



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #149

Dane County Exposition Center Grant (Agriculture, Trade and Consumer Protection)

[LFB 2005-07 Budget Summary: Page 66, #19]

CURRENT LAW

DATCP provides Dane County with \$216,300 GPR in an annual grant for the county's exposition center (the Alliant Energy Center).

GOVERNOR

Provide an additional \$23,700 GPR annually for a grant to the Alliant Energy Center (funding would total \$240,000 annually).

DISCUSSION POINTS

1. Since fiscal year 1994-95, DATCP has made an annual grant to Dane County to assist in paying debt service costs for a 1995 expansion related to hosting the annual World Dairy Expo at the exposition center. At the time the new exhibition hall was being considered, World Dairy Expo officials verbally agreed to remain at the site if the County built an exhibition hall of at least 80,000 square feet, while indicating that a 100,000 square-foot facility would better meet their needs. Dane County estimated that the additional 20,000 square feet would add approximately \$3 million to the cost of the facility and indicated that it would be difficult to finance the additional cost without state assistance.

2. From 1994-95 through 2002-03, DATCP's annual grant to the exposition center totaled \$240,000. However, 2003 Act 33 (the 2003-05 biennial budget) reduced funding for this grant by \$23,700, to \$216,300 annually. As a result, DATCP payments to the Alliant Energy

Center were \$216,300 annually in 2003-04 and 2004-05. The Governor's recommendation would restore funding for exposition center debt service payments to \$240,000.

3. The total exposition center project cost was \$27.8 million (including \$1 million that was used for initial planning). To fund the project, the county issued \$27.8 million in 20-year bonds. A 1995 Dane County financing plan called for the county to pay debt service on \$18.8 million, the state to make payments on \$3 million of the debt and the exposition center to cover the remaining \$6 million of the debt. To date, the state has made 10 years of payments totaling \$2,352,600.

4. In 2004, the County funded the \$2 million in debt service costs on the \$27.8 million in outstanding bonds through county property tax levies (\$927,400), operating revenues associated with the facility (\$527,900), Alliant Energy Center naming rights (\$281,400), the state payment (\$216,300) and an annual \$50,000 grant from World Dairy Expo. County officials indicate that any amount that revenues fall short of covering debt service expenses are paid for out of increased county property tax levies or reduced county services. As of January 1, 2005, the principle balance remaining on the \$27.8 million debt is \$17.3 million.

5. The Alliant Energy Corporation purchased the naming rights for the exposition center in May, 2000. The agreement between the county and the corporation provides total payments of \$6,300,000 over 20 years with annual payments escalating from \$250,000 in 2000 to \$371,500 in 2019.

6. Since its inception in 1967, the World Dairy Expo has been held at the Dane County exposition center. In 2004, World Dairy Expo paid a total of \$273,000 to the county for use of the facility and other services. In addition, as mentioned above, since 1995, the World Dairy Expo has made annual \$50,000 payments to assist in debt service costs and is scheduled to continue to do so through 2014.

7. The county and DATCP entered into an agreement in March, 1995, which stated that the Department may grant \$240,000 to Dane County in 1994-95 and the amount appropriated by the state in future fiscal years. The agreement, renewable in January of each year before the grant proceeds are provided, is conditioned upon the use of grant proceeds for debt service.

8. County officials indicated that based on the action by the Governor and Legislature, Dane County proceeded with a borrowing and financing plan for the exhibition hall that assumed \$240,000 per year in state funds for 20 years, to be used exclusively for debt service. County officials had indicated that if state assistance were not available in future years, that portion of the debt service planned to be paid for with state funds would have to come from increased property tax levies or reductions in other county services or programs.

9. When the bonds to finance the construction of the exposition center were originally issued, the coupons on the bonds ranged from 4.95% to 5.7%. However, in response to lower interest rates in 1998, the bonds were refinanced with coupons varying from 3.65% to 5% annually.

As a result, it could be argued that the state should similarly realize a portion of the savings from lower interest rates by making a lower payment than originally estimated by the state (based on an approximately 5% interest rate assumption).

10. In the 2005-07 biennium, Alliant Energy Center officials expect the Center to face financial pressure from a number of sources. First, in 2006 the Alliant Energy Center will receive its last lease settlement payment from the University of Wisconsin Athletic Department, which will be approximately \$600,000. These payments are made by the Athletic Department to the exposition center to compensate the Center to terminate an outstanding lease obligation at the coliseum when the Athletic Department moved UW men's hockey events to the Kohl Center. In addition, the Center is also undergoing other business and technology upgrades, along with various energy performance improvements that, while it will save the Center utility costs in the long run, could require large expenditures (up to \$500,000) in the near-term. The Center is also undergoing other business and technology upgrades. While Alliant Energy Center management is considering options to reduce expenditures and increase revenues, such as reducing labor expenses, deferring expansion plans, and pursuing the sale of naming rights for the exhibition hall (separate from the naming rights of the center itself), Center officials argue the facility could already face operating revenue difficulties and that state payments should be restored to their original level.

11. It could be argued that since the proceeds of the sale of naming rights exceed the amounts previously provided from the state, the county may be able to absorb at least some of the debt service costs. Conversely, even with the naming rights funding from the Alliant Energy Center, the county has not received the level of private funding it anticipated garnering (a total of about \$7.5 million, as opposed to the original goal of enough funds to cover principal and interest payments associated with \$9 million of bonding) when the exhibition hall was built.

12. Current law does not obligate the Legislature to retain a certain amount of funding for the Alliant Energy Center in future years. However, at the time of the Governor's recommendation in 1993 Act 16, Department of Administration officials indicated that the Governor's intent was that the state would provide ongoing debt service support for 20 years. Had the state issued the bonds rather than Dane County, the state would be obligated to make debt service payments. However, since the bonds were issued by Dane County, the state is not under a legal obligation to make any debt service payments for the exhibition hall.

13. It could be argued that while not statutory, the state has made a 20-year commitment to assist Dane County with a portion of the costs of the exhibition hall. If grant funding is continued, the Committee may wish to sunset the provision on June 30, 2014, after the 20 years of payments have been made.

ALTERNATIVES

A. Grant Amount

1. Approve the Governor's recommendation to provide an additional \$23,700 annually

(for a total of \$240,000 annually) for grants to Dane County for debt service costs related to the Alliant Energy Center.

2. Maintain funding at \$216,300 annually.

<u>Alternative A2</u>	<u>GPR</u>
2005-07 FUNDING (Change to Bill)	- \$47,400

B. Sunset

1. Specify that no payments be made from the appropriation after June 30, 2014.
2. Take no action (state expenditures would not be sunset).

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