



## Legislative Fiscal Bureau

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May 18, 2017

Joint Committee on Finance

Paper #386

### State Archive Preservation Facility (Historical Society and Veterans Affairs)

[LFB 2017-19 Budget Summary: Page 254, #1 and Page 469, #1]

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#### CURRENT LAW

The Wisconsin Historical Society (WHS) is responsible for collecting and disseminating information about the history of Wisconsin and the surrounding region. Its activities include collecting and preserving the state's archival records, operating the Wisconsin Historical Museum and ten other historic sites around the state, documenting and assisting in the preservation of historic properties, and publishing historical texts, including textbooks and curriculum support materials for school-aged children and teachers.

The Department of Veterans Affairs (DVA) operates the Wisconsin Veterans Museum, which contains exhibits, displays and other presentations related to Wisconsin's participation in U.S. military actions from the Civil War to the present. The museum, located on the Capitol Square in Madison, features dioramas depicting important historical events in which Wisconsin veterans participated. Base funding for the operation of the Wisconsin Veterans Museum is \$2,679,700, composed of a GPR appropriation (\$248,500) and a SEG appropriation from the veterans trust fund (\$2,431,200).

#### GOVERNOR

*Wisconsin Historical Society.* Provide adjustments to the base budget of \$2,337,900 GPR, -\$5,900 FED, and \$779,300 PR in 2017-18 and \$3,587,800 GPR, -\$5,800 FED, and \$1,195,900 PR in 2018-19 for full funding of lease and directed moves costs.

*Department of Veterans Affairs.* Provide adjustments to the base budget of -\$45,800 FED,

\$674,100 PR and \$47,800 SEG in 2017-18 and -\$44,500 FED, \$836,800 PR and \$345,400 SEG in 2018-19 for full funding of lease and directed moves costs.

## **DISCUSSION POINTS**

1. Under 2009 Act 28, the Legislature enumerated \$25,000,000 for the construction of a combined preservation storage facility to be used primarily for historical collections and museum artifacts maintained by the Wisconsin Historical Society and the Department of Veterans Affairs, including \$23,000,000 of general fund supported borrowing and \$2,000,000 of PR supported borrowing. At its November, 2010, meeting, the State Building Commission approved the design report and increased the amount of approved general fund supported borrowing by \$3,250,000.

2. The State Building Commission granted final approval for construction of the State Archive Preservation Facility in Madison in August, 2013. The total cost of the building was estimated to equal \$46,723,700, including \$34,670,700 of general fund supported bonding and \$12,053,000 of PR supported bonding. At the same meeting, the Commission approved the design report, granted authority to demolish an existing building on the site, and approved the release of \$8,420,700 of general fund supported borrowing that was enumerated in 2011 Act 32 for the purchase and installation of shelving systems in the new facility.

3. Construction on the new facility began in 2015 and is expected to be completed in November, 2017. The facility will be owned by the Department of Administration (DOA) and totals approximately 177,000 square feet, of which 138,000 square feet will be used by the Historical Society. The remaining square footage will be shared by the Department of Veterans Affairs' Wisconsin Veterans Museum (36,000 square feet) and DOA (3,000 square feet).

4. This paper provides a discussion of funding adjustments made to appropriations for the Historical Society and the Department of Veterans Affairs to fund lease costs associated with the newly-constructed preservation facility. There are two issues presented for the Committee's consideration: (a) the funding sources used for the Wisconsin Historical Society's lease payment, as well as the uncertainty of the overall lease charge; and (b) the funding sources used for the Department of Veterans Affairs' lease payment.

### **Wisconsin Historical Society Lease Payment**

5. State law charges the Historical Society with maintaining historic library, archival, and artifact collections related to the history of Wisconsin. Their collections include original documents, such as state and local government records and publications and handwritten manuscripts, as well as genealogical resources, maps, photographs, films and sound recordings, and historical objects such as clothing, tools, and ethnic cultural artifacts. These items are currently stored in the Society's headquarters building located on the campus of UW-Madison, and in rented, off-site warehouses. WHS has expressed concern about limited storage space in their current locations, as well as concern that environmental conditions in the headquarters building pose a risk to historical materials, especially basement storage that also houses water, steam, and sewerage pipes.

6. The new preservation storage facility would allow the Historical Society to consolidate its collections in a secure, climate-controlled space, discontinue use of leased storage space, and relieve overcrowding at its headquarters building. The Society anticipates that approximately 200,000 library items and 40,000 cubic feet of archival materials will be stored at the facility. DOA consulted with the Society during the construction process to ensure that the new facility would provide safe preservation for historic items, including climate and humidity control, cold storage, and customized artifact receiving and processing space. It is anticipated that the space available will be sufficient for the Society's current collections and an additional 10 years of anticipated growth. The facility will not be open to the public, but individuals will be able to request archival and library materials to be delivered to the Society's library or to one of thirteen area research centers located across the state, and museum artifacts will be available to be accessed in the preservation facility by appointment.

7. Funding for WHS's lease of the facility is included in the bill, equal to \$2,320,300 GPR and \$773,400 PR in 2017-18 and \$3,567,100 GPR and \$1,189,000 PR in 2018-19. The amount for 2017-18 assumes that the facility will be occupied for eight months out of that year. Because the state does not currently own any similar facilities, DOA indicates that its current lease rate categories do not include a rate directly applicable to artifact preservation space. Therefore, the lease amount was calculated using the rate for lab facilities, which was selected based on a comparison with the operating costs for the Femrite Data Center, another facility with high operating costs. The following table shows rental rates established by DOA and approved by the Building Commission in its October, 2016, meeting. The table includes a new rate for the data center, as well as the lab rate that would be applied to the Archive Preservation Facility.

**Annual Lease Charge Per Square Foot**

	<u>2017-18</u>	<u>2018-19</u>
Class A - Office	\$25.60	\$26.24
Class B - Office	17.65	18.09
Class C - Storage	7.34	7.52
Class D - Records Center Storage	8.40	8.61
Lab	33.72	34.57
Data Center	55.36	56.75

8. Under the bill, 75% of annual lease costs for the facility would be funded with state GPR, and the remaining 25% would be funded with program revenue from gifts and grants to the Historical Society. DOA has indicated that the Governor's intent is to require both the state and WHS to contribute to the financial costs of the facility.

9. WHS indicates that it would be unable to raise sufficient funds for ongoing lease payments equal to the amount of PR required under the bill, equal to approximately \$0.8 million in 2017-18 and \$1.2 million annually thereafter. Because the facility is closed to the public, the Society expressed concern about the ability to fundraise for ongoing lease costs for the building. The new costs would represent a significant increase to the Society's base level PR, which is equal to \$3,288,000. To address this issue, the Committee could consider fully funding the facility by

increasing the amount of GPR provided under the bill by \$773,400 in 2017-18 and \$1,189,000 in 2018-19 (Alternatives A1b and A2b).

10. In its May 2, 2017, meeting, the Committee approved a reestimate of tribal gaming revenue equal to \$353,000 PR in 2017-18 and \$301,900 PR in 2018-19. The Historical Society has an existing appropriation for \$201,100 PR annually from tribal gaming revenue for storage facility related costs, such as preparing their collections for the move. The Committee may wish to consider transferring the increased tribal gaming revenue to the Society's PR appropriation for storage facility related costs to fund a portion of the PR expenses under the bill (Alternatives A2a, A2b, and A2c).

11. Because the facility is not yet opened, actual data on operating costs is not available. DOA has established its rental charges based on a higher cost laboratory space, rather than the lower storage rate, or some other rate that recognizes both the storage and climate control elements of the facility. However, the Committee may wish to reconsider this issue after the facility has opened when more information is available about the facility's operating costs. Under this approach, the Committee could provide GPR funding sufficient to fund the Historical Society's lease payments in the first year of the biennium (an additional \$773,400 GPR), and transfer the additional funds for the 2018-19 payment (\$1,189,000 GPR) to the Committee's supplemental appropriation, to be released upon a review of the facility's cost and rental rate by DOA (Alternatives A1c and A2c).

#### **Department of Veterans Affairs Lease Payment**

12. The Department of Veterans Affairs plans to move archival materials, documents, and artifacts related to veterans history to the joint preservation facility. These materials are currently being stored in privately-leased space in the same building that houses the Wisconsin Veterans Museum. The funding provided for DVA's lease costs was based on the same space rental rates that were used for the Historical Society calculation.

13. The timing of the Department of Veterans Affairs' occupancy of the preservation facility, as well as the square footage allocated to DVA, remain somewhat uncertain, though DOA's budget estimates assume that the Department will lease approximately 36,000 square feet beginning in November of 2017. Under these assumptions, DVA's cost would be \$807,100 in 2017-18 and \$1,240,800 in 2018-19.

14. The bill would provide funding in DVA's appropriations for the preservation facility, as well as make various other adjustments to account for the Department's anticipated space lease costs in the 2017-19 biennium. In accordance with DOA budget instructions for lease costs, the adjustments were made to the Department's appropriations in proportion to the allocation of the Department's actual lease costs in 2015-16. By using this methodology, however, the resulting allocation of lease funding, including the funding increase provided for the preservation facility, would not match the appropriations that would be responsible for making lease payments. Most notably, approximately 35% of the funding added for the preservation facility would be provided in the PR appropriation for the state veterans homes. The statutory authorization for this appropriation generally restricts its use to care of members of the homes, so it is doubtful that the Department could legally make lease payments for the preservation facility from this appropriation.

15. Reallocating lease funding according to the appropriations from which the payments would be made results in a shift of lease funding from the PR appropriation for state veterans homes to the SEG appropriation for the Wisconsin Veterans Museum. This shift, plus other slight adjustments to match lease funding with the appropriations from which payments would be made, would result in funding increase of \$578,100 SEG and decreases of \$574,900 PR and \$3,200 FED in 2017-18 and an increase of \$738,000 SEG and decreases of \$733,500 PR and \$4,500 FED in 2018-19 (Alternative B2a).

16. The funding shifts to align lease funding with programmatic responsibilities would result in an increase in total expenditures from an appropriation made from the veterans trust fund (VTF). Because the VTF does not have sufficient ongoing revenue to support current appropriations, it is reliant on transfers from other sources to maintain fund solvency, which in recent years have been made from state veterans home revenues. If the Committee wishes to make funding adjustments for lease costs without increasing VTF expenditures, funding for the cost of the preservation facility could instead be provided in the general fund appropriation for the Wisconsin Veterans Museum. Funding changes under this alternative would be an increase of \$807,100 GPR and decreases of \$229,000 SEG, \$574,900 PR, and \$3,200 FED in 2017-18 and an increase of \$1,240,800 GPR and decreases of \$502,800 SEG, \$733,500 PR, and \$4,500 FED in 2018-19 (Alternative B3a).

17. As with Alternatives A1c and A2c outlined above for the Historical Society, the Committee could place a portion of the funding for DVA's share of lease costs in the Committee's supplemental appropriation until more information is known regarding the costs of operating the preservation facility. Depending upon whether the Committee chooses to provide the lease funding in the SEG or GPR appropriation of the Wisconsin Veterans Museum, reserving one-quarter of the 2018-19 funding would involve a transfer of \$310,200 SEG (Alternative B2b) or \$310,200 GPR (Alternative B3b) to the Committee's appropriation.

## ALTERNATIVES

### A. Historical Society

#### 1. GPR Funding

a. Approve the Governor's recommendation to provide \$2,320,300 GPR and \$773,400 PR in 2017-18 and \$3,567,100 GPR and \$1,189,000 PR in 2018-19 for lease costs for the State Archive Preservation Facility.

ALT A1a	Change to	
	Base	Bill
GPR	\$5,887,400	\$0
PR	<u>1,962,400</u>	<u>0</u>
Total	\$7,849,800	\$0

b. Provide an additional \$773,400 GPR in 2017-18 and \$1,189,000 GPR in 2018-19 to fully fund lease costs for the State Archive Preservation Facility with GPR and reduce the PR funding correspondingly.

ALT A1b	Change to	
	Base	Bill
GPR	\$7,849,800	\$1,962,400
PR	<u>0</u>	<u>-1,962,400</u>
Total	\$7,849,800	\$0

c. Increase funding under the bill by \$773,400 GPR in 2017-18 and \$1,189,000 GPR in 2018-19 and reduce the PR funding correspondingly. Place the additional \$1,189,000 GPR in 2018-19 in the Committee's supplemental appropriation. Under this alternative, the Historical Society could request release of this funding, if the actual costs of operation are consistent with the rental rates established by DOA.

ALT A1c	Change to	
	Base	Bill
GPR	\$7,849,800	\$1,962,400
PR	<u>0</u>	<u>-1,962,400</u>
Total	\$7,849,800	\$0

2. *PR from Tribal Gaming Revenue and GPR.* Increase funding in the Historical Society's storage facility appropriation by \$353,000 PR in 2017-18 and \$301,900 PR in 2018-19 from tribal gaming revenue and reduce gift funded PR correspondingly, in addition to one of the following options:

a. Approve the Governor's recommendation. Under this approach, \$353,000 PR in 2017-18 and \$301,900 PR in 2018-19 would come from tribal gaming revenue, and the Historical Society would be required to fundraise for the remaining \$420,400 in 2017-18 and \$887,100 in 2018-19.

ALT A2a	Change to	
	Base	Bill
GPR	\$5,887,400	\$0
PR	<u>1,962,400</u>	<u>0</u>
Total	\$7,849,800	\$0
GPR-Tribal (REV)	\$0	- \$654,900

b. Provide an additional \$420,400 GPR in 2017-18 and \$887,100 GPR in 2018-19, and reduce PR funding correspondingly, to fully fund lease costs for the State Archive Preservation Facility with GPR and tribal gaming revenue.

ALT A2b	Change to	
	Base	Bill
GPR	\$7,194,900	\$1,307,500
PR	<u>654,900</u>	<u>-1,307,500</u>
Total	\$7,849,800	\$0
GPR-Tribal (REV)	\$0	-\$654,900

c. Increase funding under the bill by \$420,400 GPR in 2017-18 and \$887,100 GPR in 2018-19 and reduce PR funding correspondingly. Place the additional \$887,100 in 2018-19 in the Committee's supplemental appropriation. Under this alternative, the Historical Society could request release of this funding, if the actual costs of operation are consistent with the rental rates established by DOA.

ALT A2c	Change to	
	Base	Bill
GPR	\$7,194,900	\$1,307,500
PR	<u>654,900</u>	<u>-1,307,500</u>
Total	\$7,849,800	\$0
GPR-Tribal (REV)	\$0	-\$654,900

**B. Department of Veterans Affairs**

1. Approve the Governor's recommendation to provide appropriation adjustments of -\$45,800 FED, \$674,100 PR and \$47,800 SEG in 2017-18 and -\$44,500 FED, \$836,800 PR, and \$345,400 SEG in 2018-19 for full funding of lease and directed move costs.

ALT B1	Change to	
	Base	Bill
FED	-\$90,300	\$0
PR	1,510,900	0
SEG	<u>393,200</u>	<u>0</u>
Total	\$1,813,800	\$0

2. *Realign lease funding--SEG funding alternatives.* Modify the Governor's recommendation by adjusting appropriations to align anticipated lease costs, including the additional lease costs associated with the joint preservation facility, according to the appropriations responsible for making lease payments, by adopting one of the following:

a. Provide a funding increase of \$578,100 SEG and funding decreases of \$574,900 PR and \$3,200 FED in 2017-18 and an increase of \$738,000 SEG and decreases of \$733,500 PR and \$4,500 FED in 2018-19 to make the adjustments in DVA's appropriations.

ALT B2a	Change to	
	Base	Bill
FED	- \$98,000	- \$7,700
PR	202,500	- 1,308,400
SEG	<u>1,709,300</u>	<u>1,316,100</u>
Total	\$1,813,800	\$0

b. Make the funding adjustments as in B2a, but transfer \$310,200 SEG in 2018-19 from DVA to the Committee's supplemental appropriation.

ALT B2b	Change to	
	Base	Bill
FED	- \$98,000	- \$7,700
PR	202,500	- 1,308,400
SEG	<u>1,709,300</u>	<u>1,316,100</u>
Total	\$1,813,800	\$0

3. *Realign lease funding--GPR funding alternatives.* Modify the Governor's recommendation by adjusting appropriations to align anticipated lease costs, as in Alternative 2, but provide the funding for lease costs associated with the joint preservation facility with GPR instead of SEG funding, by adopting one of the following:

a. Provide a funding increase of \$807,100 GPR and decreases of \$229,000 SEG, \$574,900 PR, and \$3,200 FED in 2017-18 and an increase of \$1,240,800 GPR and decreases of \$502,800 SEG, \$733,500 PR, and \$4,500 FED in 2018-19 to make the funding adjustments in DVA's appropriations.

ALT B3a	Change to	
	Base	Bill
GPR	\$2,047,900	\$2,047,900
FED	- 98,000	- 7,700
PR	202,500	- 1,308,400
SEG	<u>- 338,600</u>	<u>- 731,800</u>
Total	\$1,813,800	\$0

b. Make the funding adjustments as in B3a, but transfer \$310,200 GPR in 2018-19 from DVA to the Committee's supplemental appropriation.

ALT B3b	Change to	
	Base	Bill
GPR	\$2,047,900	\$2,047,900
FED	- 98,000	- 7,700
PR	202,500	- 1,308,400
SEG	<u>- 338,600</u>	<u>- 731,800</u>
Total	\$1,813,800	\$0

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