

Chair Proposal

MEMO: Agenda Item #9-B
To: LSOHC members
From: David Hartwell (Chair) and Ron Schara (Vice Chair)
Date: December 12, 2022
Re: Chair Proposal for Allocation of Additional OHF Funds

Chair and Vice Chair Recommendation on FY24 Funding December 9, 2022

The chair and vice chair (hereafter called collectively the chairs) have looked at the Council's funding recommendations in light of the new budget forecast that was released in December of 2022. The funding recommendation was for \$143,804,000 and represented the average allocation for all proposals that received 7 or more votes with the exceptions of full funding for the CPL, Roving Crew (O1) and administrative proposals (O3), (O4), (ADM), (LCC).

The new revenue forecast projects, with a 6% reserve, an amount available of \$167,094,000. This would provide an excess beyond what we have already approved as a recommendation of \$23,290,000. The bulk of this comes from an increase in the carry-forward which seems to be primarily increased revenue in this fiscal year over what was projected earlier this year (\$32.7M vs \$8.4M). There is also a small increase in what is projected in sales tax revenue for FY24 and the investment return.

Before addressing the increased availability of funds, the chairs recommend we attend to the issue of IDP.

IDP

The funding for our recommended projects included funding for IDP (funding that would go from the proposals to fund things the DNR then contracts for). The DNR has put in a proposal to just fund that directly, but the Council decided that the better way to handle was to get the revised proposals from proposers that identified IDP needs and then remove those funds and move them to the DNR proposal.

Staff has done this analysis and it results in a reduction in proposal recommendations of \$668,000 and moving that to the IDP program of the DNR – "Core Functions" which was proposal 02.

The Chair's first recommendation is to move the \$668,000 from proposers to the DNR Core Functions proposal as per the revised chair proposal spreadsheet. Additionally, if any of the recommendations made because of the increase in funding availability results in additional IDP in proposals, or because of changes in forecasted revenue in February or afterward, that this be moved to the Core Functions proposal.

Recommendation for the allocation of additional funds.

The chairs have discussed possible scenarios for allocation of additional funds. They recommend the first option but want to propose another if the Council wants to consider an alternative option.

Recommended Option:

The Council showed considerable enthusiasm for the purchase of Keystone Woods in Washington County, which was imbedded into two proposals. These were HA 11 – Metro Big Rivers and HA 12 – St. Croix Watershed Habitat and Protection. The total cost of the Keystone Woods acquisition was \$22,436,000 and the Council recommended, as part of those two programs, a total of \$11,225,000 towards this project thinking there would then be a second phase to the acquisition that could be funded in future years that could address the additional \$11,211,000 needed to finish the acquisition. There was discussion about including that in the recommendation for the second year of the biennium but that was not acted upon.

The Chairs feel that with the excess funds, it makes sense to modify our allocation by adding the remaining dollars required to complete this acquisition to proposal HA 11 and HA 12 as in the original proposal. This would use \$11,211,000 leaving \$12,079,000 left to allocate.

We would then recommend proportionally allocating that amount, based on the percentage of the total allocated previously to all proposals except CPL, O1, O2, O3, O4, the administrative (ADM) and website proposals (LCC) not already fully funded. Since the Keystone Woods project represented \$5,750,000 of HA 11 and \$5,475,000 of HA 12 of the previously recommended amounts, we would further recommend that the percentage increase of those proposals be based on the amount of funding not going to the Keystone Woods project or \$3,395,000 for HA 11 and \$1,605,000 for HA 12. This would give all the remaining projects an additional 10.672% of their current recommended allocation.

In the case there is more than one organization receiving funds from a single proposal, we would recommend that the Council direct staff to work with the proposers to divide up the allocation and insert those revised numbers into the bill language.

Alternative Funding Recommendation:

This would be to simply proportionally increase the allocation that amount, based on the percentage of the total allocated previously to all proposals except CPL, O1- O4, the administrative (ADM) and website proposals (LCC) not already fully funded. One condition of the increased recommended allocations would be that administrative budget items (personnel and DSS) may not increase higher in proportion than the other budget items when program managers amend their accomplishment plans to include the additional funds.

Future Adjustments to Forecast:

In terms of a recommendation for fund adjustments as a result of forecast changes, we would recommend that any changes up or down to the forecast be done proportionately to all projects except CPL, Roving Crews (O1), O2, O3, O4, Administrative Budget (ADM), Legacy Website budget (LCC) and the Keystone Woods project portion of HA 11 and HA 12.