



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #446

### Equipment Pool Appropriation Changes (DNR -- Departmentwide)

[LFB 2013-15 Budget Summary: Page 318, #6]

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#### CURRENT LAW

Under current law, all moneys received from car, truck, airplane, heavy equipment, information technology or radio pools are deposited in the segregated fleet appropriation under s. 20.370(8)(mt) for operation, maintenance, replacement and purchase of those items. DNR also uses two program revenue appropriations for facilities, materials or services provided by the Department to pay for expenses associated with those facilities, materials, or services.

#### GOVERNOR

Retitle the fleet appropriation and add all moneys received from the sale "or lease" of equipment and "supplies" "or from related services" to "local units of government, other states, and non-profit organizations" to the appropriation to be used for, in addition to the current law uses, the operation, maintenance, replacement, and purchase of "supplies".

#### DISCUSSION POINTS

1. DNR maintains a conservation fund SEG fleet account for the purchase, use, and maintenance of cars, trucks, radio communications (radio towers and related communication equipment), and heavy equipment utilized by the agency. While the statutory Chapter 20 schedule of appropriations reflects \$0 for this appropriation, it is intended as a revolving fund to support fleet operations. Fleet-related operational costs are charged to this appropriation, and then recovered through chargebacks to programs. When DNR staff use a fleet vehicle, their program (such as law enforcement, wildlife management, or forestry) is charged a fleet usage rate intended to recover the equipment-related costs over the life of the item, which they pay on a monthly or per-mile basis. The fleet account also receives revenue from the sale of assets (depreciated vehicles). The fleet appropriation had 2011-12 revenues of \$10.2 million and expenditures of \$9.2 million. The

appropriation had a cash balance of negative \$22.9 million on June 30, 2012, primarily associated with the \$26 million remaining value of fleet assets. Unlike most appropriations, the DNR fleet account (similar to DOA and DOT fleet appropriations) may incur an unsupported cash deficit, but not exceeding the remaining value of fleet assets.

2. Current law provides for equipment pool revenues (deposited in the fleet appropriation) to be used for the purchase of heavy equipment and trucks which could include fire control and forestry heavy equipment. The Department indicates that equipment purchased in part with federal funds which includes some forestry heavy equipment such as dozers and the main body (the chassis and all basic components needed to make it a legally drivable vehicle) of some fire control vehicles is typically not purchased through the fleet appropriation in order to ensure compliance with federal requirements. However, the fleet appropriation could be utilized for the operation, maintenance, and repair of the vehicles (such as fuel or replacement tires). In addition, DNR also purchases a variety of other equipment which forestry staff use to customize fire control vehicles. These accessories may be purchased without use of federal funds, such as fittings, hoses, pipes, pumps, tubes and valves, lighting, radio and electrical components, and sirens.

3. The Department maintains a physical inventory of fire control equipment, forestry equipment, and forestry supplies at the LeMay Center forestry warehouse in Tomahawk. The Department utilizes available program revenues or its annual forestry SEG operations appropriation to purchase other forestry equipment and supplies stocked at the LeMay Center including fire safety equipment (fire-resistant Nomex clothing, fire-rated hard hat, gloves, and goggles), reflective vests, uniforms, shovels and other hand tools, tape, signs, paint, and paint guns

4. The Department would prefer to house revenues from the sales of the equipment and supplies in the same appropriation as they are purchased, and move all purchases to the fleet appropriation, for accounting purposes. This appears appropriate for the heavy forestry equipment-related purposes. However, adding the word "supplies" to the fleet appropriation may allow for an overly broad use of the fleet account. The federal government allows states to recover annual costs of operating a fleet including depreciation and the gain or loss on the sale of assets. The fleet account does not recover the full costs of capital expenditures (vehicle purchases) in the year they are incurred; therefore, the account carries a cash deficit. Under section 20.903(2)(b) of the statutes, the account is allowed to carry a cash deficit as long as the undepreciated (net book) value of fleet assets exceeds the cash deficit. Adding the word "supplies" to the allowable items to be bought and sold utilizing the appropriation would lead to use of the appropriation for the purchase of items of a non-capital nature, such as uniforms, disposable items, or hand tools.

5. The bill would add moneys received from leases of equipment (rather than just sales currently) to the fleet appropriation. However, DNR indicates that it does not lease any of these items; rather, the Department may rent fire control equipment to local fire departments and volunteer fire companies for short-term use, with these revenues deposited in the program revenue appropriation, which DNR indicates is not a problem. Therefore, addition of the word "lease" to the appropriation is not necessary.

6. The administration indicates that the addition of "related services" was intended to allow the DNR to deposit moneys received from fire equipment fabrication or repairs conducted by

staff at the LeMay Center of fire equipment owned by another entity, such as a local fire department or volunteer fire company. These revenues are currently deposited in the PR appropriation. As these revenues are related to services rendered by the Department for which DNR may bill the recipient and utilize the existing PR appropriation for deposit of these revenues, there appears to be no need for including these revenues in the fleet appropriation.

7. The fleet appropriation language could be modified to better address existing use, and to specifically add fire control vehicle equipment to the list of eligible uses, consistent with the use of the fleet appropriation for heavy equipment (Alternative 2). Basic forestry equipment (such as fire safety clothing and uniforms) and forestry supplies (such as shovels and hand tools, signs, tape, and paint) would not be included as they are not of a capital nature and are not consistent with the use of the fleet appropriation to support long-term depreciating capital items (they would continue to be purchased using the program revenue and forestry SEG operations appropriation). As the Department no longer owns any aircraft, but rather utilizes the fleet appropriation for costs of the use of the state airplane fleet, this could be identified in the appropriation language (Alternative 2). The modified language would also clarify that all moneys received by the Department from the sale of used cars, trucks, heavy equipment, information technology, and fire control vehicle equipment would be deposited in this appropriation (while the current language appears to limit the appropriation to moneys received from the Department or other state agencies; in practice, when DNR sells a depreciated fleet vehicle to any entity, including an individual at auction, the revenue is deposited in the fleet appropriation).

## **ALTERNATIVES**

1. Adopt the Governor's recommendation to retitle the Department's fleet appropriation and add all moneys received from the sale "or lease" of equipment and "supplies" "or from related services" to "local units of government, other states, and non-profit organizations" to be used for, in addition to the current law uses, the operation, maintenance, replacement, and purchase of "supplies".

2. Modify the equipment pool operations appropriation to specify that all moneys received by the Department from the sale of used cars, trucks, heavy equipment, information technology, and fire control vehicle equipment; from the provision of radio communication services; and from fleet usage fees for cars, trucks, heavy equipment, and fire control vehicle equipment be deposited in this appropriation, to be used for DNR's state airplane fleet use costs and for the operation, maintenance, replacement and purchase of radio communication infrastructure, cars, trucks, heavy equipment, information technology, and fire control vehicle equipment.

3. Maintain current law. The appropriation language would continue to specify that it be used for all moneys received by the Department from the Department or from other state agencies from car, truck, airplane, heavy equipment, information technology or radio pools for operation, maintenance, replacement and purchase of vehicles, equipment, radio services, and information technology.

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