



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

June 5, 2007

Joint Committee on Finance

Paper #545

Rental Costs (DNR -- Departmentwide)

Bill Agency

[LFB 2007-09 Budget Summary: Page 395, #5]

CURRENT LAW

The Department of Natural Resources currently pays rental costs for 43 facilities throughout the state which provide office space for approximately 2,700 DNR employees. Rental costs are paid primarily from the customer and employee services program.

GOVERNOR

Provide \$1,059,300 annually (\$248,800 FED and \$810,500 SEG) for DNR facility rental costs across the state.

DISCUSSION POINTS

1. In implementing administrative budget reductions in the last two biennial budgets, DNR reduced its base rental funding by a total of \$2.2 million (approximately \$1.1 million each from GPR and SEG sources). As facility rental costs have exceeded amounts budgeted for this purpose in the DNR administrative appropriations over the last several years, the Department has re-allocated rental costs from other administrative funding, and charged rental costs to its programs based on the total staff from each program located in administrative facilities. DNR administrative facilities are those facilities housing staff from three or more DNR programs (21 of the 43 rental facilities are considered administrative facilities). Rental costs for facilities that are not considered administrative, such as space rented by a DNR forester in a county building, are paid out of program operations budgets. Chargebacks to programs totaled between approximately \$1 to \$2 million from

2003-04 through 2006-07. Table 1 illustrates administrative rental appropriations and expenditures from 2005-06 through 2008-09. The amounts shown in the table exclude amounts for a new southeast region headquarters, which is discussed in a separate budget paper. Expenditures are expected to be lower in 2006-07 primarily due to a one-time reduction related to a building undergoing renovations.

TABLE 1

**Administrative Rental Costs
2005-06 through 2008-09**

	Actual <u>2005-06</u>	Estimate <u>2006-07</u>	Bill <u>2007-08</u>	Bill <u>2008-09</u>
Rental Appropriations	\$4,982,000	\$5,018,300	\$6,041,300	\$6,041,300
Expenditures	<u>6,967,600</u>	<u>6,582,000</u>	<u>6,930,000</u>	<u>6,930,000</u>
Department-wide Chargeback	\$1,985,600	\$1,563,700	\$888,700	\$888,700

2. DNR has attempted to address the shortfall in rental funds by reviewing existing leases and looking for opportunities to reduce rental costs at specific locations. For example, the Department was able to renegotiate a lease on a building in Peshtigo which resulted in monthly savings of approximately \$3,500. DNR anticipates rental costs will exceed base level amounts by over \$1.9 million annually during 2007-09. Under the bill, the additional \$1,059,300 appropriated for rental costs would allow DNR to resume some of the program activities that have been curtailed to meet the rental assessments, such as fish surveys and computer equipment upgrades that have been delayed. However, the Department would still anticipate Department-wide chargebacks under the bill of approximately \$890,000 annually. Under SB 40, funds would be provided as follows:

TABLE 2

SB 40 Annual Rental Cost Increase

Environmental Fund	\$220,100
Petroleum Inspection Fund	145,600
Recycling Fund	81,900
Conservation Fund	362,900
Federal Revenue	<u>248,800</u>
Total	\$1,059,300

3. Recent estimates indicate that DNR's rental expenditures are anticipated to be approximately \$200,000 less annually than they were expected to be under DNR's budget request

(\$6.9 million annually, rather than \$7.1 million). Therefore, an alternative could be to delete \$200,000 annually to reflect this reestimate. Under Alternative 2, DNR chargebacks to programs would likely be over \$1 million annually.

4. It may be argued that the intent of the Legislature in prior budgets was to reduce rental facility expenditures and other administrative costs, and that therefore, no additional expenditures should be provided. On the other hand, if rental costs continue to exceed allocated funding, additional program resources will likely be allocated to cover rental costs resulting in a reduction in services. If no additional funding is provided chargebacks would likely rise to \$1.9 million annually (Alternative 4).

5. Another option may be to maintain chargebacks at approximately \$1.5 million each year (the 2006-07 level). Under this alternative, \$448,000 could be provided annually (Alternative 3).

ALTERNATIVES TO BILL

1. Adopt the Governor's recommendation to provide \$1,059,300 annually (\$248,800 FED and \$810,500 SEG) for DNR facility rental costs across the state.

ALT 1	Change to Bill Funding	Change to Base Funding
FED	\$0	\$497,600
SEG	<u>0</u>	<u>1,621,000</u>
Total	\$0	\$2,118,600

2. Reduce the amount provided by \$200,000 annually.

ALT 2	Change to Bill Funding	Change to Base Funding
FED	-\$94,000	\$403,600
SEG	<u>-306,000</u>	<u>1,315,000</u>
Total	-\$400,000	\$1,718,600

3. Reduce the amount provided by \$611,300 annually.

ALT 3	Change to Bill Funding	Change to Base Funding
FED	-\$287,200	\$210,400
SEG	<u>-935,400</u>	<u>685,600</u>
Total	-\$1,222,600	\$896,000

4. Delete provision.

ALT 4	Change to Bill Funding	Change to Base Funding
FED	- \$497,600	\$0
SEG	<u>- 1,621,000</u>	<u>0</u>
Total	- \$2,118,600	\$0

Prepared by: Erin Rushmer