force similar to the groups that have provided input on the program at key points in the past.

GLOSSARY

EASEMENT—A legal right to use another’s land for a specific limited purpose or place restrictions on other uses such as development without taking possession of the legal title to the property from the landowner.

FEE TITLE—A land sale which transfers full ownership of the property, including the title, from the seller to the buyer.

GENERAL OBLIGATION BONDS—Government-issued bonds backed by the full taxing and borrowing power of the state of Wisconsin rather than the pledge of just one limited revenue stream.

FORESTRY ACCOUNT—This account in the state’s Conservation Fund supports forestry and related activities. Since the Legislature’s 2017 repeal of the state property tax for forestry, over 80% of the account’s revenues consist of general state taxes, supplemented by proceeds from timber sales, campsite and entrance fees at state forests, and other minor sources.

PUBLIC LANDS—Land owned by federal, state, and local governments.

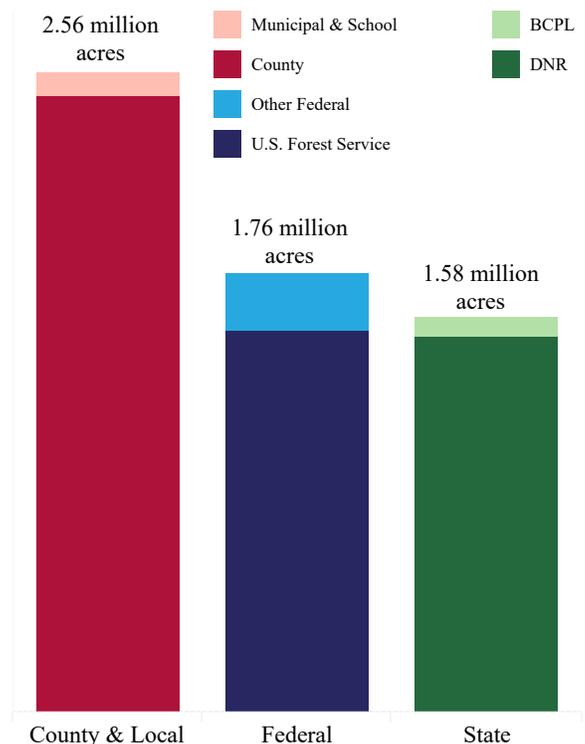
PUBLIC LANDS IN WISCONSIN

Any discussion of Stewardship starts with consideration of public land in the state. Wisconsin covers 35.6 million acres. Roughly 5.9 million acres, or 16.5%, is publicly owned and used for parks, forests, trails, and natural resource protection, DNR data show. County, federal, and state governments all manage large amounts of public conservation land throughout the state. (See Figure 1.) An additional 1.6 million acres of private and tribal lands are open to public access through various state and federal programs. In all, 21% of the state’s lands, or 7.5 million acres, are open to public recreation.

Public lands are found across Wisconsin but are most concentrated in the northern part of the state. (See Figure 2 on page 3.) In the south, just 0.3% of Milwaukee County is public land while 63.2% of the land is public in the aptly named Forest County, which includes 345,000 acres of national forest.

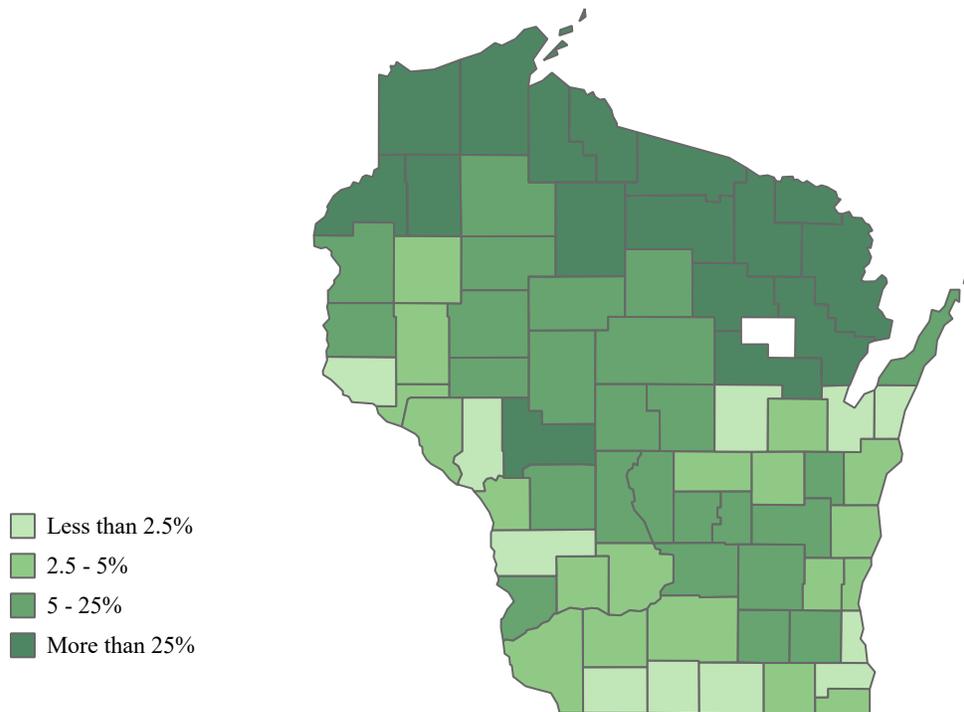
States west of Wisconsin tend to have higher percentages of public land due to high rates of federal land ownership, while states on the East Coast have fewer public acres. In the Upper Midwest, Wisconsin has a lesser percentage of acres open to public recreation than Minnesota and Michigan, but a greater percentage than

Fig. 1: WI Counties Lead in Public Land Ownership
Public Land Acreage in the State by Owner, 2019



Source: WI Statewide Comprehensive Outdoor Recreation Plan

Fig. 2: Public Lands Most Common in Northwoods
 Concentration of Public Lands by County in Wisconsin, 2019



© 2019 Mapbox © OpenStreetMap

Source: Wisconsin Statewide Comprehensive Outdoor Recreation Plan
 * Menominee County has no local, state or federal land

Illinois and Indiana, according to each state’s Statewide Comprehensive Outdoor Recreation Plan.

In Wisconsin, most public lands under state authority are managed by the DNR—just over 1.5 million acres. The department also held an additional 330,452 acres in easements as of June 30, 2018. That brings the agency within 83% of its 2.2-million-acre land ownership goal, which it develops with the Natural Resources Board to guide its overall acquisitions strategy. This target is up substantially from where it stood in 2003 but down from 2015, according to LFB reports. A small portion of state properties are overseen by the Board of Commissioners of Public Lands (BCPL), which manages them to fund public education.

THE STEWARDSHIP PROGRAM

For the last three decades, the Stewardship program has been the main vehicle for state conservation land purchases in Wisconsin. With the help of federal and private funding, the program has used state-issued debt for the DNR to purchase land or acquire easements on 826,231 acres, or more than half of all lands under DNR ownership or protection, according to the LFB.

The state had made conservation land purchases for generations, but Wisconsin’s broad-based efforts began in 1961 with the Outdoor Recreation Act Program (ORAP), the predecessor to Stewardship. A one-cent per pack tax on cigarettes generated funding for ORAP to secure 54,000 acres of land over 31 years.

Created in 1989, the Stewardship program allows the state to borrow money for DNR land purchases. Borrowed funds also are used by DNR to award grants to local governments and non-profit organizations for conservation or recreation purposes, generally for up to 50% of the proposed spending. The goals are to preserve the state’s environmentally-sensitive lands, waters, and wildlife habitats and to promote outdoor recreation. In addition, the Stewardship program may fund construction or renovation projects on those lands such as parks, trails, piers, and harbors. The program has had more interest in projects with partners than it can handle, funding just 30% of the requests for local assistance that it has received since 2014, according to the LFB.

This analysis focuses on fiscal elements and does not attempt to look at all of the costs and benefits of the program. The potential benefits of public lands, for

STEWARDSHIP IN ACTION

Situated on the Mississippi River Terrace, the Holland Sand Prairie in La Crosse County was created about 12,000 years ago. With nearly 150 native plant species identified so far, these 61 acres help preserve the last sizable piece of sand prairie that remains between Trempealeau and Prairie du Chien.

It provides habitat for creatures such as the monarch butterfly, an essential pollinator for food production. The Mississippi Valley Conservancy, the Town of Holland, and local residents matched a \$483,000 Stewardship grant to preserve the prairie. Designated a State Natural Area in 2007, the prairie is open for hiking, bird watching, and use by local schools.

example, include groundwater recharge, carbon sequestration, and the advantages of public recreation in the outdoors. WPF was unable to obtain information on the number of visits to Stewardship lands or DNR lands as a whole. However, the state park system—just one segment of Wisconsin’s public lands—received nearly 18 million visits in 2017, a 27% increase over 2007, according to LFB.

The state’s sizable forest products industry also uses public forest lands, which total 29% of the timberlands in Wisconsin—a share that exceeds the average in 32 key states in an April 2019 study by the National Alliance of Forest Owners. Wisconsin’s public timberland supported 44,871 jobs (including direct, indirect, and induced employment), second only to Pennsylvania. Among the states, Wisconsin also derived the highest concentration of total gross domestic product (0.6%) from public timberland.

Stewardship backers say the sale of Wisconsin’s

northern forest lands by paper and timber companies has opened up opportunities for conservation purchases but also has raised the possibility of losing large tracts of wooded lands to subdivision and development. For example, DOR assessment and property values data show the overall acreage of private Wisconsin land classified in either of two forest categories declined from 7.1 million acres in 2000 to 5.8 million acres in 2018. A UW-Madison study of a similar timeframe (1999 to 2015) found state programs including Stewardship were “instrumental in maintaining public access and buffering fragmentation during this dynamic transition period.”

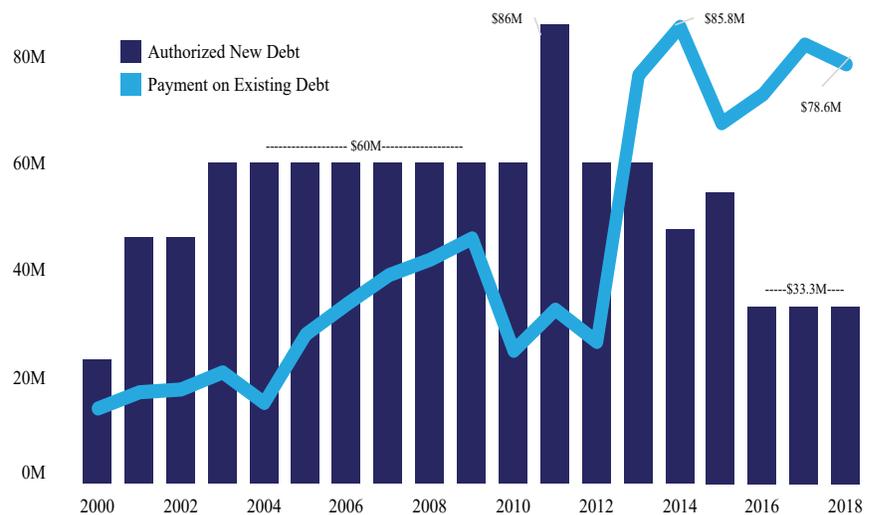
STEWARDSHIP FUNDING AND SPENDING

Financing

The Stewardship program has been funded in 10-year cycles in which lawmakers and the governor set borrowing and spending levels. Land purchases and projects are supported by 20-year general obligation bonds that are repaid using a mix of general fund taxes (such as those on income and sales) and various revenues from the state’s Forestry Account.

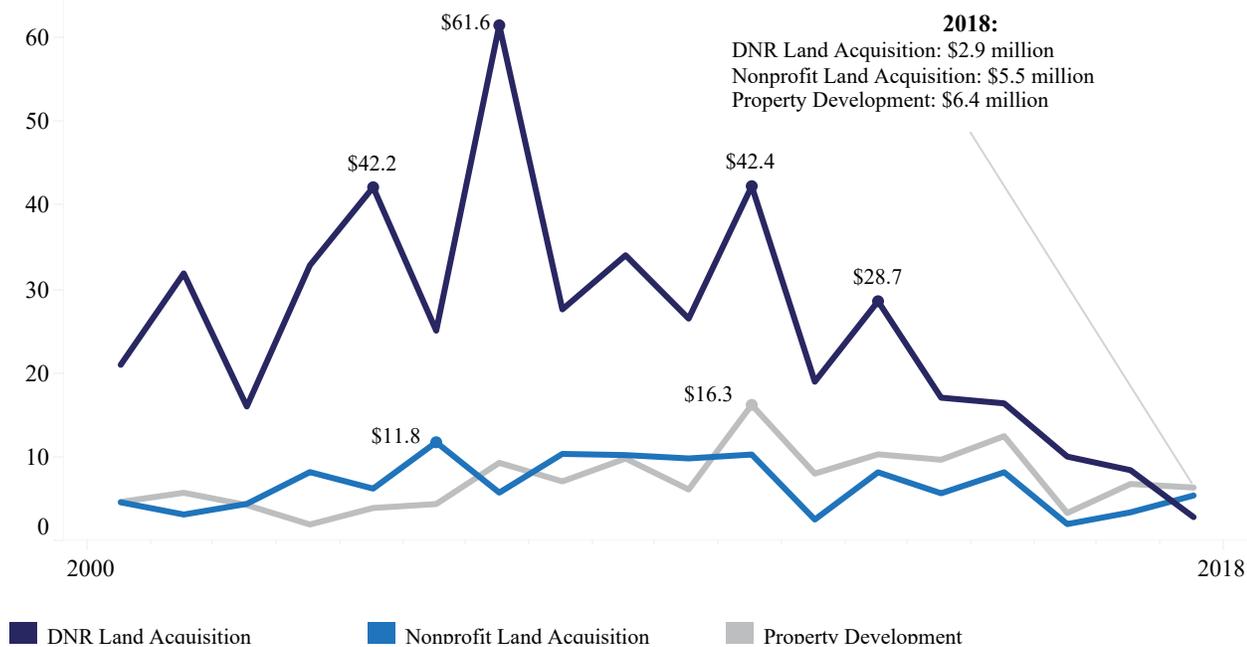
From its inception in 1989 through June 30, 2020, the program has been authorized to borrow as much as \$1.3 billion. As of June 30, 2018, the state had made a total of \$865 million in debt payments to cover principal and interest on program bonds. Currently, the state has

Fig. 3: New Borrowing Falls, Payments on Old Debt Rise
New Stewardship Debt Authorizations and Debt Payments in Millions, 2000-2018



Source: Legislative Fiscal Bureau

Fig. 4: Development Overtakes DNR Land Purchases as Top Stewardship Expenditure
Stewardship Spending by Category in Millions, 2000-2018



Source: Legislative Fiscal Bureau

\$546.1 million in principal outstanding on the bonds plus \$168.1 million in interest.

Annual Stewardship borrowing rose over the first two decades of the program’s history but has since fallen:

- The initiative was originally enacted with borrowing of as much as \$23.1 million per year for the first 10-year cycle beginning in 1991.
- The program was renewed for another cycle that began in 2001 with two years of borrowing of as much as \$46 million and then \$60 million annually from 2003 to 2010.
- The borrowing level increased to \$86 million in 2011 only to be lowered in the following years. It now stands at \$33.3 million a year - the least since 2000 without an inflation adjustment.
- In his budget, Evers would allow two more years of program borrowing at current levels.

Figure 3 on page 4 shows the rise and fall of Stewardship borrowing along with the corresponding growth in state payments on the accumulated debt.

The governor’s proposal would leave the program at significantly less than its peak 2011 borrowing

level, which would be about \$96 million in 2018 dollars. The current borrowing allotment is 27.9% lower than the inflation-adjusted amount authorized for the program’s first year in 1991.

Expenditures

Stewardship spending includes three major categories laid out in state law: land purchases, development projects and aid to local governments, and recreational boating (which includes launching sites). Stewardship land purchases are not restricted to the land acquisition category; land may also be purchased under the property development and local assistance category, specifically through local parks aids.

When we consider only the DNR land purchases category, we find that the 2018 spending level of \$2.9 million is the lowest in the program’s history and well below the peak of \$61.6 million in 2007. (See Figure 4.) Also, for the first time, general DNR land purchasing in 2018 was not the largest spending category.

Figure 4 also shows how Stewardship spending has shifted over the past decade away from land purchases toward development. This category includes construction and renovation projects that support out-

door recreation activities, such as access roads, parking areas, drinking water fountains, shelters, restroom facilities, signs, and other features that provide access for the disabled. This trend may reflect factors such as the large amounts of land purchases already made, political concerns, and an increase in maintenance and renovation needs of facilities on public lands.

The drop in spending on DNR land purchases is even more pronounced when accounting for inflation. For example, it would have taken \$74.6 million in 2018 to equal the amount spent to buy properties in 2007. Stewardship spending to help non-profits acquire conservation land is also down substantially from its peak that same year, though the decrease is not as great.

One way to think about the purchasing power of Stewardship is to look at the change in land values over time. Wisconsin Department of Revenue data show statewide equalized land values (not including structures or personal property) and the per acre value of parcels classified as forest lands grew somewhat more than the Consumer Price Index between calendar 2000 and 2018. However, the equalized value of forestland (\$1,800 per acre) remains less than its peak of \$1,959 per acre in 2009. Given that forest properties are a key part of Stewardship acquisitions, this dip in

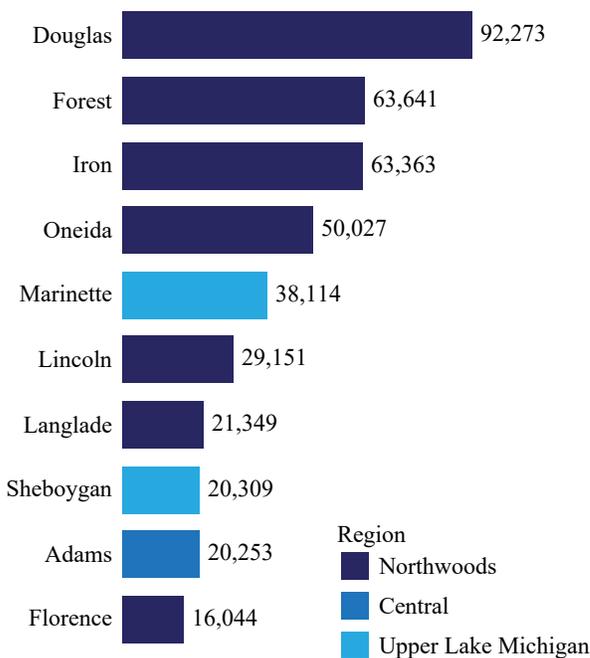
values may have buffered the purchasing power of the program in recent years.

As Figure 5 shows, the Stewardship program has acquired more acres of land in the northern part of the state. That may reflect the rural, undeveloped character of the region as well as lower land prices than in more populated areas. At the same time, the program has directed significant amounts of its overall land-acquisition spending toward southern Wisconsin counties such as Dane and Waukesha, due in part to aggressive local efforts to preserve land and to higher land values in those areas.

In recent years, lawmakers have placed additional controls on Stewardship borrowing and spending. Those include specifying that unused bonding allotments cannot be carried over into future years and requiring that the Joint Finance Committee review projects with a price tag of \$250,000 or more or a location north of State Highway 64.

Another point of scrutiny has been the price paid by taxpayers for Stewardship lands. Since 2007, if the selling price of a parcel of land is over \$350,000, the DNR has been required for certain grants to obtain at least two appraisals from private real estate appraisers who examine the property under accepted methods to determine fair market value. At least one of the appraisals must be paid for by the DNR, which will then make an offer after reviewing both. We were unable to obtain price paid per acre data from the state to include in this report.

Fig. 5: North Leads in Total Stewardship Purchases
Top WI Counties for Stewardship Purchases in Acres, 2019



Source: Legislative Fiscal Bureau

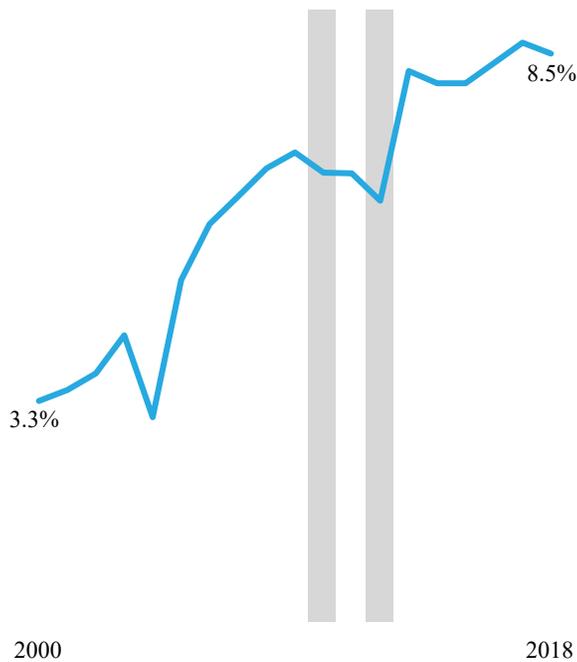
COSTS OF STEWARDSHIP

The Stewardship program's main costs to state taxpayers consist of payments on state debt and aids in lieu of taxes to compensate municipalities that cannot collect property taxes on public lands purchased through the program. In 2019, these costs are expected to total \$95.5 million, according to the LFB.

Debt Payments

As the amount of total Stewardship purchases has risen, so has the debt that comes with them. Figure 6 on page 7 shows annual debt payments on Stewardship bonds totaled \$78.6 million in 2018. That decreased from a peak of \$85.6 million in 2014 but was still nearly double the figure from a decade earlier in nominal dollars, according to figures provided by LFB. Stewardship debt service also rose as a share of

Fig. 6: Stewardship Rising as % of Debt Payments
Stewardship Debt Service as Percentage
of Total General Obligation Debt Service, 2000-2018



Source: Legislative Fiscal Bureau

the state’s overall payments on general obligation debt, from 3.3% in 2000 to 8.5% in 2018.

Aids in Lieu of Taxes

As the state’s land holdings increase, so does the pressure to help offset lost property tax revenues for local governments. State payments to local governments totaled \$13.6 million in 2018, a little short of the 2014 peak. (See Figure 7.)

To distribute the aids, the DNR makes payments to municipalities with public lands within their borders. The funds are then divided among the various taxing districts (county, school, technical college, etc.) based on their share of the property tax levy. The payment amounts are based on the lesser of either the state purchase price or the prior year’s equalized value for the property. In the case of lands that already were tax-exempt or paying lower property taxes through a state forestry program, local governments receive payments based on either the purchase price or \$10 per acre, whichever is less.

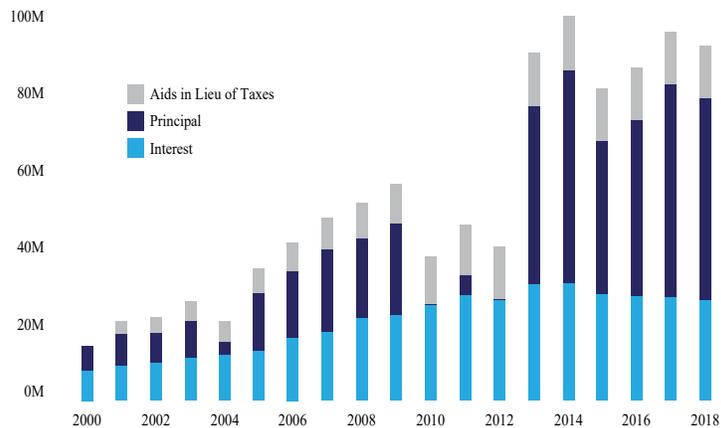
The financial impact of a Stewardship purchase on local governments varies based on the purchase date, the assessment in the previous year, the price paid, and potential for future development. However, the figure of \$10 per acre is similar to the maximum amount that would be paid in lieu of property taxes by private landowners who enroll parcels in the state’s Managed Forest Law program (which promotes sustainable forestry and to an extent public access to land). In some cases, Stewardship purchases may also hold down future costs for local governments by preventing development that would require additional municipal services.

LAND PURCHASING IN OTHER STATES

The Stewardship program is similar to others in some neighboring states in its use of borrowing as its main funding mechanism. Illinois’ “Partners for Conservation” and Michigan’s “Clean Michigan Initiative” also use general obligation bonds to fund environmental projects, and the Minnesota House Research Department notes that state authorizes the use of general obligation bonds to “acquire and better public land and buildings.” As of August 2016, 14 states (including Wisconsin) used borrowing for programs dedicated to conservation, according to a [report from The Trust for Public Land](#).

However, other states use different approaches for public land purchases and projects. While the Wisconsin DNR uses the Stewardship program to carry out most land acquisition and maintenance, states such as Illinois, Minnesota, and Indiana all break up these responsibilities among different departments. In addition, the annual borrowing allotments for the Stewardship program were

Fig. 7: Stewardship Costs Near Highest Levels
Wisconsin Stewardship Payments by Type in Millions, 2000-2018



Source: Legislative Fiscal Bureau

significantly larger than any other individual Midwestern program in the recent past, although the larger authorizations may be partially explained by the program's broader scope.

Additionally, many states have dedicated sources of revenue to pay for conservation. Funding for programs in the Midwest comes from real estate transfer taxes (Illinois), "environmental" license plates (Indiana), lottery revenues (Minnesota and Iowa), and revenues and investments from oil, gas, and mineral mining (Michigan). Deed recording fees and a portion of the sales tax are among other popular funding streams for dedicated state conservation programs.

While few programs in other Midwest states individually approach the Knowles-Nelson Stewardship Program in terms of scope or size, there is a commitment across the region to devote funding and staff to state land purchases and environmental programs.

CONCLUSION

As with other pressing issues in the state budget, lawmakers and Gov. Evers will have to balance the benefits of the Stewardship program against its costs. In doing so, elected officials may wish to gather the views of stakeholders, experts, and the public, as the governor has suggested with his proposal to create a new blue ribbon commission. The non-partisan Legislative Audit Bureau (LAB), a key source of oversight on state programs, also could provide assistance. LAB last reviewed the Stewardship program in 2000 and could provide an updated perspective if legislators request it.

From a financial perspective, policymakers have three options:

Continue Current Funding

Maintaining Stewardship at today's borrowing levels for the next 10 years would provide certainty for stakeholders, albeit at a reduced scale from its 2011 peak. Under a status quo scenario, inflation would erode the purchasing power of the program. However, 10 years of borrowing at even the current level would cost approximately \$533.6 million in principal and interest at a conservative assumed rate of 5%, according to LFB.

Reduce Funding

Lowering funding levels could cause the program to pull back even further from additional land purchases and focus

on development and maintenance of existing properties. That would save in borrowing costs but mean forgoing the opportunity to purchase and preserve properties put up for sale in coming years.

Increase Funding

Realizing the expanded vision of the program that was approved in 2007 would require a substantial commitment, both to pay off existing debt and undertake the additional borrowing that would be needed. Approving 10 years of program borrowing at \$46 million annually—still far below the program's peak funding—would entail total debt payments of \$738.2 million, LFB calculates. If they do opt to expand the program, Wisconsin officials may wish to consider specific offsetting cuts in other areas or the prospect of a dedicated funding source similar to those used by other states for land preservation and conservation activities.

While this choice can be viewed as no different from the dozens of other budget decisions made by lawmakers and governors, such a view disregards the far-reaching impacts of the Stewardship program. In considering Stewardship funding, officials not only must consider today's fiscal pressures and competing priorities, but also the potential value of preserving unique properties for future generations.

The need to make tough budget choices over a two-year window is difficult enough; in this case, the Stewardship program's 10-year horizon, even lengthier debt repayment, and generational impact on the state's environment and citizens create a particularly challenging dilemma for policymakers.

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