

Fiscal Estimate - 2017 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 17-2289/2	Introduction Number AB-0292	
Description sale of Green Bay Correctional Institution and construction and lease with a purchase option of a correctional institution in Brown County or an adjacent county and making an appropriation		
Fiscal Effect		
State: <input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations </div> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues </div> <div style="width: 30%;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <div style="display: flex; justify-content: space-around; font-size: small;"> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No </div> <input type="checkbox"/> Decrease Costs </div> </div>		
Local: <input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> 1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> <div style="width: 30%;"> 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> <div style="width: 30%;"> 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 </div> </div>		
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	various, including s. 20.505(1)(kc) & (5) (ka), Wis. Stats.	
Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOA 5/11/2017

LRB Number	17-2289/2	Introduction Number	AB-0292	Estimate Type	Original
Description sale of Green Bay Correctional Institution and construction and lease with a purchase option of a correctional institution in Brown County or an adjacent county and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the Department of Corrections owns and operates the Green Bay Correctional Institution, a maximum-security correctional institution, located in Brown County, and any purchase, lease or construction of additional correctional facilities is subject to prior approval by the building commission and the joint committee on finance. 2017 AB 292 would require the Department of Administration (DOA) to: (1) solicit bids to sell the Green Bay Correctional Institution (GBCI) and other associated parcels of land; (2) solicit bids for a contract to build and lease to the state with an option to purchase, a prison facility in Brown County or in an adjacent county to have an occupancy date of no later than November 1, 2022; (3) enter into a lease with the purchaser of the GBCI that will allow the state to continue to use the institution and property until the occupancy date of the new facility; and (4) if the state purchases the facility, make an annual payment to the municipality where the facility is located equal to the property taxes paid by the owner of the facility for the last year in which the property was subject to taxation.

DOA will incur costs to solicit bids to sell the GBCI and other associated parcels of land and to build and lease to the state, with an option to purchase, a prison facility. DOA has not previously developed a project of this nature and the costs associated with developing and administering these bids and negotiating the contracts, which are likely to be impacted by considerations not limited to the following, cannot be reasonably projected (indeterminate):

- The number of potential parties that may bid on the various components of the projects;
- Historic designation of GBCI; and
- Potential remediation of environmental issues.

DOA anticipates that such costs could not be accommodated within its existing budget authority.

Planning or design costs and the costs of specialized consultants such as those that may be required to assist in design or management of a project of this type commonly would be incurred in the state Building Commission rather than in DOA's operating budget and paid as authorized in the state building program. AB 292 provides that the purchase, lease or construction of additional correctional facilities is not subject to prior approval by the building commission; therefore, no project would be created in the Building Commission.

DOA typically assesses a fee of up to 4% to provide for its capital planning and building construction services and that fee is collected in the project in the Building Commission. It is anticipated that exercising the option to purchase the prison facility would require an enumeration by the State Building Commission for the issuance of debt and the fee could be included as part of the enumeration and collected at that time.

AB 292 would require the Department of Corrections (DOC) to lease and to staff and operate the replacement prison facility. A lease with an option to purchase is likely to be triple net, (i.e., lessee is responsible for the ongoing expenses of the property, including real estate taxes, building insurance, and maintenance, in addition to paying the rent and utilities). For the purposes of this estimate, it is assumed that lease payments will be borne by DOC and not DOA. Therefore, no amounts have been estimated by DOA for lease payments. Similarly, DOA has also not estimated amounts for the costs of operating the replacement prison facility.

If the state purchases the facility, DOA will make an annual payment to the municipality where the facility is located equal to the property taxes paid by the owner of the facility for the last year in which the property was subject to taxation. DOA currently makes payments for municipal services provided by municipalities to state facilities under s. 20.835 (5), Wis. Stats. The workload associated with the annual payment under the bill can be absorbed by DOA; therefore, no amount is estimated for this portion of the bill. The

Department has not estimated any revenue impacts to the local taxing jurisdiction associated with this future annual payment as the property value, location and purchase date, if any, cannot be reasonably estimated.

It should be noted that the Department of Corrections has previously estimated the cost for the state to construct a 1,300 bed maximum security facility to be \$309 million.

Long-Range Fiscal Implications

If the state purchases the facility, it is anticipated that General Fund Supported Borrowing and annual debt service payments will increase. The Department has not estimated an amount associated with increased debt service payments as the purchase price and purchase date, if any, cannot be reasonably estimated.