

**SUBJECT:** Request approval of the Department's 2011-13 Biennial Budget, including Operating, Capital, and Environmental Improvement Fund Components

**FOR:** SEPTEMBER BOARD MEETING

**TO BE PRESENTED BY:** Joe Polasek, Director, Bureau of Management and Budget  
Steven Miller, Director, Bureau of Facilities and Lands

**SUMMARY:**

The Department's 2011-13 Budget includes operating, capital, and Environmental Improvement Fund components.

1. This is a restrained budget package, reflecting the national economic climate and the Department of Administration's (DOA) policy guidance. The proposed two-year DNR budget is \$583.4 million for 2011-12 and \$583.2 million for 2012-13. Of these amounts, about \$214.4 million annually, or 37%, represents grant assistance and debt service costs. The remaining \$368.8 million annually, reflects Department costs to provide services. In total, the two-year budget includes an increase of \$37.1 million over the 2009-11 Biennial Budget. \$26.6 million of this two year increase represents standard cost to continue items as defined by DOA, which is primarily composed of the difference in amounts budgeted for salaries versus actual salary costs. When cost to continue is excluded, this budget reflects a 0.9% growth over base. There are no GPR increases in that amount. The growth that is included is primarily Conservation Fund financed. The increases will be used to maintain Park, Forest and Law Enforcement operations.

2. The budget would also authorize \$73.2 million for capital development projects as outlined in the attached material.

3. The Environmental Improvement Fund (EIF) leverages federal dollars to provide loans to municipalities to construct or upgrade municipal wastewater or drinking water treatment facilities. The Biennial Finance plan for the EIF includes \$39.7 million in general obligation bonding authority, \$353.0 million of revenue bonding authority, and \$110.2 million of present value subsidy for the Clean Water Fund; and \$12.4 million in general obligation bonding authority and \$26.6 million of present value subsidy for the Safe Drinking Water Fund.

**RECOMMENDATION:** Recommend approval of the 2011-13 operating and capital budgets, and the EIF Biennial Finance Plan. Authorize the Secretary to make technical adjustments if necessary.

**LIST OF ATTACHED MATERIALS:**

- |    |                                     |   |     |                                     |          |
|----|-------------------------------------|---|-----|-------------------------------------|----------|
| No | <input checked="" type="checkbox"/> | Fiscal Estimate Required                              | Yes | <input type="checkbox"/>            | Attached |
| No | <input checked="" type="checkbox"/> | Environmental Assessment or Impact Statement Required | Yes | <input type="checkbox"/>            | Attached |
| No | <input type="checkbox"/>            | Background Memo                                       | Yes | <input checked="" type="checkbox"/> | Attached |

**APPROVED:**

\_\_\_\_\_  
Bureau Director,

09-10-10  
Date

\_\_\_\_\_  
Administrator,

\_\_\_\_\_  
Date

Matt Frank  
Secretary, Matt Frank

9-10-10  
Date

cc: Laurie J. Ross - AD/8

**CORRESPONDENCE/MEMORANDUM**

DATE: September 8, 2010

TO: Natural Resources Board Members

FROM: Matthew J. Frank, Secretary

SUBJECT: Proposed Department of Natural Resources 2009-2011 State Budget

Enclosed for your review and action are my recommendations for the Department of Natural Resources 2011-2013 state budget. This is a restrained budget package, reflecting the national economic climate and the Department of Administration's (DOA) policy guidance. The proposed two-year DNR budget is \$583.4 million for 2011-12 and \$583.2 million for 2012-13. Of these amounts, about \$214.4 million annually, or 37%, represents grant assistance and debt service costs. The remaining \$368.8 million annually, reflects Department costs to provide services. In total, the two-year budget includes an increase of \$37.1 million over the 2009-11 Biennial Budget. \$26.6 million of this two year increase represents standard cost to continue items as defined by DOA, which is primarily composed of the difference in amounts budgeted for salaries versus actual salary costs. When cost to continue is excluded, this budget reflects a 0.9% growth over base. There are no GPR increases in that amount. The growth that is included is primarily Conservation Fund financed. The increases will be used to maintain Park, Forest and Law Enforcement operations.

This budget includes an increase of 1.75 FTE to the Department's staffing complement, bringing overall staffing to 2,710.97.

But there are some important proposals included in the budget package that will allow the state to make progress toward the goals of clean water, air and land, healthy forests, and good fishing, hunting and other recreational opportunities.

Key budget issues include funding to:

- Try to stem the spread of invasive species on land and water
- Deal with Wisconsin's water quality issues
- Provide grants for dam repair and removal
- Support our Conservation Wardens efforts
- Maintain Department properties
- Operate state parks and trails

I look forward to presenting these proposals and discussing them with you at your September meeting.

2011-13 DNR BIENNIAL BUDGET

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

<b>Secretary's Recommendations</b>	<b>DNR 2010-11 Base Doubled</b>	<b>Cost to Continue and Debt Service</b>	<b>Requests Beyond Base</b>	<b>2011-13 TOTAL Budget Request</b>	<b>% Change Excl. Cost to Continue</b>	<b>% of Total Budget</b>
General Purpose Revenues	\$239.2	\$6.1	(0.1)	\$245.3	-0.04%	21.0%
Conservation Fund	479.8	4.5	9.5	493.8	1.98%	42.3%
Environmental Fund	89.0	1.9	0.1	91.0	0.11%	7.8%
Recycling Fund	75.6	0.2		75.8		6.5%
Clean Water Fund	4.7	0.3		5.0		0.4%
PECFA-SEG	11.7	0.5		12.2		1.0%
Dry Cleaner Env Response Fund	2.0	0.1		2.1		0.2%
Program Revenue	70.5	5.5	0.9	76.9	1.28%	6.6%
Tribal Gaming Agreement Revenue	3.2	0.3		3.4		0.3%
Federal Revenues	153.8	7.2		161.0		13.8%
<b>Total</b>	<b>\$1,129.4</b>	<b>\$26.6</b>	<b>\$10.5</b>	<b>\$1,166.5</b>	<b>0.93%</b>	<b>100.0%</b>

<b>Department of Natural Resource Staffing by Funding Source</b>  <b>Secretary's Recommendations</b>	DNR <b>2010-11 Base</b>	Changes to Base	2011-13 TOTAL Budget Request	% of Total Budget
General Purpose Revenues	300.69	(0.50)	300.19	
Conservation Fund	1,483.62	4.25	1,487.87	
Environmental Fund	96.95		96.95	
Recycling Fund	23.90	(2.00)	21.90	
Clean Water Fund	17.00		17.00	
PECFA-SEG	27.50		27.50	
Dry Cleaner Env Response Fund	3.00		3.00	
Program Revenue	255.14	4.00	259.14	
Tribal Gaming Agreement Revenue	12.00		12.00	
Federal Revenues	<u>489.42</u>	<u>(4.00)</u>	<u>485.42</u>	
Total	2,709.22	1.75	2,710.97	

**2011-13 Department of Natural Resources  
Biennial Budget Request  
By Division and Bureau**

<b>Division</b>	<b>Bureau</b>	<b>FY 2011 Base</b>	<b>FY 2011 Base FTE</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2013 FTE</b>
<b><u>LANDS</u></b>						
	Lands Operations	1,077,700	8.00	1,137,700	1,137,700	8.00
	Wildlife Management	19,858,500	159.50	20,887,600	20,922,500	160.50
	Southern Forests	5,584,500	47.75	6,309,400	6,323,000	48.75
	Parks And Recreation	19,223,500	164.50	20,649,200	20,719,700	166.25
	Endangered Resources	5,763,800	34.50	5,822,400	5,751,500	33.50
	Facilities And Lands	10,411,500	87.00	10,936,700	10,936,700	87.00
	total	61,919,500	501.25	65,743,000	65,791,100	504.00
<b><u>FORESTRY</u></b>		55,263,200	467.58	58,371,000	58,340,900	468.58
<b><u>AIR &amp; WASTE</u></b>						
	Air Management	16,179,000	148.25	18,178,200	18,178,200	149.25
	Cooperative Environmental Assistance	1,319,500	8.50	1,402,300	1,402,300	8.50
	Waste & Materials Management	7,770,700	84.50	8,734,000	8,660,300	83.50
	Remediation & Redevelopment	11,617,700	90.75	12,298,800	12,298,800	90.75
	Air And Waste Operations	1,006,200	7.00	1,044,800	1,044,800	7.00
	total	37,893,100	339.00	41,685,100	41,584,400	339.00
<b><u>ENFORCEMENT &amp; SCIENCE</u></b>						
	Law Enforcement	30,598,300	228.58	32,769,900	32,481,900	228.58
	Science Services	11,095,000	90.50	12,129,700	12,129,700	91.50
	Enf/Science Operations	878,200	6.50	892,300	892,300	6.50
	total	42,571,500	325.58	45,791,900	45,503,900	326.58

Division	Bureau	FY 2011 Base	FY 2011 Base FTE	FY 2012	FY 2013	FY 2013 FTE
<b><u>WATER</u></b>						
	Watershed Management	34,970,400	324.66	39,087,300	39,131,600	325.66
	Fisheries Management	25,729,300	239.26	26,568,900	26,568,900	239.26
	Drinking Water/Groundwater Mngt	12,708,800	115.79	13,703,200	13,703,200	115.79
	Water Operations	1,096,500	9.00	1,200,600	1,200,600	9.00
	total	74,505,000	688.71	80,560,000	80,604,300	689.71
	<b><u>RESOURCE AIDS</u></b>	44,353,900		44,353,900	44,353,900	
	<b><u>ENVIRONMENTAL AIDS</u></b>	49,456,500		49,456,500	49,456,500	
	<b><u>DEBT SERVICE/DEVELOPMENT</u></b>	138,693,700		136,193,700	136,193,700	
<b><u>ADMINISTRATION</u></b>						
	Administration	1,451,000	13.00	1,568,200	1,495,800	11.00
	Legal	2,444,100	18.50	2,516,800	2,516,800	18.50
	Management & Budget	919,700	8.00	878,200	878,200	8.00
	total	4,814,800	39.50	4,963,200	4,890,800	39.50
<b><u>CAES</u></b>						
	Finance	6,964,900	59.00	7,341,600	7,341,600	60.00
	Information Technology	11,932,400	65.30	12,316,300	12,316,300	65.30
	Human Resources	4,520,000	49.60	4,410,800	4,410,800	49.05
	Administrative Facilities Rent	7,488,200		7,460,000	7,646,500	
	Customer Services & Licensing	11,127,200	75.85	12,570,100	12,570,100	82.00
	Education & Information	4,074,500	26.85	2,232,000	2,232,000	15.50
	Community Financial Assistance	6,374,900	59.15	6,721,400	6,721,400	60.15
	Caes Operations	2,763,800	11.85	3,208,800	3,208,800	13.60
	total	55,245,900	347.60	56,261,000	56,447,500	345.60
	Department Totals	564,717,100	2,709.22	583,352,300	583,167,000	2,710.97

**Department of Natural Resources  
2011-13 Biennial Budget Highlights**

<b>DNR 2011-13 Budget Request</b>		<b><u>2011-12 \$\$</u></b>	<b><u>FTE</u></b>	<b><u>2012-13 \$\$</u></b>	<b><u>FTE</u></b>
	<b>Land Program</b>				
1.	-Wildlife Management Operations	198,500	1.00	233,400	1.00
2.	-Parks & Southern Forests Operations	1,259,200	2.75	1,343,300	2.75
	<b>Forestry Program</b>				
3.	-Maintain Base Operations	2,322,100	1.00	2,292,000	1.00
4.	-Fire Department Suppression Reimbursement	92,800		92,800	
	<b>Enforcement &amp; Science</b>				
5.	-Warden Operation Costs	951,500		663,500	
6.	-Remote Sensing of Lake Water Quality	85,000	1.00	85,000	1.00
7.	-DOT Environmental Review	95,200	3.00	163,200	3.00
	<b>Water Program</b>				
8.	- Concentrated Animal Feeding Operations	190,600	2.0	234,900	2.00
9.	- Fisheries Tournament & Rough Fish Removal LTE's	78,800		78,800	
	<b>Subtotal-- Requests for New Funding</b>	5,273,700	10.75	5,186,900	10.75
10.	Cost to Continue Items	13,361,500	(6.00)	13,263,000	(9.00)
11.	<b>Department Total</b>	18,635,200	4.75	18,449,900	1.75
	<b>Bonding</b>				
12.	Targeted Runoff Management Bonding	\$9,000,000			
13.	Urban Storm Water Management and Municipal Flood Control	8,000,000			
14.	Contaminated Sediments Bonding	9,500,000			
15.	Dam Repair and Removal Grants-- Bonding	4,000,000			
16.	Contaminated Soils	5,000,000			
	<b>Total Bonding</b>	\$35,500,000			

**DEPARTMENT OF NATURAL RESOURCES  
CAPITAL DEVELOPMENT REQUEST**

**COMPARISON OF 2011-13 REQUEST TO 2009-11 (as of August 27, 2010) BY SOURCE**

	<b>2009-11 Request</b>	<b>2009-11 Final</b>	<b>2011-13 Request</b>
<b>Funding Source</b>			
Stewardship Recreation Development	\$18,500,000	\$18,500,000	\$20,000,000
All Agency	752,700	752,700	500,000
General Fund Supported Borrowing	7,067,400	0	4,867,800
Conservation Segregated Bonds	11,009,300	7,475,600	20,208,200
Environmental Segregated Bonds	<u>7,570,000</u>	<u>502,700</u>	<u>6,339,900</u>
<b>Total Bonding</b>	<b>\$44,899,400</b>	<b>\$27,231,000</b>	<b>\$51,915,900</b>
GPR-Rec. Development	1,624,600	1,517,400	1,624,600
GPR-Historic Structures	164,200	164,200	164,200
Building Trust Funds-Planning (Fisheries Proj TBD)	0	0	0*
Multi-Program Admin. Facility	<u>341,800</u>	<u>321,400</u>	<u>341,800</u>
<b>Total GPR</b>	<b>\$2,130,600</b>	<b>\$2,003,000</b>	<b>\$2,130,600</b>
GPR Roads	\$642,800	\$0	\$4,000,000
DOT Roads	4,000,000	3,960,000	0
Town & Co. Road Aids	<u>2,000,000</u>	<u>1,980,000</u>	<u>2,000,000</u>
<b>Total Road Funds</b>	<b>\$6,642,800</b>	<b>\$5,940,000</b>	<b>\$6,000,000</b>
Fish & Wildlife Seg.	\$449,600	\$449,600	\$449,600
Forestry	1,346,600	1,328,600	1,346,600
Seg. Administrative Facilities	753,600	746,000	753,600
Boat (Motor fuel tax, Boat, 7,16)	600,000	594,000	600,000
Stamps (Salmon, Waterfowl)	11,000	11,000	143,800
Mississippi River (EMP)	<u>125,000</u>	<u>123,800</u>	<u>125,000</u>
<b>Total Conservation</b>	<b>\$3,485,800</b>	<b>\$3,453,000</b>	<b>\$3,418,600</b>
Fed (Including SFR, PR, NRTA, LE-Fed)	\$3,377,000	\$3,920,400	\$8,374,250
Ducks Unlimited	0	0	0
Rental/Other	74,000	74,000	0
Gifts & Grants	<u>1,428,399</u>	<u>2,256,399</u>	<u>775,800</u>
<b>Total Fed &amp; Other</b>	<b>\$4,879,399</b>	<b>\$6,250,799</b>	<b>\$9,150,050</b>
<b>TOTAL DEVELOPMENT REQUEST</b>	<b>\$62,037,234</b>	<b>\$44,877,799</b>	<b>\$72,615,150</b>
Operations (ATV, Snowmobile)	\$292,235	\$292,235	\$401,000
LE State	<u>\$200,000</u>	<u>\$200,000</u>	<u>\$200,000</u>
<b>GRAND TOTAL DEVELOPMENT</b>	<b>\$62,330,234</b>	<b>\$45,170,034</b>	<b>\$73,216,150</b>

\* Must determine the amount of BTF funds needed for Fisheries Statewide Groundwater Study.

**DEPARTMENT OF NATURAL RESOURCES  
CAPITAL DEVELOPMENT BUDGET  
2011-2013**

**PROPOSED PROJECT AND FUNDING SUMMARY BY PROGRAM**

<b>PROGRAM</b>	<b>AMOUNT</b>
FISHERIES/WATERSHED	\$4,524,600
WILDLIFE	7,609,600
FORESTRY	10,795,800
PARKS AND RECREATION	17,342,400
LAW ENFORCEMENT/SCIENCE SERVICES	587,400
ENDANGERED RESOURCES	273,900
LANDS	481,900
ADMINISTRATIVE FACILITIES & PENDING AMOUNTS	31,600,550
<b>TOTAL</b>	<b>\$73,216,150</b>

**DEPARTMENT OF NATURAL RESOURCES  
CAPITAL DEVELOPMENT BUDGET  
2011-13**

**MAJOR PROJECTS PRIORITY LIST**

1. Southeast Region Headquarters / Service Center..... \$14,750,800
2. Montello / Fox River Locks (Reconstruct Montello Dam, Road, Landing) ..... \$5,222,300
3. Flambeau River State Forest (Replace Headquarters Building) ..... \$2,500,000
4. Rib Mountain State Park (Convert Campsites to Day Use – Phase II) ..... \$1,488,500
5. Oconto Falls Ranger Station (Replace Ranger Station, Construct Drive-Thru Storage Building) ..... \$1,476,600
6. Bowler Ranger Station (Renovate Ranger Station and Construct Drive-Thru Vehicle Storage Facility) ..... \$1,049,300
7. Necedah Ranger Station (Construct Drive-Thru Vehicle Storage Facility) ..... \$756,700
8. Asylum Bay (Construct New Storage Facility at Boat Launch) ..... \$572,700
9. Sheboygan Marsh Wildlife Area (Construct Unheated Storage Building)..... \$500,700
10. Statewide Replace Public Entrance Visitor Stations (Amnicon Falls State Park and Lake Wissota State Park) ..... \$2,498,200
11. Straight Lake State Park (Park Developments) ..... \$1,258,100
12. Peshtigo River State Forest (Construct Equestrians Trail, Trailhead, Facilities) ..... \$606,200
13. Horicon Marsh International Education Center (Interpretive Displays for Exhibit Hall) ..... \$3,236,300
14. Buckhorn State Park (Construct Family Campground – 30 to 40 Sites) ..... \$2,199,400
15. Poynette Game Farm (Construct Pheasant Hatchery Building) ..... \$1,023,400

Continued

**DEPARTMENT OF NATURAL RESOURCES  
CAPITAL DEVELOPMENT BUDGET  
2011-13**

**MAJOR PROJECTS PRIORITY LIST**

16. Poynette Game Farm (Construct Unheated Storage Building) .....	\$599,100
17. Old Abe Trail (Resurface Trail – Jim Falls to Cornell) .....	\$1,033,500
18. Chippewa Moraine (Construct Shop / Service Building) .....	\$502,400
19. Statewide (Fish Hatchery Groundwater Study / Model).....	\$3,531,600
20. Hartman Creek State Park / Waupaca Ranger Station (Construct Fire Control 3-Bay Heavy Unit Drive-Thru Storage Building) .....	\$822,000
21. Brule River State Forest (Construct Brackets Picnic Area Facility) .....	\$595,600

**ENVIRONMENTAL IMPROVEMENT FUND  
2011-2013 BIENNIAL FINANCE PLAN  
September 2010**

**EXECUTIVE SUMMARY**

The Environmental Improvement Fund (EIF) is jointly administered by the Department of Natural Resources and the Department of Administration. The EIF comprises the Clean Water Fund Program, the Safe Drinking Water Loan Program, and the Land Recycling Loan Program\*. These programs provide low-interest rate loans to municipalities to construct wastewater and drinking water facilities and to remediate brownfields.

The EIF is budgeted as a separate agency. Therefore, any debt authorization for the EIF does not appear within the Department's budget. The statute requires the two agencies to jointly prepare a Biennial Finance Plan detailing the amount of general obligation bonding authority, revenue bonding authority, and present value subsidy authority needed for each of the three loan programs. The Biennial Finance Plan is submitted to the Joint Finance Committee, the standing environmental committees of the Legislature, and the Building Commission. The legislative committees make recommendations to the Building Commission, which ultimately either approves, modifies or denies the requested authorizations.

The following table provides the authorizations for each of the three loan programs which will be requested in the Biennial Finance Plan. The requests total \$52.3 million of general obligation borrowing authority, \$353.0 million of revenue bonding authority, and \$136.8 million of present value subsidy authority.

**PROPOSED FUNDING LEVELS FOR THE ENVIRONMENTAL IMPROVEMENT FUND  
BONDING AUTHORITY AND PRESENT VALUE SUBSIDY LIMIT  
(in millions of dollars)**

	CHANGE IN AMOUNT	CUMULATIVE
<b>A. CLEAN WATER FUND PROGRAM</b>		
General Obligation Bonding	\$39.7**	\$816.8
Revenue Bonding	353.0	2,716.3
Present Value Subsidy	110.2	n/a
 Bonding and present value subsidy levels are expected to be sufficient to meet all of the estimated non-hardship requests.		
<b>B. SAFE DRINKING WATER LOAN PROGRAM</b>		
General Obligation Bonding	\$12.6**	\$58.0
Present Value Subsidy	26.6	n/a
<b>C. LAND RECYCLING LOAN PROGRAM</b>		
Present Value Subsidy	\$0.0*	n/a

Notes:

\*All of the funds allocated to the Land Recycling Loan Program have been committed.

\*\* For the 2011-13 biennium, it is estimated that the Clean Water Fund Program and the Safe Drinking Water Loan Program will together require \$52.3 million of new general obligation bonding authority to fund \$758.8 million in new projects expected to apply during that period. The new authority requested, along with amounts expected to carry over from previous biennia, will provide amounts sufficient to fund the subsidies, reserves, federal capitalization grant matching amounts, and hardship grants for the biennium.

The proposed funding levels of general obligation bonding, revenue bonding, and present value authority are based on estimates of future needs for funding. These estimates, and the associated funding levels, may change as more data becomes available and as the budget development process proceeds.