



Legislative Fiscal Bureau

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January 16, 2020

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Natural Resources: Section 13.10 Request for Forestry Emergency Reserve Funding --
Agenda Item III

REQUEST

On December 23, 2019, the Department of Natural Resources (DNR) submitted a request to the Joint Committee on Finance to transfer \$1,166,900 from the forestry emergency reserve under s. 20.370(2)(cv) of the statutes to forestry program appropriations to reimburse expenses related to significant storm damage.

ANALYSIS

The forestry emergency reserve was created in 2017 Wisconsin Act 59 to provide funds for emergency responses to significant fire, disease, infestation, or other natural disasters that could not otherwise be reimbursed by federal funds. Reserve funds also may only be transferred or expended upon approval of the Joint Committee on Finance. As a continuing appropriation, amounts are usable only for purposes specified and do not lapse to the forestry account balance to become available for other purposes. To date, no transfers have been made from this appropriation, and it continues to carry \$5,000,000 SEG provided under Act 59.

Beginning on July 18, 2019, significant portions of the state were affected by extreme weather events, including hailstorms, tornadoes, heavy winds, and thunderstorms. DNR reports that more than 285,000 acres of forestland in Barron, Polk, Langlade, Oconto, Oneida, Wood, and Portage Counties were damaged in the storms. On July 21, 2019, the Governor declared a state of emergency related to the storm damage.

The DNR request would transfer \$1,166,900, including: (a) \$677,800 to the Division of Forestry's general program operations appropriation under s. 20.370(2)(mv) of the statutes to reimburse staff expenses related to storm damage; and (b) \$489,100 to the appropriation under s.

20.370(5)(az) of the statutes to fund grants provided to local communities for storm damage response, as shown in Table 1.

TABLE 1

Forestry Emergency Reserve Request

<u>Expense Type</u>	<u>Amount</u>
Emergency Operations	
Permanent Position Salaries	\$462,700
Limited-Term Employee Salaries	12,800
Fringe Benefits	122,100
Travel	75,900
Supplies	<u>4,300</u>
Subtotal	\$677,800
Urban Forestry Grants	
Storm Damage Requests	\$594,000
FY 20 Available Funding	<u>-104,900</u>
Subtotal	\$489,100
Total	\$1,166,900

Operations Transfer

Under statute, no amount may be expended from the forestry emergency reserve if federal funding is available for the expenses to be made. A federal major disaster declaration was approved for 17 Wisconsin counties, including Barron, Polk, Langlade, Oconto, Oneida, Wood, and Portage on August 27, 2019. Under this declaration, the following may be eligible for disaster aid: (a) debris removal and emergency protective measures; (b) costs for repairing public lands and facilities; and (c) hazard mitigation costs. DNR indicates that storm damage to state-owned buildings and facilities was not significant. Rather, private timber lands and county and national forests sustained the worst damage. Therefore, DNR is ineligible for federal disaster assistance.

DNR reports that operations expenses included staff time and travel related to surveying and assessing forest health, mapping storm damage, and conducting outreach to private forestland owners. The requested amount reflects expenses incurred for emergency work performed in the immediate aftermath of the storms. It should be noted that the storms caused extensive damage that DNR anticipates will require continued work to repair and restore.

DNR forestry general operations are budgeted under an annual appropriation, with \$51,910,400 provided in 2019-20. As an annual appropriation, DNR expenditures for those purposes are limited to the amounts in the appropriations schedule. DNR has closed recent fiscal years with unencumbered amounts remaining from its forestry general operations, including \$1.26 million for

2018-19.

The Committee could consider approving the request to transfer \$677,800 from the emergency reserve to the general forestry operations appropriation [Alternative A1]. The request appears consistent with the purposes established for the forestry reserve, and sufficient funding exists for the transfer.

The Committee could also deny the request [Alternative A2]. Given that DNR forestry operations have had past underspending, it may be appropriate to assess program balances nearer June 30, 2020, and consider a transfer for emergency responses at that time. However, delaying the transfer may reduce the agency's flexibility in managing forest emergencies in the remainder of the 2019-20 fiscal year, including spring and early summer when forest fire hazards are typically highest. DNR reports that if the transfer is not approved, the Department will reduce and reprioritize other forestry operations. For instance, the Department may hold open vacant positions to reduce salary and fringe costs.

Urban Forestry Grant Transfer

The urban forestry grant program was created in 1991 Wisconsin Act 39 to provide matching grants to local governments for forestry-related projects, including tree inventories and management plans, disease evaluations, public education and storm damage response. In fiscal year 2019-20, DNR may award up to \$524,600 for urban forestry grants from a biennial appropriation. Under administrative code Chapter NR 47, DNR may award up to 20% of the amount appropriated for urban forestry grants (\$104,900) for removing, repairing, and replacing trees that have been damaged by heavy winds, tornadoes, ice, hail, or snow. Communities are eligible in areas where the Governor has declared a state of emergency. Grants awards may be as little as \$4,000 and as great as \$50,000. While the federal major disaster declaration covered specific counties, the Governor's emergency declaration (Executive Order 35) is statewide. Table 2 shows urban forestry grant requests related to July, 2019 storm damage.

TABLE 2**Urban Forestry Catastrophic Storm Damage Grants**

<u>Municipality</u>	<u>County</u>	<u>Total Costs</u>	<u>Total Request*</u>	<u>Total Award</u>	<u>Percent of Request Funded</u>
Barron, City of	Barron	\$50,000	\$50,000	\$8,428	16.9%
Turtle Lake, Village of	Barron	82,871	50,000	8,428	16.9
Chetek, City of	Barron	85,000	50,000	8,428	16.9
Antigo, City of	Langlade	69,865	50,000	8,428	16.9
Two Rivers, City of	Manitowoc	53,965	25,000	4,214	16.9
Appleton, City of	Outagamie	300,800	50,000	8,428	16.9
Greenville, Town of	Outagamie	9,300	9,300	4,000	43.0
Kimberly, Village of	Outagamie	240,903	25,000	4,214	16.9
Little Chute, City of	Outagamie	119,208	50,000	8,428	16.9
Oneida Nation	Outagamie	50,000	50,000	8,428	16.9
New London, City of	Outagamie/Waupaca	50,000	50,000	8,428	16.9
Waupaca, City of	Waupaca	77,491	50,000	8,428	16.9
Pittsville, City of	Wood	9,700	9,700	4,000	41.2
Port Edwards, Village of	Wood	24,975	24,975	4,210	16.9
Wisconsin Rapids, City of	Wood	488,184	50,000	8,428	16.9
		\$1,712,262	\$593,975	\$104,918	17.7%

* Under NR 47.957(1), the minimum grant award is \$4,000 and the maximum grant award is \$50,000.

Grant applicants reported \$1,712,300 in damage caused by the July, 2019, storms. Of this amount, DNR determined \$594,000, or approximately 35%, to be eligible for urban forestry grants. As noted above, DNR may award up to \$104,900 in grants for storm damage, leaving \$489,100, or approximately 83%, of eligible damage claims unfunded. This difference is significantly higher than grants for storm damage in recent years, as shown in Table 3.

TABLE 3**Urban Forestry Grants for Storm Damage**

<u>Fiscal Year</u>	<u>Requests</u>	<u>Awards</u>	<u>Percent Funded</u>
2013-14	\$269,100	\$104,920	39.0%
2015-16	6,800	6,800	100.0
2018-19	594,000	104,920	17.7

The Committee could consider approving the DNR request to transfer \$489,100 from the forestry reserve to fund eligible claims under the urban forestry grant program [Alternative B1]. The Committee could also consider denying the request [Alternative B2]. As there is no other source of funds available for urban forestry grants, DNR would be able to reimburse communities for only

\$104,900 in eligible storm related damages. This is approximately 7% of the total damages sustained during the July storms.

Reserve Balance

Table 4 shows the available balance of the forestry emergency reserve if the request were approved. For reference, as of June 30, 2019, the forestry account had an available balance of \$19 million; this does not include encumbered amounts or funds held in continuing appropriations such as the forestry emergency reserve, which are unavailable for general appropriation. Given the balance of the forestry account, it would be possible to restore the forestry emergency reserve with SEG funds at a future time.

TABLE 4
Forestry Reserve Balance Under Each Alternative

	Alternative		
	A1	B1	A1 & B1
Opening Amount	\$5,000,000	\$5,000,000	\$5,000,000
Transfer Amount	677,800	489,100	1,166,900
Available Balance	4,322,200	4,510,900	3,833,100

ALTERNATIVES

A. Operations Transfer

1. Approve the DNR request to transfer \$677,800 from the forestry emergency reserve [s. 20.370(2)(cv)] to the general forestry operations appropriation [s. 20.370(2)(mv)] for emergency response related to July, 2019 storms.
2. Deny the request.

B. Urban Forestry Grant Transfer

1. Approve the DNR request to transfer \$489,100 from the forestry emergency reserve to the urban forestry grant appropriation [s. 20.370(5)(az)] to fund all eligible storm damage requests from the July, 2019 storms.
2. Deny the request.

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