Legislative Fiscal Bureau

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Private Lease Space Supplements -- Appropriation Structure (Program Supplements)

[LFB 2001-03 Budget Summary: Page 525, #4 (part)]

CURRENT LAW

There is a single GPR appropriation under Program Supplements for state agencies' costs of rent increases in private leased space and for the cost of DOA-directed moves. There are two other existing appropriations to allow comparable supplements from program revenue and segregated revenue funding sources.

GOVERNOR

No change in appropriation structure from current law.

DISCUSSION POINTS

1. The program supplements appropriations section of the statutes allows the establishment of reserve funds, particularly GPR funding, for the supplement of individual state agency appropriation levels. Generally, these reserve appropriations are established for certain costs that are anticipated to have to be borne by state agencies in the next biennium, but for which the precise amount of increased funding is not yet determinable at the time the budget is under consideration.

2. This GPR appropriation provides reserve funding for the amounts that are estimated to be needed in the next biennium to supplement state agencies' GPR appropriations for two types of costs. These are for: (a) increased costs of any privately-leased space that these agencies occupy; and (b) required agency moves when directed by the Department of Administration (DOA). Costs

under this second category could include increased space costs as a result of the required move, the actual cost of making the physical relocation and other costs associated with the move such as telephone and IT relocations, building improvements in the new location and temporary overlapping rent payments. The comparable PR and SEG appropriations are established for the same purpose to supplement state agencies' PR and SEG appropriations.

3. The total requested funding of $9,709,700 GPR in 2001-02 and $10,233,800 GPR recommended by the Governor for this appropriation in 2001-03 consists of two distinct parts as shown in the table below.

Lease Space Supplements by Purpose

	GPR Funding Amount	
Purpose	2001-02	2002-03
Private Lease Space Supplements	$1,288,700	$1,967,000
Costs for DOA Directed Moves	8,421,000	8,266,800
Total	$9,709,700	$10,233,800

4. As can be seen from the table, the majority of the funding in 2001-03 in this appropriation would be allocated to costs associated with DOA-directed moves. The funding reserved for the increased costs of private lease costs constitutes about 16% of the total funding that would be reserved in this appropriation for the next biennium. However, the nature of need under this cost category is relatively fixed in that agencies have to pay the required increases in rent and have to justify their need for increased funding based on documented increases in rent charges under their established leases. Most leases now have some type of annual inflator factor, typically one based on the annual increase in the consumer price increase. Reserve calculations are made based on existing rent costs and assumptions of overall increases in rates. The need is established and fairly predictable.

5. In contrast, the predominant share of the funding under this appropriation, for costs associated with DOA-directed moves, represents funding estimated to be required for a number of discrete events, some known with relative certainty and others still in the planning stage. In addition, some of the estimated costs are fairly well determined while others are subject to change or further refinement. As a part of the biennial budget process, DOA must make estimates of funding needs that agencies will have under this appropriation even though the details (and thus, costs) may not be precisely determinable at the time of submitting the request or even at the time of legislative consideration of the request for funding. In addition, total office space under management by DOA has been increasing. This includes not only the leased spaced for which the other portion of funding under this appropriation is designed to supplement, but also space in state-owned office buildings which has been increasing with the recent addition of the new state-owned office building for the Department of Revenue and will increase further with and the planned

acquisition of the new Justice Center as a state-owned office building. Further, because these two cost purposes are expended from a single appropriation, legislative oversight is limited to the setting of the total funding level in each biennial budget. In addition, these directed moves can involve not only moves to or from leased space, but also moves within or between state office buildings or to or from leased space to state office buildings or vice versa. Absent other strictures, the State Budget Office and the Division of Police and Building Services, both in the Department of Administration, have the sole authority to jointly determine the ultimate expenditure of funds under this appropriation between these two purposes.

6. While no pro-ration of leased space rent supplements was required in this biennium, with the potential increased demands that can be anticipated for directed moves costs, it could be argued that it may be time to separate this appropriation into two separate appropriations, one for each of the two separate purposes: (a) one solely for supplementation of state agencies' budgets for the increased costs of existing space in leased locations (similar to the existing separate appropriation solely for the increased costs charged state agencies for rent increases in state-owned office buildings); and (b) a second, new appropriation for supplementation of state agencies' budgets for increased costs that may occur when an agency is relocated at DOA's direction to new space in either a state office building or a private leased facility. If this were done, then in the event of a need to adjust funding levels in either of the two appropriations, DOA could request such an adjustment under s. 13.101 and this would allow the Committee to be informed of the need for the changes from the budgeted spending levels. Second, the year-to-year expenditure experiences for these two distinct purposes would be more readily tracked.

7. The Department of Administration would likely argue that with a single merged appropriation of funding for these two purposes, the Department has greater flexibility to manage and respond to changing requirements for the expenditure of these funds.

8. The Committee could modify current law by providing that the GPR annual appropriation (and the comparable PR and SEG appropriations) be changed so that the existing appropriations would be re-designated to be only to provide for supplementation of agencies' budgets for the costs of increases in leased space costs, and by creating a new separate GPR annual appropriation (and comparable PR and SEG appropriations) to provide for supplementation of agencies' budget for costs associated with moves of state agencies when such moves are directed by DOA. The Committee would also need to then retain $1,288,700 GPR in 2001-02 and $1,967,000 GPR in 2002-03 in the appropriation leased space costs and transfer the remaining funds ($8,421,000 GPR in 2001-02 and $8,266,800 GPR in 2002-03) into a new appropriation for DOA directed moves. There would be no net change to funding levels in SB 55 as a result of this change.

ALTERNATIVES

1. Make no change to current law.

2. Include language to: (a) change the three current appropriations (GPR, PR and SEG) for supplements to state agencies for leased space costs and DOA-directed moves to an appropriation instead to be for only for private leased space supplements; and (b) create three new appropriations (GPR, PR and SEG) of the same type for the purpose of supplements for the cost of DOA-directed moves. Transfer $8,421,000 GPR in 2001-02 and $8,266,800 GPR in 2002-03 from the current appropriation to the new DOA-directed moves supplement appropriation.

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