



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #345

Fox River Locks (Fox River Navigational System Authority and Natural Resources)

[LFB 2003-05 Budget Summary: Page 179, #1, and 328, #13]

CURRENT LAW

The Department of Natural Resources has no base level SEG funding for the operations and management of the Fox River locks in the 2003-05 biennium. The Fox River Navigational System Authority is appropriated base funding of \$126,700 SEG annually for the management and operations of the Fox River locks.

GOVERNOR

Provide \$126,700 annually from the water resources account of the conservation fund for expenses associated with the management of the Fox River locks by transferring base funding of \$126,700 SEG from the Fox River Navigational System Authority to DNR.

DISCUSSION POINTS

1. The Fox River navigational system consists of 17 locks and over 90 acres of federal land along the Fox River from Lake Winnebago to Green Bay.

2. The Fox River Management Commission is currently responsible for the operations and maintenance of the Fox locks under s. 30.93 of the statutes. The Fox River Management Commission is funded by two appropriations. Appropriation 20.370(9)(jL) is a program revenue (PR) continuing appropriation in the Department of Natural Resources (DNR) that receives the fees collected for use of the locks, which are then used for the maintenance and operation of the locks system and the expenses of the Commission. Appropriation 20.370(9)(ju) is a biennial appropriation funded from the segregated water resources account of the conservation fund (motorboat fuel tax revenues) for the same purposes. The Fox River Management Commission has

ceased operations in anticipation of the transfer of the locks and the creation of the Authority. DNR is currently overseeing management of the three locks that are currently operating.

3. 2001 Act 16 (the 2001-03 biennial budget bill) created the Fox River Navigational System Authority for the purpose of assuming responsibility for the rehabilitation, repair, replacement, and operation of the navigational system on the Fox River. The Authority is to be directed by a nine-member board made up of the heads of three state agencies (Natural Resources, Transportation, and the Historical Society) and six local members appointed by the Governor with Senate confirmation. Upon the transfer of the locks from the federal government to the State of Wisconsin, the Authority is to enter into a lease agreement with the Department of Administration (DOA) and assume responsibility of the locks. The Fox River Management Commission's authority expires once this lease is signed. Governor McCallum nominated six local members to the Authority, but upon his election, Governor Doyle rescinded three of these nominations before they were confirmed by the Senate. To date, three appointments have been confirmed by the Senate. On April 9, 2003, Governor Doyle nominated a fourth person to the Authority, who is currently awaiting Senate confirmation. Two members have yet to be named by the Governor. Once the Authority is formed, the board could appoint a chief executive officer and other employees of the Authority. The Authority's board members are not compensated, but are reimbursed for necessary expenses, including travel, incurred while performing Authority duties.

4. The state has entered into a memorandum of agreement with the U.S. Army Corps of Engineers that provides that the federal government is to pay \$10 million to the state upon the transfer of the locks from the federal government to the state. In addition, the federal government is to provide over \$5.5 million in matching funds over seven years to be applied toward maintaining and operating the locks. To date, the federal government has approved the \$10 million necessary to initiate the transfer, but the transfer has not yet been completed.

5. The \$5.5 million in federal maintenance funds are to be matched by an equal amount from state and local contributions. DNR is required to set aside \$400,000 annually for seven fiscal years (\$2.8 million in total) in water resources SEG from the recreational boating aids grant program to meet the state's match requirement. DNR is required to release the set-aside funding on an annual basis in amounts to match the amounts raised by nonprofit corporations. Of the approximately \$2.8 million local requirement from private donors, corporate sponsors, and other interested parties, \$1.4 million has been raised.

6. 2001 Act 16 provides the Fox River Navigation System Authority \$126,700 in appropriation 20.373 (1)(r) in 2002-03, for the management and operations of the Fox locks system, under the assumption that the transfer of the locks from the federal government to the state government would have taken place sometime in 2001-02 (it was originally thought the transfer might take place as early as October, 2001).

7. Since the transfer of the locks has not yet taken place, DNR has continued to fund the management and operations of the Fox locks system. Prior year expenditures were \$97,900 in 1999-00, \$113,800 in 2000-01 and \$109,500 in 2001-02. Expenditures of about \$111,000 are

expected for 2002-03. In 2002-03, DNR expects to collect about \$18,700 in fees from permits for use the locks.

8. The statutes specify that DOA is to transfer the unencumbered balances in the appropriation accounts under DNR to the Authority on the day after the date on which the state and the Authority enter into the lease agreement.

9. Funding of \$115,000 annually would appear sufficient to fund DNR management and operations of the Fox River locks. Thus, after accounting for the estimated \$19,000 in revenue received as permit fees, the Committee could transfer \$96,000 SEG to reflect the amount of expenditures on Fox locks management that have been made in the last few years. This would leave \$30,700 SEG annually appropriated for the Authority. Upon transfer of responsibility for the locks to the Authority, any additional expenditure adjustments that may be necessary could be accomplished by the Committee under s. 13.10.

10. While the Fox River Navigational System Authority would not assume direct responsibility for the locks until after it has signed a lease with DOA, the statutes allow the nine-member board of directors of the Authority to be formed prior to the transfer of the locks. Once formed, the Authority may appoint a chief executive officer and determine his or her compensation.

11. If no funding is transferred to DNR for operating the Fox River locks system, DNR would need to fund these costs from other sources. For the first half of 2002-03, while DNR was authorized no funding for the Fox locks, DNR used funding from the general operations SEG appropriation for customer assistance and external relations (funded from the conservation fund) for operations costs of the Fox locks. However, DNR has made a request under s. 13.10 of the statutes for funds to be transferred from the Fox River Navigational System Authority's management and operations appropriation to reimburse these expenditures, and to cover projected expenditures for the rest of the current fiscal year. [The Finance Committee is scheduled to address this request at its May 5 meeting under s. 13.10.]

ALTERNATIVES

1. Approve the Governor's recommendation to transfer \$126,700 SEG annually from the Fox River Navigational System Authority to DNR for the management and operations of the Fox River locks.

2. Transfer \$96,000 SEG annually to DNR for the management and operations of the Fox River locks system. (This would leave the Fox River Navigational System Authority with \$30,700 SEG annually.)

3. Delete provision. (This would result in \$126,700 SEG annually remaining appropriated to the Fox River Navigational System Authority, with no SEG funding provided to DNR.)

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