



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #717

### **Private Lease Space Supplements - Rent Increases Component (Program Supplements)**

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

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#### **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. A total of \$3,395,000 GPR was appropriated in 2000-01 for these purposes. There are two other existing appropriations to allow comparable supplements from program revenue and segregated revenue funding sources.

#### **GOVERNOR**

Provide overall increased funding under this GPR appropriation of \$5,774,700 in 2001-02 and \$6,298,800 in 2002-03. Total GPR funding in this appropriation under the Governor's recommendation (which includes base level funding of \$3,935,000) would be \$9,709,700 in 2001-02 and \$10,233,800 in 2002-03.

#### **DISCUSSION POINTS**

1. This GPR appropriation is designed to provide 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 cost increases. These are for: (a) increased costs of any privately-leased space that these agencies occupy; and (b) the costs associated with 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 and

reconnections, building improvements in the new location and temporary overlapping rent payments. Comparable PR and SEG appropriations are established for the same purpose.

2. The total requested funding for this appropriation in 2001-03 consists of funding for two distinct purposes as shown in the table below.

**Lease Space Supplements By Purpose**

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

3. This paper addresses just the requested total funding indicated under "Private Lease Space Supplements".

4. Agencies' adjusted base budgets include any leased space rent increases supplements that were received in 1999-00 but do not include any supplements that were received in 2000-01. Therefore, since supplements that agencies received in this fiscal year are not included in their base budgets, funds have to be reserved for these costs in this supplemental appropriation. Then, in addition, reserves for leased space increases in 2001-02 and 2002-03 must also be budgeted in this appropriation since there is also no funding in agencies' budgets for these costs.

5. For the purposes of this reserve calculation, the amounts needed to be reserved for rent increases in private leased facilities were calculated based on an assumed overall increase in existing private lease agreements of 3.5% each year. Because individual lease agreements vary as to when and how the annual inflators in space rental amounts under the leases will increase, an experience factor must be used to provide an estimated reserve to cover the increases. In addition, private leased space occupied by the Legislative Council, Legislative Reference Bureau, Legislative Fiscal Bureau, Legislative Technology Services Bureau, the Assembly and Senate Chief Clerks' staffs, Legislative Documents, Senate Sergeant's staff and the Assembly and Senate Caucuses staffs will in 2001-03 be paid from those entities respective appropriations (instead of from the capitol offices relocation appropriation) and therefore, will require supplementation for rent increases. Reserves for those rent cost increases were also included in this appropriation under the Governor's recommendation.

6. This office prepared an estimate of the projected need amounts under this supplemental appropriation for leased space supplements. The assumptions used in that estimate differed from those used to develop the Governor's recommended level of funding in the following ways:

- Under the Governor's recommendation, supplements for 2000-01 rent increases for the legislative entities enumerated above were included in the calculations. However, those costs have already been included in the full funding of lease costs figures that will be presented to the Committee in a separate paper under "Legislature". Therefore, for those entities funding for rent increases would need to be reserved only for fiscal years 2001-02 and 2002-03.

- Under the Governor's recommendation, funding for rent increases for all of the legislative entities listed above were included in this supplemental appropriation since, at that time, it was anticipated that the new Justice Center would be a privately-owned building. It is now expected that the Justice Center building will be purchased by the state and be a state-owned office building. Rent increases for the legislative entities (Senate Chief Clerk's staff, Senate Sergeant's staff, Legislative Documents and Senate Caucuses staff) that will be moving to that facility will be paid from the separated state-owned space rent supplement and therefore do not need to be included here (a separate paper on that supplemental appropriation deals with required funding for that appropriation).

- Two other adjustments to the calculations used for the Governor's recommended funding level were made. First, the base rent estimate used for the Governor's recommendation was increased to reflect an increase in private leased space costs for the Department of Corrections based on that agency's relocation from state-owned and private leased space to totally leased space at the former American Family Insurance Building on East Washington Avenue. Second, the base rent estimate used for the Governor's recommendation was reduced to reflect a decrease in private leased space costs for the Department of Revenue with its recent move to the new state office building on Rimrock Road.

7. Based on these modified assumptions, the Governor's recommended funding level could be reduced by \$69,600 GPR in 2001-02 and by \$72,000 GPR in 2002-03.

**ALTERNATIVES**

1. Approve the Governors' recommendation.

2. Reduce the Governor's recommended funding level for leased space supplements by \$69,600 GPR in 2001-02 and by \$72,000 GPR in 2002-03.

<b>Alternative 2</b>	<b>GPR</b>
<b>2001-03 FUNDING</b> (Change to Bill)	- \$141,600

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