



# STATE OF WISCONSIN | Legislative Audit Bureau

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Joe Chrisman  
State Auditor

DATE: October 19, 2017

TO: Senator Robert Cowles and  
Representative Samantha Kerkman, Co-chairpersons  
Joint Legislative Audit Committee

FROM: Joe Chrisman  
State Auditor 

SUBJECT: Proposed Audit of the Forestry Account and Funding for Forestry Expenditures—  
Background Information

At your request, we have gathered some background information the Joint Legislative Audit Committee may find useful in considering an audit of the Forestry Account and funding for forestry-related expenditures. The Forestry Account, which is administered by the Department of Natural Resources (DNR), is one of nine accounts that constitute the Conservation Fund, a segregated trust fund that provides support for a number of resource programs administered by DNR.

The Forestry Account funds DNR's forestry program and related administrative activities. The Wisconsin Constitution allows the State to appropriate funds for acquiring, preserving, and developing the forests of the state through a tax on property, which is often referred to as the forestry mill tax. Beginning with property tax assessments as of January 1, 2017, no such tax will continue to be levied in accordance with provisions of 2017 Wisconsin Act 59, the 2017-19 Biennial Budget Act. Under Act 59, funds will instead be transferred from the General Fund to the Forestry Account. Additional funding for the Forestry Account includes revenue generated by the sale of timber from state forests, sales from state tree nurseries, and camping and entrance fees for state forests.

The Legislative Audit Bureau's (LAB's) prior audit of the Forestry Account (report 02-2) originated, in part, from concerns about the extent to which funds in the Forestry Account were used for non-forestry related expenditures. In report 02-2, LAB found 27.8 percent of DNR's fiscal year (FY) 2000-01 Forestry Account expenditures were used for administration. Approximately two-thirds of that amount was for department-wide administration and support services costs. In FY 2000-01, LAB also found that \$4.5 million in Forestry Account expenditures by DNR and other agencies supported programs that had no direct relationship to forestry.

Concerns have again been raised about the use of forestry-related funds. In May 2017, the Wisconsin Council on Forestry wrote to the Governor and the Joint Committee on Finance to recommend an audit of the Forestry Account. Act 59 includes a nonstatutory provision that requests the Joint Legislative Audit Committee to direct LAB to perform an audit of "the monies received by the department of natural resources for forestry activities and how

those monies are spent.” If directed to perform the audit, Act 59 requires LAB to complete it on or before June 30, 2019.

An audit of the Forestry Account and the funding for forestry-related expenditures could:

- review trends in overall revenues, expenditures, and staffing levels;
- analyze detailed program expenditures, including staffing costs, to determine the extent to which the Forestry Account’s funds are used for purposes that are entirely forestry related, as well as for purposes that benefit programs in addition to forestry, or which do not benefit the forestry program; and
- determine DNR’s compliance with applicable requirements governing the allocation and use of forestry-related funding.

To complete this audit, we will work directly with DNR. However, we may also perform audit work at other agencies that have received funding from the Forestry Account.

I hope you find this information helpful. If you have any additional questions regarding this proposed audit, please contact me.

JC/jj

cc: Senator Chris Kapenga  
Senator Alberta Darling  
Senator Kathleen Vinehout  
Senator Mark Miller

Representative John Macco  
Representative John Nygren  
Representative Melissa Sargent  
Representative Terese Berceau

Mr. Daniel Meyer, Secretary  
Department of Natural Resources