



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #100

Facility Operations (DOA -- General Agency Provisions)

[LFB 2009-11 Budget Summary: Page 34, #9]

CURRENT LAW

The Department of Administration's (DOA) Division of Facilities Management manages the state's real estate portfolio and provides facilities for all state programs through capital projects (state-owned facilities) and lease agreements (private facilities).

GOVERNOR

Reestimate maintenance and fuel and utility costs by \$1,728,000 PR in 2009-10 and \$2,727,000 PR in 2010-11. [Under current law, the facility and maintenance appropriation is PR-annual, but under the bill, the appropriation would be converted to PR-continuing as part of the transfer of maintenance staff to DOA.]

DISCUSSION POINTS

1. The Governor has recommended providing \$1,728,000 PR in 2009-10 and \$2,727,000 PR in 2010-11 for unspecified small projects and utility cost increases in state facilities.

2. As part of the agency's biennial budget request, DOA estimated that there would be fuel and utility increases of \$1,015,700 PR in 2009-10 and \$2,129,500 PR in 2010-11 related to the operation of state-owned facilities. Additional funding of \$904,300 PR in 2009-10 and \$900,500 PR in 2010-11 was requested for unidentified projects. The Department states that there are a number of maintenance projects that must be done over the course of the biennium, which are unknown at this time, but will be needed to maintain proper building operation functions. In 2007-08, the Department bonded for \$1,514,800 for maintenance projects. By using master-leases (or bonding) for these projects, the Department reduced the one-time impact of the cost, by spreading repayment

costs over a five to seven-year period. In addition to the repayment of principal amount, master-leases require the payment of interest.

3. The Department states that it would like to pay for more of the maintenance costs with current appropriations to avoid interest payments. The Department states that the amounts requested in 2009-11 were based on the desire to have approximately 60% of the master-leased costs from 2007-08 available for full payment of the master leases.

4. Under AB 75, the agency's request was reduced by 10% for the facility and maintenance appropriation because of the State Budget Office's belief that fuel and utilities cost has declined. The following table summarizes the facility and maintenance funding increase under AB 75.

	<u>2009-10</u>	<u>2010-11</u>
Fuel and Utility Estimate	\$1,015,700	\$2,129,500
Maintenance Projects	904,300	900,500
Reduction of 10%	<u>-192,000</u>	<u>-303,000</u>
Total	\$1,728,000	\$2,727,000

5. In reviewing the amounts originally requested for fuel and utilities by the Department and using more up-to-date projections, it is reestimated that fuel and utility increased costs under the facility and maintenance appropriation will be \$820,600 PR in 2009-10 and \$1,715,800 in 2010-11. The table below shows the amounts that could be provided, if the Committee chose to modify the bill to provide the revised fuel and utility estimate along with the amounts requested by the agency for maintenance cost increases.

	<u>2009-10</u>	<u>2010-11</u>
Fuel and Utility Estimate	\$820,600	\$1,715,800
Maintenance Projects	<u>904,300</u>	<u>900,500</u>
Total	\$1,724,900	\$2,616,300
Change to Bill	-\$3,100	-\$110,700

6. Based on the above table, the Committee could reduce the amount appropriated under the facility and maintenance appropriation by \$3,100 PR in 2009-10 and \$110,700 PR in 2010-11.

7. Alternatively, it could be argued that increasing supplies and services under this appropriation would likely result in increased assessments to state agencies. Further, since the appropriation funds more than state facility costs, increased funding could allow the Department to increase expenditures under a number of areas, including the Capitol Police, child care subsidies,

and expenses of the executive residence, should all of the funding not be needed for maintenance or fuel and utility costs.

8. The Committee could also decide to deny all additional expenditure authority. Should emergency expenditures arise, the Department could request supplemental authority under s. 16.515 of the statutes and specify where actual shortfalls have occurred.

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$1,728,000 PR in 2009-10 and \$2,727,000 PR in 2010-11 for maintenance and fuel and utility costs under the facility and maintenance appropriation [20.505(5)(ka) of the statutes].

2. Modify the Governor's recommendation by -\$3,100 PR in 2009-10 and -\$110,700 PR in 2010-11 for the facility and maintenance appropriation [20.505(5)(ka) of the statutes].

ALT 2	Change to Bill
	Funding
PR	- \$113,800

3. Delete the Governor's recommendation.

ALT 3	Change to Bill
	Funding
PR	- \$4,455,000

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