



Legislative Fiscal Bureau

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February 7, 2019

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Kickapoo Reserve Management Board: Supplemental Funding for Flood Repairs --
Agenda Item II

REQUEST

Provide one-time funding of \$50,000 from the forestry account of the segregated (SEG) conservation fund in 2018-19 for flood recovery activities within the Kickapoo Valley Reserve (KVR). Funding would be dedicated to personnel, supplies, and services costs related to trail restoration, replacing signage and boundary markers, invasive species control, removal of downed tree and other debris, resurfacing and other general maintenance.

BACKGROUND

The Kickapoo Valley Reserve comprises approximately 8,600 acres of land north of La Farge in Vernon County, which includes 1,200 acres of land managed under an agreement with the Ho-Chunk Nation. The Reserve is managed by a staff of 4.0 permanent positions and limited-term personnel at the direction of an 11-member board. The property was the site of a U.S. Army Corps of Engineers dam and reservoir project on the Kickapoo River that was abandoned in 1975. KVR operations are funded from both program revenues (PR) and forestry account SEG. KVR collects program revenues primarily from camping and use fees, event and permit fees, agricultural lease revenue, and timber harvest revenue. In 2017-18, the Reserve collected program revenues of \$321,700.

The Kickapoo River valley has often been subject to severe flooding events. In August and September of 2018, severe rainfall events contributed to record-breaking totals of rain in the Kickapoo River watershed. The National Weather Service reports an estimated 12.68 inches of rain fell in Viroqua (12 miles west of the KVR) from August 16 through September 6. Further, measurement of the Kickapoo River in La Farge (immediately south of the KVR) showed a peak estimated flow of 27,800 cubic feet per second on August 28, breaking the previous record of 22,100

set on June 8, 2008. From August 15 to September 15, the average cubic feet per second was 863, compared to the river's August-September historical average of 161 from 1939 through 2016. The final crest of the river was measured at 19.42 feet, breaking the previous record of 15.78 feet also set on June 8, 2008.

KVR reports that damages from flooding included washed out trails, sinkholes, downed trees, damage to signage and boundary markers, debris accumulating under bridges, erosion at parking lots and river access sites, and other infrastructure damage. The Department of Administration (DOA) Bureau of State Risk Management reports that damage associated with the flood is not covered by insurance.

ANALYSIS

Recovery Costs. In the request, DOA reports actual year-to-date recovery expenditures of \$28,800 for KVR staff, equipment, and supplies. These amounts represent what DOA designates as immediate costs of flood recovery based on an October 9, 2018, review of KVR accounts. Further costs have been incurred as staff continues to work on recovery efforts, with most costs since October 9 coming from both full-time (FTE) and limited-term (LTE) employees. Table 1 outlines costs already incurred by KVR through October 9, 2018, and January 25, 2019, the date its request was submitted to the Committee.

TABLE 1
Cleanup Costs Incurred

	Through <u>Oct. 9</u>	Through <u>Jan. 25</u>
Staff		
FTE Salary & Fringe	\$9,100	\$15,100
LTE Salary & Fringe	5,700	10,700
Equipment and Supplies		
Gravel/Road Base	9,600	9,600
Equipment Rentals	1,000	1,300
Other Supplies	900	1,500
Contracts		
Bridge Inspection	1,500	1,500
River Logs/Debris Removal	<u>1,000</u>	<u>1,000</u>
Total	\$28,800	\$40,700
Total Excluding FTE	\$19,700	\$25,600

FTE staff reported represents the proportion of time full-time staff have dedicated to flood recovery in lieu of other duties. It could be argued such FTE expenditures would otherwise have

been incurred even if flooding had not occurred. If excluded, immediate recovery expenditures would total \$19,700 and to-date expenditures would total \$25,600. KVR reports staff have delayed projects dedicated to trail resurfacing, boundary marking, post-timber harvest reclamation, invasive species removal, and creek floodproofing and restoration while they work on flood recovery. It is likely costs of these projects will increase due to their delay, most notably invasive species removal, which may require more staff time in the future.

Community members have contributed to KVR's recovery, with the Friends of Kickapoo Valley Reserve donating approximately \$4,000. Further, KVR reports it has held six volunteer events to assist in flood recovery, with estimated total volunteer hours of at least 280.

Recovery efforts are currently on hold until weather improves in spring. In addition to requesting funding of \$28,800, KVR reports an additional \$20,800 in anticipated spending to complete recovery efforts. Table 2 outlines KVR's estimated costs of spring cleanup operations, which are anticipated to take four weeks. As part of repairs, trails may need to be rerouted. Under KVR's Joint Management Plan with the Ho-Chunk Nation, it must conduct an archeological survey whenever a project disturbs soil more than 14 inches deep. This requirement applies to rerouting of trails, and the Reserve intends to contract with the Mississippi Valley Archeological Center at the University of Wisconsin - La Crosse to conduct the survey. Further, KVR expects to contract with a logger to remove downed trees from trails.

TABLE 2

Estimated Spring Cleanup Costs

Staff	
FTE Property Manager	\$3,100
LTE Salary & Fringe	5,400
Equipment and Supplies	
Gravel/Road Base	2,800
Culvert Extension	2,000
Equipment Rental	500
Contracts	
Archeological Survey	2,000
Logger	<u>5,000</u>
Total	\$20,800

Forgone Program Revenue. Flooding events closed the Reserve from August 27 through September 15, halting camping, hiking, kayaking/canoeing, and other program revenue-generating recreational activities. Based on an average revenue of \$221 per day in August, September, and October of 2017, KVR estimates foregone revenue of approximately \$4,400 due to closure in the aftermath of the flooding. On September 16, the Reserve reopened on a limited basis for hiking and camping, suggesting foregone revenues may have been higher as not all recreation activities were

available. KVR reports it still has not reopened equestrian and mountain bike trails due to downed trees and trail washouts. Further, it is possible flood damage reduced interest in visiting the Reserve, as fewer trails and recreation spaces were available. Thus, \$4,400 may be considered a lower-end estimate, as not all recreation opportunities have returned to pre-flood availability.

Previous FEMA Support. After flooding events in 2016, the Federal Emergency Management Agency (FEMA) issued a major disaster declaration, and KVR subsequently applied for disaster assistance funds. Due to staff turnover at FEMA, other FEMA disaster recovery priorities, and damage reporting requirements, funding was delayed until 2018. Based on this prior experience, KVR reports it did not anticipate funding to be immediately available to address 2018-19 repair needs. KVR reports total disaster assistance received was \$21,900 from FEMA and an additional \$3,200 in state match from Wisconsin Emergency Management. Total amounts received for 2016 flooding reflect approximately 84% of FEMA's initially estimated damages of \$29,900.

During public informational meetings with FEMA staff in the aftermath of the 2018 flooding, FEMA indicated it intended to prioritize public infrastructure and private residences with available funding, and that trail repair would be of lower priority. The Kickapoo Reserve Management Board subsequently elected not to pursue funding under FEMA's 2018 disaster declaration to avoid any actual or perceived competition for federal funding with other area critical public infrastructure or local residents who sustained substantial property loss.

Appropriation Balances. Table 3 shows available balances of KVR's operations appropriations as of February 1, 2019. Based on 2017-18 expenditures, KVR staff estimates expenditures from February 1 through June 30 will total \$105,000 in its program services PR appropriation and \$220,000 in its general program operations SEG appropriation. If applied to February 1, 2019, balances, it is expected the Reserve will be short \$78,600 by fiscal year end.

TABLE 3

Appropriation Balances 2018-19*

	<u>Appropriation</u>	<u>Expended/ Encumbered</u>	<u>Available Funds</u>	<u>Remaining Expenditures</u>	<u>Estimated Shortfall/Surplus</u>
Program Services (PR) [s. 20.385(1)(g)]	\$291,200	\$248,800	\$42,400	\$105,000	-\$62,600
Gifts and Grants (PR) [s. 20.385(1)(h)]	10,000	6,900	3,100	-	3,100
General Program Operations (SEG) [s. 20.385(1)(q)]	<u>453,000</u>	<u>252,100</u>	<u>200,900</u>	<u>220,000</u>	<u>-19,100</u>
Total	\$754,200	\$507,800	\$246,400	\$325,000	-\$78,600

*As of February 1, 2019.

In response to the anticipated deficit, KVR reports it is already reducing LTE hours from February to April, which will limit invasive species control work and timber stand improvement. KVR also reports it is considering other funding options, including fundraising with the Friends of the Kickapoo Valley Reserve, although these funding sources may be limited.

Alternative Funding Sources. The forestry account is funded primarily from an annual transfer from the state general fund equal to 16.97¢ per \$1,000 of equalized property value in the state. A portion of account revenues also derive from: (a) timber harvests in state forests; (b) vehicle admissions and campground reservations in state forests; and (c) other miscellaneous revenues, including fees and assessments under the state forest tax laws. The account had a June 30, 2018, available balance of approximately \$14.4 million.

State forestry general operations are the largest annual expense budgeted from the forestry account. General forestry operations are appropriated \$48,729,100 in 2018-19. DNR forestry general operations could be considered an appropriate source for supplementing the general operations of a different agency that relies on the same funding source. Reducing forestry operations SEG also would be expected to have a negligible, if any, impact on DNR programming in 2018-19 as DNR has customarily not expended the full amount appropriated in each fiscal year, typically due to positions held vacant. General forestry operations funds unspent at the close of each fiscal year revert to the balance of the account. Amounts lapsed to the account balance have averaged \$2.2 million since 2013-14.

DNR is provided a continuing appropriation of \$2 million forestry SEG annually for maintenance of state park, forest, and Lower Wisconsin State Riverway roads, including fire roads, service areas, and parking areas. Although KVR does not fall within the statutory limits of this appropriation as it is not a state park, forest or riverway, it could be considered a substantially similar state-owned property with comparable maintenance needs. Thus, the Committee could consider reallocating to the Reserve a portion of appropriated amounts, given that many KVR repairs are to trails, bridges, and parking areas. The continuing appropriation for state park, forest, and riverway roads had an unencumbered balance of \$3.9 million as of June 30, 2018.

Given the funding available in the forestry account or other appropriations relative to the amount requested, the Committee could consider approving the requested amount (Alternative 1). The Committee could also consider reducing funding to \$25,600 to reflect the costs incurred as of the request's submittal, less amounts expended on permanent staff salaries and fringe benefits (Alternative 2). If the Committee were to provide the lesser amount, the Reserve could delay repairs until additional funding is available in the 2019-21 biennium. Additional one-time funding also could be provided for flood repairs during the 2019-21 biennial budget deliberations, or through a subsequent supplemental funding request of the Committee. However, further delaying any incomplete repairs could continue to negatively impact KVR program revenues, which support the Reserve's operations and maintenance.

In addition to determining the amount of supplemental funding to be provided, the Committee could consider specifying one of several funding sources to be used to support the request. The forestry account balance (Alternative 3a) has ample funding available to support the KVR request.

If the Committee wished to offset the amount of the KVR request, consideration could be given to reducing the DNR forestry general operations appropriation (Alternative 3b) or the DNR appropriation for state park, forest and riverway roads (Alternative 3c). Either alternative would effectively transfer funding from the selected appropriation to KVR general operations in 2018-19 and would maintain the same total forestry SEG appropriations as under current law without affecting the account balance.

If the Committee were to deny the request (Alternative 4), the Reserve would be required to balance its remaining 2018-19 obligations against available SEG appropriations and expected program revenues. Should a PR deficit occur by fiscal year end, it would result in an unsupported overdraft against the balance of the general fund. KVR would be required under s. 16.513(3) of the statutes to submit to DOA a plan to address the deficit, which would be subject to the Committee's review.

ALTERNATIVES

1. Approve the request to provide an additional \$50,000 in fiscal year 2018-19 to the Kickapoo Valley Reserve general operations appropriation [s. 20.385(1)(q)] for the purpose of flood recovery.
2. Reduce the request to \$25,600 to reflect certain staffing and supplies costs already incurred by the Reserve related to flood recovery. Provide funds in fiscal year 2018-19 in the Kickapoo Valley Reserve general operations appropriation [s. 20.385(1)(q)] for the purpose of flood recovery.
3. In addition to Alternative 1 or 2 above, select one of the following:
 - a. Provide funding as specified in Alternative 1 or 2 from the balance of the forestry account (agency requested source).
 - b. Reduce the Department of Natural Resources appropriation under s. 20.370(2)(mv) for general forestry operations by the amount specified in Alternative 1 or 2.
 - c. Reduce the Department of Natural Resources appropriation under 20.370(7)(mr) for state park, forest, and riverway roads by the amount specified in Alternative 1 or 2.
4. Deny the request. This would be expected to result in a fiscal year end deficit in the Reserve's program revenue accounts.

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