



REPORT HIGHLIGHTS

Report 18-8
August 2018State Auditor
[Joe Chrisman](#)

Forestry Account

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 programs and activities administered by DNR. The Forestry Account funds DNR's forestry program and related administrative activities.

In fiscal year (FY) 2016-17, DNR and other state agencies spent an estimated \$121.6 million in state and federal funds from the Forestry Account for staff salaries, fringe benefits, supplies and services, local aid, capital purchases, and debt service. Concerns have been raised about the use of forestry-related funds. A nonstatutory provision in 2017 Wisconsin Act 59, the 2017-19 Biennial Budget Act, requested the Joint Legislative Audit Committee to direct the Audit Bureau to audit the revenue received by DNR for forestry activities and how the revenue was spent.

At the direction of the Joint Legislative Audit Committee, we:

- reviewed trends in Forestry Account revenues, expenditures, and staffing levels;
- analyzed detailed program expenditures to determine the extent to which Forestry Account funds were used for purposes that are primarily related to forestry, that support forestry in addition to other programs, and that are not directly related to forestry; and
- determined DNR's compliance with applicable requirements governing the allocation and use of forestry-related funding.

Revenues and Expenditures

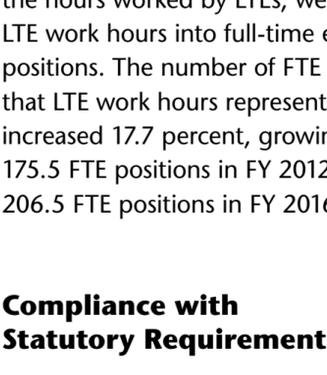
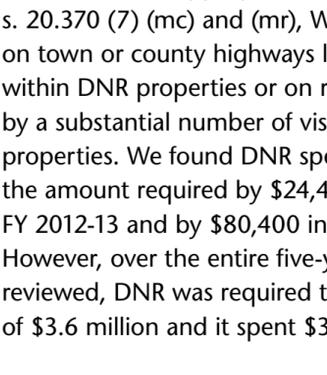
Total Forestry Account revenues increased from \$108.2 million in FY 2012-13 to an estimated \$123.3 million in FY 2016-17, or by 14.0 percent. The mill tax was the largest source of revenue for the Forestry Account and represented 69.7 percent of total Forestry Account revenues in FY 2016-17.

Act 59 eliminated the forestry mill tax beginning with property tax assessments as of January 1, 2017, and it directed a transfer of general purpose revenue (GPR) to the Forestry Account of an amount equal to what the mill tax would have been. This amount was estimated to be \$89.3 million in FY 2017-18 and \$91.6 million in FY 2018-19.

Forestry Account expenditures increased from \$106.9 million in FY 2012-13 to an estimated \$121.6 million in FY 2016-17, or by 13.8 percent. Segregated revenue, which is primarily revenue from the forestry mill tax, funded more than 92.9 percent of total Forestry Account expenditures. For FY 2016-17, we estimate that the Forestry Account's revenues exceeded its expenditures by \$1.7 million and that the balance in the Forestry Account at year end was \$30.8 million.

Revenues and Expenditures for the Forestry Account

FY 2016-17

**Total: \$123.3 million****Total: \$121.6 million**

Positions Funded by the Forestry Account

Personnel expenditures made from the Forestry Account funded both permanent employees and limited-term employees (LTEs). The total number of authorized full-time equivalent (FTE) positions in DNR funded by the Forestry Account declined from 641.3 FTE positions in FY 2012-13 to 615.8 FTE positions in FY 2016-17, or by 4.0 percent. The largest decline in the number of positions was in forestry field operations, which experienced a decline of 20.5 FTE positions (6.0 percent). Of the 630.8 FTE positions funded by the Forestry Account in FY 2016-17, 615.8 FTE positions (97.6 percent) were in DNR and 15.0 FTE positions (2.4 percent) were in other state agencies.

To help facilitate an understanding of the hours worked by LTEs, we converted LTE work hours into full-time equivalent positions. The number of FTE positions that LTE work hours represented increased 17.7 percent, growing from 175.5 FTE positions in FY 2012-13 to 206.5 FTE positions in FY 2016-17.

Compliance with Statutory Requirements

Since FY 2011-12, DNR has been required to spend in each fiscal year at least one-third of the amounts appropriated under s. 20.370 (7) (mc) and (mr), Wis. Stats., on town or county highways located within DNR properties or on roads used by a substantial number of visitors to DNR properties. We found DNR spent less than the amount required by \$24,400 in FY 2012-13 and by \$80,400 in FY 2015-16. However, over the entire five-year period we reviewed, DNR was required to spend a total of \$3.6 million and it spent \$3.8 million.

Section 25.29 (7) (a), Wis. Stats., requires that 8.0 percent of annual forestry mill tax revenue, or funds provided in lieu of the mill tax, be used to acquire and develop forests in the specified 16-county region located in southeastern Wisconsin. Additionally, s. 25.29 (7) (b), Wis. Stats., requires that 4.0 percent of annual forestry mill tax revenue, or funds provided in lieu of the mill tax, be used for the purchase of forests in the 16-county region. We found that DNR was in compliance with the 8.0 percent expenditure requirement during the five-year period from FY 2012-13 through FY 2016-17. However, we found that DNR was not in compliance with the 4.0 percent annual expenditure requirement for the purchase of forests for four of the five years we reviewed. Expenditures for these purchases had decreased each year, declining from \$3.9 million in FY 2012-13 to \$470,500 in FY 2016-17.

Expenditures Categorized by Their Relationship to Forestry

We analyzed the extent to which expenditures made from the Forestry Account in FY 2016-17 were related to forestry activities. An estimated \$65.1 million (53.5 percent) of expenditures was for activities that are primarily related to forestry, which include those activities associated with the development and care of forests for the primary purpose of forest conservation or producing forest products, such as lumber.

An estimated \$49.2 million (40.5 percent) of expenditures was for activities that may support forest conservation and the production of forest products, but also support other program areas, such as the operation and maintenance of shared facilities and the use of forests for social and recreational activities.

An estimated \$7.3 million (6.0 percent) of expenditures was for activities that are not directly related to forestry. Of this amount, \$5.0 million (68.4 percent) was for aids in lieu of taxes paid to local governments for DNR-owned wildlife, parks, and fisheries property. These aids are paid to local governments to compensate them for the property taxes they would have collected if the land had been privately owned.

The remaining \$2.3 million in Forestry Account expenditures that was not directly related to forestry consists of a wide range of activities, such as administration of the Car-Killed Deer program, maintenance and development of public motorboat access sites, and research on chronic wasting disease.

DNR's administrative expenditures funded by the Forestry Account totaled an estimated \$25.9 million in FY 2016-17, and they represented 21.9 percent of all Forestry Account expenditures made by DNR.

Expenditures Made by Other State Agencies

Expenditures made from the Forestry Account by state agencies other than DNR increased from \$2.9 million in FY 2012-13 to \$3.0 million in FY 2016-17, or by 3.4 percent. In FY 2016-17, five state agencies in addition to DNR spent Forestry Account funds. The Department of Agriculture, Trade and Consumer Protection accounted for \$1.7 million (56.7 percent) of the expenditures made by agencies other than DNR. It spent these funds to control forest pests, such as gypsy moths and emerald ash borers.

We found that the Forestry Account expenditures made by the Wisconsin Historical Society for staffing the Northern Great Lakes Visitor Center were not directly related to forestry. These expenditures totaled \$62,200 in FY 2016-17.

We also found the University of Wisconsin (UW) System did not comply with statutory requirements to limit to \$78,000 annually the amount of Forestry Account funds spent on the paper science program administered by UW-Stevens Point and to limit to 5.0 percent the amount of Forestry Account funds spent annually on administrative costs by the UW Center for Cooperatives. UW System Administration provided \$84,500 to UW-Stevens Point's paper science program in FY 2016-17, which is \$6,500 more than permitted by statutes, and the UW Center for Cooperatives spent \$20,300 on administrative expenses, or \$13,400 (194.2 percent) more than permitted by statutes.

Recommendations

We recommend the Department of Natural Resources comply with s. 25.29 (7) (b), Wis. Stats., by spending 4.0 percent of annual funds provided in lieu of the mill tax to purchase forests in the 16-county region specified by statutes (*p.* 30).

We also recommend University of Wisconsin System Administration:

- comply with the spending requirements specified in s. 20.285 (1) (qm), by limiting to \$78,000 annually the amount it provides in Forestry Account funds to the paper science program administered by the University of Wisconsin-Stevens Point (*p.* 44); and

- ensure that the University of Wisconsin Center for Cooperatives spends no more than 5.0 percent of the total amount of annual Forestry Account funds it receives on administrative costs, as required by s. 36.56 (2), Wis. Stats. (*p.* 44).

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