Form 1100-001
(R 9/07)

NATURAL RESOURCES BOARD AGENDA ITEM

Item No. 8.B.2

SUBJECT: INFORMATION ITEM-- 2009-11 Biennial Budget Update-- Deferred from August Meeting

FOR: SEPTEMBER 2009 **BOARD MEETING**

TO BE PRESENTED BY:
Pat Henderson/Joe Polasek

SUMMARY:

The proposed two-year DNR budget is $576.0 million for 2009-10 and $567.6 million for 2010-11. In total, the two-year budget includes a net decrease of $22.3 million compared to the 2007-09 Biennial Budget. This reduction includes ongoing base reductions of about $15.4 million annually.

This budget includes a net reduction of 74.46 FTE to the Department's staffing complement, bringing overall staffing down to 2,671.07.

RECOMMENDATION: Information Only

LIST OF ATTACHED MATERIALS:

No	☑	Fiscal Estimate Required	Yes	☐	Attached
No	☑	Environmental Assessment or Impact Statement Required	Yes	☐	Attached
No	☐	Background Memo	Yes	☑	Attached

APPROVED:

Bureau Director, Joe Polasek — Date 08-31-2009

Administrator, — Date

Secretary, Matt Frank — Date 9-2-09

cc: Laurie J. Ross - AD/8

2009-11 DNR BIENNIAL BUDGET

(in millions of $$ Subtotals may vary slightly due to rounding)

Final Budget						
FUNDING SOURCE	DNR 2008-09 Base Doubled	Cost to Continue	Requests Beyond Base	2009-11 TOTAL Budget Request	% Change Excl. Cost to Continue	% of Total Budget
General Purpose Revenues	$308.6	$0.6	$(46.4)	$262.8	-15.0%	23.0%
Conservation Fund	482.0	5.3	(7.9)	479.4	-1.6%	41.9%
Environmental Fund	49.2	1.6	29.0	79.8	58.9%	7.0%
Recycling Fund	79.5	0.4	(6.0)	73.8	-7.5%	6.5%
Clean Water Fund	4.8		(0.1)	4.7	-2.1%	0.40%
PECFA-SEG	11.5	0.3	(0.1)	11.7	-0.9%	1.0%
Dry Cleaner Env Response Fund	2.9		3.0	6.0	103.4%	0.5%
Program Revenue	74.8	0.3	(6.7)	68.5	-9.0%	6.0%
Tribal Gaming Agreement Revenue	3.3	0.1	(0.3)	3.2	-9.1%	0.3%
Transportation Fund						
Federal Revenues	149.1	8.8	(4.3)	153.6	-2.9%	13.4%
Total	$1,165.9	$17.4	$(39.7)	$1,143.60	-3.4%	100%

Department of Natural Resource Staffing by Funding Source **Governor's** Recommendations	DNR **2008-09 Base**	Changes to Base	2009-11 TOTAL Budget Request	% of Total Budget
General Purpose Revenues	296.85	3.84	300.69	11.3%
Conservation Fund	1,540.84	(57.31)	1,483.53	55.5%
Environmental Fund	94.95	2.0	96.95	3.6%
Recycling Fund	19.90		19.90	0.7%
Clean Water Fund	17.00		17.00	0.6%
PECFA-SEG	23.50	4.0	27.50	1.0%
Dry Cleaner Env Response Fund	3.00		3.00	0.1%
Program Revenue	255.14	(7.0)	248.14	9.3%
Tribal Gaming Agreement Revenue	12.00		12.00	0.4%
Federal Revenues	482.35	(19.99)	462.36	17.3%
Total	2,745.53	(74.46)	2,671.07	100%

2009-11 Highlighted Department of Natural Resources Issues

The proposed two-year DNR budget is $576.0 million for 2009-10 and $567.6 million for 2010-11. In total, the two-year budget includes a net decrease of $22.3 million compared to the 2007-09 Biennial Budget. This reduction includes ongoing base reductions of about $15.4 million annually.

This budget includes a net reduction of 74.46 FTE to the Department's staffing complement, bringing overall staffing down to 2,671.07.

A. The Outdoors and Recreation

1. **Repair and Maintenance of DNR Roads and Parking Lots and Local Road Aids:** The budget includes $2,953,500 annually in GPR funding for maintenance and repair of DNR roads and parking lots and town and county roads that provide access to DNR recreational properties—including parks, forests, recreational areas, and the Lower Wisconsin Riverway. There are approximately 1,000 miles of DNR roads and 2,000 miles of non-DNR roads that would be targeted with these funds. In addition, there are at least 50,000 parking stalls and approximately 1,000 bridge structures that need to be preserved.

2. **Additional New Endangered Resources License Plate:** The budget creates the ability for the Department to have a second license plate dedicated to supporting endangered resources. This plate will be: in addition to the current wolf license plate; designed using a graphic flat-plate technology; and created in cooperation with Minnesota. In addition, the Legislature specified that if flat-plate technology is purchased in the future by Wisconsin Department of Corrections, the endangered resources plates must be purchased at DOC.

3. **Parks and Southern Forest Operations**: The budget includes $409,900 SEG annually on an ongoing basis used to offset additional LTE, contractual, supplies and services, utility and fleet expenses associated with the opening of new facilities and the utility costs associated with additional new electrified campsites.

4. **Forestry Operations**: The budget Includes $657,900 SEG annually on an ongoing basis to maintain Forestry's basic, existing operations that are strategically located across the state. The proposal includes funding for tree nursery and fire control activities.

5. **Law Enforcement Operations:** $250,400 SEG on an ongoing basis to support Warden operating costs and costs associated with hiring a new recruit class.

6. **Snowmobile Accident Prevention:** The budget includes $125,500 SEG in each year of the biennium from the Snowmobile Account of the Conservation Fund to address snowmobile safety concerns. This request provides $80,000 in overtime for wardens on the traveling Snowmobile Accident Reduction Team (SART) and additional hours for locally stationed wardens. The additional $45,500 is for warden supplies and travel costs.

B. Great Lakes Protection Initiatives

7. **Ballast Water Permitting And Treatment:** The budget provides 3.0 FTE and $248,900 PR in ongoing spending authority to administer a compliance monitoring and inspection program for ships that could discharge ballast water in Wisconsin ports, specifically those that are 79 feet or greater in length. In addition, it establishes a $1,200 application fee for 5 years of general permit coverage for each ship plus a $345 annual fee.

8. **Great Lakes Compact Fee Increase:** The budget includes 2.0 FTE and spending authority of $262,400 PR in FY 2010 and 2.0 FTE and spending authority of $934,500 PR in FY 2011 to begin implementation of the Great Lakes Compact and a statewide water conservation and efficiency program.

   The budget also establishes the following fees—effective January 1, 2011—that would fund the resources needed to implement the Compact:

   Statewide Water Withdrawal Fee: Allows for the implementation of a statewide sustainable annual water use fee of $125 assessed on any person with a water supply system that has the capacity to withdraw an average of 100,000 gallons per day or more in any 30-day period.

Great Lakes Basin Withdrawal Fee: Allows for the implementation of a graduated water use fee on persons withdrawing more than 50 million gallons of water per year within the Great Lakes Basin. This fee would be established by rule and be in addition to the base fee. It would be graduated based on amounts of water withdrawn.

Diversion Application Fee: Implementation of a $5,000 fee for review of applications to divert water out of the Great Lakes Basin.

C. Clean Water and Environmental Cleanup

9. **Targeted Runoff Management (TRM) Bonding:** The budget includes a $7 million increase in bonding authority for the Targeted Runoff Management (TRM) Grant Program. The program funds up to 70% of eligible project costs for nonpoint source pollution abatement, up to a total maximum grant of $150,000 per project. TRM grants come in the form of financial assistance to local units of government, who in turn work with landowners to implement best management practices (BMPs) for controlling nonpoint pollution.

10. **Urban Water Management:** The budget includes a $6 million increase in bonding authority for the Urban Nonpoint Source & Storm Water Program and the Municipal Floodplain & Riparian Restoration Program. The program reduces the economic impact on municipalities of meeting storm water management requirements, facilitates reductions in flooding, and to makes improvements in water quality and habitat.

    Stormwater practices that are typically constructed under the Urban Nonpoint program include stormwater detention ponds, infiltration devices, and stream bank restoration projects designed to lessen flooding potential and reduce the amount of pollution that is released from eroding banks.

    The Municipal Floodplain & Riparian Restoration Program provides grants to municipalities for;
    - Property acquisition and removal of structures to create a permanent open space or to establish an area for flood water storage.
    - Acquisition of vacant land or flood water flowage easement to facilitate efficient flow of flood waters.
    - Flood proofing and flood elevation of public and private structures in the 100-year flood plain.
    - Riparian restoration activities along a river or stream.

11. **Statewide Contaminated Sediments Initiative:** The budget includes a $5 million increase in bonding authorization for contaminated sediment clean-up projects in Wisconsin. This would build upon the $17 million in bonding that was authorized in the 2007-09 Biennial Budget. Further, the budget specifies that the existence of federal matching funds from the Environmental Protection Agency (EPA) is not a prerequisite for expending funds from this additional authorization, so long as the contaminated sediment is being removed from Lake Michigan or Lake Superior or a tributary of either.

12. **Dam Grant Bonding Authorization:** The budget provides an increase of $4 million in general obligation bonding authority to provide matching grants for the repair, reconstruction, or removal of municipal dams. In addition, the funds can be used to provide matching grants to owners of small dams for voluntary removal, or for grants to remove an abandoned dam.

13. **Dry Cleaner Environmental Response Cleanups:** The budget increases the spending authority in the Dry Cleaner Reimbursement appropriation by $3,600,000 in FY10 and decreases it by $381,600 to provide a total expenditure authority of $5,508,800 for reimbursements in the biennium.

D. User Fee Increases

14. **Fish & Wildlife, Parks, ATV and Snowmobiles:** No fee increases are being proposed for the 2009-11 Biennium. Revenue shortfalls will be offset by reducing expenditures and holding multiple positions vacant.

15. **Asbestos Fee Increase:** The budget transfers $120,400 and 2.00 FTE in FY11 from federal funding to the Asbestos program revenue account. It also increases asbestos inspection fees approximately a 60% over current fees. The new fees generate about $240,000 in new revenues annually.

    The budget also establishes a new $100 fee for notification revisions and a new $100 fee for community fire training burns.

16. **Air Stationary Source Fees – State Operation Permits:** Currently, depending on the type of fee, there is a one-time permitting fee plus sources pay $35.71 per ton of certain pollutants emitted. This current fee generates about $650,000 per year.

Under the new fee system, the annual emission fee is eliminated and the State air operation permit fees are restructured to align workload efforts and types of fees; the fees included are an annual fee of $300 or $4,100 depending on the type of permit. State operation permits will pay a $300 annual fee. The annual fee for an operation permit that contains provisions that allow emissions to be at least 80 percent of federally defined major source levels, but that limit the source's potential to emit so that it is not classified as a major source is $4,100. The new fees should generate about $2.8 million per year to fund the program.

17. **Hazardous Waste Generator Fees:** The budget includes the transfer of $351,800 and 3.5 FTE in each year of the biennium from Waste Management's program revenue appropriation to its Environmental Management Account appropriation. It increases the current $210 annual base fee paid by some hazardous waste generators to $350 annually for small quantity generators and $470 annually for large quantity generators. The new revenues are sufficient to cover costs.

18. **Tipping Fee Increases:**

Environmental Fund- The budget increases the $1.60/ton Environmental Fund Tipping fee by $4.10, making the fee $5.70. Th budget increases the current 85¢/ton rate that is deposited into the Environmental Management Account (EM Account) of the Environmental Fund by $1.65 taking the EM tipping fee to $2.50 /ton. The budget increases the current 75¢ per ton fee that is deposited into the Nonpoint Account of the Environmental Fund by $2.45 taking the NP tipping fee to $3.20.

The budget also exempts sediment contaminated with polychlorinated biphenyls (PCBs) from paying the increase EM tipping fee of $2.50/ton, and will continue to pay the 85¢/ton rate. It is estimated that there may be 280,000 tons of sediment removed and landfilled in FY10 and 320,000 tons in FY11. In order to offset this revenue loss, the budget transfers $230,000 in 2009-10 and $530,000 in 2010-11, on a onetime basis, from the Petroleum Inspection Fund to the Environmental Management Account.

Recycling Fund- The budget increases the $4.00/ton Recycling Tipping fee by $3.00, making the total tipping fee $7.00.

Tipping Fee Increase Summary	Current Fee per Ton	Fee Increase	Fee per Ton	New Revenue Generated	New Revenue Generated	Total Revenue Generated
				FY10	FY11	
Environmental Fund						
• **Environmental Management Account**	**$0.85**	**$1.65**	**$2.50**	**$5.7 mil.**	**$11.3 mil.**	**$17.0 mil.**
PCB Sediment				**-$.2 mil.**	**-$.5 mil.**	**-$.7mil.**
Total EM Account				**$5.5 mil.**	**$10.8 mil.**	**$16.3 mil**
• **Nonpoint Account**	**$0.75**	**$2.45**	**$3.20**	**$8.5 mil.**	**$16.9 mil.**	**$25.4 mil.**
Env. Fund Total	**$1.60**	**$4.10**	**$5.70**	**$14.0 mil.**	**$27.7 mil.**	**$41.7 mil.**
Recycling Fund	**$4.00**	**$3.00**	**$7.00**	**$9.6 mil.**	**$17.7mil.**	**$27.3 mil.**
	$5.60	**$7.10**	**$12.70**	**$23.6 mil.**	**$45.4 mil.**	**$69.0 mil.**

19. **Boat Registration Fee Increase:**

This 15% increase is estimated to generate new revenue of $825,000 in FY10 and $350,000 in FY11.

Registration Type	Current	New	%
Under 16'	$19	$22	16%
16' to 26'	$28	$32	14%
26' to 40'	$52	$60	15%
Over 40'	$86	$100	16%

Department of Natural Resources
2009-11 Biennial Budget Highlights

	DNR 2009-11 Governor's Budget	2009-10 $$	FTE	2010-11 $$	FTE
	Land Program				
1.	-Parks & Southern Forests Operations	345,400		409,900	
2.	-Road & Parking Lot Repair & Maintenance	2,953,500		2,953,500	
3.	-Bobcat Surveys	30,000		30,000	
	Forestry Program				
4.	-Maintain Base Operations	907,900	0.39	657,900	0.39
	Air $ Waste Management				
5.	-State & Federal Air Permitting Adjustments (net amount)	-1,228,400	(10.50)	-1,228,400	(10.50)
	Enforcement & Science				
6.	-Warden Operation Costs	488,100		63,100	
7.	-Snowmobile Accident Reduction Team	125,500		125,500	
	Water Program				
8.	-Ballast Water Permitting	212,500	3.00	248,900	3.00
9.	-Great Lakes Compact	262,400	2.00	934,500	4.00
	CAES/Admin				
10.	-Recreational Vehicle Trail Aids	-282,800		-205,800	
11.	-Recycling Grants	2,000,000		3,000,000	
12.	-Dry Cleaners	3,600,000		(381,600)	
13.	-Increased Fleet Costs	280,000		280,000	
	Subtotal-- Requests for New Funding	9,559,100	-5.11	6,752,500	-3.11
14.	Cost to Continue Items	8,691,800	(3.75)	8,703,100	(8.75)
15.	Debt Service Re-estimate	-1,477,600		-5,886,900	
16.	Aids in Lieu of Taxes	1,650,000		3,050,000	
17.	Various Specified Projects	951,600		674,600	
18.	Expenditure Re-estimates	1,961,500		2,131,500	
	Budget Reductions				
19.	-State Operations Reductions	-10,519,700	(62.60)	-13,015,300	(62.60)
20.	-Across the Board 1% Reductions	-3,494,600		-3,505,100	
21.	-5% Across the Board Reductions (Excl. Consv. Fund)	-6,258,300		-6,258,300	
22.	-2% Payplan Adjustment	-3,160,900		-3,160,900	
23.	-Employee Furlough Savings	-4,845,400		-4,845,400	
	Total Reductions	-28,278,900	-62.6	-30,785,000	-62.6
24.	**Department Total**	-6,942,500	-71.46	-15,360,200	-74.46

	Bonding Requests				
25.	Targeted Runoff Management Bonding	$7,000,000			
26.	Urban Water Management Bonding	$6,000,000			
27.	Contaminated Sediment Bonding	$5,000,000			
28.	Dam Repair and Removal Grants-- Bonding	$4,000,000			