THIS LAND IS OUR LAND

The Past and Future of Conservation Funding in Wisconsin



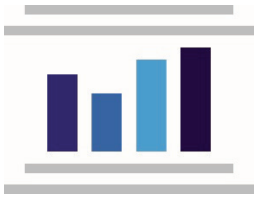
WISCONSIN POLICY FORUM

ABOUT THE WISCONSIN POLICY FORUM

The Wisconsin Policy Forum was created on January 1, 2018, by the merger of the Milwaukee-based Public Policy Forum and the Madison-based Wisconsin Taxpayers Alliance. Throughout their lengthy histories, both organizations engaged in nonpartisan, independent research and civic education on fiscal and policy issues affecting state and local governments and school districts in Wisconsin. WPF is committed to those same activities and that spirit of nonpartisanship.

PREFACE AND ACKNOWLEDGMENTS

We wish to acknowledge and thank Gathering Waters, the Wisconsin Realtors Association, Godfrey & Kahn, the Wisconsin Wildlife Federation, Pheasants Forever, the Audubon Great Lakes, and the Community Foundation of the Fox Valley Region, which together helped to fund this research. We also thank those groups who shared or published data used in this report, including the Wisconsin Legislative Fiscal Bureau and Department of Natural Resources.



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The Past and Future of Conservation Funding in Wisconsin

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INTRODUCTION

From the shores of Lake Michigan and Lake Superior to the banks of the Mississippi River, Wisconsin has a wealth of natural resources and a population who prizes them. From hunting and fishing to camping, hiking, and bicycling, Wisconsinites pursue outdoor pastimes at higher than average rates. The state's natural resources are also key to its economy, drawing in visitors and tourism dollars and fueling the forest products and waterborne shipping industries.

A look at this landscape finds many positives. As the Wisconsin Policy Forum noted in a February 2021 report, participation in outdoor recreation skyrocketed during the pandemic, with massive jumps in the number of visits to state parks and first-time fishing licenses purchased. In part because the state provides many outdoor recreation opportunities across both public and private lands, these new participants found new pastimes and new places to enjoy them. It is difficult to find metrics that do not show a strong increase in outdoor recreation over the past two years.

Yet the state's heritage also faces challenges, from climate change to urbanization, development, invasive species, overcrowding in some parks, and changing patterns in outdoor recreation itself. Historically, the state has responded to threats like these with innovative conservation programs championed by prominent figures such as Aldo Leopold, Gaylord Nelson, and Warren Knowles.

Conservation and parks programs are meeting with difficulties in adapting to these latest issues, in part because of funding. Tax revenue for conservation and parks in Wisconsin has steadily eroded over decades, leaving the state more dependent on user fees and borrowing to finance both public land purchases and ongoing operations. Now, threats are emerging for these sources as well.

In light of these challenges, this report explores new options for funding conservation. Sponsored by Gathering Waters, the Wisconsin Realtors Association, Godfrey & Kahn, the Wisconsin Wildlife Federation, Pheasants Forever, the Audubon Great Lakes, and the Community Foundation of the Fox Valley Region, the study reviews Wisconsin's natural assets and rich history of outdoor pursuits, the state's current conservation financing mechanisms, and approaches used in other states. Though the revenue streams funding environmental regulation lie largely outside the scope of this report, our findings do have a limited bearing on environmental quality as well.

Our key research questions include:

- What are the assets and needs in Wisconsin for conservation and outdoor recreation?
- How do levels and types of state and local spending and revenues in the areas of natural resources and parks in Wisconsin compare to other governments around the country?
- What approaches used in other states could Wisconsin consider?

Though perhaps not unique, Wisconsin stands out as a state with both a tremendous conservation legacy and exciting opportunities to build on it. This report does not advocate for any one approach, but instead presents a number of alternatives. We hope policymakers will find value in them as they consider how to make the best use of this inheritance today and hand it down intact to future state residents.

WISCONSIN'S UNCOMMON NATURAL ASSETS

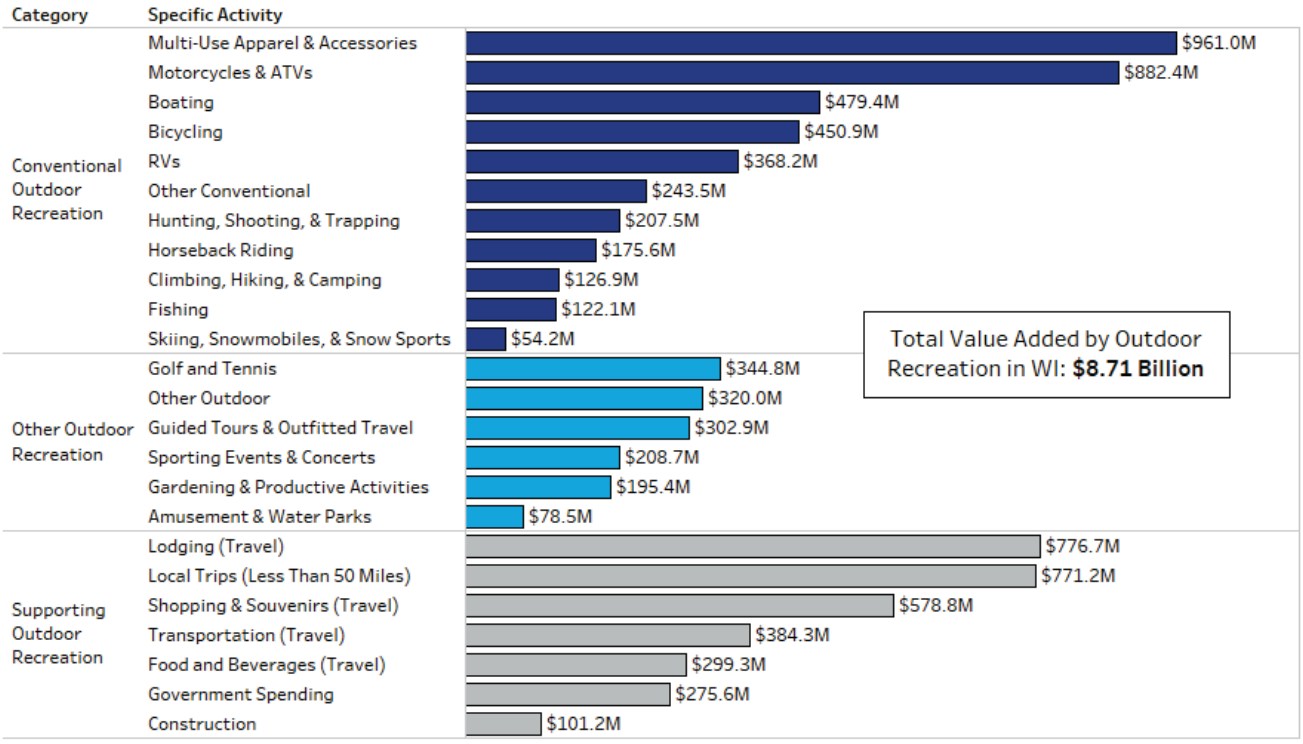
In this section, we catalogue the state's public lands and waters and the tight connection the state's residents have to them through pastimes such as hunting and fishing, camping and hiking, boating and all-terrain vehicle (ATV) riding. These assets and activities bring both richness to life in the state as well as actual wealth for residents through both tourism and industries such as forestry.

Figures from the U.S. Bureau of Economic Analysis show that outdoor recreation added $8.71 billion in value to Wisconsin's economy in 2021 (see Figure 1) and supported more than 89,000 jobs. The industry in Wisconsin outperformed other states in that regard, accounting for 2.4% of state GDP compared to 1.9% nationally and tying for 16th-highest among the 50 states. The 2019 creation of the Office of Outdoor Recreation within the state Department of Tourism was in part a recognition of the role it plays in the state's economy.

Participation rates for many outdoor activities shot upward during the pandemic and have remained elevated since then, suggesting these changes might be long-lasting. At the same time, public funding for maintaining and expanding these opportunities is stagnant or declining, leaving a difficult task for state and local governments seeking to meet public demand. To detail this gap, we start by looking at public lands in Wisconsin and participation levels in outdoor activities and in later sections will examine current and potential programs and funding sources.

Figure 1: Outdoor Recreation Contributes Billions to Wisconsin's Economy

Value added to state economy by outdoor recreation, 2021



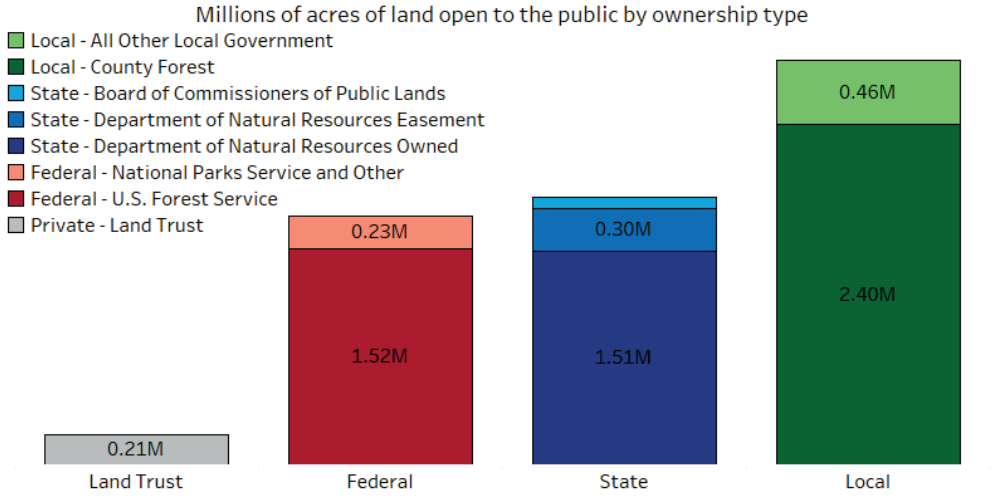
Source: U.S. Bureau of Economic Analysis Outdoor Recreation Satellite Accounts

Public Lands in Wisconsin

Wisconsin has a wealth of public lands and waters – the Department of Natural Resources (DNR) counts more than 15,000 lakes and 84,000 miles of rivers that are open to recreation through what is known as the state's public trust doctrine. In addition, approximately 6.6 million acres, or 17%, of Wisconsin's land is open for public recreation, according to the DNR's Statewide Comprehensive Outdoor Recreation Plan (SCORP), including publicly owned land and easements and land trust properties, as shown in Figure 2.

In addition to the land shown in the chart, there are more than 1 million acres of private land open in exchange for lower taxes as part of the state's Managed Forest Law program, though they are not permanently required to allow public access and could change that status in the future. Further, the reservations and lands of the state's 11 federally recognized tribes total more than 650,000 acres, and tribal members retain certain treaty rights to fish and hunt on non-reservation lands.

Figure 2: Wisconsin Has a Wide Range of Public Lands With Many Owners



Sources: Wisconsin Department of Natural Resources and Gathering Waters

The majority of the public lands in Wisconsin are forests, which help to support both the timber industry and outdoor recreation. County governments own approximately 2.5 million acres of those forests, the state holds an additional 526,947 acres of state forest, and the U.S. Forest Service owns just over 1.5 million acres of federal forest land in Wisconsin. The next largest sets of land holdings are the State Natural Areas (406,000 acres owned by the state and other public and private owners) and State Wildlife Areas (665,000 acres), which are two of the most important public programs for hunting access. These lands outside of the state parks system also provide other recreational opportunities such as hiking, fishing, and birdwatching, as well as environmental benefits such as flood mitigation, biodiversity, and cleaner air. The U.S. Fish and Wildlife Service also holds smaller amounts of property through federal wildlife refuges and other programs.

Wisconsin's state park and trail system totals 156,000 acres and provides a wide variety of activities, including hunting and fishing in some areas, and it is popular with both residents and nonresidents. The National Park Service manages the Apostle Islands National Lakeshore, another large outdoor destination in Northwest Wisconsin. More than 1.2 million acres of private land in total are open to the public through state land trusts and the state's Managed Forest Law program.

Wisconsin sits in the middle of the pack nationally for public lands. To compare across states, we drew on data from the U.S. Geological Survey that use somewhat different definitions of public land and of the state's total land mass. The data show 14.1% of Wisconsin's area is protected and open to the public, which ranked 20th-highest among states but was below the nationwide average of 25.1%, as Figure 3 shows.

Wisconsin ranks relatively high compared to states east of the Mississippi River and its public access rate is similar to that of neighboring states with extensive forests and timber industries like Michigan (14.9% open to the public) and Minnesota (17.4%). Western states like Utah (68.5%) and Wyoming (53.2%) tend to have extensive federal lands and very high rates of public land ownership and access. Conversely, states dominated by row-crop agriculture like Indiana (3.5%) and Iowa (2.3%) have very low rates of public ownership and access.

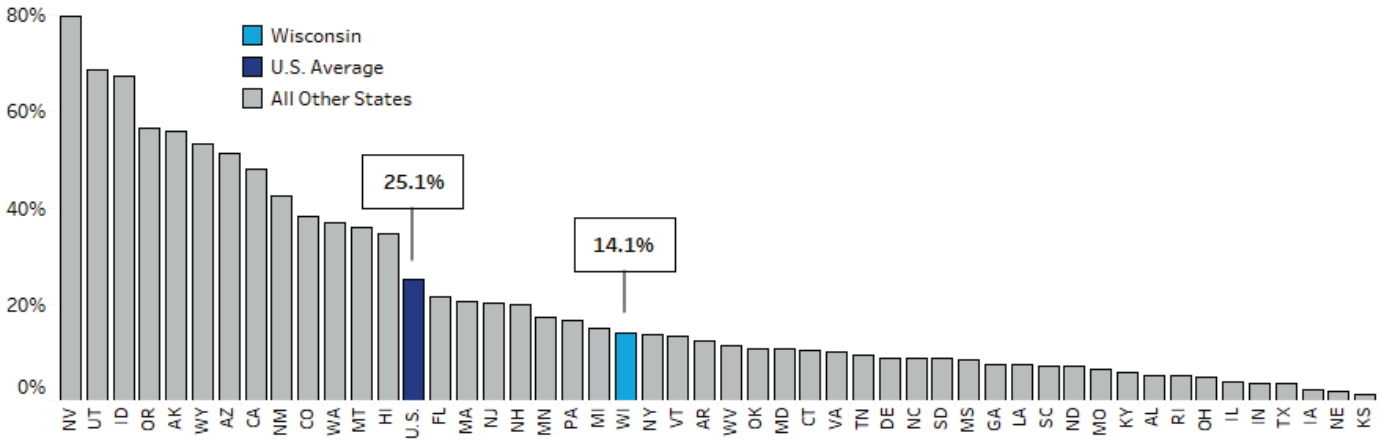
Most of the public lands in Wisconsin lie relatively far from the state's population centers. As Figure 4 on the next page shows, more than half of the land in some northern counties is publicly owned, while in much of the rest of the state that share ranges between 2% and 6%. Forty-five of Wisconsin's 72 counties have less than one acre of publicly owned land per person, while the top 10 counties all have more than 10 acres per capita, led by Iron County at 45.7 acres per person. For that reason, policymakers may want to prioritize adding public lands closer to population centers to help more people enjoy the outdoors and relieve overcrowding at some key state parks and recreational properties.

Nevin Springs

The 331-acre Nevin Springs Fish and Wildlife area located just south of Madison serves as an outstanding example of a small, multi-use property in an urban area that provides substantial benefits to both recreational users and the public at large. The state's oldest DNR-managed property, Nevin Springs serves as a fish hatchery and public hunting and fishing ground, and also holds a section of the Capital City State Trail, which is used for cycling and jogging and has benefited from Knowles-Nelson Stewardship program funding. Local residents also hike and walk their dogs on other trails on the property. As part of the Nine Springs E-way, a continuous belt of undeveloped land surrounding Madison, Nevin Springs includes wetlands and forests that provide flood control and clean runoff from urbanized areas surrounding the property. The property allows thousands of urban residents to experience nature without a long drive.

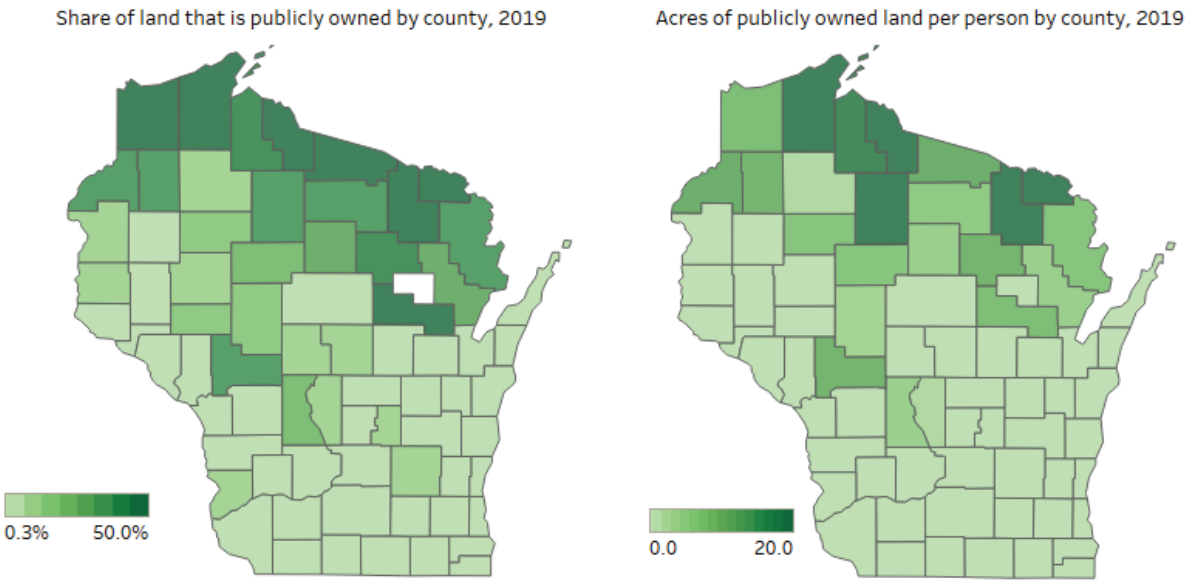
Figure 3: Wisconsin Sits in the Middle of the Pack Nationally for Public Land

Percent of state open to public access with no or some restrictions



Source: U.S. Geological Survey

Figure 4: Many Public Lands are Located in Northern Wisconsin Away From Population Centers



Sources: Wisconsin Department of Natural Resources and Department of Administration

Forests and the Timber Industry

It's important to note that public lands in northern Wisconsin in particular help support the state's overall economy. In total, more than 4.6 million publicly owned acres in the state, or approximately 74% of all publicly owned lands, are forests. These lands provide recreational opportunities and a crucial supply of timber for the forest products industry which, according to a recent DNR report that draws on 2019 data, is second in the nation in total employment, directly supporting more than 61,000 jobs and adding $6.9 billion in value to the state's economy. In addition to industries such as lumber and paper-making, the state's forests historically have also helped the state create jobs in related areas such as printing.

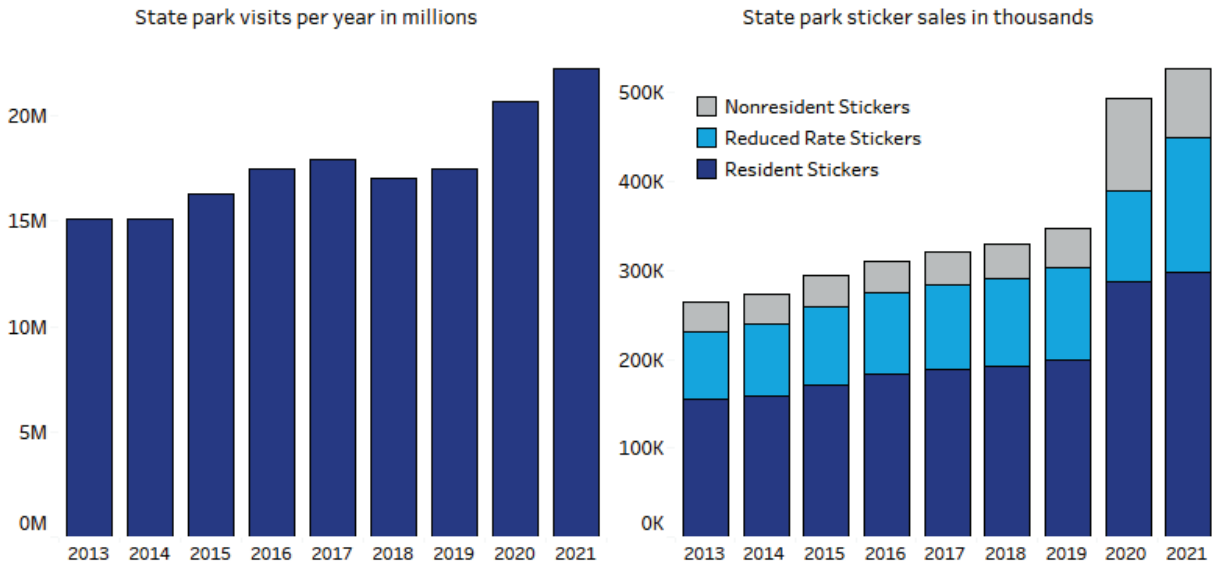
County governments in Wisconsin also receive substantial revenues from sales of timber from their forests and from related activities like seedling sales. State Department of Revenue data show that 41 counties received $27.5 million in total from these sales in 2020. Bayfield County reported the most that at $3.6 million that year and Marinette County was next with $3.1 million.

Outdoor Recreation – State Park Visits

Wisconsin's parks system boasts 50 state parks and 39 state trails, plus additional properties such as eight southern forests, that provide recreational opportunities such as hiking, camping, swimming, and cycling. Their popularity boomed after the onset of the pandemic, reaching 22.2 million visits in 2021, a 27.2% increase over 17.5 million in 2019 (see Figure 5 on the next page).

Sales of annual state park stickers – a requirement for vehicles to enter a park – provide another measure of visits and use. As visits increased, sticker purchases rose by an even more dramatic 52.2% between 2019 and 2021. Out-of-state sticker purchases more than doubled in 2020 and remained 77.7% higher in 2021 than in 2019, showing how parks help draw visitors into Wisconsin. Stickers sales are a key funding source for park operations, and growth in this area is good news for

Figure 5: State Park Visits Rise Even More During COVID



Source: Wisconsin Department of Natural Resources

parks funding, though lawmakers still have to give their approval before these funds can be spent. Further, as we will discuss in the next section, Wisconsin already relies more heavily on park user fees than most states and spending on state parks here is essentially the lowest in the country.

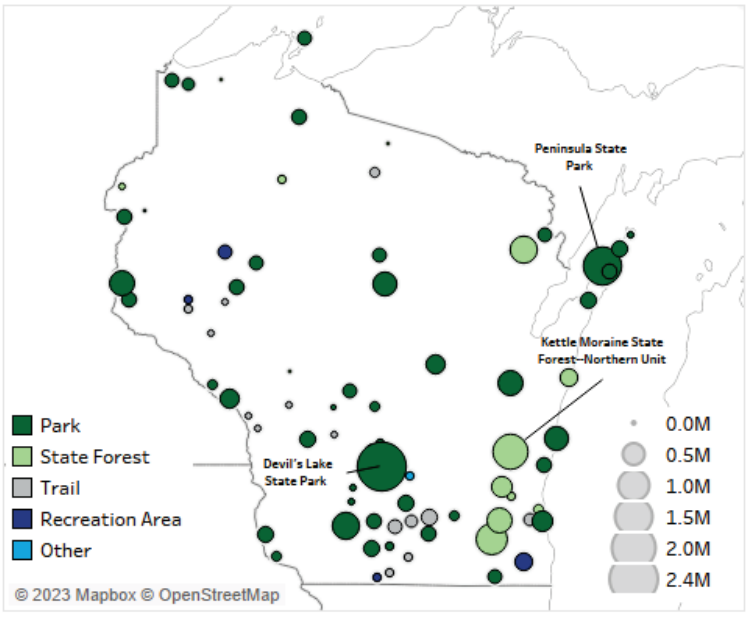
Despite that fact, Wisconsin still saw more park visits than the national average at least pre-pandemic, according to data from the National Association of State Park Directors. That is perhaps even more remarkable since Wisconsin lags the nation in state park acres per capita. In 2017, Wisconsin's state parks received 3.1 visits for every one state resident, which was 17th-highest nationally and well above the national average of 2.5 visits per capita.

These parks visits are concentrated in a small number of properties. Just three parks – Devil's Lake State Park (2.4 million visits), Peninsula State Park (1.5 million), and the Northern Unit of the Kettle Moraine State Forest (1.2 million) – accounted for 24.9% of total statewide visits last year.

As Figure 6 shows, most state park visits occur in the southern part of the state, where there are more people and fewer other public lands. As noted earlier, the concentration of visitors at a small number of parks and the overall lack of public land near large cities can lead to crowding at some of the state's premier properties.

Figure 6: Southern Wisconsin Parks Get Most Visits

Number of state park and trail visits by property in FY2022



Source: Wisconsin Department of Natural Resources

Silent Sports

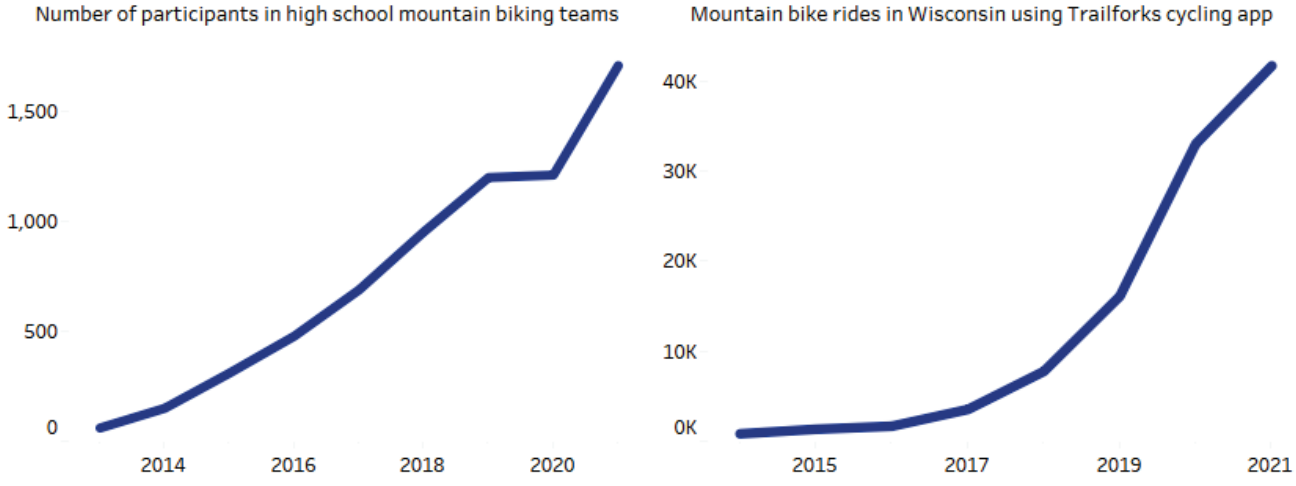
Wisconsin offers thousands of miles of trails for off-road cycling, hiking, and cross-country skiing as well as a wide variety of wildlife for birding and other viewing. With opportunities distributed across the state, silent sports are popular in cities but also bring urban residents to rural areas, driving economic activity. Participation in these pastimes has risen over the past several years, particularly during the pandemic. For many of these activities, the state does not require users to purchase anything beyond state trail passes, making participation more difficult to measure than for pastimes such as hunting and fishing that require licenses. A SCORP survey from 2016 found 68% of residents reported hiking or walking on trails, making it the most popular activity. The same survey showed 55% of Wisconsin residents watch birds or wildlife near their home. However, the limited frequency of surveys makes it difficult to track changes over time.

The rise of cellphone apps for activities such as birding and biking provide at least some evidence of the popularity of these sports in Wisconsin. Data collected through the National Audubon Society's eBird app, which tracks participation in the group's Great Backyard Bird Count, show Wisconsin accounted for 2.1% of all participants even though it has only 1.7% of the country's population. BEA data show a category that included other land-based pastimes such as birding and wildlife watching, skating, jogging, and races contributed $135.8 million in value to Wisconsin's economy in 2021.

Bicycling was mentioned as a top-five favorite recreational activity on the SCORP survey, with 35% of residents reporting riding on trails annually. BEA data show cycling contributed $450.9 million to the state's economy in 2021, second only to California nationally. Cellphone apps may help to track this pastime – Figure 7 shows increases in mountain bike rides in Wisconsin logged in Trailforks, a program that helps cyclists find new trails and record their ride statistics. While app data are currently of limited use since they do not represent the whole universe of cyclists, such figures could become a better data source going forward as more riders adopt these apps. With the proliferation of these applications and GPS location data from cell phones, DNR staff may find ways to use anonymized data to better track participation in outdoor sports as well as visits to state properties.

In another example, Wisconsin youth are also competing on school-sponsored mountain bike teams. The state's National Interscholastic Cycling Association league has grown from 60 participants in 2013 to become one of the largest nationally with 1,700 participants and over 70 teams in 2021.

Figure 7: Mountain Biking and Trail Riding on the Rise in Wisconsin



Sources: National Interscholastic Cycling Association in Wisconsin and Trailforks.com

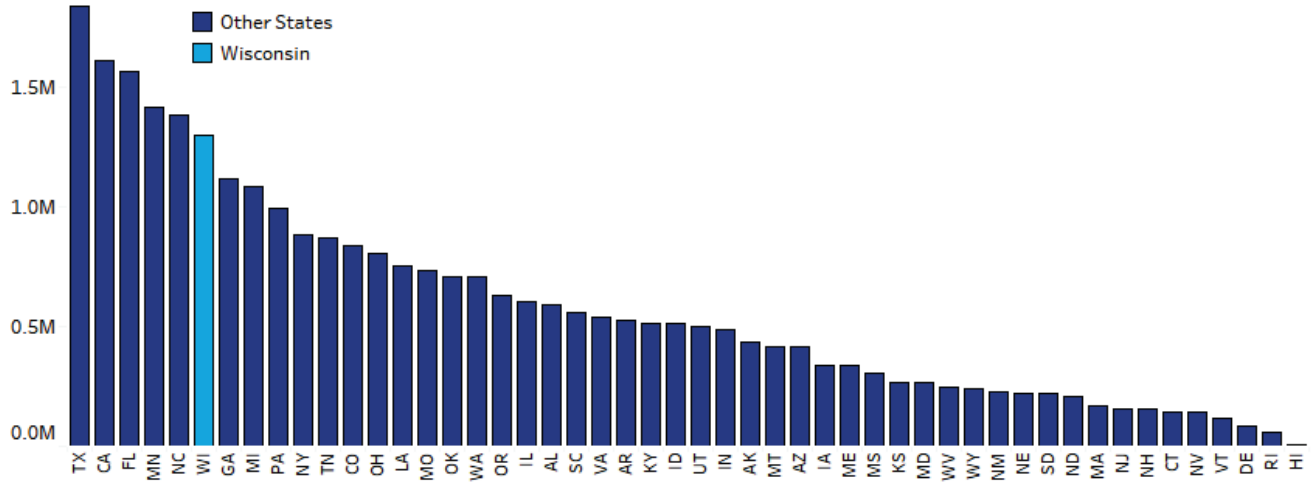
Hunting and Fishing

With its abundant lakes and forests and close proximity to cities like Chicago and Minneapolis, Wisconsin is a top ten state nationally for both hunting and fishing, which in turn brings in substantial license revenue for the state. As in many other states, however, hunting and fishing licenses sales in Wisconsin have slowed and in some cases even fallen over the past two decades, which in turn impacts conservation funding.

Data from the U.S. Fish and Wildlife Service (USFWS) shows that in 2019, 1.3 million in-state and out-of-state anglers bought a fishing license in Wisconsin. That was the sixth-highest number of any state in the country and the second-highest of any inland state, with Wisconsin besting many states with a much larger population such as New York (see Figure 8). Wisconsin also ranked ninth-highest in paid license holders per capita at .22 – more than twice the national average of .09 – and fifth-highest in the country for the number of licenses, tags, and stamps sold to out of state anglers.

Figure 8: Wisconsin Number Six Nationally in Licensed Anglers

Number of people who purchased a fishing license in each state in millions, 2019



Source: U.S. Fish and Wildlife Service; some anglers purchase licenses in more than one state. Data do not include free licenses or anglers who are not required to be licensed.

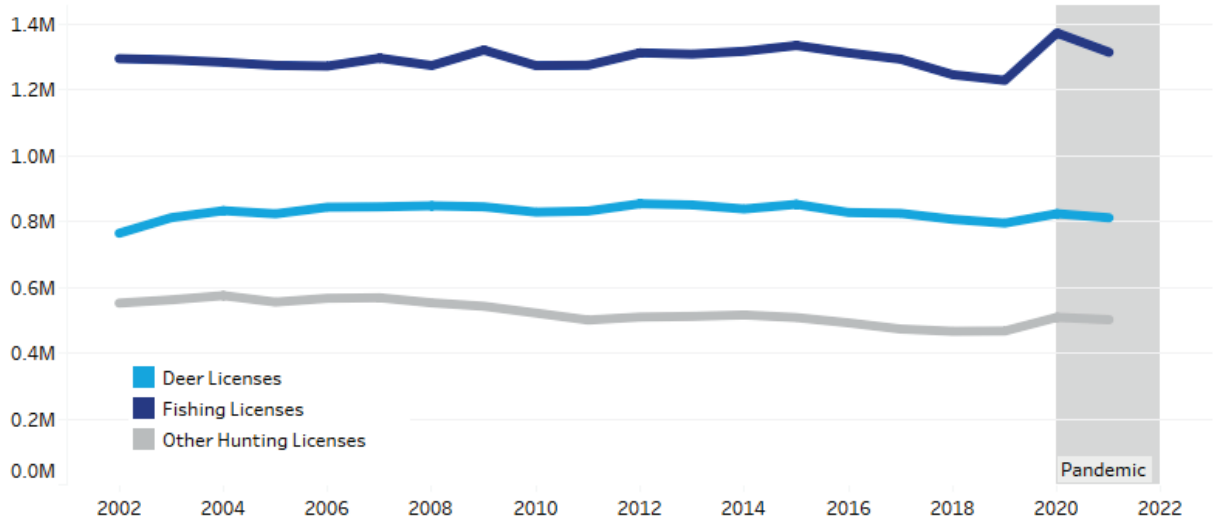
The data above are not a perfect gauge of participation in fishing since they leave out many anglers such as children who do not need to buy a license. Yet survey data from USFWS and the DNR likewise show that residents of Wisconsin ages 16 and older were twice as likely to fish in 2011 as the national average.

With multiple big game species and a variety of birds and small game, Wisconsin also ranks as the number five state in the nation for hunting license holders, with just under 667,000 in-state and out-of-state hunters who purchased a license in 2019. In addition, Wisconsin that year ranked ninth-highest in paid license holders per capita at .12 – three-and-a-half times the national average – and second only to Idaho nationally for the number of non-resident hunting licenses, tags, and stamps sold. The 2011 USFWS survey backs up this license sales data, showing that Wisconsin residents ages 16 and older hunted at roughly two-and-a-half times the national rate.

These license sales provide crucial revenue, but it is likely to stagnate or even diminish over time. In late 2018, the Forum found sales for some state licenses were at or near their lowest levels in nearly

Figure 9: License Sales Sagged Pre-Pandemic but Surged During COVID

Wisconsin hunting and fishing licenses by year in millions



Source: Wisconsin Department of Natural Resources

two decades as current hunters and anglers had aged out of their sports and fewer young people replaced them (see Figure 9). A July 2016 DNR report had similar findings.

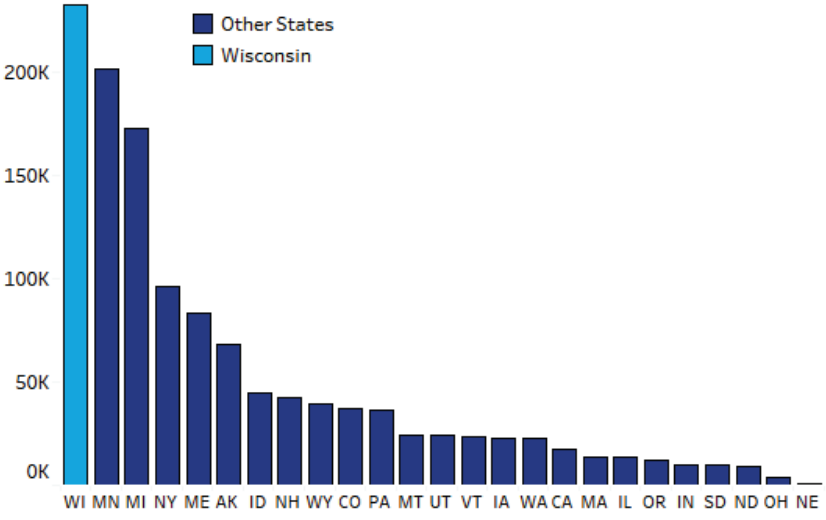
As our February 2021 report noted, the pandemic boosted participation in hunting and fishing – particularly for first-time buyers – and it has remained elevated over pre-COVID levels. It remains to be seen, however, whether the state can sustain these higher sales over time or whether they will return to their previous trajectory in the coming years.

Boating, Motorcycling, Snowmobiling, and ATVs

Wisconsin ranks high nationally in snowmobile and ATV riding, with thousands of miles of trails for these motorized vehicles on public and private land across the state. Wisconsin led the country with more than 230,000 snowmobile registrations in 2022, followed by Michigan and Minnesota (see Figure 10).

Figure 10: Wisconsin Leads the Country in Snowmobiles

Snowmobile registrations by select states, 2022



Source: International Snowmobile Manufacturers Association

Interest in riding also increased during the pandemic, especially for ATVs, as they can operate year-round. Combined resident registrations for ATV/Utility Terrain Vehicles (UTV) in Wisconsin increased from 311,799 in 2020 to 374,167 in 2023, with the largest portion of the

increase coming in UTVs, which have risen from 69,182 in 2020 to 124,800 in 2023. Wisconsin also leads nationally in economic contributions from ATVs and motorcycles, with $882.4 million of economic activity in 2021. Boating, meanwhile, brought in $479.4 million apart from fishing.

As private lands fragment into smaller parcels in some parts of the state such as the Northwoods, snowmobile and ATV enthusiasts face greater challenges in keeping their trails intact. Public lands play an important role in helping to keep them open.

Benefits of Public Lands for Non-Users

While this report centers on the benefits enjoyed by direct users of Wisconsin's lands and natural assets, non-users also enjoy substantial benefits from the existence of natural areas. As mentioned earlier, the impact of public lands on the state's timber and tourism industries is substantial and well-documented, and the increased economy activity and tax revenues from these industries benefits state residents as a whole. Research has also demonstrated that the presence of natural areas can increase development and property values in their vicinity.

Natural areas also provide valuable benefits to people who never visit, by providing flood control, clean air and water, pollination, and improved health, among others. Gathering Waters, a group representing land trusts in the state, has valued these benefits provided by public and land trust properties at more than $2 billion per year. While these estimates are imprecise and subject to debate, they illustrate the magnitude of the benefits natural areas offer for society and there is little doubt that the state as a whole receives substantial advantages from publicly owned natural areas. Though the future is uncertain, the state also might derive future benefit from carbon trading markets for the greenhouse gases captured by forests and other plants on public and private lands.

Green infrastructure projects such as those implemented by the Milwaukee Metropolitan Sewerage District (MMSD) provide another example of the potential benefits, which include helping to reduce sewer overflows into Lake Michigan and limiting flooding at a lower cost in many cases than concrete infrastructure. Projects include green roofs, trees planted to improve stormwater infiltration and slow water flow, and landscaping that mimics native vegetation in place of mowed grass to limit erosion and hold water in place, and conservation of natural areas in other parts of river watersheds, often outside of Milwaukee County. As part of the district's Green Seams project, for example, MMSD since 2002 has purchased and protected nearly 5,000 acres of land prone to flooding and stored more than 2.8 billion gallons of water since 2002. These properties also provide recreational benefits including hiking, hunting, and nature viewing.

Summary

Wisconsin stands out among states – particularly those east of the Mississippi River – for the breadth of its natural resources and its long tradition of participation in outdoor recreation. That participation shot upward during the pandemic, but in at least some areas key areas such as hunting there are questions about whether it can be sustained over the long term.

Though Wisconsin ranks in the middle of the pack nationally for its share of land open to the public, much of that land lies in the Northwoods far from the state's largest cities. That leaves questions for policymakers about how to sustain the state's rich heritage in an era of greater urbanization.

WISCONSIN'S APPROACH TO FUNDING CONSERVATION

In this section, we review how conservation funding works in Wisconsin, how it has changed over time, and how it compares to other states. In terms of overall funding for conservation, outdoor recreation, and parks and public lands, Wisconsin ranks in the middle of the pack nationally to somewhat higher, depending on the measure. Compared to most other states, Wisconsin has strong revenue streams from hunting and fishing licenses and from state parks fees. Yet the state also has seen a substantial erosion in the amount of general tax funding that helps to supplement these user fees.

For spending on conservation easements, land purchases, and capital projects, the state has seen a decrease in the amounts of additional borrowing that is being approved and to some degree an even tighter rein on actual expenditures. State payments on existing debt for past spending in these areas remain substantial but have fallen from their peak several years ago.

Our review looks principally at programs within the state Department of Natural Resources, an agency overseen by a seven-member board and tasked with implementing state and federal laws to protect the state's lands, waters, wildlife, and plants. Our study does not look in detail at DNR programs to enforce environmental quality or at related programs in certain other state agencies such as the Department of Agriculture, Trade, and Consumer Protection.

Overall DNR Funding

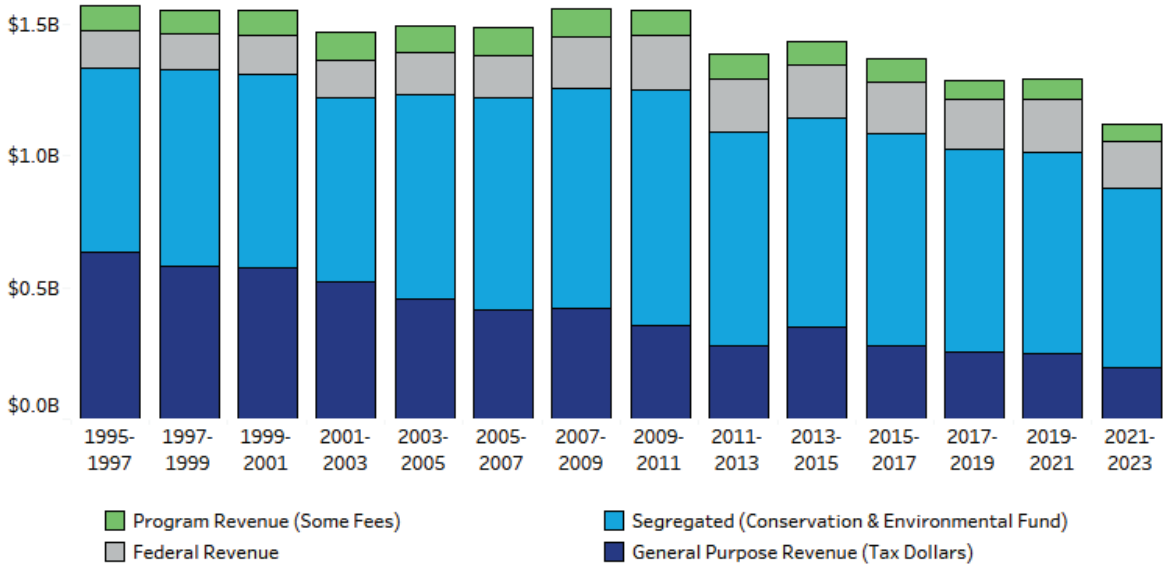
Over the past generation, Wisconsin has seen a steady erosion in the funding provided from state taxes such as income and sales (General Purpose Revenue) for conservation, parks, and the environment. That has been accompanied by a rise in other sources of funding such as fees for state park visitors and on garbage heading to landfills (known as tipping fees on solid waste). According to the state's Legislative Fiscal Bureau (LFB), in the 1995-97 state budget, the DNR received $334.3 million in GPR funding over the two years but by the 2021-23 budget, the amount had dropped to $197.5 million, a 40.9% decrease even before adjusting for inflation (see Figure 11 on the next page). After accounting for inflation, the tax funding dropped 68.8% from an adjusted $632.2 million in 1995-97 to its current level.

In addition, a larger share of the GPR funding that is still provided to the DNR has been going to debt payments rather than ongoing operations. In 2000, for example, the state used GPR revenues to make $18.7 million in payments on debt related to the state Stewardship program and earlier land acquisition and conservation programs, according to LFB. By 2022, the GPR payments on conservation and outdoor recreation debt had risen to nearly $59 million, or roughly three-fifths of the annual state tax revenues going to the DNR. Though these debt payments are clearly supporting conservation goals, this funding cannot be used for ongoing programs.

Over this period, federal revenues for the DNR grew more rapidly than inflation and agency funding almost kept up with inflation within the segregated state funds set aside for conservation and the environment. That meant the overall funding for the DNR fell by 28.5% over the period after adjusting for inflation.

Figure 11: State Tax Funding for Conservation and the Environment Has Fallen Over Time

Budgeted revenues for the Wisconsin Department of Natural Resources by type and budget cycle (2022$)



Sources: Legislative Fiscal Bureau and U.S. Bureau of Labor Statistics

The DNR performs many functions such as environmental regulation, cleanup, and remediation that go beyond the conservation, wildlife, and parks functions that are the main focus of this report, but it is difficult to separate the various revenues that fund each function. Examining the DNR's budget as a whole is a simple way to see this shift toward federal funds and state fees.

A key reason for the decline in the DNR's GPR funding over the decades has been decisions to use available funding for Medicaid, K-12 schools, state prisons, and tax cuts. The Forum has written about how public universities and state aid to local governments have also faced GPR funding pressures. Many of the DNR's GPR funding decreases came in difficult post-recession budgets like 2003-05, 2009-11, and 2011-13.

In those years, elected officials took actions such as shifting the source of debt payments from GPR to other segregated sources (such as the state forestry account), moving to greater reliance on fees and other funds to pay for state parks and park and forest roads, cutting administrative costs, and approving position cuts and across-the-board spending reductions. Prior to 1995, for example, state parks were funded equally by GPR and fees and other funds but the 2015-17 budget removed all GPR park funding. Lawmakers also have opted not to increase the DNR's GPR funding even as state general fund revenues have grown rapidly in recent years, suggesting they see it as a lower priority.

One factor worth noting is that the state has changed a key source of tax revenue that goes to funding state forestry programs. Formerly, these efforts were funded with a state property tax for forestry but it was repealed by 2017 Act 59 to reduce property taxes. Since the 2018 fiscal year, forestry programs have been funded with an equivalent amount of income and sales tax collections and other state general taxes. All of these appropriations, however, have been counted as segregated and so the change did not contribute to the GPR funding trend discussed above.

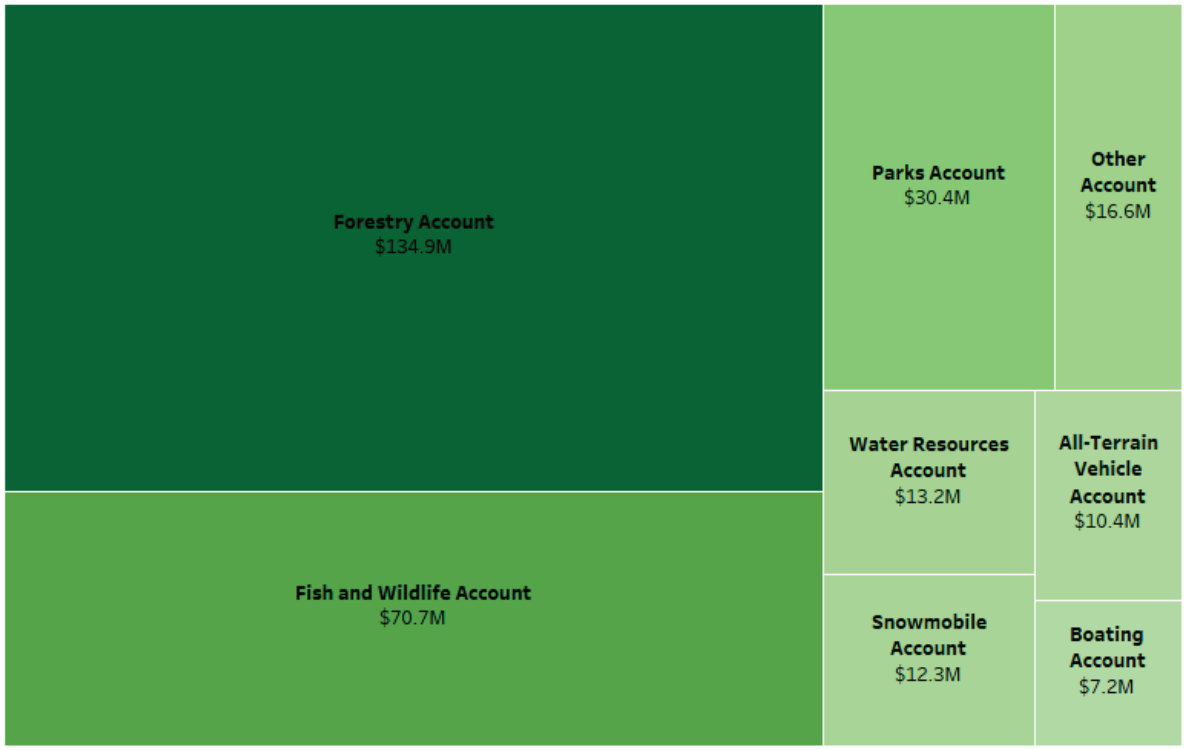
Wisconsin's Conservation Fund

Wisconsin's main vehicle for funding natural resources work is its conservation fund, a special set of segregated accounts which help pay for priorities such as fish and wildlife work, forestry, state parks, endangered and water resources, programs for boating, snowmobiling, and ATV riding, and natural resources programs in some other parts of state government. The DNR has other funding outside of the conservation fund for programs such as environmental regulation. Here, we focus on the conservation fund accounts that are most tied to outdoor recreation, parks, and fish and wildlife.

Primary sources of conservation fund revenues include hunting and fishing licenses, registration fees for boats and other recreational vehicles, a portion of motor fuel taxes, and some general tax revenues. Just two accounts – fish and wildlife and forestry – accounted for $205.6 million, or 69.5%, of the fund's $295.7 million in revenues in 2022, according to LFB (see Figure 12).

Figure 12: State Conservation Fund More Than Two-Thirds Forestry and Wildlife

Budgeted revenues in state conservation fund accounts, 2022



Source: Legislative Fiscal Bureau

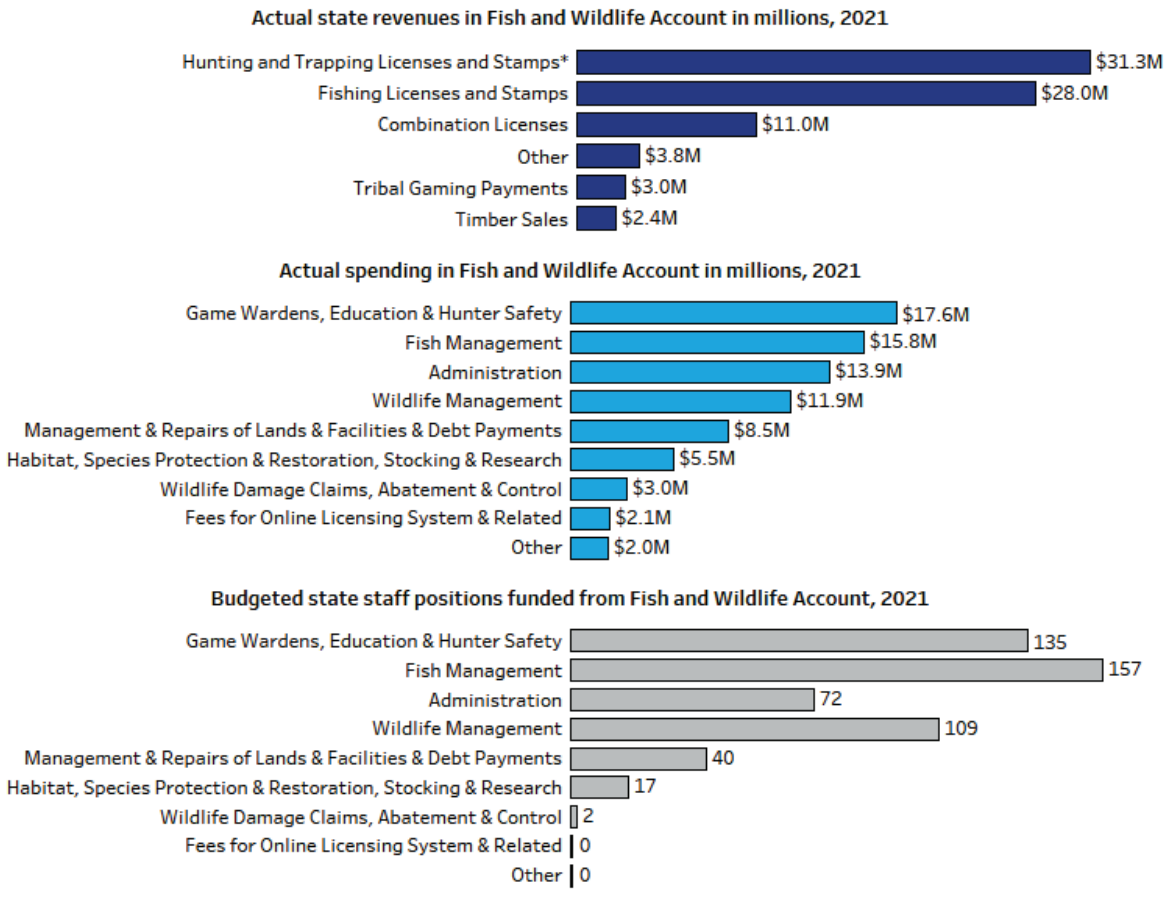
The main two revenue sources for the fish and wildlife account are hunting and fishing licenses and federal matching dollars, while the forestry account is mainly funded by a transfer of general fund tax dollars that matches a previous state property tax for forestry that was repealed in 2017. State parks fees are the main revenue in the parks account – the next biggest account within the conservation fund at $30.4 million in revenues in 2022.

Fish and Wildlife Account

The state's fish and wildlife account pays for fish and wildlife management, claims for damage done by wildlife, game wardens and law enforcement, habitat and land management work, fish and pheasant stocking, hunter education, and administration and other programs. The account took in $70.7 million in state revenues in 2022, down from $79.5 million 2021, with most funding coming from fees from the sale of hunting, fishing, trapping, and combination licenses (which entitle their purchasers to both hunt and fish for certain species). Those revenues supported 2021 spending of $80.3 million (see Figure 13) and 533 staff positions.

As discussed later in this report, the state license sales that fund the fish and wildlife account have fallen short in some recent years, which has in turn affected matching federal revenues as well. As a result, the account's revenues have not always been enough to cover its budgeted spending.

Figure 13: Hunting and Fishing Fees Fund Fish and Wildlife Programs in Wisconsin



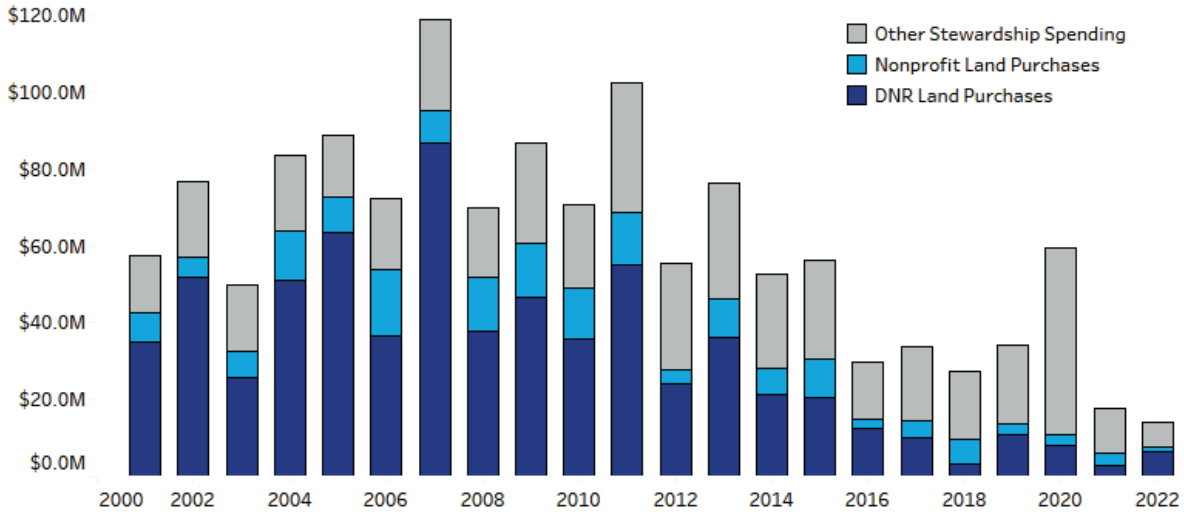
Source: Wisconsin Legislative Fiscal Bureau

Stewardship Program

Created in 1989, the state's Knowles-Nelson Stewardship program largely uses borrowing to pay for land purchases for conservation, easements to protect land against development, and projects such as boat ramps, piers, trails, and bridges that help the public access and enjoy public lands. The program generally uses 20-year general obligation bonds backed by the state's full taxing authority.

Figure 14: Stewardship Spending Falling, Especially for Land Purchases

Stewardship spending by program and year (2022$)



Source: Legislative Fiscal Bureau

The funds can also be used to make grants to local governments and nonprofits for up to 50% of the cost of such projects. The goals of the Stewardship program are to preserve the state's environmentally-sensitive lands and waters and to promote outdoor recreation. The initiative has helped to preserve hundreds of thousands of acres of timberland in the Northwoods, restore the Pottawatomie Lighthouse on Rock Island in Door County, provide bike and pedestrian paths and other amenities around the Monona Terrace in Madison, and develop the Hank Aaron Trail and Ice Age Trail.

Since 1990, the Stewardship program has helped finance the purchase of more than 723,000 acres of land by the DNR (plus additional acres by other purchasers) at a cost of $560.8 million to the Stewardship program and $143.3 million in funds from the federal government, private individuals and groups, and certain other state funds, according to LFB. Over time, however, the program has diminished in size and put less emphasis on land conservation, as these figures show:

- Overall Stewardship spending in 2022 was $14.1 million – the lowest in at least two decades and down 83.2% from its 2007 peak of $84.3 million before adjusting for inflation and 88.1% from an inflation-adjusted peak of $119 million (see Figure 14).

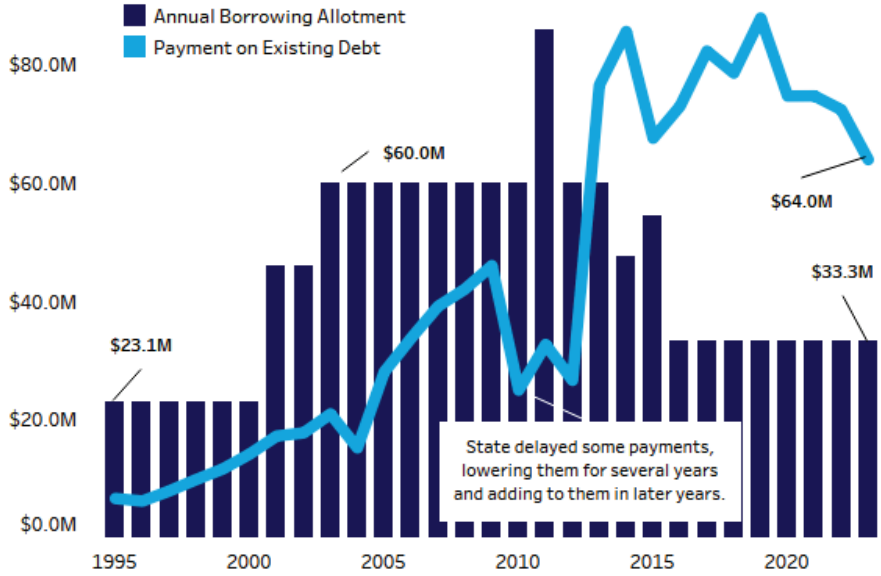
- The financing for the program for 2023 through 2026 is $33.3 million per year, down 61.3% from its 2011 peak without accounting for inflation, according to LFB figures (see Figure 15 on the next page and note that this chart is not adjusted for inflation so readers can see the actual amounts approved by lawmakers). The funding now includes $8 million in cash each year from the Forestry Account with the remaining $25.3 million coming from borrowing. Notably, the Stewardship program has spent less than its funding authority in recent years.

- Stewardship debt payments are down from their 2019 peak, though they remain above their levels in the 1990s and 2000s. It is worth noting, however, that the state lowered its debt service levels during the Great Recession by delaying payments in some years, which in turn increased the amount due in later years.

Outstanding Stewardship debt has fallen in recent years and now sits at just under $453 million, or less than 7% of the state's overall general obligation debt, according to LFB and Department of Administration figures. Debt in general has become less of a concern for the state as its overall fiscal health has improved – debt service paid out of the state's general fund dipped below 2.7% of overall spending in fiscal 2022, essentially the lowest level since 2005. In addition, Wisconsin's well-funded pension system makes it easier for the state to shoulder other long-term obligations such as debt.

Figure 15: New Borrowing at Record Low, Debt Payments Still Elevated

New stewardship debt authorizations and debt payments in millions (raw dollars)



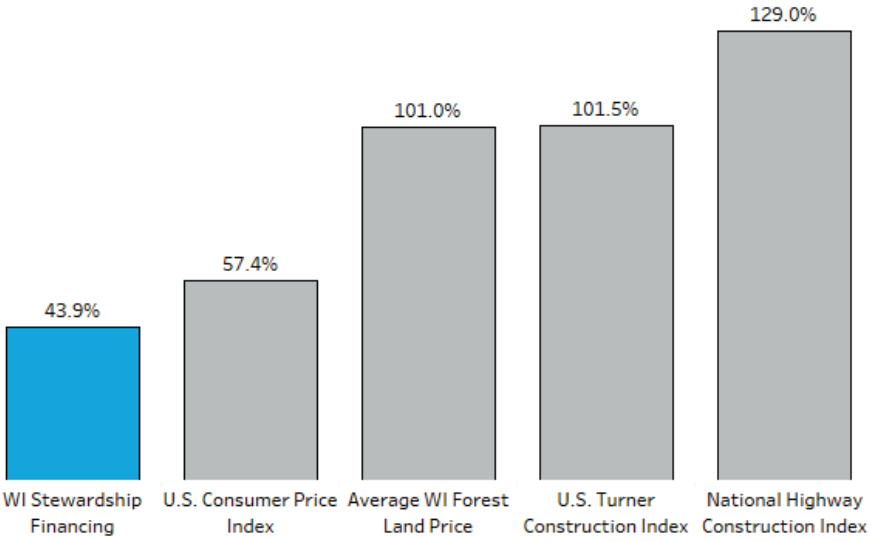
Sources: Legislative Fiscal Bureau and U.S. Bureau of Labor Statistics

The borrowing authority for the Stewardship program grew rapidly until 2011, then fell through 2016 to a level that was roughly in line with what the 2000 borrowing allotment would have been if it had been adjusted for inflation. Since then, however, inflation as measured by the Consumer Price Index (CPI) has risen rapidly but elected officials have kept annual funding the same. Between 2000 and 2021, the annual allotment for the Stewardship program grew 43.9% while the CPI grew 57.4%.

As Figure 16 shows, land and construction costs – the primary expenses for the Stewardship program – have risen even more rapidly, with the average forest land price in Wisconsin as tracked by the U.S. Department of Agriculture and the U.S. construction cost index maintained by Turner Construction both roughly doubling between 2000 and 2021. On a slightly different timeframe (data is only available for the first quarter of 2003 through that of 2022), the

Figure 16: Stewardship Financing Lagging Land and Construction Costs

Percentage change in item between 2000 and 2021*



Sources: Legislative Fiscal Bureau, U.S. Bureau of Labor Statistics, U.S. Department of Agriculture, Federal Highway Administration, and Turner Construction. *National Highway Construction Index values were only available for the first quarter of 2003 through 2022.

National Highway Construction Index maintained by the Federal Highway Administration more than doubled – and construction costs continued to increase over the course of 2022. That leaves the inflation-adjusted borrowing level of the Stewardship program at its lowest in more than two decades.

Without adjusting for inflation, the program spent $67.4 million on DNR and nonprofit land purchases in 2007 but only $5.4 million in 2021 and $7.6 million in 2022 – the two lowest amounts since at least 2001. The drop mostly reflects the overall decrease in Stewardship spending. However, the program has shifted some funds toward construction and renovation projects on public lands, such as access roads, parking areas, drinking fountains, shelters, restroom facilities, signs, and features to provide access for the disabled.

Even when there is the funding to support them, however, land purchases also generate debate within the Legislature's Joint Finance Committee (JFC). In recent years, lawmakers have put additional controls on the program such as preventing unused bonding allotments from being carried over into future years and requiring that the JFC review projects with a price tag of $250,000 or more or a location north of State Highway 64. Governor Evers has recommended increasing the dollar threshold for review to $500,000 and eliminating the review of all projects north of Highway 64 as part of his budget bill.

Since 2014, lawmakers on that panel have used that authority to review and delay 43 projects, or nearly a quarter of all requests. Only 19 of these have been approved by JCF, either through direct action or through a lifted objection. Objections include high-profile deals, including $15.5 million to purchase a conservation easement in the Pelican River Forest near Rhinelander and a $2 million stewardship grant for the Cedar Gorge Clay Bluffs Preserve in Ozaukee County. The Cedar Gorge plan only moved forward after the Ozaukee Washington Land Trust raised an additional $1 million in private funds and Gov. Evers used pandemic relief funds to provide the remainder of the funds for that project and several others rejected by lawmakers. These various actions appear to be contributing to actual program spending being well below its borrowing authority in recent years and could affect the number of non-profits and other groups that seek to use the program.

National Comparisons

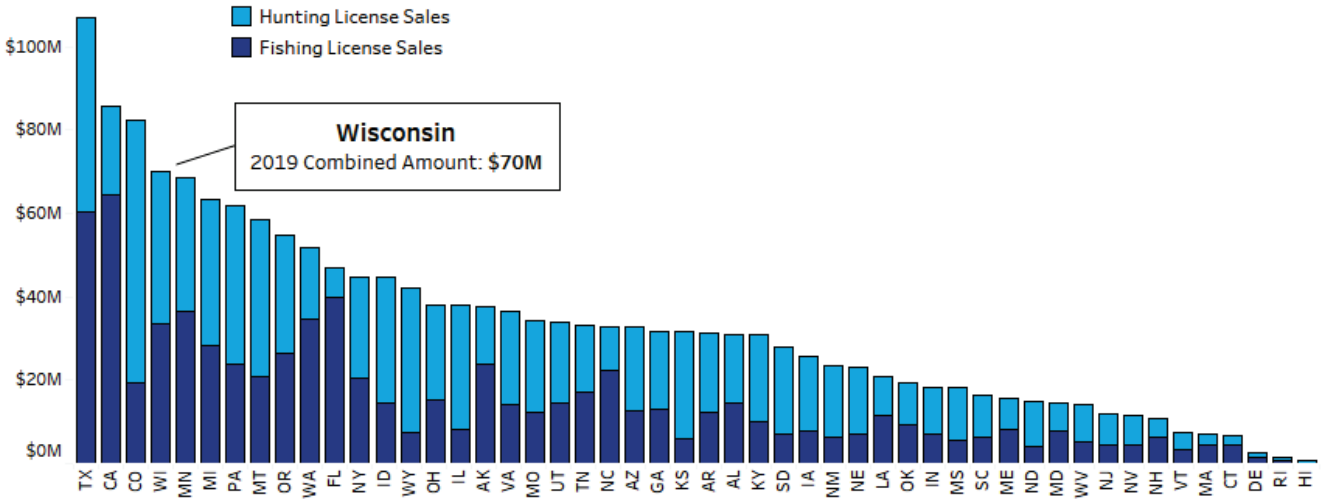
In terms of its overall state and local funding and its spending on natural resources and parks and recreation, Wisconsin generally falls in the middle of the pack nationally to somewhat higher. However, Wisconsin does receive relatively substantial revenues directly from natural resources and parks for a state without major mining or fossil fuel extraction. Though not conclusive, this difference between relatively strong revenues and average spending suggests that Wisconsin does not prioritize using general tax revenues for these environmental and outdoor pursuits.

As we saw in the previous section, one area in which Wisconsin excels compared to other states is in hunting and fishing license sales. Wisconsin had $70 million in gross sales of fishing and hunting licenses in the state in 2019 – the fourth-highest total nationally and behind only such large states as Texas and California (see Figure 17 on the following page).

These license sales in turn pull in additional funds from federal excise taxes on firearms, ammunition, archery and fishing gear, and a portion of motor boat fuels that are distributed to states according to their hunting and fishing license sales. Wisconsin ranked ninth-highest among states in 2022 for these federal sportfishing and wildlife funds with $43.7 million.

Figure 17: Wisconsin Number Four Nationally in License Revenues

Amount of gross hunting and fishing license sales in each state in millions, 2019



Source: U.S. Fish & Wildlife Service; some hunters and anglers purchase licenses in more than one state. Data do not include free licenses or those who do not need a license.

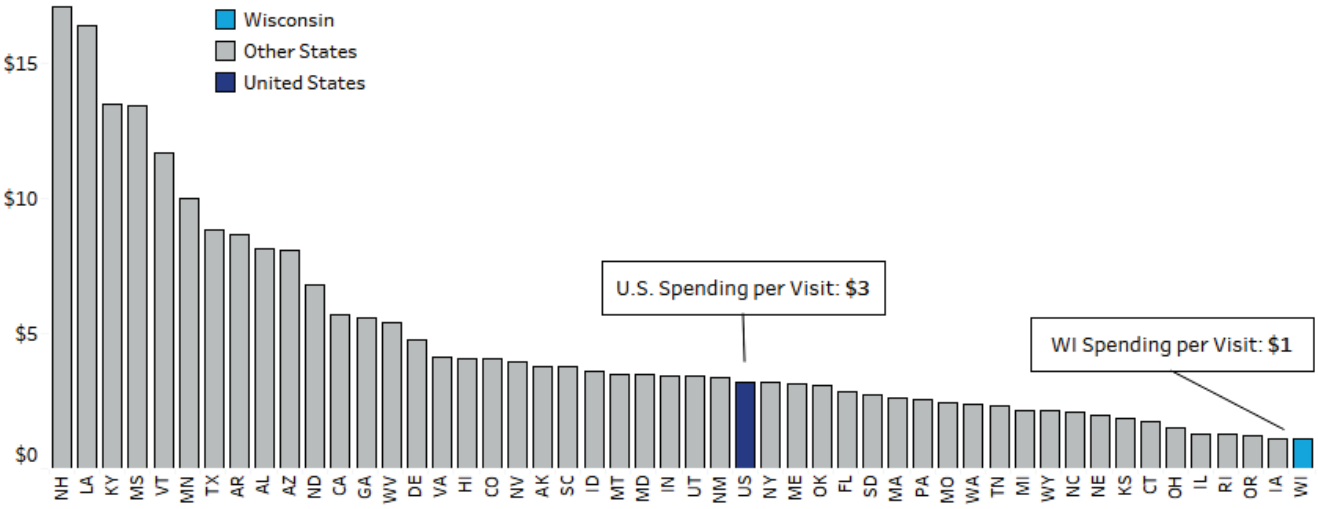
State Parks

Wisconsin spends relatively little on parks and recreation compared to other states nationally and relies heavily on user fees to pay for its parks. When it comes to spending on local parks and recreation, Wisconsin's numbers are much larger and more in line with the national average.

According to annual surveys from the National Association of State Parks Directors, Wisconsin is in the middle of the pack nationally for state park acres per resident. Yet in 2017 Wisconsin spent $19.6 million to operate its state parks, or $3.39 per state resident, which was less than any other state except Texas, and $1.08 per visit, which was the lowest in the country that year (see Figure 18). In 2017, Wisconsin spent an additional $3.6 million on capital projects for state parks, or 62 cents per person. That was seventh-lowest among the 45 states with available data for that metric.

Figure 18: Wisconsin Spends Less on Parks Compared to Other States

Ratio of state park spending on operations to visits to state parks, 2017



Source: National Association of State Park Directors; data for New Jersey not available.

Despite spending relatively little on state parks, Wisconsin collects substantial fees from park visitors. Most states provide at least some subsidy to their parks to hold down visitor fees, but as we have noted previously, Wisconsin essentially finances its parks operating budget from fees on users. Wisconsin's ratio of parks fees to operating spending was the sixth-highest in the country in 2017.

Other Local and State Metrics

Unlike state parks and hunting and fishing license sales, there is only limited national data available for most state and local financial metrics related to conservation and parks. U.S. Census Bureau data do show both local and combined state and local spending, however, and those data reveal that Wisconsin has much stronger parks spending at the local level, including both counties and municipalities. However, the Forum has noted the property tax limits, flat state aid, and other revenue constraints for local governments in Wisconsin, which could limit their parks spending in the future.

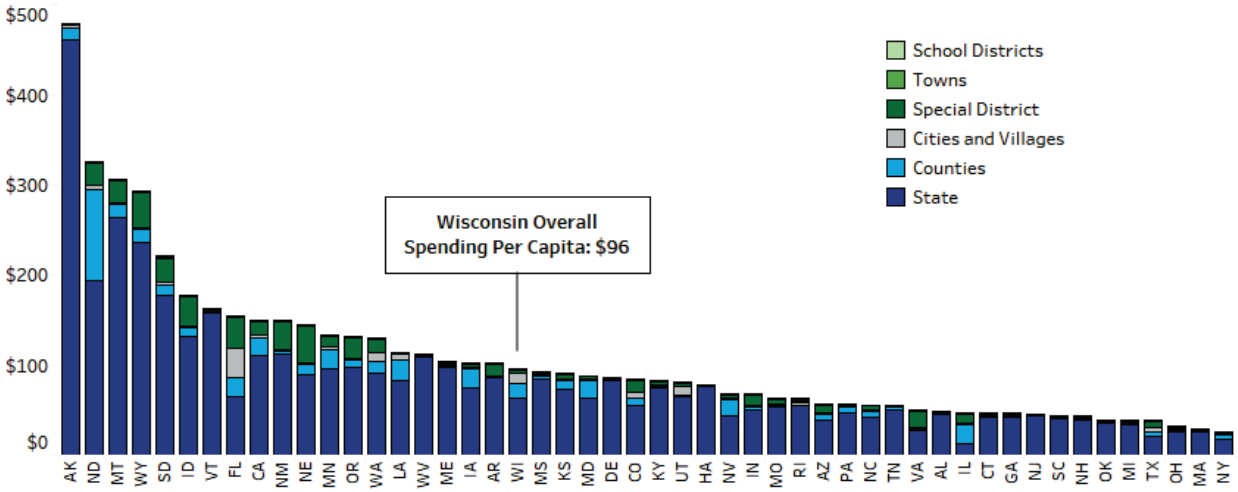
National Data

To examine the differences between states, we drew on U.S. Census Bureau data as compiled by Willamette University. The data look at state and local government spending and revenues for natural resources, which includes forestry and agricultural programs in addition to those dealing with water, soil, wildlife, and minerals. The figures also cover parks and recreation, which includes parks and campgrounds as well as swimming pools, sports facilities, marinas, and cultural institutions such as museums, zoos, botanical gardens, and convention centers. We focus on 2017 as that is the most recent year of complete data.

Combined state and local spending to operate parks and other facilities such as swimming pools, museums, and zoos totaled just under $96 per capita in 2017. That was below the $108 per capita spent nationally but did place Wisconsin exactly in the middle of states at 25th-highest. So though Wisconsin also ranked in the bottom 10 states nationally in the U.S. Census Bureau data for state parks and recreation spending, the state's ranking for local parks spending was 21st-highest nationally and helped to raise Wisconsin's overall ranking. The Census data also show Wisconsin ranked much higher for its state and local user fees for parks than it did for parks spending. State and local governments in Wisconsin collected just over $48 per capita in such fees in 2017, which was ninth-highest nationally.

Figure 19: Wisconsin In Middle of the Pack on Natural Resources Spending

Per capita spending on natural resources by state and level of government, 2017



Sources: U.S. Census Bureau and Willamette University

For state and local spending on natural resources, only Census Bureau data are available. These data show that Wisconsin spends at fairly typical levels on items like forestry, wildlife management, water, minerals and soil, and agriculture. The state ranked 20th nationally in 2017 at $96 per capita in state and local spending on operations in these areas, well above the national average of $82 per capita (see Figure 19 on the previous page). Wisconsin ranks higher – 14th nationally – in local natural resources spending on operations at $33 per resident while state spending ranks 27th at $63 per capita.

Wisconsin lacks the sizable severance taxes paid by oil, natural gas, and mining companies in states such as Texas, North Dakota, and Alaska. The state has severance taxes for timber cutting and formerly mining but no longer has any active mines except for operations removing frac sand, which are not subject to severance taxes. Yet in other respects, Wisconsin has fairly typical revenue streams from natural resources, ranking 21st nationally at nearly $14 per capita in 2017.

Summary

Despite ranking highly nationally for its participation in outdoor recreation, Wisconsin falls in the middle of the pack nationally on most measures in terms of funding for conservation and outdoor recreation, except that state funding for parks is essentially the lowest in the country. Compared to other states, Wisconsin has strong revenue streams from hunting and fishing licenses and from state parks fees. Yet the state also has seen a gradual erosion in the amount of general tax funding that goes to pay for ongoing management of these priorities, which limits their overall funding.

Over the years, one bright spot for Wisconsin's support for conservation has been its Stewardship program. However, that program has grown smaller over the past decade, eroded first by funding cuts and then by the impact of rapid inflation. Legislative decisions to decline individual projects also have reduced program spending in recent years.

HOW TO FUND CONSERVATION?

We next look at potential revenue sources and new efficiencies that state and local leaders could consider to stabilize and potentially expand current conservation and parks programs. Our review includes both approaches that could pay for capital investments, such as land purchases and construction projects, and for ongoing expenses such as game wardens, habitat and wildlife management, and research. Table 1 shows a menu of options – ranging from more modest and easy to pass to larger and more difficult – that we developed from our sources that include past agency proposals and a review of other states. For each option, we indicate whether the revenue source would most appropriately fund capital or operations spending or both. At the end of this section, we also consider options that might help to lower spending.

We provide financing options for both ongoing operations as well as others for capital spending. Traditionally, Wisconsin has relied almost entirely on borrowing to make conservation purchases and carry out capital projects. That largely makes sense, given that borrowing can spread the costs over the long or even indefinite lifespans of these forests, parking lots and boat ramps, and other capital assets. However, the state does include some cash financing in its other capital spending on projects such as highways and state offices. For that reason, policymakers may want to consider continuing the relatively new practice of using some cash to help finance the Stewardship program.

Table 1: Conservation Funding Options and How They Could Be Used

Revenue Source	Operations	Capital Spending	Both
Automatic renewal of licenses and parks stickers	■		
Raise state parks fees	■		
Offer other state parks services	■		
Raise hunting and fishing fees	■		
Requiring sticker for State Natural Areas	■		
Registration of additional small watercraft			■
Use portion of state surplus		■	
Maintain or add to Stewardship borrowing		■	
Earmarking existing state real estate transfer fees			■
Sales tax on outdoor gear			■
Earmarking current or new tribal gaming funds			■
Earmarking or raising existing sales taxes			■
Imposing severance taxes for resource extraction			■
Tax credits for conservation		■	
Exploring carbon credits			■

Source: Wisconsin Policy Forum research

The state could use these various funding options to conserve additional lands and improve existing properties, upgrade state parks, boost access to natural areas for users including young people and urban residents, limit the spread of invasive species, carry out relevant research, and fund efforts to retain and recruit hunters and anglers. The state's environmental quality programs also have lost GPR funding over the decades and could potentially share in any additional funding, as could the conservation and parks programs of both local and tribal governments. If Wisconsin's leaders do decide to provide additional funding, they may wish first to consider making a comprehensive assessment of the state's conservation and outdoor recreation priorities to help target the best use of new money. Though the state maintains a comprehensive outdoor recreation plan, the last attempt at creating a statewide vision, the Land Legacy Report, was finalized in 2006.

Providing a substantial increase for the DNR could have some impact on the funding available for priorities like education, health care, and tax relief. On the other hand, conservation and outdoor

recreation make a substantial contribution to the state's economy and quality of life and the current large state surplus makes such an increase more feasible than at any time in decades.

Raising User Fees

While Wisconsin already relies heavily on user fees for both wildlife conservation and state parks, raising fees remains a potential option for providing additional funding for the state's operations in these areas. Hunting and fishing licenses, for example, generally have not been increased since 2005, and state park and trail fees have not changed since 2015. The 2015-17 state budget directed the DNR to study options to increase revenue for both the parks and fish and wildlife accounts of the conservation fund, and we review some of those options and others here.

One overarching approach to consider is indexing both hunting licenses and parks fees to inflation, since neither set of charges is currently tied to changes in consumer prices. By the same token, however, policymakers also have to consider the impact of increasing prices. In areas such as hunting licenses where purchases have already fallen in recent years, higher prices could accelerate the drop-off in participation. Price increases could also make accessing the outdoors harder for low-income residents – a group that already faces hurdles in this area such as the transportation costs needed to reach many natural areas.

Increasing Parks Fees and Potential Services

As we noted in the previous section, state park operations have lost all their previous support from tax revenues and are seeing a rise in visitors, especially at a few popular properties such as Devil's Lake and Peninsula State Park. In some years, parks revenues have also risen above appropriations, so the first step would be to explore whether increased services could be funded sustainably using these funds.

Increasing User Fees

Pros – Increases revenues with inflation, simple to administer, and ties state's costs to the users who benefit most.

Cons – Wisconsin already relies heavily on user fees and increasing them could discourage participation in the outdoors and some out-of-state tourism, particularly for low-income users.

If state officials see value in further increases, raising annual admission sticker prices from $28 to $36 to match inflation since 2015 would generate about $3.1 million in new annual revenue to serve the rising number of visitors. Matching increases for daily entrance fees for inflation would bring in an additional roughly $800,000.

In addition, some states such as Michigan allow the purchase of state parks vehicle entry passes when motorists renew their license plates. This results in nearly 30% of motorists there purchasing registration stickers, as compared to Wisconsin's rate of less than 15% at the time of the last state study. At current annual sticker prices, doubling to approximately 600,000 the number of state park stickers would generate more than $16.6 million in annual revenue, or $5.5 million more than the current system, although the state would need to pay administrative costs to switch to this approach. Given the possibility of increased revenue, however, policymakers may wish to further explore this option and its potential revenues and costs.

The state parks system also could potentially increase revenue and offer additional services by expanding its available electric campsites and its lodging to include rental cabins, as Michigan state

parks have done. The potential new revenue would depend in large part on the number of electrified services or cabin rentals that would be created and whether they would be placed in parks with high demand. Evers is pursuing one of these options by proposing an increase in the number of electrified campsites from 35% up to 40% as part of his budget bill.

Initially, enhanced service offerings would come with associated capital costs, and would increase maintenance needs over time, though prices for these services could be set to cover these costs and any debt used to fund them. Some may argue that these services would put the state parks in direct and unwanted competition with private campgrounds and lodging providers. However, if policymakers desire a self-sufficient parks system, a wider range of options could help to achieve it.

Hunting and Fishing Fee Increases

The state's Go Wild licensing system has more than 400 license and approval categories. In its December 2016 review of options to raise license revenues, the DNR options included updating license fees to reflect the impact of inflation. At that time, the initial increase to catch up license costs with inflation was estimated to generate $10 million to $12 million in additional annual revenue, with further increases possible if future prices were also indexed to inflation.

The table below shows the current cost of eight key types of hunting and fishing licenses, and the potential additional revenue that could be generated by a price increase. If all fees were increased for inflation, then the increase in revenue would surpass what's included in the table, as there are many more fees than we have listed here.

Table 2: Increasing License Fees Could Help Fund Conservation

License Type	Current Price	Last Increased:	Adjusted Price	New Annual Revenue
Resident Gun Deer	$24	2005	$37	$4,990,100
Resident Annual Fishing	$20	2005	$31	$6,686,800
Resident Conservation Patron (fishing and hunting)	$165	2005	$257	$5,636,300
Resident Small Game	$18	2005	$28	$858,500
Nonresident Gun Deer	$160	2004	$258	$2,616,500
Nonresident Annual Fishing	$50	2005	$78	$2,516,800
Nonresident Conservation Patron (fishing and hunting)	$600	2004	$966	$382,500
Nonresident Small Game	$85	2005	$133	$336,400
Total Revenue				$24,023,900

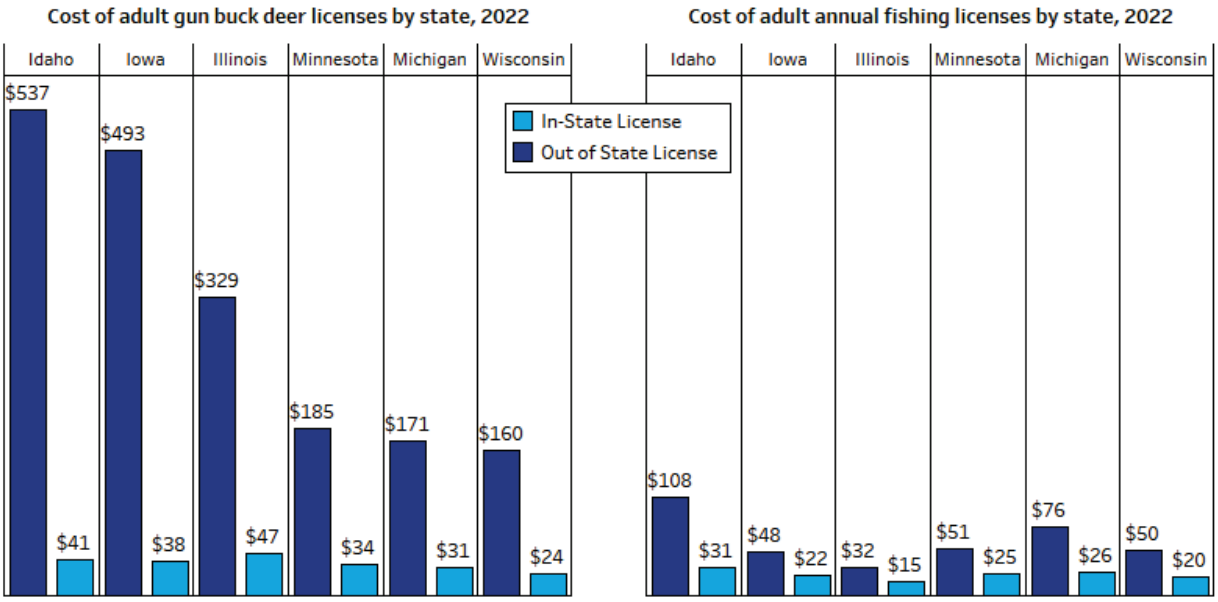
Source: Wisconsin Department of Natural Resources

Figure 20 on the next page shows that Wisconsin's resident hunting and fishing licenses and its non-resident fishing licenses are generally comparable to other Midwestern states and to Idaho (included because it is the only state that sells more out-of-state hunting licenses than Wisconsin). Deer licenses for out-of- state hunters, however, are the lowest in the immediate region and are much lower than Idaho's. Deer licenses and annual fishing licenses for state residents were also the lowest and second lowest in the immediate region respectively. As a national deer hunting destination, Wisconsin may want to consider raising its out-of-state hunting fee to be closer – if not necessarily equal to – states such as Illinois, Iowa, and Idaho.

If Wisconsin increased its out-of-state deer hunting license fee to $258 to match inflation since 2005, it would still be just over half the cost of fees charged in Iowa and Idaho, and $71 less than

Illinois' fee. Such a move could generate $2.6 million in annual revenue, enough to close much of the gap between fish and wildlife account appropriations and revenues. In deciding, however, state officials may also wish to consider how a large increase might affect both tourism and the long term decline in deer hunting in Wisconsin.

Figure 20: Out of State Deer Licenses Cheaper in WI, Fishing Licenses More in Line With Neighbors



Source: State websites; Idaho is shown alongside neighboring states because it's the only state that sells more out of state hunting licenses than WI.

Altogether, the inflationary fee increases for just the hunting and fishing licenses in the table above could bring in more than $24 million annually to fund habitat work, game wardens, and potentially other priorities such as a portion of Stewardship debt payments. However, state leaders would have to weigh this against the potential loss of visitors and the other spending they bring to rural communities and the state as a whole.

As part of his budget proposal, the governor has recommended an increase in the inland waters trout stamp from $9.75 to $14.75, which is expected to increase revenue by $700,000 over the next two years. He would also increase the non-resident deer license from $160 to $182.25, which would narrow the price gap with neighboring states and increase revenues by a projected $600,000.

Habitat Fee or Natural Area Access Sticker

Visitors currently must pay vehicle entrance fees at state parks and some forests but can access many other properties such as state natural areas for free. State natural areas and similar properties require less maintenance activity than state parks, but still need work such as habitat management, trail mowing, and parking lot maintenance.

To defray these costs, the state could consider creating a sticker requirement for accessing these additional areas – or expanding the parks pass to include them. Some states, for example, require a habitat stamp or fee in conjunction with hunting and fishing license purchases. With U.S. Fish and Wildlife data showing 667,000 hunters purchased licenses in Wisconsin in 2019, an additional fee of $2 for every hunter would generate more than $1.3 million.

Requiring small watercraft registration

Wisconsin DNR staff estimated 335,000 non-motorized watercraft were used in Wisconsin as of 2016. While motorboat owners must register their craft each year, small watercraft like canoes and kayaks do not need to be registered, though a little more than 10,000 already are at the current rate of $11.

Assuming 80% of watercraft are registered, a mandatory fee would raise nearly $3.0 million. These fees could be split between the fish and wildlife, state parks, and water resources accounts of the conservation fund.

Providing Dedicated Revenue for Conservation and Parks

Another option for state leaders if they wish to provide greater funding for conservation and recreation would be to dedicate additional tax resources for that purpose, either by specifically directing existing revenue streams that currently flow to the general fund to conservation and parks programming or by creating new dedicated forms of revenue. Below, we outline some possibilities.

Redirecting State Real Estate Transfer Tax

States like Illinois, Arkansas, and Tennessee use a portion of their real-estate transfer fee to fund conservation and parks activities, and Wisconsin could choose to follow this model. In Wisconsin, most transfers of real estate are subject to a fee of 0.3% of the value of the property transferred. Revenue from the fee is now shared between the state (80%) and the county where the transaction takes place (20%), with some transactions statutorily exempted from the fee. Prior to 1982, however, the state and counties shared this revenue equally.

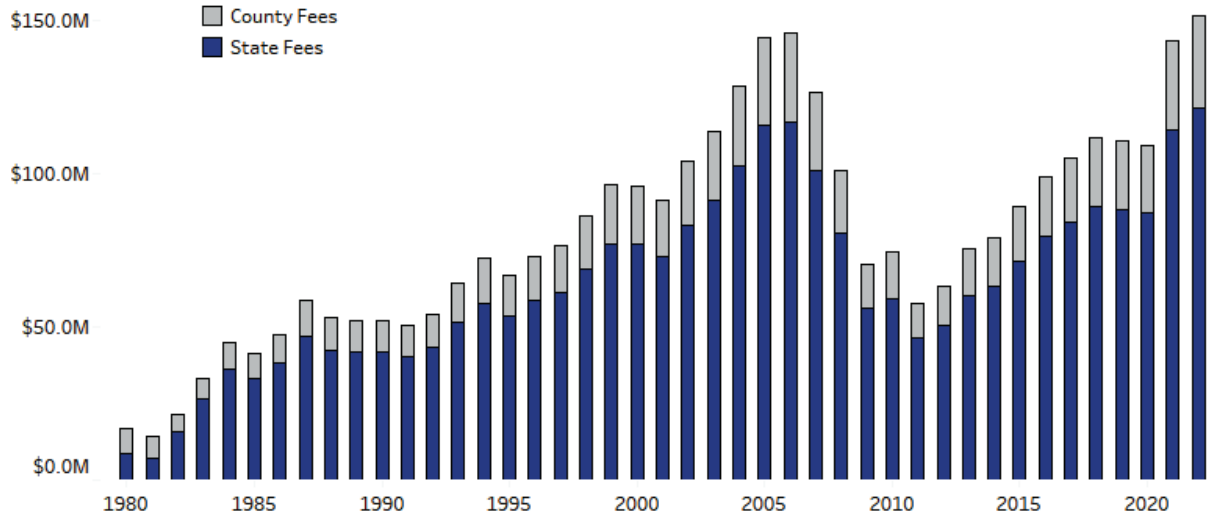
Providing General Fund Revenue

Pros – Would diversify state funding for conservation and could improve services while potentially boosting participation in the outdoors.

Cons – Would reduce state funding for general fund priorities such as education, health care, and tax relief, or require citizens to pay more via increased taxes.

Figure 21: Most of Last Year's Record Real Estate Fees Went to State

Inflation-adjusted state and local real estate transfer fees by year



Source: Wisconsin Department of Administration

As Figure 21 on the previous page shows, the fee generated more than $121.4 million in revenue for the state general fund in fiscal 2022 as real estate prices increased rapidly. That was a record even after adjusting for inflation and up from a 20-year low of $35.6 million in nominal dollars in 2011. The vast majority of those funds went to the state.

Dedicating a portion of the state's share of the existing fees to conservation operations would provide a substantial amount of revenue, although it would shift that revenue from other general fund functions. The state could also consider sharing more of these funds with local governments for conservation or other needs, an option that the Forum has highlighted previously.

Using New or Existing Sales Tax Revenues

The state could also draw on a portion of the sales and use taxes that it imposes on the purchase of retail goods and services. These revenues grow with inflation, as the tax rate applies to the price of the item purchased, resulting in increased collections as prices rise. The state could choose to dedicate a portion of existing sales tax revenues to conservation, or impose an additional tax. Policymakers could apply this tax for conservation on the current broad base of goods and services or a more selective set of them such as those tied to outdoor recreation. States like Texas, Minnesota, Missouri, and Iowa use sales taxes to pay for conservation and parks priorities, providing different models for Wisconsin to explore.

For each one-tenth of one percentage point (0.1%) that the state either raised the current 5% state sales tax – or dedicated from existing revenues – just under $140 million could go toward conservation and parks. Such a change would shift Wisconsin away from its current heavy reliance on user fees, though it would also reduce funding for other state priorities such as education and health care. Also, sales tax revenues can be volatile, particularly during economic downturns. If policymakers are concerned about increasing net taxes on state residents, then they could choose to cut taxes in other areas to offset any increase in the state sales tax.

The Minnesota Model

In 2009, Minnesota amended its constitution to approve an increase to its existing sales tax to fund conservation activities. The Clean Water Land and Legacy Amendment levies a 0.375% sales tax, with revenue dedicated to funding conservation, clean water, recreation, and cultural heritage for 25 years (i.e. through 2034). One third of the revenue funds traditional outdoor recreation activities such as habitat and fisheries management, with another third dedicated to clean water through runoff management, groundwater regulation, and other activities. The remaining third is split between funding for arts and cultural heritage (19.75%) and parks and trails (14.25%). The revenues may not be used to offset prior funding in these areas.

Since 2010, the tax has generated $2.9 billion for clean water, outdoor heritage, and parks and trails, with an additional $706 million for arts and cultural heritage. Revenues are deposited into four dedicated segregated funds. Proceeds for the Outdoor Heritage Fund are awarded competitively via legislative action, based on recommendations from committees consisting of conservation leaders from outside government and state legislators. State agencies and non-profit conservation organizations are eligible for funding. Eligible conservation activities include land and easement purchases, habitat and wildlife management, and park and trail improvements. Legacy Amendment funds have paid for more than 27,000 projects across the state of Minnesota.

A tax with the same rate in Wisconsin would have generated approximately $523.4 million in fiscal 2022. If one-third of revenue was allocated to wildlife and 14.25% to parks and trails, this would provide a combined $247.4 million in revenue annually for conservation and parks activities. In comparison, the fish and wildlife account of the conservation fund spends approximately $80 million annually, the parks account spends approximately $26 million, and the Knowles-Nelson Stewardship fund currently provides up to $33.3 million in funding each year for capital spending.

Iowa and Minnesota (see box on the previous page) have imposed general sales taxes to support statewide conservation. This approach could allow for increased spending on operations and reducing or eliminating borrowing for capital projects, which may be appealing if interest rates remain elevated.

Wisconsin also could simply allocate a portion of its existing sales tax to conservation funding. Missouri implements a version of this policy, with 0.125% of its state sales tax revenues dedicated to conservation and 0.1% dedicated to parks and soil conservation. In Wisconsin, a diversion equal to a 0.05% sales tax would result in approximately $69.8 million in 2022, more than twice the current annual funding for state parks or for the Stewardship program. The state's massive budget surplus presents a possible opportunity to establish dedicated general fund support for conservation and outdoor recreation without necessarily offsetting the move with cuts in other areas.

Sales Tax on Outdoor Gear

Sales of outdoor equipment have risen alongside participation and skyrocketed during the pandemic, as we detailed in a 2021 report. As the use of public lands and other assets grows, policymakers could consider requiring all users to pay for additional recreational opportunities. The state could impose a separate sales tax on outdoor recreation gear including camping gear such as tents and backpacks, wildlife watching gear like binoculars and cameras, and cycling and cross-country skiing equipment. This approach would be somewhat analogous to the existing federal excise taxes on firearms and fishing equipment. If policymakers did not want to impose a new tax, they also could reallocate a portion of existing sales taxes based on the estimated value of recreational equipment sold.

Texas dedicates a portion of sales tax revenue related to sporting goods, nearly $190 million a year, ensuring a steady funding stream for state parks and wildlife operations, while Georgia uses a similar method to collect revenue to fund conservation projects such as a recent $3 million fisherman's co-op, consisting of boat and kayak landings, floating docks, and other amenities. For its part, Virginia has imposed its own version of federal taxes on firearms and fishing equipment, a 2% sales tax on hunting and fishing equipment that is used to fund game protection activities

A 5% sales tax on outdoor recreation equipment in Wisconsin, including goods used for hunting, camping, winter sports, and bicycling, could generate approximately $30 million annually, using an estimate from a 2022 paper that assumes a 5% sales tax nationwide would generate $12.56 in sales tax revenue per household. In general, these items are already subject to the state's 5% sales tax, so policymakers would need to choose whether to dedicate all or part of the existing revenues or to impose an additional tax on these items.

Provide General Fund Revenue

As we have detailed, general fund support for state parks in Wisconsin has disappeared and funding for many other natural resource functions has eroded. Given the state's large surplus and the importance that parks and outdoor recreation have within the state, state leaders could choose to provide both one-time funds from the surplus for land conservation and support for ongoing needs.

For example, lawmakers could choose to close all or part of the roughly $10 million gap in the fish and wildlife account, provide more funding for parks, or raise the DNR's overall GPR funding. The state could also use its one-time cash surplus to create a fund to either supplement or supplant (at least for some period of time) Stewardship borrowing. The size of the fund could range from $33

million, equal to one year of current Stewardship funding, to more than $300 million, equivalent to nearly 10 years of the current program.

Maintain Borrowing for Stewardship and Explore Local Borrowing

As detailed above, Wisconsin has a long history of funding conservation investments using general obligation bonds paid mainly with state tax revenues. Returning to previous annual borrowing allotments of $60 million – their level throughout much of the 2000s – would increase land purchases and facility upgrades by the state and local governments and nonprofits. For each $60 million authorized, the state would need to add between $3.8 million annually if interest rates for the state were at 2.5% and $4.8 million if they were at 5%. If the state continues to use debt to fund conservation acquisitions, it could consider pursuing "green bond" status for Stewardship bonds. This certification by a third party would attest to the positive environmental or climate impact of the projects being funded and could result in reduced interest rates. Bonds sold to fund the state's clean water fund loans to local governments already have this certification.

State and Local Borrowing

Pros – Spreads costs over time to match the long lifespans of conservation purchases and projects. State debt levels have fallen in recent years.

Cons – Interest rates are elevated for now, at least, and substantial borrowing for conservation leads to debt payments that can crowd out spending on other priorities. Local debt levels also have risen in recent years.

Though interest rates are currently elevated, inflation has already dropped somewhat from its peak last year and rates may follow, removing the current added cost of borrowing. As the Forum has noted, state debt levels have fallen in recent years and the state's bond rating has improved. However, borrowing cannot be used to fund operating budgets, so adding to state property and facilities without increasing the funds available to maintain these properties may add to current upkeep and maintenance backlogs and stretch existing budgets even thinner.

Local Borrowing

At the local level, counties and other governments with conservation needs could consider borrowing funds for such projects, either by a simple vote by elected officials or by putting a referenda to voters to give them the choice. Such funds could be used either to make purchases outright or to serve as the matching funds for a project with state Stewardship support.

In a 2015 draft report, the Trust for Public Land found only a handful of communities in Wisconsin had held referenda in recent years to borrow or use property taxes to fund conservation and only two had passed. The major exception is a $30 million bonding authorization that passed with 76% of the vote in Dane County in April 1999. The Forum has noted that in recent years more communities have passed referenda to boost school and local government spending, perhaps making such an option more likely.

One drawback, however, is that local government debt has risen substantially in recent years, particularly for municipalities, as they have faced limits on revenues such as local property taxes and state aid. Some local governments such as Milwaukee County, for example, are also coping with substantial deferred maintenance in their parks and will struggle simply to address those needs.

Another borrowing option could involve local sewerage districts. Some sewerage districts including those in Madison and Milwaukee purchase greenspace, wetlands, or farmland to address polluted runoff into surface waters. These purchases can be managed to provide recreational opportunities, increasing the value of the properties.

Wisconsin sewerage districts are eligible for low-interest loans through the state's federally supported clean water revolving loan fund to support treatment plant upgrades and other infrastructure projects. The approximately $50 million per year previously provided by the federal government for this program has been increased by $48 million annually for the next four years through recently passed federal infrastructure legislation. Additionally, some projects to address runoff pollution are now eligible under federal law, making purchases to provide both water quality improvements and recreation opportunities a possibility for local governments and districts to explore, if state rules are updated. As discussed earlier, the MMSD Green Seams program serves as a model for managing multi-use properties that benefit property visitors and non-visitors alike.

Other Emerging Revenue Options

In addition to traditional revenue options like increased user fees, dedicated tax revenues, and enhanced borrowing, our research has identified some newer approaches to enhance the flow of dedicated dollars for conservation and parks purposes. We summarize three of those below.

Tax Credits for Conservation Donations

One option for Wisconsin to consider is creating an income tax credit for land or easements donated for conservation purposes. Fourteen states have created similar tax credits for conservation over the past 20 years, but only Colorado, Virginia, and New Mexico have active programs, illustrating the potential difficulty of implementation. A federal tax deduction for these donations already exists, and Wisconsin could choose to provide a similar benefit to state taxpayers. The program might prove a more cost-effective way to preserve land, but does come with some challenges such as the difficulty in ensuring donated easements provide substantial benefits at reasonable prices to the public.

Colorado provides an instructive case study. Currently, the state provides an income tax credit equal to 90% of the value of conservation easements donated to accredited non-profit land trust organizations and other qualifying entities, with a cap of $5 million per credit for a single donation, and a statewide limit of $45 million per year. To qualify for the credit, the land and easement must fit the definitions used for the federal deduction and consist of open space for agricultural purposes, habitat or natural scenic beauty, public recreation, or historic preservation.

Tax Credits

Pros – Could build on the work of private donors and groups and potentially win bipartisan support.

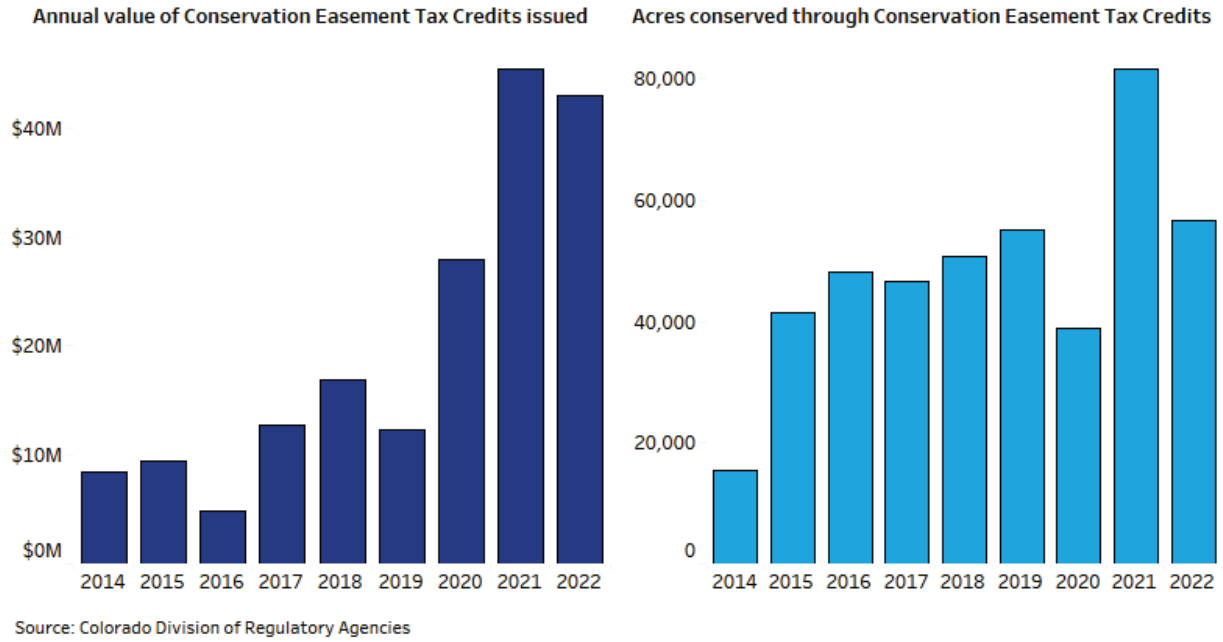
Cons – Could still be costly and would need a solid system to ensure the tax credit process is predictable and consistently protects the public interest.

Donors must submit an application with the value and conservation purpose of the donation to the state of Colorado, which then decides whether to approve it or request additional information. The credits can only be used if their holder has a sufficient tax liability, but they can be carried forward for 20 years or sold at a modest discount to others who do have sufficient liability. According to Conservation Tax Credit Transfer, an organization in Morrison, Colorado, that facilitates credit applications and transfers, landowners sell approximately three-quarters of their credits at a price of

between 80 and 90 cents per dollar of credit. Credits are also available to land trusts, providing them a potential source of funding.

Since 2014, the credit has been applied to the donation of easements totaling 434,165 acres and valued at $306.8 million. The credits on those donations totaled $181.2 million (see Figure 22), yielding a ratio of $2.43 of donated value of land per $1 of tax credit costs.

Figure 22: Colorado Tax Credit Program has Expanded Substantially in Recent Years



Source: Colorado Division of Regulatory Agencies

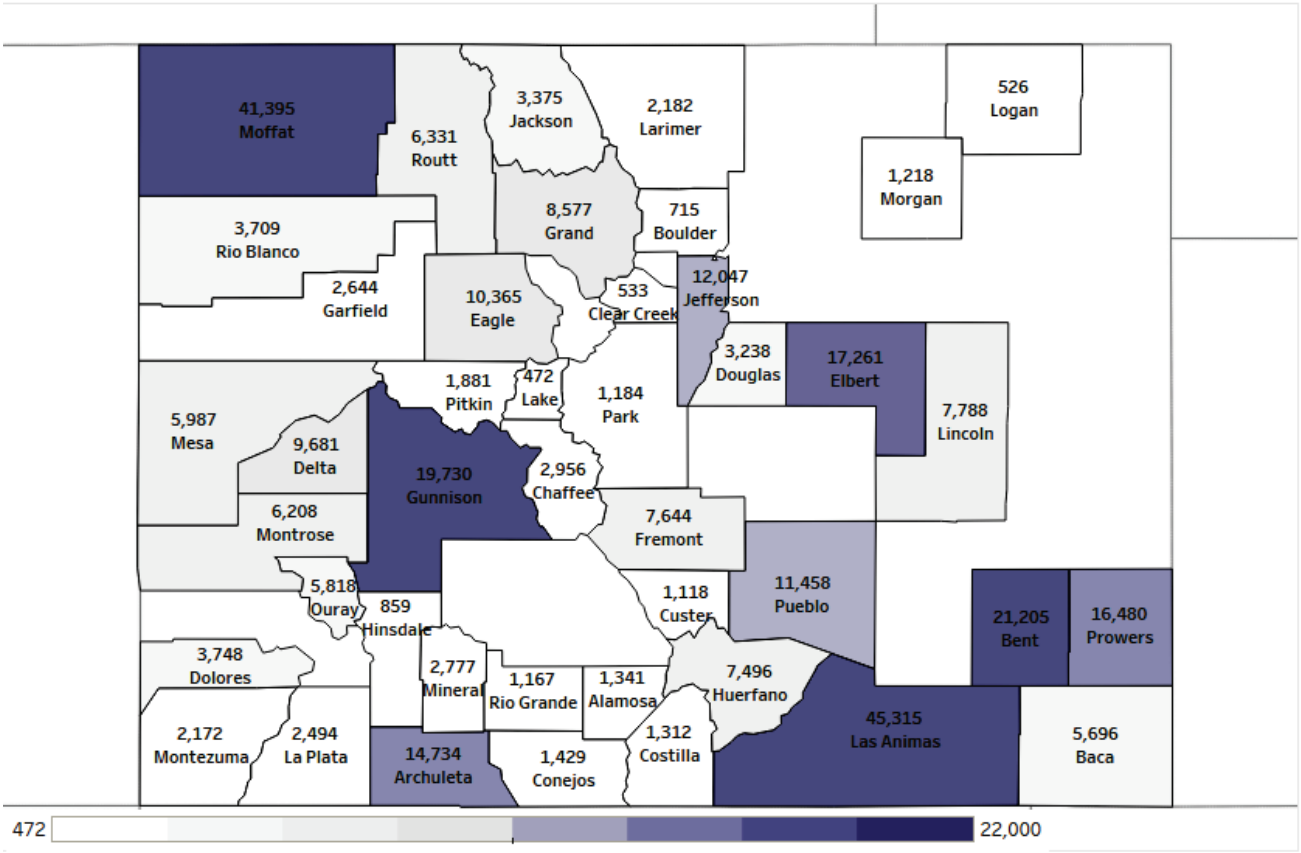
As Figure 22 on the next page shows, most of the donated lands are found in the sparsely populated northwestern and southeastern portions of the state, mirroring the distribution of public lands here in Wisconsin. The map suggests policymakers may wish to consider the geographic distribution of protected properties to ensure the overall program provides the best results for residents across the state.

The early years of Colorado's program are a cautionary tale. Initially, the tax credits were not capped and the land being donated for the tax credits often came with inflated valuations because there were not enough safeguards for ensuring appraisals were credible. In response, the state legislature created a detailed appraisal process and pre-approval by Colorado state agencies, which provides certainty about the value of the tax credit and better ensures that the land being donated provides substantial conservation value.

If Wisconsin chose to implement a similar program, elected officials may wish to start with a small pilot program that could help ensure the credits work as intended. Further, lawmakers may also want to consider the benefits already provided by the state's existing farmland preservation tax credit and use-value assessment, which lowers property taxes for farmers, when deciding whether to include agricultural land in the program.

Figure 23: Tax Credits Most Conserve Rural Lands

Acres of land in Colorado preserved via Conservation Tax Credits, 2014-2022



Source: Colorado Department of Regulatory Agencies

Severance Taxes

Western states like Colorado, North Dakota, and Wyoming use severance taxes on oil and gas extraction to fund conservation. While Wisconsin lacks significant fossil fuel deposits, its industrial sand mining industry is second only to that of Texas and has an impact on the environment and on land that could be used for recreation. For that reason, some may see it as reasonable to impose a fee on sand extraction and use the revenue for conservation.

Severance Taxes

Pros – These taxes would not directly impact ordinary consumers and have been successful in many states.

Cons – At present, Wisconsin has little in the way or mining or other industries that could be taxed with the exception of frac sand mining. Any tax would have some impact on these industries as well.

According to the U.S. Geological Survey's Minerals Yearbook, in 2018 Wisconsin produced 34.3 million tons of industrial sand, valued at $1.9 billion. A fee of $1 per ton would generate $34.3 million annually, providing a substantial increase in conservation funding that could be split between the state and local governments. However, sand mining tends to fluctuate in response to oil and natural gas prices, making a severance tax on sand mining a volatile revenue source.

Wisconsin does have a history of taxing metallic mining – even though no such mines are currently operating – and still has a net proceeds tax on the books that requires mining companies to remit between 3% and 15% of their annual profits to the state. If any new iron or other metallic mines were to be approved in the state, they would be subject to these taxes and state leaders could consider allocating part of the revenues to conservation purposes.

A severance tax on timber harvested from state Managed Forest Law property was on the books until 2015. The state also receives a portion of timber sales from county forests. Some might argue for reinstating this type of tax given that the state's investment in conservation land supports the timber industry. Policymakers, however, also may wish to consider the impact on the timber industry, since the use of land for that purpose is preferable for conservation than many other uses.

Carbon Credits

As the climate warms, some governments have taken action to reduce carbon emissions from industrial sources within their borders. For example, the Regional Greenhouse Gas Initiative (RGGI) is a consortium of East Coast states that limit carbon emissions within their borders and allow credit trading within the region among point sources such as factories. This arrangement can create revenue for conservation in two ways – either when states auction off a portion of their state's emission allowances to carbon emitters or when timber owners sell credits for carbon captured by the forests on their property.

Carbon Credits

Pros – Carbon credits would encourage solutions to climate change and Wisconsin timber owners could benefit.

Cons – Such a proposal seems difficult to achieve politically at present and could impact state industries such as manufacturing.

For example, Virginia, the newest member of the Initiative, has auctioned 40 million tons of carbon credits over two years for $452 million. Virginia uses this revenue for a variety of purposes, including conservation. While establishing carbon emission limits and creating a market for trading in Wisconsin may be politically unlikely at present, some may see it as a long-term option worth exploring given the revenue potential and the potential positive impact on climate change, which affects biodiversity and traditional outdoor recreation such as trout fishing, duck hunting, ice fishing, and snowmobiling.

The Initiative also allows emitters to purchase carbon sequestration credits by paying landowners to preserve existing forests or to reforest areas. Though questions remain about how to value such credits accurately, Wisconsin's ample forests provide an opportunity for timber owners, both public and private, to generate income through selling carbon credits. With carbon credits on the voluntary market selling for between $17 and $20 per metric ton of carbon sequestered on the Platts CARBEX Index and Wisconsin DNR estimates of annual carbon sequestration at 3.7 million metric tons for all of Wisconsin's forests, these sales in theory could generate tens of millions of dollars per year for all public and private forest owners combined. In the previous legislative session, some lawmakers put forward legislation to facilitate sales of carbon credits by farmers and biodigester operators. State officials could consider working with officials from RGGI or voluntary credit brokers to provide a roadmap for landowners to prepare for selling carbon credits.

Looking for Efficiencies

As they explore new funding options for conservation, state officials may also wish to look for ways to stretch existing revenues farther. One potential approach would be to build on current efforts to encourage cooperation between federal, state, and local conservation programs and private groups. Though these efforts are not a panacea for the existing funding challenges, they could be helpful.

Parks spending in Wisconsin, for example, is currently split across an incredibly large number of local governments. In 2020, 185 cities, 385 villages, 337 towns, and 58 counties reported at least some parks spending to the state Department of Revenue, for a total of 965 units of local government. Yet 360 of them, or more than one third, spent less than $10,000 in 2020 and 740, or more than three out of four, spent less than $100,000 that year. That suggests at least some local governments might be able to gain efficiencies by working with one another and other stakeholders.

In one example of intergovernmental cooperation to support public lands and parks, four state parks are operated by local governments or private nonprofits and 25 trails are state-owned but locally run and maintained, according to LFB. In the area of forestry, Wisconsin boasts significant federal, state, county, and private forestlands, which opens up possibilities for collaboration. Many other public lands and parks also are owned by various levels of government, and all of them involve stewardship of habitat and wildlife, maintenance of roads and trails, and many other common responsibilities.

Creating a formal process to expand collaboration in these areas could produce some savings and better results for the public and the environment. The Forum is already exploring, for example, ways that local governments in the Milwaukee area might collaborate to improve the Milwaukee County Parks. In doing so, state officials would not necessarily need to create another government board or council. Policymakers could consider whether an existing body such as the National Resources Foundation of Wisconsin could take on this task or expand work that is already being done.

Summary

For decades, the state of Wisconsin has become steadily more dependent on user fees and other charges as well as borrowing to fund conservation. State officials could choose to continue down that path in the next state budget, maintaining or even increasing current fees such as hunting and fishing licenses and increasing borrowing levels for the state Stewardship program.

Yet a wealth of other options exists, from tax credits for land donations to dedicating a portion of state sales tax revenues or creating new forms of taxation. The state's unusually strong budget position may make some of these options easier to adopt.

CONCLUSION

Wisconsin has a long tradition of both pursuing outdoor recreation and protecting its natural resources, with leaders like Gaylord Nelson, Warren Knowles, and Aldo Leopold winning recognition for their work far beyond our borders. One of the few bright spots of the pandemic was the way it reinvigorated this heritage, sending state residents and visitors alike out into nature at levels not seen in years and offering some support for an otherwise faltering tourist economy.

Yet, as we have documented in this report, the state also faces steep challenges in these areas. For example, Wisconsin ranks in the middle of the pack nationally for its share of land open to the public, but much of that land lies in the Northwoods far from the state's largest cities. And while it generates healthy revenues from hunting and fishing licenses and from state parks fees, the state has steadily pulled back on the general tax funding that once boosted support for these priorities. Meanwhile, the state Stewardship program had been a national leader, but the program has shrunk over the past decade, eroded first by funding cuts and then by the impact of inflation.

Those findings are supported by the following key points:

- Fourteen percent of Wisconsin's land is protected and open to the public, which ranked 20th-highest among states but was below the national average of 25.1%.

- Visits to state parks hit record levels in 2021 but remained concentrated in a few properties in southern Wisconsin where most state residents live. Public lands are most common in the northern part of the state, leaving a gap between supply and demand.

- The DNR received $334.3 million in GPR funding in 1995-97 but only $197.5 million in 2021-23, a 40.9% decrease even before adjusting for inflation.

- In 2017, Wisconsin spent $19.6 million to operate its state parks, or $3.39 per state resident, which was less than any other state except Texas.

Moving forward, state and local leaders could choose to boost the resources available for conservation in several ways. Some longstanding revenues such as hunting and fishing licenses could be increased to reflect the impact of inflation, while existing revenue sources such as the sales tax or real estate transfer fee could be redirected toward conservation. New forms of sales taxes that are directly linked to outdoor recreation also could be considered. In addition, federal, state and local agencies could consider ways to work more closely with each other and private groups to provide more efficient and effective management of public lands.

The state's current economy and quality of life would not have been possible without the wise use of its lands, waters, and natural resources. While Wisconsin once stood out among the 50 states in this respect, it has now drifted more toward the middle of the pack in many key indicators, and this decline has been reflected by growing difficulties in preserving and maintaining the state's rich conservation and parks heritage.

The state's sizable budget surplus, the uptick in outdoor recreation, and the growing recognition of these challenges – which we hope have been buttressed by this report – now provide both an opportunity and an impetus to re-prioritize conservation and public lands and restore Wisconsin's impressive legacy for the next generation.