Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2025 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **25-1552/1**	Introduction Number **SB-0027**

Description
requiring state employees to perform their work at the offices of their employer

Fiscal Effect

State:

☐ No State Fiscal Effect
☐ Indeterminate
- ☐ Increase Existing Appropriations
- ☐ Decrease Existing Appropriations
- ☐ Create New Appropriations
- ☐ Increase Existing Revenues
- ☐ Decrease Existing Revenues

☒ Increase Costs - May be possible to absorb within agency's budget
☐ Yes ☒ No

☐ Decrease Costs

Local:

☐ No Local Government Costs
☐ Indeterminate

1. ☐ Increase Costs
   ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs
   ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue
   ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue
   ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
   ☐ Towns ☐ Village ☐ Cities
   ☐ Counties ☐ Others
   ☐ School Districts ☐ WTCS Districts

Fund Sources Affected

☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOA 3/7/2025

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Description requiring state employees to perform their work at the offices of their employer		

Assumptions Used in Arriving at Fiscal Estimate

Senate Bill 27 (SB-27) would require employees to perform their work in person at state agency offices during the employees' regularly scheduled work hours, beginning July 1, 2025. The bill exempts telehealth services and duties that were performed off site before March 1, 2020.

The Department of Administration (Department) is responsible for enterprise remote work functions and policies and procedures, such as the Division of Personnel Management's (DPM) responsibility for human resources provisions pertaining to remote working, agreements with employees regarding work schedules and duties performed while remote working, and employees working alternative work patterns.

The Department's Division of Facilities and Transportation Services (DFTS), within the framework and processes for building development as delineated by the State Building Commission (SBC) as implemented by the State Building Program (SBP), is responsible for building management, maintenance, and tenant occupancy services for state-owned facilities, totaling approximately 6 million gross square feet of space throughout the state.

SBP is authorized in the state biennial capital budget. The Division of Facilities Development (DFD), within the framework and processes delineated by SBC as implemented by SBP, is responsible for project management for state and University of Wisconsin (UW) System facilities' construction projects, throughout project lifecycle phases (i.e., project initiation, planning and design, bidding, construction, and capital maintenance). DFD staff provide construction project support for both new and remodeled and renovated existing State facilities.

If employees would no longer be permitted to work remotely and would be required to return to office in-person in state-owned or managed spaces, by July 1, 2025, this would result in significant impacts to the state's current and planned footprint of state-owned space and the construction, management, and maintenance thereof, as well as to changes to, and training on, modified enterprise remote work policies and procedures.

Through implementation of the Department's Vision 2030 state office building consolidation plan and resulting future sale of GEF 2, GEF 3, and the State Human Services Building, deferred maintenance has accumulated due to minimal capital improvement investments with the pending sales of these associated state office spaces.

The state office building General Executive Facility (GEF) 3 has already been vacated and would require extensive repair and remodeling while adhering to SBC policies and procedures for capital budget enumeration and management. As such and where necessary, DFD project administration would be required, the extent to which additional resources needed are unknown, and until the time at which the projects are able to be appropriately scoped.

To allow for the safe return of state employees and operational use of building code compliant space, buildings which are currently being prepared to be vacated, such as the State Human Services Building and GEF 2, would require extensive capital infrastructure investments, which given their scope are anticipated to require capital improvement funding, DFD project oversight, DFTS building management, maintenance, and administration, and necessary adherence to SBP procedures.

Under the proposed bill, critical infrastructure projects would be essential for employees to safely occupy and function as tenants in these three buildings and to return to state space, equal to approximately 445,000 square feet of space needed to again be occupied.

The total anticipated costs of critical infrastructure projects to renovate these three buildings are equal to approximately $385,628,000, inclusive of construction costs, design and DFD's administration fees, contingency and other fees and expenditures as designated in the state capital budget instructions for capital projects. These critical infrastructure projects would need to be funded through program revenue and general purpose revenue supported borrowing and would result in a significant debt burden for the state.

Alternatively, given the costs to make these three state buildings safe and useable, DFTS would evaluate whether the critical infrastructure projects or newly leased space would be most effective to restore space for staff to return to the workplace.

Even if the three office buildings were retained and renovated to meet tenant needs, as planning and construction would require enumeration in the 2027-29 capital budget, and given that the long-term useability of the state space currently planned for sale is limited based on safety and state operations needs, it would be necessary for the Department to temporarily lease space to allow for a return of all state workers to the office July 1.

Further, it would take up to five years for state space to be occupied by a full return of state employees using a phased in approach. This time would be required for DFTS to locate space, negotiate, prepare for occupancy, and modify leased space to accommodate state employees, either on a temporary basis while renovations and remodeling are occurring, or on a more permanent basis if determined to be more cost effective (among other determinants). It is estimated it would be possible for 25% of state employees to occupy leased space within a 12-18 month timeline, 50% in the following 12-18 months, 75% following, and so on.

From the range of occupancy of 25% - 100% of the total 445,000 square feet that comprise the three buildings, the costs to privately lease this same footprint range from approximately $3,059,400 to $12,237,500, respectively, on an annual basis. If the solution of rental of privately leased space or state purchased space would be selected over renovations of GEF 2, GEF 3, and the Human Services Building, the Department would still need to pay for the costs to maintain these buildings until the time of sale.

In addition, moving costs for the physical equipment and staff supplies would be incurred for any temporary or permanent relocation and are typically directly paid for by the tenant occupying the space. Also, mandated in-office state employment may require evaluation for permissive reimbursement of certain expenditures for the Department's employees, such as for moving or other expenditures.

In addition to the costs to support the critical infrastructure deferred maintenance projects and/or to create temporary space while construction is enumerated, planned and initiated, or a combination of new leasing and office building renovations, the total cost of occupancy, including maintenance, insurance, utilities, electricity, janitorial, housekeeping, and other services for DFTS to maintain and operate usable workspace, would thereby be additionally incurred.

While the costs are indeterminate, whether through renovation (i.e., $385.6 million) or leasing of new space (i.e., up to $12.2 million annually plus expenditures to maintain the state building space prior to sale), or a combination thereof, costs to provide adequate and safe state space for staff to return to the office would be extensive.

In addition to facility and state space considerations, one-time efforts would also be required to modify policies and procedures, and train staff on the administration thereof, to address in-office requirements, such as administered by the Divisions of Enterprise Technology and Personnel Management.

Long-Range Fiscal Implications