



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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Joint Committee on Finance

Paper #187

### Local Projects in 2009-11 State Building Program (Building Program)

[LFB 2009-11 Budget Summary: Page 707, #1, Page 711, #2, Page 716 #9 and #10, Page 717, #11, Page 718, #12, Page 719, #13, and Page 720, #14]

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#### CURRENT LAW

Building program projects with a cost exceeding \$500,000 are required to be enumerated in the authorized state building program. To enumerate a project, the Legislature lists the project title and budget in a nonstatutory provision enacted as part of the biennial budget bill. In addition, the Legislature must authorize any new bonding or other moneys needed to fund the project.

#### BUILDING COMMISSION

Enumerate the following local, non state projects and authorize the following GPR supported bonding amounts as part of the 2009-11 state building program.

<u>Project</u>	<u>GPR Supported Bonding</u>
AIDS Network.	\$150,000
AIDS Resource Center of Wisconsin	800,000
Bradley Center Sports and Entertainment Corporation	5,000,000
Madison Children's Museum Renovation	250,000
La Crosse Eco Park	500,000
Dane County Yahara River Watershed Initiative	<u>6,600,000*</u>
Total	\$13,300,000

\*No new bonding would be authorized for this project. The GPR supported bonding would be from currently authorized bonding amounts.

Create a bonding authorization and debt service appropriation for those projects for which new GPR supported bonding would be authorized.

Specify that that Legislature finds and determines that that there is public interest and purpose associated with each of these projects. In addition, specify that if each facility is not used for its designated purpose, the state would retain an ownership interest in the facility.

Require that the state funding commitment be in the form of a grant to each entity for which the project is being completed. Specify that before approving any state funding commitment to each project, the Building Commission would be required to make a determination that the County has secured additional funding from nonstate donations for the project. Specify that the Building Commission would not be allowed to make the grants for these projects, unless the Department of Administration (DOA) has reviewed and approved the plans for the construction of the anaerobic digesters, although DOA could not supervise any services or work or let any contract for the project.

## DISCUSSION POINTS

1. Historically, local projects tend not to be included in the state building program, which is intended to address state facility needs. However, in recent biennia, the Building Commission and the Legislature have included local projects as part of the biennial state building program. Since 1997, the state has provided a total of \$9.25 million toward seven local projects with estimated construction budgets of over \$35.3 million, as indicated in the following table. Of this amount, \$8.25 million of the state funding amount will be funded with GPR supported bonding. Estimated annual GPR debt service on these bonds will be \$660,000 and overall state financing costs associated with the projects will total \$13.2 million.

**TABLE 1**

### Local Projects Enumerated in Recent State Building Programs

<u>Project</u>	<u>State Funding</u>	<u>Total Funding</u>	<u>Bonding Authorized</u>
Nash Auto Museum (1997 Act 27)	\$1,000,000	\$8,000,000	\$1,000,000
Swiss Cultural Center (1999 Act 9)	2,000,000*	6,000,000	1,000,000
Milwaukee Policy Athletic League			
Youth Activities Center (1999 Act 9)	1,000,000	5,074,000	1,000,000
HR Academy, Inc. Youth and Family Center (2001 Act 16)	1,500,000	5,000,000	1,500,000
Hmong Cultural Center (2007 Act 20)	2,250,000	4,750,000	2,250,000
Kenosha Civil War Exhibit (2007 Act 20)	500,000	2,500,000	500,000
Bond Health Center (2007 Act 20)	<u>1,000,000</u>	<u>4,000,000</u>	<u>1,000,000</u>
Total	\$9,250,000	\$35,324,000	\$8,250,000

\*Includes \$1,000,000 grant from the Department of Commerce tribal gaming economic diversification grant and loan program.

2. The list of local projects included in the table does not include the state funding provided for non-state projects like funding for the Marquette Dental School and the biomedical research, business incubator facility at the Medical College of Wisconsin or the Children's Research Institute at the Children's Hospital and Health System in the City of Wauwatosa. These facilities, unlike the facilities listed in the table, arguably, are not aimed at a specific location or population in the state, but rather have a broader impact on the health of citizens in the state as well as the state's economy. In addition, the list in Table 1 does not include the \$1 million in state bonding authorized for a \$2.0 million Racine Discovery Museum project that was enumerated under 2001 Act 16, but was deleted under 2007 Act 20.

3. In the past, concerns have been raised related to the trend of including local projects in biennial state building programs, since there are many local projects within communities throughout the state that could use state assistance. Approving a project like those currently recommended by the Building Commission for the 2009-11 state building program could further the recent trend toward state funding for local projects and give other communities or groups of citizens cause to request state aid for their local project.

4. In an effort aimed at addressing these concerns, the Building Commission has developed policies and criteria for including state funding for local projects in the state's capital budget. Under the Building Commission policies and guidelines the following requirements are to be used in determining whether a local project should be included in the state building program.

- the project must be in the public interest;
- there should be a statewide basis justifying the need for the project;
- local or other financing alternatives should be considered first;
- the requestor should be required to provide evidence that the purpose and use of the project is such that it can be financed with tax-exempt bonds;
- the requestor and DOA should consider appropriate language to protect the state's interest in the project if the property is used for purposes other than those approved by the Building Commission;
- the Commission can modify its original approval if the proposed change is in the public interest and approved by state bond counsel;
- the requestor agrees to provide a 50% or greater match for the project before initial review by the Commission and the Commission may require appropriate guarantees for this match; and
- the local project shall be submitted and reviewed following the same procedures used for state agency requests for funding through the state capital budget.

5. It is likely the GPR supported bonds for these projects would not be issued until 2010-11, or later if fundraising efforts are slower than anticipated. Therefore, there would be minimal, if any, GPR debt service costs associated with bonding recommended for the project in the 2009-11 biennium. However, under a twenty-year, flat repayment structure, the annual debt service costs once the bonds are fully-issued would result in the annual and total debt service amounts indicated in Table 2. While local projects similar to the proposed projects have been deemed worthy and have been funded with GPR supported borrowing in recent years, given the recent downturn in general fund revenues along with statewide demands on the state's general fund budget, such projects may no longer be considered a priority use of GPR supported borrowing.

**TABLE 2**

**Projected GPR Debt Service on Bonding for Local Projects**

<u>Project</u>	<u>Annual GPR Debt Service</u>	<u>Total GPR Debt Service</u>
AIDS Network.	\$12,000	\$240,000
AIDS Resource Center of Wisconsin	64,000	1,280,000
Bradley Center Sports and Entertainment Corporation	400,000	8,000,000
Madison Children's Museum Renovation	20,000	400,000
La Crosse Eco Park	40,000	800,000
Dane County Yahara River Watershed Initiative	<u>530,000</u>	<u>10,600,000</u>
Total	\$1,066,000	\$21,320,000

**AIDS Network**

6. The AIDS Network, formerly the Madison AIDS support Network is a non-profit agency located in Madison that, since 1985, has provided comprehensive AIDS services in South Central Wisconsin. The organization provides life care case management services for families and individuals living with human immunodeficiency virus (HIV) and AIDS. The Network is in the process of modernizing its central office to address safety concerns. The Network's dental office is being remodeled to modernize its examination rooms and is seeking state assistance to defray the cost of x-ray machines, dental chairs and other related equipment items.

7. The AIDS Network requested \$300,000 of GPR supported bonding to assist with its office and capital equipment needs for a total project cost of \$500,000. However, the Building Commission recommendations indicate that due to budgetary constraints only \$150,000 of GPR supported bonding would be provided for the project and \$350,000 of the project's costs would be funded with non-state funds.

8. While the AIDS Network project would appear to meet several of the criteria established by the Building Commission, including the requirement that the project be in the public interest and have a statewide justification, some question exists as to whether the project was submitted and reviewed using the same procedures as state agency capital project requests. State

agency capital budget requests were due in September, 2008. According to DOA staff, funding for this project was first requested in February, 2009, when DOA staff were in the process of compiling their recommendations for the 2009-11 state building program to the Building Commission.

9. Total debt service on the GPR supported bonding would be \$240,000, as indicated in Table 2. Given that it could cost the state an additional 60%, or \$90,000, in interest over the life of the \$150,000 in borrowing, the Committee could choose instead to provide a cash grant to fund the project. Given the relatively small amount of state funding being requested for the project, the Committee could consider providing \$150,000 SEG from the segregated building trust fund to fund this project, rather than providing GPR supported bonding.

### **Aids Resource Center of Wisconsin**

10. The Aids Resource Center of Wisconsin (ARCW) is a non-profit agency that provides comprehensive AIDS services. ARCW provides an array of health and social services to over 3,000 Wisconsin residents living with HIV. Through a wide variety of aggressive AIDS prevention programs, ARCW makes over 150,000 prevention contacts every year with people who are at risk for contracting HIV.

11. ARCW requested \$2,250,000 of GPR supported bonding to assist with the cost of purchasing and constructing upgrades to its facilities in Green Bay, Kenosha and Milwaukee with a total project cost of \$3,075,000. The Building Commission recommendations indicate that due to budgetary constraints, a reduced amount of \$800,000 of GPR supported bonding would be provided the project. The project would be enumerated in the 2009-11 state building program as a \$800,000 project. However, before approving any state funding commitment to the project, the Building Commission would be required to make a determination that the organization has secured at least \$800,000 in additional funding from nonstate donations for the project.

12. While the ARCW project would appear to meet several of the criteria established by the Building Commission, including the requirement that the project be in the public interest and have a statewide justification, some question exists as to whether the project was submitted and reviewed using the same procedures as state agency capital project requests. State agency capital budget requests were due in September, 2008. According to DOA staff, funding for this project was first requested in February, 2009, when DOA staff were in the process of compiling their recommendations for the 2009-11 state building program to the Building Commission.

### **Bradley Center**

13. The Bradley Center, located in downtown Milwaukee, opened to the public in 1988. The facility was constructed was privately-financed, primarily through a gift from Jane and Lloyd Pettit, in the memory of her late father, Harry Lynde Bradley, co-founder and former chairman of the Allen Bradley company.

14. The Bradley Center was given to the state. The facility is managed on behalf of the State of Wisconsin by a nonprofit corporation established by the state. The Bradley Center Sports

and Entertainment Corporation was created in 1995 Act 26 as a nonprofit corporation that is to receive the Bradley Center and related auxiliary structures as a gift and owns and operates the facility on behalf of the state. Under Chapter 232 of the statutes, the Corporation is considered a nonprofit corporation. Any contributions to the Corporation are federally tax deductible and the Corporation is exempt from federal and state corporate income taxes. The real and personal property of the Corporation is also specifically exempted from state or local taxation. The state and its political subdivisions are not liable for any debt or obligation of the Corporation.

15. The executive and managerial functions of the Corporation are carried out by a nine person Board of Directors: six appointed by the Governor, with the advice and consent of the Senate, and three nominated by the Bradley family foundation and appointed by the Governor. No member of the Board may hold an elective public office.

16. The Bradley Center requests enumeration of \$500,000 of GPR supported bonding annually for 10 years to fund maintenance needs at the facility that total \$23,000,000. Under the Commission's recommendations, the Bradley Center project would be provided a total of \$1,000,000 in GPR supported bonding each biennium through the 2017-19 biennium. The bonding could not be provided until the Building Commission determines that additional nonstate donations have been secured. The bonding issued could not exceed the following amounts until the following dates:

- a. prior to July 1, 2011, \$1,000,000
- b. July 1, 2011 to June 30, 2013, \$2,000,000
- c. July 1, 2013 to June 30, 2015, \$3,000,000
- d. July 1, 2015 to June 30, 2017, \$4,000,000
- e. July 1, 2017, or thereafter, \$5,000,000

17. According to Building Commission documents, the Bradley Center is in need of major maintenance and renovation. A review by corporation staff estimated the backlog of capital maintenance projects at \$23,000,000. The Center is requesting \$5,000,000 in state assistance with these capital maintenance costs.

18. During Building Commission deliberations on the proposed Bradley Center project funding, some Commission members indicated two specific concerns: (a) committing 10 years of funding for the Bradley Center project; and (b) committing state funding to the Bradley Center when there is no long-term plan on how long the facility will be in existence or how the funding would be used. With regard to the first concern, one possible alternative identified by staff for the Commission was to approve only \$1,000,000 in bonding in 2009-11 in order to limit the state's exposure on this project at this time.

19. With regard to the concern of how long the Bradley Center would remain in existence, Governor Doyle has stated that "even if a decision would be made to move ahead on the issue, a new building would be seven to 10 years away". However, as mentioned earlier, the recommended bonding for the Bradley Center project could not be fully issued until after July 1,

2017. Therefore, if the last amount of bonds issued for the project are twenty year bonds, the debt associated with those bonds would not be fully repaid until 2037 at the earliest.

20. With regard to a plan on how the funding would be used, the Bradley Center submitted to DOA the following list of capital maintenance items on which the state funding could be used: (a) \$6.3 million in infrastructure improvements such as doors, flooring, plumbing, and other structural infrastructure and capital maintenance; (b) \$1.6 million in heating, ventilation and air conditioning improvements; (c) \$2 million in electrical improvements; (d) \$4 million in public safety improvements, including lighting, security systems, elevators and escalator improvements, exterior grounds maintenance; and (e) \$8.5 million in public accommodations improvements, including seating replacements, video production infrastructure, scoreboard infrastructure, audio system replacement and information and television displays.

21. While the Bradley Center project would appear to meet several of the criteria established by the Building Commission, some questions exist as to whether there is a statewide justification for a local sports and entertainment facility. The state does have some statutory role relative to the Bradley Center Sports and Entertainment Corporation. Also, the facility was given to the state, and the Legislature has already exempted the facility from various state and local taxes because it found that the facility was constructed and gifted to the citizens of Wisconsin. However, it is not clear that the state is responsible for maintaining the facility. Also, given the state's GPR budgetary constraints, and the concerns about how long the facility will remain in use, it may not be the best time to initiate state support for this facility.

### **Madison Children's Museum**

22. The Madison Children's Museum currently operates at 100 State Street in a two story, 8,000 square foot facility. The museum contains approximately 3,700 square feet of exhibition space and has 345 square feet of classroom/lab space. Annually there are approximately 82,000 visitors to the museum.

23. In 2005, Madison Children's Museum acquired a \$5,000,000, five story office building with support from the Overture Foundation. The museum is in a \$10,000,000 capital campaign to renovate the building, create an accessible green roof, and install new exhibits. The Museum has decided to relocate in order to better serve the needs of their constituency. The Museum will be relocating to a building at 100 North Hamilton Street in Madison. Once renovated, the five story building will have 41,600 square feet, including 12,500 square feet of exhibit space, and 2,900 square feet classroom/lab space in order to accommodate an estimated 120,000 annual visitors. Included in the plan for the facility is a main level free community concourse that will contain samples of the exhibits within the museum and food service open to the public. The facility will also contain underground parking for museum visitors.

24. While the museum project would appear to meet several of the criteria established by the Building Commission, some questions exist as to whether there is a statewide justification for one local museum project. A museum project in Madison, the state's capitol and a destination for

many state residents each year may be used by more residents across the state than other local museums around the state. However, due to GPR budgetary issues, state support for local government could be reduced in the biennium, and it may not be the best time to initiate state support for selected local projects.

25. Providing state assistance to local museum projects is not without precedent. As indicated earlier, 1997 Act 27 provided \$1 million in GPR-supported bonding for the Nash Auto Museum in Kenosha and 2001 Act 16 provided the Racine Discovery Place Museum \$1 million in GPR supported bonding, which was later deleted under 2007 Act 20. In addition, the state has provided \$200,000 GPR each biennium to the Milwaukee Public Museum and \$50,000 GPR each biennium to the Black Holocaust Museum to assist with promotion of the facility from its tourism marketing budget. The Wisconsin Historical Society has provided \$90,000 GPR annually to the Black History Museum in Milwaukee to support its operations.

26. Given the relatively small amount of state funding being recommended for the project, the Committee could consider providing \$250,000 from the building trust fund for the project, rather than providing GPR supported bonding.

#### **Myrick Hixon Eco Park, Inc.**

27. The Myrick Hixon Eco Park is a non-profit organization that in conjunction with the City of La Crosse and eight La Crosse area rotary clubs operates the city zoo in Myrick Park. Within the zoo, there is a nature center building. Currently 5,000 school children annually attend hands-on environmental education sessions at the center. The zoo had one hundred thousand visitors in the last year and several hundred thousand more visit the entire Eco park property and walk the nature trails, coming from western Wisconsin, southeast Minnesota and northeast Iowa.

28. The current nature center is too small and outdated to handle the level of visitation. The current facility lacks adequate bathroom facilities, lacks audio-visual technology and is in need of considerable repair. The facility is situated between a heavily traveled highway and railroad tracks making expansion of the facility a concern. The proposed project involves the construction of a new environmental education center and the renovation of the old municipal zoo to provide exhibits of plants and animals indigenous to the upper Midwest. The new facility will be located at the center of a number of the park's resources to better enable school students and adults to learn about and experience the local environment.

29. While the Myrick Hixon Eco Park project would appear to meet several of the criteria established by the Building Commission, some questions exist as to whether there is a statewide justification for one local park project. Also, similar to the proposed Madison Children's Museum project, given that state support for local government could be reduced in the biennium, it may not be the best time to initiate state support for selected local projects.

#### **Dane County Yahara River Watershed Initiative**

30. Dane County is exploring means to support the construction of communal digesters

in the county to increase production of renewable energy, to assist in efforts to reduce phosphorus runoff in the Lake Mendota watershed, and to serve as a proof of concept of communal digesters that serve multiple farms. According to the Building Commission's recommendations, the environmental benefits of the digesters include: (a) increasing dairy farms' ability to expand by providing a mechanism to effectively and efficiently manage manure; (b) eliminating an estimated 8,000 to 20,000 pounds of phosphorous per year per communal digester from the Lake Mendota watershed; and (c) reducing 12,000 tons of greenhouse gases each year per communal digester;

31. The County is developing plans for two pilot communal digesters in northern Dane County, one in Waunakee and one in Middleton. The capital cost for one digester, including phosphorous treatment equipment, is estimated at \$18,500,000. Planning for the first digester, which would be sited near Waunakee anticipates an operation serving four to six farms and 6,100 animal units. It is anticipated that each digester will generate approximately \$900,000 in annual revenue from renewable energy sales that could be used to support operations.

32. Unlike most commercial manure digester operations, the County's plans also include additional equipment to treat phosphorous. Phosphorous reduction will extend the benefits of the digester to include improved water quality. The state support for the project is being sought to fund additional capital costs for the phosphorous treatment equipment. The County estimates that the phosphorous treatment equipment will add approximately \$3.3 million to the capital costs of each digester.

33. The Commission recommends the use of \$6,600,000 in existing GPR supported bonding to support a grant to the county to cover the cost of purchasing and installing the phosphorous treatment equipment. No new bonding would be authorized for the project. DOA Division of State Facilities staff indicates that the digester project could be eligible for federal stimulus funds under the American Recovery and Reinvestment Act (ARRA). Staff indicate that if the federal stimulus funding, or any portion of that funding, is available for the project, the amount of state bonding needed for the project could be reduced. However, the Commission's recommendations do not require that the state funding commitment be reduced. The Committee could include a provision that the state commitment be reduced by the amount of ARRA stimulus funding in order to ensure that the state's commitment would be reduced in the event federal stimulus funds are made available for the project.

34. Projects or infrastructure improvements that protect the waters of the state and improve water quality are considered to have a public purpose for which state general obligation bonds can be issued. The state has long issued general obligation bonds for such purposes. For example, the state has authorized approximately \$135.2 million in general obligation bonding for non point source water pollution projects and \$17 million for removal of contaminated sediment in the Lake Michigan and Lake Superior and its tributaries. The Dane County Yahara River Watershed Initiative project would meet similar statewide water quality related goals.

## ALTERNATIVES

### A. AIDS Network

1. Approve the Building Commission's recommendations relating to the AIDS Network project. Enumerate the AIDS Network project as a \$150,000 project under the 2009-11 state building program and authorize \$150,000 in GPR supported bonding for the project.

ALT A1	Change to Bill Funding
BR	\$150,000

2. Modify the Building Commission's recommendations relating to the AIDS Network project by providing \$150,000 SEG from the building trust fund for the project. Enumerate the AIDS Network project as a \$150,000 project under the 2009-11 state building program, and indicate the project would be funded with \$150,000 in building trust funds rather than GPR supported bonding.

3. Maintain current law, which result in this project not being included in the 2009-11 building program.

### B. AIDS Resource Center of Wisconsin

1. Approve the Building Commission's recommendations relating to the AIDS Resource Center of Wisconsin project. Enumerate the AIDS Resource Center of Wisconsin project as a \$800,000 project under the 2009-11 state building program and authorize \$800,000 in GPR supported bonding for the project.

ALT B1	Change to Bill Funding
BR	\$800,000

2. Maintain current law, which would result in this project not being included in the 2009-11 building program.

### C. Bradley Center Project

1. Approve the Building Commission's recommendations relating to the Bradley Center Sports and Entertainment Corporation project. Enumerate the Bradley Center project as a \$5,000,000 project under the 2009-11 state building program and authorize \$5,000,000 in GPR supported bonding for the project. Specify that \$1,000,000 of the authorized bonding would be

provided each biennium over the next five biennia for the project beginning with the 2009-11 biennia.

<b>ALT C1</b>	<b>Change to Bill Funding</b>
BR	\$5,000,000

2. Modify that Building Commission's recommendations relating to the Bradley Center projects by authorizing only \$1,000,000 in GPR supported bonding in the 2009-11 biennium and enumerate the project as a \$1,000,000 project under the 2009-11 state building program.

<b>ALT C2</b>	<b>Change to Bill Funding</b>
BR	\$1,000,000

3. Maintain current law, which would result in this project not being included in the 2009-11 building program.

#### **D. Madison Children's Museum**

1. Approve the Building Commission's recommendations relating to the Madison Children's Museum project. Enumerate the Madison Children's Museum project as a \$250,000 project under the 2009-11 state building program and authorize \$250,000 in GPR supported bonding for the project.

<b>ALT D1</b>	<b>Change to Bill Funding</b>
BR	\$250,000

2. Modify the Building Commission's recommendations relating to the Madison Children's Museum project by providing \$250,000 from the building trust fund for the project. Enumerate the Madison Children's museum as a \$250,000 project under the 2009-11 state building program and indicate the project would be funded with \$250,000 in building trust funds rather than GPR supported bonding.

3. Maintain current law, which would result in this project not being included in the 2009-11 building program.

**E. Myrick Hixon Eco Park, Inc.**

1. Approve the Building Commission's recommendations relating to the Myrick Hixon Eco Park, Inc. project in La Crosse. Enumerate the Myrick Hixon Eco Park project as a \$500,000 project under the 2009-11 state building program and authorize \$500,000 in GPR supported bonding for the project.

<b>ALT E1</b>	<b>Change to Bill</b>
	Funding
BR	\$500,000

2. Maintain current law, which would result in this project not being included in the 2009-11 building program.

**F. Dane County Yahara River Watershed Initiative**

1. Approve the Building Commission's recommendations relating to the Dane County Yahara River Watershed Initiative project. Enumerate the project as a \$6,600,000 project under the 2009-11 state building program and specify that \$6,600,000 in existing GPR supported bonding could be used to assist in funding the project. (No new GPR supported bonding would be authorized for the project).

2. In addition to Alternative F1, require that the state funding commitment be reduced by the amount of federal stimulus (under the American Recovery and Reinvestment Act of 2009) funding received for the project.

3. Maintain current law, which would result in this project not being included in the 2009-11 building program.

Prepared by: Al Runde