



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #580

Full Funding of Lease Costs (Legislature)

[LFB 2001-03 Budget Summary: Page 441, #1(g)]

CURRENT LAW

The costs of leased space for the Assembly and Senate Chief Clerks and their staffs, the staffs of the Assembly and Senate Caucuses, the Legislative Documents room, the Senate Sergeant's staff, and four legislative service agencies (Legislative Council, Legislative Reference Bureau, Legislative Fiscal Bureau and Legislative Technology Services Bureau) are paid from the sum sufficient capitol offices relocation appropriation under the Miscellaneous Appropriations section of the appropriations schedule. The costs of the current leased space for the Retirement Committees is paid from the Committees' own appropriation.

GOVERNOR

Move base level funding under the capitol offices relocation appropriation to the individual appropriations under the Legislature which otherwise support all of costs for the operations of the above entities and include required increases in funding for lease costs in 2001-03. Provide total increased funding under the Legislature for this purpose of \$2,178,000 GPR in 2001-02 and \$2,380,700 GPR in 2002-03. In addition, provide additional funding of \$24,800 GPR in 2001-02 and \$25,800 GPR in 2002-03 for Retirement Committees' separate appropriation (which already has rent funding for existing space in the Tenney Building) to pay for increased rent costs for relocation of that office to the new Justice Center.

DISCUSSION POINTS

1. The capitol offices relocation appropriation was originally established in the 1989-91 budget when those legislative service agencies then located in the Capitol, plus the chief clerks

staffs, were relocated to leased space around the capitol square. This was done to allow commencement of the anticipated ten-year phased remodeling of the State Capitol. Multi-year leases were arranged to house the staffs of these entities until final space allocations for the remodeled Capitol were determined and the phased remodeling was completed.

2. Since that time, remodeling has proceeded wing by wing and remodeling of the final wing (the East Wing) is now nearing completion. During the course of this remodeling process, decisions were finalized to have these entities permanently housed outside of, but in close proximity to, the Capitol. Two legislative service agencies (the Legislative Council and the Legislative Fiscal Bureau) and the Assembly Chief Clerk have now renewed leases for space in the One East Main building and a third legislative service agency (the Legislative Reference Bureau) will be relocating to the One East Main location when the State Law Library moves to the new Justice Center. The Legislative Technology Services Bureau and the Assembly Caucuses staffs will retain space in the Fairchild Building where they are presently located. The Senate Chief Clerk's staff, the Senate Sergeant's staff, the Legislative Documents room, the Retirement Committees' office and the Senate Caucuses staffs will all be relocating to the new Justice Center.

3. Under the Governor's budget instructions, these legislative entities were directed to include in their budget requests the estimated full funding necessary to pay out of their respective appropriations in 2001-03 the costs of these existing and/or new space arrangements. Based on information then available, the Governor's budget staff subsequently modified these funding requests to reflect DOA's estimate of the funding required. The funding provided under the bill is shown in the Table 1 below.

TABLE 1

**Full Funding of Lease Costs Under Governor's Recommendations
GPR Funds**

<u>Entity</u>	<u>2001-02</u>	<u>2002-03</u>
Assembly	\$185,800	\$185,800
Senate	858,800	884,200
Legislative Reference Bureau	485,400	662,700
Legislative Fiscal Bureau	216,400	216,400
Legislative Council	270,600	270,600
Legislative Technology Services Bureau	161,000	161,000
Retirement Committees	<u>24,800</u>	<u>25,800</u>
TOTAL	\$2,202,800	\$2,406,500

4. Based on a review of the assumptions used in developing the above cost figures, and with the availability of additional or updated information, the data in Table 2 below represents a reestimate of the total initial funding levels needed to be included in each of the entities' individual appropriations to fully fund projected rent costs. Table 2 also shows the adjustment needed to each entity's appropriation compared to the Governor's recommendation.

TABLE 2

**Comparison of Lease Costs Full Funding Requirements
GPR Funds**

<u>Entity</u>	<u>Gov. Recommendation</u>		<u>Funding Reestimate</u>		<u>Change to Governor</u>	
	<u>2001-02</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2002-03</u>
Assembly	\$185,800	\$185,800	\$195,800	\$195,800	\$10,000	\$10,000
Senate	858,800	884,200	684,000	650,500	-174,800	-233,700
Legislative Reference Bureau	485,400	662,700	332,400	665,100	-153,000	2,400
Legislative Fiscal Bureau	216,400	216,400	284,400	284,400	68,000	68,000
Legislative Council	270,600	270,600	268,500	268,500	-2,100	-2,100
Legislative Technology Services Bureau	161,000	161,000	270,600	194,300	109,600	33,300
Retirement Committees	<u>24,800</u>	<u>25,800</u>	<u>13,500</u>	<u>13,500</u>	<u>-11,300</u>	<u>-12,300</u>
TOTAL	\$2,202,800	\$2,406,500	\$2,049,200	\$2,272,100	-\$153,600	-\$134,400

The reasons for the above needed modifications to the Governor's recommended levels are discussed in order below.

5. Using an updated calculation of the assigned square footage for the Assembly Chief Clerk's office in the One East Main building and the Assembly caucuses in the Fairchild building, using April lease payment rates and including required funds for existing rent costs for separate storage, a required increase of \$10,000 GPR annually over the Governor's recommendation is indicated for the Assembly.

6. Under the Governor's recommendation, the funding for rental space for the Senate (Chief Clerk's staff, Senate Caucuses staff, Sergeant's office and legislative documents room) included funding for an anticipated second year rent increase in the new Justice Center building and included an offset of existing rent costs for separate storage space. Budgeting funds only at the new base level for both years of the biennium would be consistent with treatment of other service agencies. Rent increases above the base level will be funded from supplemental appropriations under Program Supplements that exist for this purpose. In addition, under the Governor's recommendation, existing expenditures for district office space, which will continue, were incorrectly deducted from the increased funding required and the costs of separate leased storage space was not included in the calculation of total funds newly required in the Senate appropriation for rent costs. Finally, the Building Commission has recommended in the proposed building that the State purchase the new Justice Center rather than lease that space. Separate legislation (SB144/AB316) has also been introduced to provide this increased bonding authorization in advance of budget passage. As a state-owned office building, the rental rate will be less (2000-01 rate of \$18.10 per square foot versus \$22.61). Using the current base rate for Class A state space instead of the previously assumed private leased space rate results in reduction in the rent cost for the Senate in the new office building. The net of these various funding adjustments results in a decreased funding requirement of \$174,800 GPR in 2001-02 and \$233,700 GPR in 2002-03 for the Senate.

7. The Legislative Reference Bureau (LRB) will be relocating to the space in the One East Main building currently occupied by the State Law Library (which will be relocating to the new Justice Center in December of 2001). Following the move, the LRB will be responsible for payment of the rent even though some remodeling will be required before the LRB can move from its current space in the Hamilton building. Under the Governor's budget recommendations, an earlier move date was anticipated. Funding for the LRB in 2001-02 can be reduced for the later move date (an offsetting adjustment required for the Law Library costs in 2001-02 was already addressed in a separate issue paper). In addition, under the Governor's recommendation, funding for rent increases was included in the projected funding for the LRB. As with the Senate costs above, supplemental funding from a separate appropriation will be available to cover those costs; providing only needed base funding in both fiscal years would be consistent with how other agencies are being budgeted. The actual lease rate for the LRB when it moves into the One East Main location has not yet been negotiated. However, based on current rates for the Law Library and information from the building manager, a revised estimate of the base rate has been used. The net effect of these several adjustments results in a reduced funding requirement of \$153,000 GPR in 2001-02 and a needed funding increase of \$2,400 GPR in 2002-03 for the Legislative Reference Bureau.

8. In a March 21, 2001, memorandum, the Department of Administration informed the Committee that the rent amount included in the Governor's budget for the Legislative Fiscal Bureau was calculated incorrectly. In order to provide the correct amount, the appropriation for that office needs to be increased by \$68,000 annually.

9. Using April lease payment costs and an updated square footage allotment for the Legislative Council space in the One East Main building, a recalculation of needed rent funding resulted in an indicated reduction in funding need, compared to the Governor's recommendation, of \$2,100 GPR annually for the Legislative Council.

10. The Legislative Technology Services Bureau (LTSB) currently occupies space on the fourth and fifth floors of the Fairchild Building, plus a small amount of storage space in the basement. Based on certain recent developments, in projecting the LTSB's base rent amount for inclusion in its separate appropriation for full funding of lease costs, it is necessary to separately calculate rent costs for each space area. The estimated square footage rent costs for the fourth floor and the fifth floor are different because the building owner recently established a separate process for assessing electricity costs for the LTSB's space on the fourth floor (where its computer room with all the Legislature's centralized computer facilities is located) instead of simply using a flat addition to the base square footage rate which is the procedure used for other space in the building. The owner's rationale for doing this was that the required electricity use by the equipment, including special air-conditioning requirements, was not adequately captured in the flat square footage charge for electricity typically assessed tenants (including the LTSB) in other space in the building. It is necessary to include some estimate for the increased cost of this change to the LTSB's full funding of lease costs calculation. Using data based on the first approximate three and one-half of months of calculated separate electric costs, a per day electric cost has been derived and included in the rent base in lieu of a flat per square footage cost. In addition, space related costs for one-time improvements as a result of providing special air conditioning for the LTSB's computer room and

additional related maintenance costs need to be included. Based on these revised estimates, increased funding of \$109,600 GPR in 2001-02 and \$33,300 GPR in 2002-03 is required for the LTSB.

11. Three modifications to the level of funding recommended by the Governor for the Retirement Committees are indicated. First, as with the Senate and the Legislative Reference Bureau, under the Governor's recommendation, funding was included for increased rental rates in 2002-03. Consistent with the standard treatment for other agencies, increased funding for both years of the biennium should be included in the Committees' budget at the estimated base rate. As with the other legislative service entities, the separate existing appropriation for space rental increases would be used to cover the cost of increases over the base rent included in the Committee's budget. Second, the gross funding needed for rent for the Committees' space in the new Justice Center can be further adjusted by deducting from the gross amount needed the amount in the Committees' existing budget actually being paid in 2000-01 for rent in the Tenney building. Finally, as with the full funding of lease costs calculation for the Senate, as a tenant in the new state-owned Justice Center, the Retirement Committees will have a lower required amount needed for rent in the new building that was anticipated under the Governor's recommended funding level. Based on these three changes, the funding included under the Governor's recommendation for additional rent costs for the Retirement Committees can be reduced by \$11,300 GPR in 2001-02 and by \$12,300 GPR in 2002-03.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation.

2. Modify the Governor's recommendation to make the following changes relating to funding for leased space rent costs for the Legislature: (a) increase funding for the Assembly by \$10,000 GPR annually; (b) for the Senate, decrease funding by \$174,800 GPR in 2001-02 and by \$233,700 GPR in 2002-03; (c) decrease funding for the Legislative Reference Bureau by \$153,000 GPR in 2001-02 and increase funding by \$2,400 GPR in 2002-03; (d) increase funding for the Legislative Fiscal Bureau by \$68,000 GPR annually; (e) increase funding for the Legislative Technology Services Bureau by \$109,600 GPR in 2001-02 and by \$33,300 GPR in 2002-03; (f) decrease funding for the Legislative Council by \$2,100 GPR annually; and (g) decrease funding for the Retirement Committees by \$11,300 GPR in 2001-02 and by \$12,300 GPR in 2002-03.

Alternative 2	GPR
2001-03 FUNDING (Change to Bill)	- \$288,000

Prepared by: Terry Rhodes