



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #546

Southeast Region Headquarters (DNR -- Departmentwide)

Bill Agency

[LFB 2007-09 Budget Summary: Page 395, #6]

CURRENT LAW

The DNR's current southeast region headquarters building is located at 2300 N. Dr. Martin Luther King, Jr. Dr. in Milwaukee. The Department-owned building provides 48,900 square feet of office space for approximately 140 full-time employees. Due to the cost of extensive repairs which were identified as necessary, the Departments of Natural Resources (DNR) and Administration (DOA) have determined that renting a new facility is more economical than renovating the existing facility.

GOVERNOR

Provide \$443,900 in 2007-08 (\$64,600 FED, \$88,700 PR and \$290,600 SEG) and \$532,700 in 2008-09 (\$77,400 FED, \$106,600 PR and \$348,700 SEG) in facility rental funds for the lease on a new, combined southeast region headquarters and service center building.

DISCUSSION POINTS

1. Although DOA and DNR initially indicated that staff would move to the new facility in September, 2007, a location has not yet been identified for the new facility and DNR indicates that it is unlikely Department staff would move into the building before January, 2008. The Department plans to move to a facility in the City of Milwaukee; however, the final location will be determined based on size and rental cost.

2. DOA estimates that the new facility will require approximately \$780,000 annually for rental costs. This is based on an approximate building size of 42,000 square feet at \$18.50 per square foot. The anticipated lease will cover rent and include building security, building maintenance, grounds maintenance, and cleaning services. The Department would need to cover operating expenses relating to utilities and supplies.

3. Currently, the DNR budgets operating costs for the southeast region headquarters facility from the Bureau of Customer Assistance and Employee Services. The budget of \$240,300 includes a contract for security, snowplowing, building maintenance and cleaning. In addition, \$7,000 is currently spent on repairs and maintenance. To cover some of the anticipated rental costs from the new building, the bill would transfer \$247,300 from facility operations to facility rental costs. The bill would provide an increase of \$443,900 in 2007-08 and \$532,000 in 2008-09 for the remainder of anticipated lease costs. However, given that DNR is unlikely to move into the new facility before January, 2008, an alternative could be to provide \$266,400 in 2007-08 and \$532,000 in 2008-09. Another alternative could be to provide funding in 2008-09 only (DNR would have to absorb additional rental costs if the move were made prior to July 2008).

4. If no funding is provided, DNR indicates that it would charge each program which has staff in the southeast region headquarters an additional rental fee to cover the rental costs of the building. Programs housed in the building include the following: customer assistance and employee services, water, air and waste, science services, and land. Increased rental chargebacks could result in a reduction in services in those programs.

5. On the other hand, since the costs of, and date of the move to, the new facility are not known, funding could be deleted at this time. DNR could seek funding through a s. 13.101 request, or separate legislation once costs are known.

ALTERNATIVES TO BILL

1. Adopt the Governor's recommendation to provide \$443,900 in 2007-08 and \$532,700 in 2008-09 for facility rental costs for a new southeast region headquarters.

ALT 1	Change to Bill	Change to Base
	Funding	Funding
FED	\$0	\$142,000
PR	0	195,300
SEG	<u>0</u>	<u>639,300</u>
Total	\$0	\$976,600

2. Adopt the Governor's recommendation, except reduce the 2007-08 amount by \$177,500 (to reflect a January 1, 2008, lease).

ALT 2	Change to Bill	Change to Base
	Funding	Funding
FED	- \$25,800	\$116,200
PR	- 35,500	159,800
SEG	- <u>116,200</u>	<u>523,100</u>
Total	- \$177,500	\$799,100

3. Adopt the Governor's recommendation, except delete \$443,900 in 2007-08 (based on a July, 2008, lease start).

ALT 3	Change to Bill	Change to Base
	Funding	Funding
FED	- \$64,600	\$77,400
PR	- 88,700	106,600
SEG	- <u>290,600</u>	<u>348,700</u>
Total	- \$443,900	\$532,700

4. Delete provision.

ALT 4	Change to Bill	Change to Base
	Funding	Funding
FED	- \$142,000	\$0
PR	- 195,300	0
SEG	- <u>639,300</u>	<u>0</u>
Total	- \$976,600	\$0

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