



## Legislative Fiscal Bureau

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April 18, 2018

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Natural Resources: Section 13.10 Request for Parks Infrastructure Transfer - Agenda Item VI

### REQUEST

The Department of Natural Resources (DNR) requests approval to transfer \$2.2 million in 2017-18 from the balance of the parks account of the segregated conservation fund to appropriation 20.370(7)(hu) to replace infrastructure in Wisconsin State Parks.

### BACKGROUND

Currently, DNR operates 77 recreational properties open to the public, including: 45 state parks; 15 state trails; two national scenic trails; eight southern forests; and seven recreation areas. In addition, some properties are owned by the state and operated by local units of government, such as Copper Culture State Park, or nonprofit organizations, such as Heritage Hill State Park. Also, some parks and other properties have been designated by the Natural Resources Board, but are not developed or are under development, and property operation remains largely unfunded with only limited services provided.

The state park system properties contain 5,087 campsites, including sites currently being developed and 1,091 southern forest campsites, 1,420 acres of picnic areas and 32 properties with beaches totaling approximately 20 miles in length. The state recreation system also includes an extensive network of trails, some of which are open to multiple uses. This trail system, encompassing all state parks, recreation areas, forests and trails, includes: (a) 2,160 miles of hiking trails; (b) 1,964 miles of snowmobile trails; (c) 1,230 miles of bicycle trails, including 343 miles of mountain bike trails; (d) 524 miles of groomed cross-country ski trails; (e) 827 miles of horse trails; (f) 455 miles of all-terrain vehicle trails; and (g) approximately 90 miles of nature trails.

General fund support for state park operations was deleted in the 2015 biennial budget act, and currently all state parks operations are funded by the parks account of the segregated (SEG) conservation fund. Parks account revenues are generated primarily by motor vehicle admission fees to state parks and camping site fees. Revenue to the parks account is also derived from other charges, such as camping reservation fees, trail use fees, golf, pool, or facility rental fees at certain parks, and timber harvests. A portion of park and forest admissions are deposited to the forestry account of the conservation fund.

## **ANALYSIS**

2017 Act 59 created a continuing appropriation from parks account revenues [(20.370(7)(hu))] and provided \$1,000,000 in fiscal year 2017-18 and \$1,000,000 in fiscal year 2018-19 in one-time funding for development and maintenance activities on state park properties. Under the request, an additional \$2.2 million would transfer in the 2017-18 fiscal year from the balance of the parks account to the appropriation to be used for parks infrastructure projects including: (a) \$1,308,600 to replace 15 four-unit vault toilets in campgrounds and high-use areas; (b) \$239,700 for replacement of failing water lines, day-use flush toilet building upgrades, and replacement of indoor group camping siding at Wyalusing State Park; (c) \$174,400 for projects at Perrot State Park, including adding an ADA-accessible restroom to a family campground area and renovating plumbing at various shower buildings; (d) \$164,900 for repairs and upgrades to the Weborg Shelter at Peninsula State Park; (e) \$96,400 for improvements to beach and swimming areas at Richard Bong State Recreation Area; (f) \$69,700 to renovate toilet/shower buildings at Brunet Island State Park; (g) \$42,600 for roof repair and reshingling at Lake Wissota State Park; (h) \$32,900 to establish water supply at a shelter and playground area at Merrick State Park; and (i) \$60,000 for contingency funding. While the Department's request originally included \$340,000 to replace an existing high-voltage distribution system at Yellowstone Lake State Park, updated information provided by the Department includes this project as funded from general fund-supported bonding at a lower estimated cost.

Under statute, DNR and other state agencies are required to submit a six-year facility plan to the Division of State Facilities in the Department of Administration listing the development needs of the agency's facilities and setting a preliminary timeline for their completion. The six-year plan is utilized as a guideline when developing detailed capital development requests for each biennial budget. The DNR 2017-23 six-year plan states, "The Department intends to continue to place major emphasis on infrastructure maintenance. It needs to protect the investment already made in Department properties and facilities." Further, the plan notes, "It is a fact that the Department's infrastructure is deteriorating due to normal use and increasing age. The Department of Natural Resources has property holdings that approximate 40 percent of the total of state-owned buildings...Many of its facilities are 40 years old or older. The majority of DNR facilities/buildings are considered as core assets at parks, forests, hatcheries, etc., where substitution by a commercial entity would not make any sense."

Typically, capital projects utilize some type of bonding, such as general fund-supported bonding (GFSB) or segregated fund-supported bonding. In addition to any bonding authorization DNR may request separately, the Department is currently allocated \$3.25 million each year through

2019-20 from stewardship bonding. Projects exceeding \$1,000,000 must be enumerated by the State Building Program (2017 Act 237 raised the threshold for enumeration from \$760,000 to \$1,000,000). These projects are referred to as "major" projects.

In its 2017-19 capital budget request, shown in Table 1, DNR submitted \$39,515,800 in major project requests, including: \$16,038,300 in conservation fund-supported bonding (debt service on the bonds would be paid by the segregated conservation fund); \$12.5 million in existing unobligated stewardship program bonding (debt service on stewardship bonds is paid from the general fund and the forestry account of the conservation fund); \$3.5 million in new general fund-supported borrowing; \$3,041,700 in existing general fund-supported bonding; \$1,772,100 in gift funds; and \$982,700 in environmental fund-supported bonding (debt service paid by the segregated environmental fund).

**TABLE 1**

**DNR 2017-19 Capital Budget Major Projects Requested and Funded by Source**

	<u>Requested</u>	<u>Source</u>	<u>Funded</u>	<u>Source</u>
Pattison Ranger Station - New Radio Tower	\$1,241,700	Conservation SEG	\$1,241,700	Forestry Account SEG
Peninsula State Park - South Nicolet Bay Campground Toilet/Shower Building Replacement	839,300	Stewardship	839,300	Stewardship
Nevin Fish Hatchery - New Storage Building	1,865,700	Conservation SEG	0	
	982,700	Environmental SEG	0	
Gresham-New Ranger Station	2,153,700	Conservation SEG	0	
Science Operations Center - Purchase & CWD Processing Center Addition	4,805,800	Conservation SEG	4,805,800	Conservation SEG
Black River Falls Service Center - New Forest Fire Operations Facility	2,086,800	Conservation SEG	0	
Rhineland Service Center - Storage Building Replacement	761,900	Conservation SEG	0	
Cornell Ranger Station - Ranger Station Replacement	1,964,500	Conservation SEG	0	
Grantsburg Ranger Station - Ranger Station Replacement	1,158,200	Conservation SEG	0	
High Cliff State Park - Family Campground Expansion	841,700	Stewardship	841,700	Stewardship
Peninsula State Park - Eagle Tower Reconstruction	1,772,100	Gifts	750,000	Existing - Stewardship
			750,000	Gifts
			500,000	LAWCON
Willow River State Park - Little Falls Dam Reconstruction	3,500,000	GFSB	3,500,000	GFSB
	3,041,700	Existing - GFSB	3,041,700	Existing - GFSB
	<u>12,500,000</u>	Existing - Stewardship	<u>12,500,000</u>	Existing - Stewardship
	\$39,515,800		\$28,770,200	

Of the \$39,515,800 in requested funds, DNR is authorized to proceed with projects totaling \$28,770,200. Of the \$16,038,300 in conservation fund-supported bonding requests, \$4,805,800 was recommended for a project to purchase the Science Operations Center in Monona and construct a new 4,700-square-foot chronic wasting disease (CWD) processing facility addition. Funding of \$1,241,700 forestry SEG was provided for the Pattison Ranger Station in lieu of the requested conservation fund-supported bonding. In addition, \$750,000 in existing, unobligated stewardship bonding was provided for the Eagle Tower reconstruction project. DNR indicates that \$750,000 in

gift funds and \$500,000 in federal land and water conservation fund (LAWCON) funding will be utilized to make up the revised cost of \$2,000,000.

In addition to the \$39.5 million in requested major projects, DNR requested approximately \$3.9 million in general fund-supported bonding under the "all-agency" category of its 2017-19 capital budget request for smaller parks projects. The Department received \$1.0 million of the request, which DNR plans to utilize for parks projects as shown in the attachment. Table 2 further summarizes the adjustments made to the initial capital budget request that resulted in the current funding request. The Department utilized stewardship development funds to support approximately \$840,000 of the initial request. Other cost reductions of approximately \$750,000 resulted from projects being approved for lower amounts than requested, and by utilizing federal LAWCON funding for a portion of projects. The \$1.38 million in unfunded projects from DNR's all-agency request, plus \$810,000 in additional projects and contingency funding, results in approximately \$2.2 million in planned parks development projects for which DNR is requesting funding.

**TABLE 2**

**State Parks Small Projects Capital Funding Requests - 2017-19 Biennium**

<u>Funding Mechanism</u>	<u>Amount (Millions)</u>
<b>2017-19 Capital Budget</b>	
General Fund-Supported Bonding (GFSB) Request	\$3.93
GFSB Approved Amount	-0.96
GFSB-Funded Project Cost Adjustments	<u>-0.75</u>
Unfunded Projects Subtotal	\$2.22
GFSB Requests Funded with Stewardship Property Development	<u>-0.84</u>
Unfunded Projects Subtotal	\$1.38
<b>Supplemental Items -- s. 13.10 Request</b>	
Multiple Facility Repairs	0.75
Contingency Funding	<u>0.06</u>
Unfunded Projects Total	\$2.19

State park admission and camping fees were raised in each of the last two biennial budgets to support parks operations with the elimination of GPR funding. It could be argued that the parks account is an operating fund and should be utilized minimally for capital development projects, if at all. However, 2017 Act 59 provided \$1 million in each year of the biennium on a one-time basis, and the \$2.2 million in requested funds would also be provided on a one-time basis and be available for expenditure until exhausted. Further, the Department argues these projects are critical to protecting visitor health and safety and should be completed during the 2017-19 biennium. Currently, the parks account is estimated to have an available June 30, 2019, balance of over \$10

million. While sufficient funds are available in the balance of the account to support the request of one-time funds, an increase in ongoing expenditure authority exceeding \$1.5 million annually could cause the account to have a structural imbalance by which authorized expenditures exceed anticipated revenues.

As noted, 2017 Act 59 provides \$2 million from the balance of the parks account for parks infrastructure projects. DNR indicates this funding will be used for campsite electrification and various projects including signage, fire rings, picnic tables, parking lot expansion, and building repairs at Devil's Lake, Peninsula, and other state park properties as shown in the attachment. DNR reports these projects are expected to be presented to the Building Commission in the near future. However, the appropriation language states that these funds are provided "for parks development and maintenance on state parks property." This language is broad enough to encompass the projects for which the Department is requesting the \$2.2 million in additional funds from the parks account balance. Further, some would argue parks infrastructure projects deemed critical should be addressed before additional amenities, such as electricity, are added. On the other hand, 2017 Act 59 also increased the statutory cap on the percentage of campsites in state parks that may be electrified from 30% to 35% and increased the nightly fee for electric campsites at five high-demand parks from \$10 to \$15. Additional electrified campsites would be expected to provide additional ongoing revenue to the parks account.

In addition to the \$2 million available under 2017 Act 59 for parks infrastructure, 2017 Act 71 provides \$4.5 million in unobligated funds from the stewardship program for critical health and safety-related water infrastructure projects in state parks, prioritizing projects in those state parks with the highest demand. The Department plans to utilize these funds for the projects identified in the attachment. However, these projects were identified by the Department for possible inclusion in DNR's 2019-21 capital development budget request. Therefore, these projects may not be as urgent as some of the safety-related water infrastructure projects included in the proposed 2017-19 capital budget for which the Department is requesting additional funds through this request, such as the vault toilet replacement project at Governor Dodge State Park.

The Committee could consider providing \$1.38 million for small projects remaining unfunded, but only those for which DNR requested general fund-supported bonding in the 2017-19 budget [Alternative 2]. These projects include vault toilet replacements at several parks and the replacement of water lines at Wyalusing State Park. Projects excluded for funding under this alternative include approximately \$750,000 in assorted projects at multiple parks and \$60,000 in contingency funds. This alternative would address those projects DNR identified as the highest priorities for consideration this biennium. Other projects subsequently added under this request could be addressed in future biennia or with alternative funds.

While capital development projects are not typically funded with cash from a segregated account, the parks account has an estimated available balance of over \$10 million. Further, providing these funds could keep the Department on track with its current six-year plan to address infrastructure needs throughout DNR properties. On the other hand, the funds provided under 2017 Act 59 and Act 71 could be utilized to fund the projects deemed most critical, with less-critical projects waiting until the 2019-21 budget cycle. The Committee could consider denying the request [Alternative 3].

## ALTERNATIVES

1. Approve the Department's request to provide \$2,189,200 in 2017-18 million from the balance of the parks account of the segregated conservation fund to appropriation 20.370(7)(hu) to replace infrastructure in Wisconsin State Parks.

2. Transfer \$1,383,000 in 2017-18 from the balance of the parks account of the conservation fund to the appropriation under s. 20.370 (7)(hu) to replace vault toilets at Big Foot Beach, Blue Mound State Park, Governor Dodge State Park, Wyalusing State Park, and for water line replacement at Wyalusing State Park.

3. Deny the request. The Department could utilize funds from 2017 Act 59 and 2017 Act 71 to replace critical infrastructure, with funding for less-critical projects deferred for future consideration.

Prepared by: Erin Probst  
Attachment

## ATTACHMENT

### Currently Planned Parks Capital Development Projects

Property	Project	Original Estimated Project Cost	2017-19 Capital Budget		Funding Source 1	Funding Source 2	Amount	Amount	Revised Project Cost
			Requested Source						
<b>2017-19 Capital Budget, Parks Minor and All-Agency Projects, including 13.10 Requested Projects</b>									
Copper Falls State Park	Wastewater Treatment Facility Repairs	\$643,400	GFSB	GFSB			\$481,500		\$481,500
Peninsula State Park	Waterline Replacements in Campgrounds	729,400	GFSB	GFSB		LAWCON	\$364,700		729,400
Yellowstone Lake State Park	Replace Park Electrical Infrastructure System	337,600	GFSB	GFSB			111,900		111,900
Peninsula State Park	Waste Water Treatment System Repairs	838,800	GFSB	Stewardship		Stewardship	838,800	313,300	1,152,100
Big Foot Beach State Park	Replace Vault Toilets in Campground - Phase 1	185,800	GFSB	13.10 Request/Parks SEG			185,800		185,800
Blue Mound State Park	Replace Vault Toilets in Campground	292,800	GFSB	13.10 Request/Parks SEG			292,800		292,800
Governor Dodge State Park	Replace Vault Toilets - Phase 2	448,600	GFSB	13.10 Request/Parks SEG			448,600		448,600
Wyalusing State Park	Replace Vault Toilets at Trailheads and Campground - Phase 3	381,400	GFSB	13.10 Request/Parks SEG			381,400		381,400
Wyalusing State Park	Replace Failing Water Lines	<u>74,400</u>	GFSB	13.10 Request/Parks SEG			74,400		<u>74,400</u>
<b>Subtotal Original GFSB Request</b>		<b>\$3,932,200</b>							<b>\$3,857,900</b>
Richard Bong State Recreation Area	Beach & Swimming Area Condition Improvements	96,400	Stewardship	13.10 Request/Parks SEG			96,400		\$96,400
Wyalusing State Park	Indoor Group Camp Siding Replacement	95,800	Stewardship	13.10 Request/Parks SEG			95,800		95,800
Brunet Island State Park	Toilet/Shower Building Renovations	69,700	Stewardship	13.10 Request/Parks SEG			69,700		69,700
Wyalusing State Park	Day-Use Flush Toilet Building Upgrades	69,500	Stewardship	13.10 Request/Parks SEG			69,500		69,500
Perrot State Park	Add ADA Restroom To Family Campground/ Bay Toilet/Shower Building	59,500	Stewardship	13.10 Request/Parks SEG			59,500		59,500
Perrot State Park	Renovate Plumbing At Bay Family Campground Shower Building	44,100	Stewardship	13.10 Request/Parks SEG			44,100		44,100
Perrot State Park	Renovate Plumbing At Upper Shower Building	44,100	Stewardship	13.10 Request/Parks SEG			44,100		44,100
Lake Wissota State Park	Roof Repair/Reshingling	42,600	Stewardship	13.10 Request/Parks SEG			42,600		42,600
Merrick State Park	Establish Water Supply at Upper Shelter/Playground	32,900	Stewardship	13.10 Request/Parks SEG			32,900		32,900
Perrot State Park	Renovate Plumbing at Host Toilet Building	26,700	Stewardship	13.10 Request/Parks SEG			26,700		26,700
Peninsula State Park	Weborg Shelter Repairs and Upgrades	329,800	Stewardship	13.10 Request/Parks SEG		LAWCON	164,900	164,900	329,800
Various	Bidding, Project Contingency	60,000	Stewardship	13.10 Request/Parks SEG			<u>60,000</u>		<u>60,000</u>
<b>Subtotal GFSB Request Authorized</b>							<b>\$958,100</b>		
<b>Subtotal Parks SEG 13.10</b>							<b>\$2,189,200</b>		<b>\$971,100</b>
<b>2017-19 Capital Budget Unfunded Projects</b>							<b>(\$1,383,000)</b>		
<b>Supplemental Items 13.10 Request</b>							<b>(\$806,200)</b>		
<b>Subtotal GFSB Request Transferred to Stewardship</b>							<b><u>\$838,800</u></b>		
<b>Total</b>							<b>\$3,986,100</b>		

<u>Property</u>	<u>Project</u>	<u>Original Estimated Project Cost</u>	2017-19	<u>Funding Source 1</u>	<u>Amount</u>	<u>Funding Source 2</u>	<u>Amount</u>	<u>Revised Project Cost</u>
			<u>Capital Budget Requested Source</u>					
<b>2017 Act 59 Projects</b>								
Various	Campsite Electrification	\$1,000,000		Parks SEG	\$1,000,000			\$1,000,000
Devil's Lake State Park	Various Projects Including Signage, Fire Rings, Picnic Tables, Parking Lot Expansion, Building Repair Etc.	250,000		Parks SEG	250,000			250,000
Peninsula State Park	Various Projects Including Signage, Fire Rings, Picnic Tables, Parking Lot Expansion, Building Repair Etc.	250,000		Parks SEG	250,000			250,000
Various	Various Projects Including Signage, Fire Rings, Picnic Tables, Parking Lot Expansion, Building Repair Etc.	200,000		Parks SEG	200,000			200,000
Various	Matching Local Partners to Complete Projects on PRM Properties Including Signage, Fire Rings, Picnic Tables and Kiosks	250,000		Parks SEG	250,000			250,000
Various	Electronic Pay Stations	<u>50,000</u>		Parks SEG	<u>50,000</u>			<u>50,000</u>
<b>Subtotal Act 59 Projects</b>		\$2,000,000			\$2,000,000			\$2,000,000
<b>2017 Act 71 Projects</b>								
Big Bay State Park	Septic System Replacement	\$300,000		Unobligated Stewardship	\$300,000			\$300,000
Devil's Lake State Park	Water System Infrastructure Replacement - Water Main Lines, Lateral Lines, Wells and Drinking Water Fixtures	1,200,000		Unobligated Stewardship	1,200,000			1,200,000
Devil's Lake State Park	Vault Toilet Replacement	160,000		Unobligated Stewardship	160,000			160,000
Interstate State Park	Lift Station Replacement	75,000		Unobligated Stewardship	75,000			75,000
Pattison State Park	Drinking Water Tank Replacement	50,000		Unobligated Stewardship	50,000			50,000
Peninsula State Park	Construction of a New Dump Station	450,000		Unobligated Stewardship	450,000			450,000
Peninsula State Park	Vault Toilet Replacement	1,250,000		Unobligated Stewardship	1,250,000			1,250,000
Various	Drinking Fountain Replacement	<u>1,000,000</u>		Unobligated Stewardship	<u>1,000,000</u>			<u>1,000,000</u>
<b>Subtotal Act 71 Projects</b>		\$4,485,000			\$4,485,000			\$4,485,000
<b>Total</b>		\$11,388,300			\$10,471,100		\$842,900	\$11,314,000

GFSB = General Fund-Supported Bonding