



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #634

Conservation Fund Account Administrative Funding (DNR -- Departmentwide)

CURRENT LAW

Under 1999 Act 9, DNR is prohibited from expending more than 16% from the fish and wildlife account of the conservation fund for administrative purposes, including department administration and support services and division administration. The Department was further directed to submit information to the Joint Committee on Finance under s. 13.10 by April 1, 2000, detailing how the requirements would be implemented. As a result, DNR was directed to delete \$469,000 in fish and wildlife SEG and 4.5 SEG positions in 2000-01 from among the Division of Administration and Technology, Land Program Management, Water Program Management, Enforcement and Science Program Management, and CAER Program Management.

GOVERNOR

No provision.

DISCUSSION POINTS

1. The Department deleted 1.5 positions and \$46,200 from Administrative and Field Services, 1.0 position and \$43,300 from Finance, and 2.0 positions and \$139,300 from Enterprise Information, Technology, and Applications in order to meet the 16% administrative funding limit. In addition, \$240,200 was deleted from the Bureau of Finance's supplies and services appropriation. In total, this resulted in a decrease of 4.5 SEG positions and \$469,000 in fish and wildlife account SEG, bringing DNR into compliance with the 16% requirement.

2. Upon review of the Governor's budget recommendations, DNR remained in compliance with the 16% administrative spending rule. As illustrated in the table below, 15.78% in 2001-02 and 15.74% in 2002-03 of fish and wildlife account expenditures would fund DNR administrative costs.

TABLE 1

Fish & Wildlife

	<u>2000-01 base</u>	<u>2001-02</u>	<u>2002-03</u>
Division of Administration and Technology	\$6,456,000	\$7,230,200	\$7,219,900
Land Program Management	1,497,800	1,691,200	1,691,200
Water Program Management	925,400	1,067,600	1,067,600
Enforcement & Science Program Management	497,900	437,300	437,300
CAER Program Management	<u>392,700</u>	<u>386,300</u>	<u>386,300</u>
Total Administrative Expenditures	\$9,769,800	\$10,812,600	\$10,802,300
Total Expenditures	\$61,881,100	\$68,532,200	\$68,613,900
Percent budgeted for administrative expenditures	15.80%	15.78%	15.74%

3. However, actions by the Joint Committee on Finance to date have decreased expenditures from the fish and wildlife account to less than the amount provided under SB 55. Consequently, the percentage budgeted for administrative expenditures has increased. As illustrated in the table below, fish and wildlife account expenditures to fund DNR administrative costs are currently estimated at 15.87% in 2001-02 and 16.11% in 2002-03.

Fish & Wildlife

	<u>2000-01 base</u>	<u>2001-02</u>	<u>2002-03</u>
Division of Administration and Technology	\$6,456,000	\$7,230,200	\$7,219,900
Land Program Management	1,497,800	1,691,200	1,691,200
Water Program Management	925,400	1,067,600	1,067,600
Enforcement & Science Program Management	497,900	437,300	437,300
CAER Program Management	<u>392,700</u>	<u>386,300</u>	<u>386,300</u>
Total Administrative Expenditures	\$9,769,800	\$10,812,600	\$10,802,300
Total Expenditures	\$61,881,100	\$68,136,700	\$67,045,500
Percent budgeted for administrative expenditures	15.80%	15.87%	16.11%

4. The requirement that administrative expenditures from the fish and wildlife account may not exceed 16% of total expenditures is established in statute. The Department is legally bound by this stipulation, regardless of appropriated expenditure levels. As potential adjustments in authorized expenditure authority from the fish and wildlife account may yet occur as part of the budget process, it may be reasonable to postpone corrective adjustments. For example, when the Committee considered action on funding for the Automated License Issuance System (ALIS), a decision was made to fund the first year of operation and require DNR to provide an updated funding request upon negotiation of a new contract for necessary funding in the second year of the biennium. Consequently, \$953,000 of fish and wildlife SEG expenditure authority would be deleted, but maintained in the balance of the account for potential appropriation in 2002-03. Should the Committee provide this level of funding in the second year, administrative expenditures from the fish and wildlife account would be approximately 15.89% of total expenditures in 2002-03. Without this adjustment, administrative expenditures would be estimated at 16.11% of total expenditures. As one alternative the Committee could take no action at this time and review DNR's compliance with the 16% limit at a quarterly meeting under s. 13.10 (perhaps in conjunction with the Department's ALIS request).

5. Distribution of support for administrative expenditures across all accounts of the conservation fund is uneven. With the exception of the endangered resources and Natural Resources Magazine accounts (which do not contribute to administrative appropriations), funding support for administrative costs as a percentage of total account expenditures range from 0.3% to 16.11%. These total expenditures by account appear in Attachment 1.

6. One of the arguments in support of the 16% administrative funding limit was the necessity to ensure that user fees paid into the conservation fund be used to benefit the groups contributing the funding. To the extent that other accounts receive support from user fees (through admissions fees or recreational vehicle registration revenue), it could be argued that they warrant similar consideration.

7. While it may be argued that some administrative costs are targeted towards certain accounts in recognition of services received, there appear to be inconsistencies. For example, Water Program Management receives all of its funding from the fish and wildlife account, despite benefits that the program provides to activities associated with the water resources account. Similarly, despite benefiting from the services of Enforcement and Science Program Management, the snowmobile account does not contribute to its support. In total, this account pays \$27,900 annually for administrative support, equaling 0.3% of its total budgeted expenditures for the 2001-03 biennium.

8. The Department argues that the distribution of administrative costs is based on the proportion of staff by funding source in each division. For example, funding for enforcement and science management is funded primarily from the fish and wildlife account, with additional support from the boating and ATV accounts because the majority of enforcement and science positions are funded by fish and wildlife account SEG, with some positions funded from the boat and ATV accounts. While snowmobile enforcement efforts do benefit from enforcement program

management efforts, they do not contribute to these expenses under this formula. Currently, all snowmobile enforcement wardens are funded by sources other than snowmobile account SEG (such as tribal gaming revenues).

9. It could be argued a more equitable distribution of administrative costs across conservation fund accounts may be desirable. For example, in addition to the inconsistencies across accounts described previously, both the Natural Resources Magazine account and the endangered resources account of the conservation fund are exempted from expenditures associated with administration and technology and CAER. Staff with these two programs enjoy the benefits associated with the support of the two divisions, including computer and technical support, office space, human resource services, legal services, and educational resources without contributing to the support of DNR overhead. It is anticipated that the endangered resources account would have a balance of \$145,000 on June 30, 2001. The Natural Resources Magazine account is expected to have a balance of \$267,000 at the end of the biennium.

10. The Department argues that the endangered resources account and the Natural Resources Magazine should remain exempt from requirements to contribute to administrative overhead. Revenue to the Natural Resources Magazine account is generated by subscription sales; DNR argues that these funds should be used for the production and distribution of the magazine only. However, to the extent that office space, production equipment, and information technology resources and support aid the magazine production process, they could be interpreted to be eligible expenses. From this perspective, it would be reasonable to expect this account to contribute to DNR administrative overhead expenses. Revenue to the endangered resources account is generated by voluntary charitable donations made directly or through a check-off contribution option on state tax returns, or from the sale of endangered resources license plates. From this perspective, it may be argued that the voluntary donations should be directed entirely towards the purpose for which they were solicited. Alternatively, one could consider the private sector, where charitable or volunteer organizations do commonly utilize a portion of contributions collected to cover the cost of administrative overhead, including professional staff, office space, and technical support. It may be argued that these are accepted and necessary costs associated with operating an organization, and exemption from administrative overhead costs at the expense of other user groups (such as hunters, fisherman, and recreational vehicle users) is unnecessary.

11. Actions by the Joint Committee on Finance to date have decreased expenditures from the fish and wildlife account; consequently, DNR expenditures for administrative purposes now exceed the required limit of 16%. In order to bring the percentage below 16%, program management expenditures could be decreased by \$80,000 in 2002-03. The Department has indicated that, should such a reduction be required, it would be preferable to be deleted from the Division of Administration and Technology. Alternatively, some of the balance for program management expenditures could be shifted from the fish and wildlife account to other accounts within the conservation fund.

12. If \$80,000 in 2002-03 of administrative expenditures were transferred to the Natural Resources Magazine account and the endangered resources account, administrative costs would

comprise approximately 3.8% of expenditures for each account in 2002-03 (as shown in Appendix 2).

ALTERNATIVES TO BASE

1. Delete \$80,000 in 2002-03 of fish and wildlife SEG from the Division of Administration and Technology general operations. This would bring the account into compliance with the statutory 16% administrative funding limit.

2. Transfer \$80,000 in 2002-03 of Division of Administration and Technology expenditures from the fish and wildlife account to the Natural Resources Magazine account and the endangered resources account. Of this total, \$43,600 would be paid by the endangered resources account in 2002-03 and \$36,400 would be paid by the Natural Resources Magazine account in 2002-03.

3. Require DNR to submit a report to the Joint Committee on Finance under s. 13.10 by March 1, 2002, detailing the rationale for its current administrative funding distribution and demonstrating the equity of its assignment of costs in terms of benefits received by individuals whose user fees support the account.

4. Take no action. (Compliance with the 16% limit could be reviewed after final budget action at a quarterly meeting of the Joint Committee on Finance under s. 13.10.)

Prepared by: Rebecca Hotynski
Attachments

APPENDIX 1

Administrative Funding Under Budget Bill to Date

2001-02

	<u>Fish and Wildlife</u>	<u>Forestry</u>	<u>Parks</u>	<u>Water Resources</u>	<u>Snowmobile</u>	<u>ATV</u>	<u>Boating</u>	<u>Motorcycle</u>	<u>Endangered Resources</u>	<u>Natural Resources Magazine</u>	<u>Total Conservation Fund</u>
Division of Administration and Technology	\$7,230,230	\$7,097,717	\$1,406,292	\$390,913	\$26,503	\$33,128	\$362,754	\$16,564	\$0	\$0	\$16,564,101
Land Program Management	1,691,201	2,617,007	274,992	0	0	0	0	0	0	0	4,583,200
Water Program Management	1,067,600	0	0	0	0	0	0	0	0	0	1,067,600
Enforcement & Science Program Management	437,325	0	0	0	0	5,145	72,030	0	0	0	514,500
CAER Program Management	<u>386,346</u>	<u>379,265</u>	<u>50,545</u>	<u>20,888</u>	<u>1,416</u>	<u>1,770</u>	<u>19,384</u>	<u>885</u>	<u>0</u>	<u>0</u>	<u>860,499</u>
Total Administrative Expenditures by Account	\$10,812,702	\$10,093,989	\$1,731,829	\$411,801	\$27,919	\$40,043	\$454,168	\$17,449	\$0	\$0	\$23,589,900
Total Expenditures by Account	\$68,136,700	\$73,540,900	\$11,205,800	\$12,228,600	\$9,572,700	\$2,452,400	\$5,308,700	\$135,700	\$1,137,800	\$953,200	\$181,712,500
Percent budgeted for administrative expenditures	15.87%	13.73%	15.45%	3.37%	0.29%	1.63%	8.56%	12.86%	0.00%	0.00%	12.98%

2002-03

Division of Administration and Technology	\$7,219,885	\$7,087,561	\$1,404,280	\$390,353	\$26,465	\$33,081	\$362,235	\$16,540	\$0	\$0	\$16,540,400
Land Program Management	1,691,201	2,617,007	274,992	0	0	0	0	0	0	0	4,583,200
Water Program Management	1,067,600	0	0	0	0	0	0	0	0	0	1,067,600
Enforcement & Science Program Management	437,325	0	0	0	0	5,145	72,030	0	0	0	514,500
CAER Program Management	<u>386,346</u>	<u>379,265</u>	<u>54,645</u>	<u>20,888</u>	<u>1,416</u>	<u>1,770</u>	<u>19,384</u>	<u>885</u>	<u>0</u>	<u>0</u>	<u>864,599</u>
Total Administrative Expenditures by Account	\$10,802,357	\$10,083,833	\$1,733,917	\$411,241	\$27,881	\$39,996	\$453,649	\$17,425	\$0	\$0	\$23,570,299
Total Expenditures by Account	\$67,045,500	\$69,122,800	\$11,418,800	\$12,292,000	\$9,838,800	\$2,589,000	\$5,313,200	\$135,900	\$1,137,800	\$953,200	\$176,975,600
Percent budgeted for administrative expenditures	16.11%	14.59%	15.18%	3.35%	0.28%	1.54%	8.54%	12.82%	0.00%	0.00%	13.32%

APPENDIX 2

Administrative Funding (Alternative #2)

2001-02

	<u>Fish and Wildlife</u>	<u>Forestry</u>	<u>Parks</u>	<u>Water Resources</u>	<u>Snowmobile</u>	<u>ATV</u>	<u>Boating</u>	<u>Motorcycle</u>	<u>Endangered Resources</u>	<u>Natural Resources Magazine</u>	<u>Total Conservation Fund</u>
Division of Administration and Technology	\$7,202,300	\$7,097,717	\$1,406,292	\$390,913	\$26,503	\$33,128	\$362,754	\$16,564	\$0	\$0	\$16,564,101
Land Program Management	1,691,201	2,617,007	274,992	0	0	0	0	0	0	0	4,583,200
Water Program Management	1,067,600	0	0	0	0	0	0	0	0	0	1,067,600
Enforcement & Science Program Management	437,325	0	0	0	0	5,145	72,030	0	0	0	514,500
CAER Program Management	<u>386,346</u>	<u>379,265</u>	<u>50,545</u>	<u>20,888</u>	<u>1,416</u>	<u>1,770</u>	<u>19,384</u>	<u>885</u>	<u>0</u>	<u>0</u>	<u>860,499</u>
Total Administrative Expenditures by Account	\$10,812,702	\$10,093,989	\$1,731,829	\$411,801	\$27,919	\$40,043	\$454,168	\$17,449	\$0	\$0	\$23,589,900
Total Expenditures by Account	\$68,136,700	\$73,540,900	\$11,205,800	\$12,228,600	\$9,572,700	\$2,452,400	\$5,308,700	\$135,700	\$1,137,800	\$953,200	\$181,712,500
Percent budgeted for administrative expenditures	15.87%	13.73%	15.45%	3.37%	0.29%	1.63%	8.56%	12.86%	0.00%	0.00%	12.98%

2002-03

Division of Administration and Technology	\$7,139,885	\$7,087,561	\$1,404,280	\$390,353	\$26,465	\$33,081	\$362,235	\$16,540	\$43,600	\$36,400	\$16,540,400
Land Program Management	1,691,201	2,617,007	274,992	0	0	0	0	0	0	0	4,583,200
Water Program Management	1,067,600	0	0	0	0	0	0	0	0	0	1,067,600
Enforcement & Science Program Management	437,325	0	0	0	0	5,145	72,030	0	0	0	514,500
CAER Program Management	<u>386,346</u>	<u>379,265</u>	<u>54,645</u>	<u>20,888</u>	<u>1,416</u>	<u>1,770</u>	<u>19,384</u>	<u>885</u>	<u>0</u>	<u>0</u>	<u>864,599</u>
Total Administrative Expenditures by Account	\$10,722,357	\$10,083,833	\$1,733,917	\$411,241	\$27,881	\$39,996	\$453,649	\$17,425	\$43,600	\$36,400	\$23,570,299
Total Expenditures by Account	\$67,045,500	\$69,122,800	\$11,418,800	\$12,292,000	\$9,838,800	\$2,589,000	\$5,313,200	\$135,900	\$1,137,800	\$953,200	\$176,975,600
Percent budgeted for administrative expenditures	15.99%	14.59%	15.18%	3.35%	0.28%	1.54%	8.54%	12.82%	3.83%	3.82%	13.32%