



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #485

Water Resources Account Lapses (DNR -- Water Quality)

[LFB 2011-13 Budget Summary: Page 318, #2]

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. 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. Legislation is required to lapse unexpended balances in continuing appropriations to the conservation fund balance. 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.

GOVERNOR

Lapse \$335,000 in uncommitted balances in each year of the biennium from a number of continuing appropriations back to the balance of the water resources account of the conservation fund.

DISCUSSION POINTS

1. To address the structural deficit in the water resources account, the Department reduced expenditures from the account by \$500,000 in 2010-11 and plans to reduce expenditures in most annual and biennial water resources account appropriations by \$659,500 in 2010-11 and \$474,300 in 2012-13 (in addition to the amounts in continuing appropriations under the bill) as shown in the following table. Since unspent balances from annual and biennial appropriations lapse back to the balance of the water resources account no legislation is required for these reductions.

DNR did not reduce the portion of one appropriation related to facility rent, and expenditures from several appropriations DNR felt related primarily to public health and safety were excluded from the reductions under the plan. Further, debt service for bonds issued for the dam safety grant program cannot be reduced.

TABLE 1

DNR Lapses and Planned Reductions

	2009-10	2011-12		2012-13			
	Actual Expenditure	Approp.	Lapse	Anticipated Expenditure	Approp.	Lapse	Anticipated Expenditure
Continuing Appropriation Lapses							
Non-profit conservation organization aids	\$141,100	\$153,400	\$14,500	\$138,900	\$153,400	\$14,500	\$138,900
Lake protection grants	2,838,500	2,648,600	278,500	2,370,100	2,648,600	278,500	2,370,100
Non-profit river protection aids	97,100	74,200	7,000	67,200	74,200	7,000	67,200
Southeastern boating access	0	99,000	9,400	89,600	99,000	9,400	89,600
Statewide boating access	125,000	198,000	18,800	179,200	198,000	18,800	179,200
Mississippi and St. Croix rivers management projects	13,500	61,900	5,900	56,000	61,900	5,900	56,000
Facilities acquisition, development and maintenance	6,500	8,300	900	7,400	8,300	900	7,400
Recreational Boating Aids	<u>1,412,500</u>	<u>400,000</u>	<u>0</u>	<u>400,000</u>	<u>400,000</u>	<u>0</u>	<u>400,000</u>
Subtotal	\$4,634,200	\$3,643,400	\$335,000	\$3,308,400	\$3,643,400	\$335,000	\$3,308,400
Annual and Biennial Appropriation Reductions							
Aquatic and Terrestrial Resources Inventory	\$128,500	\$128,500	\$9,800	\$118,700	\$128,500	\$7,000	\$121,500
Water Resources Law Enforcement	186,400	204,400	15,500	188,900	200,900	11,000	189,900
Dam Safety and Wetland Mapping*	638,500	678,800	7,700	671,100	678,800	5,500	673,300
Lake, River and Invasive Species Management	2,787,000	3,253,300	247,500	3,005,800	3,253,300	178,000	3,075,300
Invasive Aquatic Species Aids and Lake Monitoring	2,355,300	4,257,000	323,800	3,933,200	4,257,000	233,000	4,024,000
Administration and Technology	396,400	440,000	28,700	411,300	440,000	20,700	419,300
Customer Assistance and Employee Services	364,500	348,100	26,500	321,600	348,100	19,100	329,000
Dam safety grant debt service	469,600	481,200	0	481,200	515,600	0	515,600
Enforcement and science management	8,600	9,300	0	9,300	9,300	0	9,300
Public health -- water monitoring	14,700	24,700	0	24,700	24,700	0	24,700
Water program management	3,800	2,200	0	2,200	2,200	0	2,200
River protection grants	386,600	289,500	0	289,500	289,500	0	289,500
Lower Wisconsin State Riverway Board	125,400	125,400	0	125,400	125,400	0	125,400
Fox River Navigational System Authority	<u>142,200</u>	<u>152,000</u>	<u>0</u>	<u>152,000</u>	<u>152,000</u>	<u>0</u>	<u>152,000</u>
Subtotal	\$8,010,500	\$10,394,400	\$659,500	\$9,734,900	\$10,425,300	\$474,300	\$9,951,000
Total	\$12,644,700	\$14,037,800	\$994,500	\$13,043,300	\$14,068,700	\$809,300	\$13,259,400

*DNR plans to make reductions from the supplies line only (budgeted at \$101,300 annually), rather than from salary and fringe expenditures which the Department argues are related to public health and safety.

2. Under the Department's reduction plan, and with the lapses included in the bill, the water resources account would be expected to have an available balance of approximately \$500,000 on June 30, 2013 as shown in Table 2. However, authorized expenditure levels (over \$14 million) would continue to substantially exceed available revenues (\$13.2 million) in future biennia.

TABLE 2**Estimated Water Resources Account Condition Statement
and 2011-13 DNR Reduction Plan**

<u>Water Resources Condition</u>	2009-10 <u>Actual</u>	2010-11 <u>Estimate</u>	2011-12 <u>Bill</u>	2012-13 <u>Bill</u>
Opening Balance	\$13,840,000	\$14,776,200	\$14,519,800	\$14,030,600
Revenue	<u>13,580,900</u>	<u>13,268,600</u>	<u>13,039,100</u>	<u>13,186,200</u>
Total Available	\$27,420,900	\$28,044,800	\$27,558,900	\$27,216,800
Authorized Expenditures	\$12,644,700	\$13,975,000	\$14,037,800	\$14,068,700
Health Insurance Reserves/27th Payperiod	0	50,000	150,000	50,000
DNR Planned Reductions	<u>0</u>	<u>-500,000</u>	<u>-659,500</u>	<u>-474,300</u>
Total Expenditures	\$12,644,700	\$13,525,000	\$13,528,300	\$13,644,400
Cash Balance	\$14,776,200	\$14,519,800	\$14,030,600	\$13,572,400
Encumbrances/Continuing Balance*	-14,887,400	-14,392,200	-13,742,200	-13,407,200
Continuing Appropriation Lapses	<u>495,200</u>	<u>650,000</u>	<u>335,000</u>	<u>335,000</u>
Available Balance	\$384,000	\$777,600	\$623,400	\$500,200

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

3. Lapses from continuing appropriations to the balance of the water resources account have been included in each of the last three biennial budgets (although the Governor item-vetted specified lapses in the 2005-07 budget) to address an ongoing structural imbalance in the account. Rather than including the proposed lapses, an option would be to reduce expenditure authority in the continuing appropriations to avoid necessitating continued lapses in future biennia. In addition, expenditure reductions in the annual and biennial appropriations could be considered to bring expenditures to a level that could be supported by anticipated revenues. An overall expenditure reduction of \$700,000 annually in 2011-12 and 2012-13 would be expected to result in an anticipated June 30, 2013 balance of approximately \$96,000. With these measures, the water resources account could be expected to remain in balance in future biennia, if boat registrations increased modestly over the next several years.

4. Alternative 2 would proportionally reduce expenditures in the appropriations included in the DNR 2011-12 reduction plan for a total reduction of \$700,000 each year. In general, the bill and DNR proposal would reduce continuing appropriations (primarily grant and development appropriations) by approximately 10% and select annual and biennial appropriations (primarily DNR operations and administration) by approximately 7.5% in 2011-12.

5. It could be argued that all appropriations should be reduced at a comparable level. Alternative 3 would reduce expenditures in all DNR appropriations, excluding debt service, by approximately 5.3% totaling \$679,000 in 2011-12 and \$700,000 in 2012-13. The amount is \$21,000 lower in 2011-12 because under current law DNR is required to provide \$400,000 annually (the full appropriation amount) from the recreational boating aids appropriation to the Fox River Navigational System Authority each year from 2005-06 through 2011-12. The account would be

expected to have an available balance of approximately \$75,000 on June 30, 2013 as shown in Table 3.

TABLE 3

**Estimated Water Resources Account Condition Statement
Under Alternative 3**

<u>Water Resources Condition</u>	2009-10 <u>Actual</u>	2010-11 <u>Estimate</u>	2011-12 <u>Gov Bill</u>	2012-13 <u>Gov Bill</u>
Opening Balance	\$13,840,000	\$14,776,200	\$14,519,800	\$14,050,100
Revenue	<u>13,580,900</u>	<u>13,268,600</u>	<u>13,039,100</u>	<u>13,186,200</u>
Total Available	\$27,420,900	\$28,044,800	\$27,558,900	\$27,236,300
Authorized Expenditures	\$12,644,700	\$13,975,000	\$13,358,800	\$13,368,700
Health Insurance Reserves/27th Payperiod	0	50,000	150,000	50,000
Planned Reduction	<u> </u>	<u>-500,000</u>	<u> 0</u>	<u> 0</u>
Total Expenditures	\$12,644,700	\$13,525,000	\$13,508,800	\$13,418,700
Cash Balance	\$14,776,200	\$14,519,800	\$14,050,100	\$13,817,600
Encumbrances/Continuing Balance*	-14,887,400	-14,392,200	-13,742,200	-13,742,200
Continuing Appropriation Lapses	<u>495,200</u>	<u>650,000</u>	<u> 0</u>	<u> 0</u>
Available Balance	\$384,000	\$777,600	\$307,900	\$75,400

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

ALTERNATIVES

1. Adopt the Governor's recommendation to lapse \$335,000 in uncommitted balances in each year of the biennium from the specified continuing appropriations back to the balance of the water resources account of the conservation fund.

2. Delete provision. Rather, reduce expenditure authority in the following water resources account appropriations (proportional to DNR's reduction plan) by the following amounts:

Continuing Appropriation Reductions:	<u>Annual</u>
Non-profit conservation organization aids	\$10,200
Lake protection grants	196,000
Non-profit river protection aids	5,000
Southeastern boating access	6,600
Statewide boating access	13,200
Mississippi and St. Croix rivers management projects	4,200
Facilities acquisition, development and maintenance	600
Recreational Boating Aids	<u>0</u>
Subtotal Continuing Appropriations	\$235,800
Annual and Biennial Appropriation Reductions:	
Aquatic and terrestrial resources inventory	\$6,900
Water resources law enforcement	10,900
Dam safety and wetland mapping	5,400
Lake, river and invasive species management	174,200
Invasive species grants and lake monitoring	227,900
Administration and technology services	20,200
Customer assistance and licensing	18,700
Enforcement and science management	0
Public health -- water monitoring	0
Water program management	0
River protection grants	<u>0</u>
Subtotal Annual and Biennial Appropriations	\$464,200
Total	\$700,000

ALT 2	Change to Bill Funding
SEG	- \$1,400,000

3. Uniformly reduce expenditure authority in DNR water resources account appropriations by the following amounts:

	<u>2011-12</u>	<u>2012-13</u>
Continuing Appropriation Reductions:		
Non-profit conservation organization aids	8,000	8,000
Lake protection grants	139,700	139,700
Non-profit river protection aids	3,900	3,900
Southeastern boating access	5,200	5,200
Statewide boating access	10,400	10,400
Mississippi and St. Croix rivers management projects	3,300	3,300
Facilities acquisition, development and maintenance	400	400
Recreational boating aids	<u>0</u>	<u>21,000</u>
Subtotal Continuing Appropriations	\$170,900	\$191,900
 Annual and Biennial Appropriation Reductions:		
Aquatic and terrestrial resources inventory	6,800	6,800
Water resources law enforcement	10,800	10,800
Dam safety and wetland mapping	35,500	35,500
Lake, river and invasive species management	171,600	171,600
Invasive species grants and lake monitoring	224,600	224,600
Administration and technology services	23,200	23,200
Customer assistance and licensing	18,400	18,400
Enforcement and science management	500	500
Public health -- water monitoring	1,300	1,300
Water program management	100	100
River protection grants	<u>15,300</u>	<u>15,300</u>
Subtotal Annual and Biennial Appropriations	\$508,100	\$508,100
 Total	 \$679,000	 \$700,000

ALT 3	Change to Bill
	Funding
SEG	- \$1,379,000

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