



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #181

Authorized Unissued Bonding (Building Program)

CURRENT LAW

The specific purposes for which general obligation debt may be contracted are authorized by the Legislature. Most of these bonding authorizations are contained in the biennial budget to fund the biennial state building program. The Building Commission, with the assistance of the Department of Administration's capital finance office, then issues the bonds to fund the projects or program purposes for which the bonding was authorized.

GOVERNOR

No provision.

DISCUSSION POINTS

1. Each biennium, under the biennial state building program, the Legislature authorizes general obligation bonding for specific building program purposes to fund facility-related construction projects at the UW System campuses, state correctional facilities, or other state agencies. In addition, the Legislature also authorizes bonding, primarily as part of the state's biennial budget, to carry out program-related infrastructure and environmental improvements. General obligation bonding can only be issued for the statutory purpose for which it is authorized.

2. Once issued, the bond proceeds are deposited to the capital improvement fund, from which the proceeds are used to pay the expenses of a specific project that can be funded from the bonding purposes indicated in the bond issue. However, prior to the bonds being issued, funding associated with a specific bonding authorization can be allotted by the Building Commission for an allowable project or purpose. Under the allotment procedure, funds within the capital improvement fund can be utilized to fund a specific project or program if moneys are available in the capital improvement fund for that same bonding purpose. At this point, the state agency often enters into contracts for the construction or expenditure of the allotted funds. When the proceeds from bonds

issued for a specific purpose are depleted in the capital improvement fund, the Building Commission carries out a subsequent bond issue to replenish the fund. At that time, the amount of outstanding bonding authority available for that specific bonding purpose is reduced.

3. In most instances when the Legislature authorizes bonding for a specific project included in the state's biennial building program or for some program-related purpose, it does so because the need for that project or program funding is somewhat imminent. In other instances, bonding may be authorized well in advance of the projected construction of a project or in advance of the program need. This is done for various reasons, which may include: (a) the need for the state to demonstrate a funding commitment to a specific project in order to assist the agency in raising funds for the project; (b) for projects requiring significant advance planning, the need for certainty that a project already has legislative approval for funding prior to the state spending significant amounts of money planning for that project; or (c) the desire of the Legislature to demonstrate an ongoing, or long-term, funding commitment to certain program purposes like DNR's Stewardship or the conservation reserve enhancement program with the Department of Agriculture, Trade and Consumer Protection.

4. However, because facility and program needs changes, a building project for which the state has authorized bonding may no longer need the level of bonding the Legislature has committed for that project or purpose. In such instances, the Building Commission has limited authority to transfer these residual bonding amounts among building projects within each statutory bonding purpose. For example, if a residence hall on a University System campus, with project funding that includes \$25 million in PR supported bonding, only needs \$22 million of that bonding due to a change in scope or funding sources for that project, the Building Commission has the authority to use the \$3 million in residual bonding authority associated with the completed project on other UW system projects that could be funded from that PR supported bonding purpose. If a specific project's residual bonding is not reallocated to another project, as in the previous example, no bonds would be issued against that residual bonding authority, and its authorization would remain until repealed by the Legislature.

5. As of May 1, 2011, the state had \$690.4 million in authorized general obligation bonding related to previous building program projects that has not yet been issued, or allotted, for a specific project by the Building Commission. In consultation with DOA Division of State Facilities (DSF) staff, a review of the status of these building projects found three major projects enumerated in prior state building program that may not need all of the bonding currently authorized for the projects. Two of those projects are UW System projects and one is a State Historical Society project.

UW System PR Supported Bonding

6. Currently, the UW System has \$316 million in PR supported bonding authority that has not yet been issued or allotted by Building Commission to the projects for which it is authorized. Of this amount, \$36,458,000 in bonding is associated with projects that may no longer need all of the bonding originally authorized for the projects. The following table identifies those bonding authorizations, as well as the project with which the bonding is associated.

<u>Bonding Authorization</u>	<u>Project</u>	<u>Amount</u>
UW System PR Bonding	UW Milwaukee - Columbia St Mary's Acquisition an Replacement	\$17,185,000
UW System PR Bonding	UW Madison - Purchase of 21 North Park Street Office Building	<u>19,273,000</u>
Total		\$36,458,000

7. The 2005-07 state building program enumerated a UW-Milwaukee project identified as "Columbia St. Mary's Columbia campus medical facilities acquisition and remodeling" funded with \$56,530,000 of GPR supported bonding and \$55,590,000 of PR supported bonding. That project enumeration was deleted under 2009 Act 28, as part of the 2009-11 building program, and its funding was transferred to the Milwaukee Initiative. The Milwaukee Initiative was initially enumerated as a broad category of projects to be completed at UW Milwaukee. Subsequently, 2009 Act 331, enumerated the specific Milwaukee Initiative building projects, one of which was the re-enumeration of the "Columbia St. Mary's campus medical facilities acquisition and replacement" using \$30,000,000 of the \$55,590,000 in PR supported bonding that was transferred under Act 28 to the Milwaukee Initiative. The remaining \$25,590,000 in PR bonding remains available as part of the Milwaukee Initiative funding. Subsequently, the purchase of the Columbia St Mary's property was completed using \$14,845,000 less than the \$30,000,000 in bonding that was enumerated for its purchase under Act 331. Therefore, approximately \$40,435,000 in PR supported bonding associated with UW Milwaukee campus projects remains available (\$25,590,000 associated with the remaining Milwaukee Initiative PR supported bonding projects and the \$14,845,000 associated with the purchase of the Columbia St. Mary's property being lower than budgeted). The 2011-13 state building program recommendations would use \$12,250,000 of this residual bonding to finance the purchase of the School of Public Health building that is currently being leased by the campus and projects are currently being planned that would use another \$11,000,000 of this bonding. As a result, the remaining \$17,185,000 in PR supported bonding would no longer be needed for the purposes for which it was authorized.

8. The purchase of the 21 North Park street office building property on the UW Madison campus was enumerated as part of the 2009-11 state building program and was provided \$38,546,000 in PR supported bonding to fund the purchase. Subsequent to this enumeration, at its September, 2009, monthly meeting, the Building Commission carried out the purchase of the facility using only half of the PR supported bonding provided for the purchase, or \$19,273,000. The other half of the purchase was funded with UW Madison program revenues. As a result, \$19,273,000 in PR supported bonding that is designated under the 2009-11 state building program to purchase the 21 North Park Street office facility at the UW Madison campus would no longer be needed for this purpose.

9. Given the undesignated, or residual nature, of the PR supported bonding originally authorized for these UW system projects, the Committee could reduce the UW System's self amortizing bonding authorization by a total of \$36,458,000. If the Committee prefers not to delete this bonding at this time, the bonding could be reallocated by the Building Commission to other

eligible projects funded from within this UW System PR bonding authorization. If not reallocated, the bonding would remain available as existing PR supported bonding that could be used for any future UW System project that may be enumerated in a future state building program or to fund non-enumerated, PR supported maintenance projects within the UW system. If this bonding authority would remain available to the UW System, any project funded with the bonding would have to generate program revenues sufficient to fund the debt service on the bonds.

State Historical Society PR Supported Bonding

10. The State Historical Society's Wisconsin History Center project was originally enumerated under the 2001-03 state building program and was provided \$131,500,000 PR supported bonding. Subsequently, the Legislature deleted all but \$30,000,000 of the PR supported bonding authorized for the project. The 2011-13 state building program recommendations include the enumeration of a \$75,000,000 joint museum facility for the State Historical Society (SHS) and the Department of Veteran's Affairs (DVA), which would replace the SHS History Center project that has yet to move forward. The recommended joint museum facility project would be funded with \$75,000,000 in GPR supported bonding, \$70,000,000 of which would not be available until the 2015-17 biennium.

11. In discussions with DOA-DFS staff, they indicate that despite the project moving in different direction, as demonstrated by the recommended enumeration of the SHS and DVA, joint museum facility, some of the remaining PR supported bonding authorized for the History Center may still be needed. In the event a parking structure is built as part of the joint museum facility, some of this PR supported bonding could be used to fund that portion of the project. Any bonds issued for the parking facility would be repaid with parking fees paid at the structure. DOA-DFS staff indicate that \$20.0 million of the existing PR supported bonding could be needed to finance the parking structure. Therefore, the Committee could delete the remaining \$10,000,000 in PR supported bonding.

12. Conversely, if SHS has the ability to generate revenue within the joint museum facility that would be sufficient to finance the debt service on the remaining \$10,000,000 in PR supported bonding, the bonding could be reallocated to fund that revenue generating portion of that project. However, due to the timeline for construction of the joint museum facility project, the \$10,000,000 in bonding will not be needed during the 2011-13 biennium. In the event PR supported bonding may eventually be needed for the joint museum project, the Legislature could authorize the bonding at that time.

ALTERNATIVES

1. Delete the following currently authorized bonding amounts:
 - a. \$17,185,000 in UW System PR supported bonding associated with the Columbia St. Mary's/Milwaukee Initiative PR supported projects on the UW Milwaukee campus.

ALT 1a	Change to Bill Funding
BR	- \$17,185,000

b. \$19,273,000 in UW System PR supported bonding associated with the purchase of the 21 North Park Street office building at UW Madison.

ALT 1b	Change to Bill Funding
BR	- \$19,273,000

c. \$10,000,000 in State Historical Society PR supported bonding associated with the Wisconsin History Center project.

ALT 1c	Change to Bill Funding
BR	- \$10,000,000

2. Maintain current law.

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