

Fiscal Estimate - 2017 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 17-1654/1	Introduction Number AB-0205
Description state leases for real property	
Fiscal Effect	
State: <input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs	
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
Fund Sources Affected Affected Ch. 20 Appropriations <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input checked="" type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.505(5)(ka)	
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Date 4/27/2017	

Fiscal Estimate Narratives

DOA 4/27/2017

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Assumptions Used in Arriving at Fiscal Estimate

This proposal would require that the Department of Administration (DOA), when entering into, extending or renewing a lease of real property for which the rent exceeds \$500,000 annually for an executive branch agency ("agency"): (1) conduct a cost-benefit analysis (CBA) comparing the lease with purchasing the space or another suitable space, and: (2) evaluate comparable lease options within a 10-mile radius of the property proposed in the lease to ensure the lease rate per square foot does not exceed the lease rate per square foot on comparable properties or the market rate by more than 5 percent. AB 205 would also require that new, extended or renewed lease involving an annual rent of more than \$500,000 must be signed by the Secretary of the Department of Administration, that a copy of the proposed lease must be submitted electronically to the chief clerk of the Assembly and Senate for distribution, and that the Department of Administration notify the Joint Committee on Finance (Committee) of the proposed lease and provide the Committee with the required information (cost-benefit analysis and comparable lease options within a 10-mile radius of the of the property proposed in the lease), as well as a summary report of the information, including the terms of the lease and the lease rate per square foot of the proposed property and the comparable options. The proposed lease would be subject to a 14-day passive review by the Committee.

This legislation would increase the workload of DOA staff by requiring a CBA for each new, extended or renewed lease involving rent that exceeds \$500,000 annually. The Division of Facilities Management currently administers 442 active leases. Of these, 20 leases (4.5%) involve annual rent over \$500,000. Two of the 20 leases will be terminated when the new Hill Farms State Office Building opens, three involve University of Wisconsin (UW) dorms, and two will drop below the \$500,000 threshold when the debt amortization amounts roll off after the first term of the lease expires. Therefore, depending on the effective date of the proposed legislation, the actual number of leases covered by this proposal may be less than the current 20 leases.

Currently, a Request for Proposal (RFP) is conducted for all new leases over \$10,000. The RFP process includes an analysis of lease options within the boundaries that the agency conducts business, including cost, location, monetary allowances and ability to meet agency needs. Therefore, for new leases, some of the information to be included in the CBA required by AB 205 will be collected during the RFP process; however, staff hours will be required to generate both the CBA and the summary report for submission to the legislature, and collect any required information that was not captured by the RFP process.

The requirement to provide this information for extended or renewed leases would require staff to find buildings with comparable square footage in the area, visit those buildings, prepare plans to fit the space to meet the needs of the agency, and get pricing from the landlord that would reflect both the advertised rent rate plus the costs to fit the space to meet agency needs. Staff would then need to draft the CBA and develop the required materials for submission to the legislature.

Because the number of leases to be impacted, decisions regarding the need to lease new space or renew existing space, and the number of CBAs that may be required each year, cannot be reasonably predicted, the cost to implement AB 205 is indeterminate. It is estimated, however, that approximately 40 hours of additional staff time would be needed to assemble the additional information and prepare the CBA for new leases and approximately 80-120 hours for renewed or extended leases, since no RFP is developed for renewals or extensions.

Based on the midpoint salary rate for an Enterprise Contract Officer position (\$37.08/hr. plus 38.24% fringe for a total hourly rate of \$51.26), each new lease would cost \$2,050 in salary/fringe (based on 40 hours of staff time), \$186 for overhead, rent, computer and other charges (estimated at \$9,700/FTE annually), and additional costs for printing and developing the required CBA and materials at \$250 each, for an estimated cost of \$2,486 for each new lease.

Based on the midpoint salary rate for an Enterprise Contract Officer position (\$37.08/hr. plus 38.24% fringe for a total hourly rate of \$51.26), each renewed or extended lease would cost \$5,126 in salary/fringe (based on 100 hours of staff time – the midpoint of the estimated hours required), \$466 for overhead, rent, computer and other charges (estimated at \$9,700/FTE annually), and additional costs for printing and developing the required CBA and materials at \$250 each, for an estimated cost of \$5,842 for each renewed or extended lease.

Long-Range Fiscal Implications