



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

June 5, 2007

Joint Committee on Finance

Paper #587

Water Resources Account Lapses (DNR -- Water Quality)

Bill Agency

[LFB 2007-09 Budget Summary: Page 422, #1]

CURRENT LAW

The conservation fund is a segregated (SEG) trust fund used to finance many of the state's resource management programs administered by the Department of Natural Resources (DNR). Conservation fund revenues may only be expended under the appropriation authority provided by the Legislature. The Department cannot transfer funds between appropriations. At the end of each fiscal year, unexpended amounts in most conservation fund appropriations lapse to the balance of the fund. However, certain appropriations are designated as continuing. Any uncommitted expenditure authority remains available in these appropriations for expenditure in subsequent fiscal years. The conservation fund is divided into several accounts, including the water resources account. The source of revenue to the water resources account is an annual transfer of motorboat fuel tax revenues and the investment income on that revenue. The amount of the transfer each fiscal year is calculated by multiplying the motor fuel tax on 50 gallons of gasoline on April 1 of the previous fiscal year by the number of motorboats registered as of January 1 of the previous fiscal year and then multiplying this result by 1.4. In 2006-07, DNR is expecting \$13,718,900 to be transferred to the water resources account under this formula (634,254 motorboats x 50 gallons per motorboat x 30.9¢ per gallon x 1.4).

GOVERNOR

Lapse \$2,0895,900 in uncommitted balances from the following continuing appropriations back to the unappropriated balance of the water resources account. The lapsed

amounts would not affect ongoing appropriation levels, but rather would lapse unused balances that have accrued from prior years.

<u>Appropriation</u>	<u>Lapse Amount</u>
Recreational Boating Aids	\$1,400,000
Statewide Boating Access	311,700
Mississippi and St. Croix Rivers Management	224,200
Lake Protection and Aquatic Invasive Grant Program	<u>150,000</u>
Total	\$2,085,900

DISCUSSION POINTS

1. In order to address the declining balance of the water resources account, the Department's 2007-09 budget request included the lapse recommended by the Governor, and also identified a plan to reduce expenditures in annual appropriations by \$212,600 in each fiscal year between 2006-07 and 2007-09. Uncommitted balances in annual appropriations lapse to the account balance each June 30.

TABLE 1

2007-09 DNR Planned Appropriation Reductions

<u>Appropriation</u>	<u>Annual Amount</u>
Lake, River, and Invasive Species Management	\$155,000
Administration and Field Services	14,300
Customer Assistance and Grant Management	12,500
River Protection Grants	12,400
Law Enforcement	9,100
Aquatic and Terrestrial Resources Inventory	5,500
Water Regulation and Zoning	<u>3,800</u>
Total	\$212,600

2. Even with the lapse under the bill and the annual reductions identified by DNR, the water resources account is projected to have a negative available balance of approximately \$500,000 on June 30, 2009. While the account would show a negative available balance, it is anticipated to have a sizable cash balance as a result of encumbered (committed, but not yet spent) amounts from previous years and anticipated uncommitted balances in continuing appropriations.

TABLE 2**Estimated Water Resources Account Condition Statement
SB 40 and DNR Annual Reduction Plan**

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Opening Balance	\$13,348,100	\$14,154,000	\$14,200,000
Revenue	<u>14,318,900</u>	<u>14,060,800</u>	<u>14,257,000</u>
Total Available	\$27,667,000	\$28,214,800	\$28,457,000
Budgeted Expenditures	\$13,575,600	14,152,400	\$14,182,600
Annual Expenditure Reductions	-212,600	-212,600	-212,600
Compensation Reserves	<u>150,000</u>	<u>75,000</u>	<u>150,000</u>
Total Expenditures	\$13,513,000	\$14,014,800	\$14,120,000
Cash Balance	\$14,154,000	\$14,200,000	\$14,337,000
Encumbrances/Continuing Balance*	16,914,900	16,914,900	14,829,000
One-time lapse	<u>0</u>	<u>-2,085,900</u>	<u>0</u>
Available Balance	-\$2,760,900	-\$629,000	-\$492,000

*Includes encumbrances (amounts committed but not yet paid), as well as continuing balances from certain appropriations (such as recreational boating aids, lake management, and boating access projects).

3. Under the bill, and the DNR lapse plan shown in Table 1, commitments from the water resources account would still exceed available revenues by approximately \$500,000. When estimated revenues and available balances are insufficient to fund appropriated expenditure levels, DNR is required (under s. 20.9045 of the statutes) to inform the Department of Administration (DOA), and submit recommended appropriation reductions sufficient to bring expenditure levels in line with available revenues. Therefore, DNR expenditures from the water resources account (and from appropriations within that account) may not exceed anticipated revenues, regardless of approved expenditure authority. If no action was taken to adjust expenditures, DNR and DOA would be required to maintain expenditures at a level that could be supported by anticipated revenues.

4. One option for addressing the anticipated shortfall in the water resources account would be to reduce or eliminate expenditure authority to new programs supported by the water resources account under the bill. (Water resources account funding for "boat ambassadors" is addressed in a separate budget paper.)

5. While the bill would lapse \$2,085,900 that has accumulated in continuing balances in several appropriations, these appropriations would still have remaining uncommitted balances that could be lapsed to the balance of the water resources account. Continuing appropriations within the account include appropriations that support funding for nonprofit conservation organizations, recreational boating program grants, lake protection and invasive species grant programs, state

boating access projects, Mississippi and St. Croix Rivers management, and an appropriation to maintain DNR facilities. As part of its account balancing plan, DNR has reduced expenditures in continuing appropriations in the water resources account by \$231,900 in 2005-06 and by \$331,300 in 2006-07 and included in its budget request a plan to reduce expenditures by \$331,300 in both 2007-08 and 2008-09 as shown in Table 3. While these expenditure reductions will increase the cash balance of the account they would still be available for future expenditure by DNR. Since the appropriations are continuing, any remaining balance would have to be directed to be lapsed to the general balance of the account in order to realize an effect on the available account balance. Therefore, one alternative could be to lapse \$894,500 in 2007-08 (the amounts identified by DNR for 2005-06 through 2007-08) and \$331,300 in 2008-09 from the uncommitted balances of these appropriations back to the balance of the water resources account. Under Alternative 2, the water resources account available balance would increase by over \$1.2 million to approximately \$730,000 on June 30, 2009.

TABLE 3

DNR Planned Continuing Appropriation Lapses (Alternative 2)

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Lake Protection and Aquatic Invasive Grants	\$103,300	\$176,500	\$176,500	\$176,500
Recreational Boating Aids Grant Program	113,200	132,000	132,000	132,000
State Boating Access Development	5,600	8,500	8,500	8,500
Non-Profit Conservation Organizations	4,900	7,100	7,100	7,100
State Boating Access Southeastern Lakes	2,800	4,200	4,200	4,200
Mississippi/St. Croix Rivers Program	1,800	2,600	2,600	2,600
Facilities Development and Maintenance	<u>300</u>	<u>400</u>	<u>400</u>	<u>400</u>
Total	\$231,900	\$331,300	\$331,300	\$331,300

6. Under the recreational boating aids grant program, the Department provides grants to municipalities, counties, town sanitary districts, public inland lake protection and rehabilitation districts, qualified lake associations, the Milwaukee River Revitalization Council, and the Lower Wisconsin State Riverway Board for up to 50% of the costs of developing recreational boating facilities approved by the Waterways Commission. A grant may be used to support up to 60% of project costs if the sponsor conducts a boating safety enforcement and education program approved by DNR, and up to 80% of the costs of developing recreational boating facilities (and up to 90% if the sponsor conducts a boating safety program) if the project is deemed to be of regional or statewide importance by the Waterways Commission. The program is funded at \$3,122,000 annually under the bill.

7. The statewide boating access program purchases land and develops state boating facilities to increase access to public waterways. Examples of past projects include the design and development of boat launches (including associated facilities, such as restrooms, fish cleaning stations, and parking), public boat launch repairs, and pier development and replacement. The program is funded at \$300,000 annually (with \$200,000 available for projects statewide, and \$100,000 for projects in the southeastern portion of the state).

8. The Department provides a grant of \$150,000 annually to Gathering Waters, Inc. The nonprofit conservation organization (NCO): (a) assists in establishing new NCOs; (b) sponsors conferences and other educational programs; (c) publishes a newsletter; and (d) provides technical assistance on such issues as incorporation, organizational development, real estate transactions and land protection options. Further, the Department provides \$75,000 for one or more grants to non-profit corporations that provide organizational and technical support to community based river protection groups, such as the River Alliance of Wisconsin. DNR also provides an annual grant of \$85,000 to a non-profit that encourages private entities to contribute to the management and restoration of natural communities and provides grants to other groups to encourage education, restoration, and management activities. In each year, the grant has been awarded to the Natural Resources Foundation.

9. The Mississippi and St. Croix Rivers development and management program provides funding for habitat and recreational projects and for environmental and resource management studies on the Mississippi and Lower St. Croix Rivers. Examples of past projects include buoy placement, beach enhancements, recreational boat use studies, and fishing pier placements. The program is funded at \$62,500 annually.

10. Lake protection grants may be awarded for a variety of purposes, including management projects that will improve or protect the quality of water in lakes, flowages, or natural lake ecosystems. A grant for a lake management project may be made for up to 75% of the cost of the project up to \$200,000 per grant. Counties, municipalities, non-profit conservation organizations, qualified lake associations, town sanitary districts, certain school districts, and public inland lake protection and rehabilitation districts are all eligible to apply for grants for lake management projects. DNR may also distribute grants for lake planning projects such as mapping and water quality assessment. In addition, under 2005 Act 25, the Department must make available \$1,500,000 annually beginning in 2006-07 for cost-sharing grants to local governments for the control of aquatic invasive species. Lake protection and invasive species grants are funded at \$4,175,400 annually under the bill. Under the DNR plan, the aquatic invasives control grant allocation would be reduced by approximately \$75,000 each year (with the remaining \$101,500 from the lake protection grants allocation).

11. Protecting water quality and preventing the infestation of, and controlling existing, aquatic invasive species has become of increasing cost and concern to many recreational users of Wisconsin waters. Further, the recent discovery of viral hemorrhagic septicemia (VHS) in the Lake Winnebago/Fox River system has raised concerns over the increasing number of aquatic invasive species being transported into Wisconsin's waters. Therefore, it could be argued that the amount available for grants for lake protection grants and aquatic invasive species should not be reduced. Another alternative could be to lapse the amounts indicated in Table 3, except the \$176,500 in 2007-08 and 2008-09 from lake protection and aquatic invasive species grants. Alternative 3 would increase the available balance of the water resources account by \$870,000 over the biennium (the account would have an expected available balance of approximately \$380,000 on June 30, 2009).

12. It should be noted that, with these measures, the water resources account may remain in balance during the 2009-11 biennium, if boat registrations increase modestly each year over the next several years. However, if boat registrations remain stable or decline, permanent

expenditure reductions, or revenue increases, may need to be considered in 2009-11.

ALTERNATIVES TO BILL

1. Adopt the Governor’s recommendation to lapse the following amounts, from the continuing, uncommitted, balance of the identified appropriations to the general balance of the water resources account of the conservation fund.

<u>Appropriation</u>	<u>Lapse Amount</u>
Recreational Boating Aids	\$1,400,000
Statewide Boating Access	311,700
Mississippi and St. Croix Rivers Management	224,200
Lake Protection and Aquatic Invasive Grant Program	<u>150,000</u>
Total	\$2,085,900

2. Adopt the Governor’s recommendation. Further, lapse an additional \$1,225,800 from the following continuing, uncommitted, balances of the identified appropriations to the general balance of the water resources account of the conservation fund (this would implement the remainder of the DNR lapse plan).

	<u>2007-08</u>	<u>2008-09</u>
Recreational Boating Aids Grant Program	\$377,200	\$132,000
Lake Protection and Aquatic Invasive Grants	456,300	176,500
State Boating Access Development	22,600	8,500
Non-Profit Conservation Organizations	19,100	7,100
State Boating Access Southeastern Lakes	11,200	4,200
Mississippi/St. Croix Rivers Acquisition Program	7,000	2,600
Facilities Acquisition and Maintenance	<u>1,100</u>	<u>400</u>
Total	\$894,500	\$331,300

3. Adopt the Governor’s recommendation. Further, lapse an additional \$872,800 from the following continuing, uncommitted, balances of the identified appropriations to the general balance of the water resources account of the conservation fund. (Grant amounts for lake protection and invasive species management would not be reduced during 2007-09).

	<u>2007-08</u>	<u>2008-09</u>
Recreational Boating Aids Grant Program	\$377,200	\$132,000
Lake Protection and Aquatic Invasive Grants	279,800	0
State Boating Access Development	22,600	8,500
Non-Profit Conservation Organizations	19,100	7,100
State Boating Access Southeastern Lakes	11,200	4,200
Mississippi/St. Croix Rivers Acquisition Program	7,000	2,600
Facilities Acquisition and Maintenance	<u>1,100</u>	<u>400</u>
Total	\$718,000	\$154,800

Prepared by: Erin Rushmer