

Administration

Facilities

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LFB Summary Items for Which an Issue Paper Has Been Prepared

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2	Construction Representative Positions (Paper #121)
-	Capital Planning and Building Construction Balance Transfer (Paper #122)



Legislative Fiscal Bureau

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May, 2019

Joint Committee on Finance

Paper #120

Facilities Management Increase (Administration -- Facilities)

[LFB 2019-21 Budget Summary: Page 31, #1]

CURRENT LAW

Under current law, the Department of Administration's (DOA) Division of Facilities Development and Management (DFDM) is responsible for building management, maintenance, and tenant occupancy services. Program revenue for facility operations and maintenance is provided from parking fees and rent charged to state agencies occupying space in state-owned facilities.

GOVERNOR

Provide expenditure authority of \$1,098,400 PR in 2019-20 and \$1,119,000 PR in 2020-21, and reallocate 3.0 PR positions annually for operations, maintenance, and office design services.

The recommendation would provide \$1,294,000 PR in 2019-20 and \$1,314,600 PR in 2020-21 and 3.0 PR positions annually to DOA's facility operations and maintenance appropriation (\$310,700 for salaries and fringe benefits and \$983,300 for supplies and services in 2019-20, and \$316,900 for salaries and fringe benefits and \$997,700 for supplies and services in 2020-21).

Positions and funding would be deleted from the following PR appropriations within DOA: (a) materials and services to state agencies and certain districts (\$75,600 and 1.0 position annually); (b) hearings and appeals fees (\$66,200 and 1.0 position annually); and (c) general program operations; raffles and crane games (\$53,800 and 1.0 position annually). All three positions are vacant as of April, 2019.

DISCUSSION POINTS

1. Funding in the bill would be used primarily to support operation costs and maintenance staffing of the Tommy G. Thompson Building (Madison), a 252,400 square foot building acquired by DOA in 2018. The administration indicates that this "increase in square footage, tenants, building equipment, and acreage requires the assignment of two FTE positions," an HVAC/refrigeration specialist advanced and a steamfitter.

2. The administration also recommends providing one facilities management officer position, responsible for office design services. Design services include space planning, furniture procurement, move coordination, and other miscellaneous services offered to agencies that occupy state-owned space. Over the past several years, as new buildings have been built or purchased, and as agencies have moved from leased to state-owned space, the need for design services has reportedly increased.

3. Requested funds for supplies and services reflect the operating costs associated with the Thompson building at the time of purchase in 2018, adjusted for a 1.5% annual increase in operating costs. Anticipated expenditures under supplies and services include utilities, maintenance and repair supplies and services, and janitorial services.

4. The administration indicates that compensation amounts for the proposed positions under DOA's facility operations and maintenance appropriation were miscalculated. The technical budget instructions for 2019-21 directed that requested positions be budgeted for only nine months in the first year authorized. Further, instructions directed agencies to account for annual salary adjustments in a separate worksheet. The proposed increase for facilities management would have funded the reallocated 3.0 PR positions for a full year in 2019-20 and would have provided a 2% increase for salaries and fringe benefits in 2020-21.

5. Corrected calculations for the provision would reduce funding for the 3.0 reallocated positions by \$84,000 PR in 2019-20 and \$6,200 PR in 2020-21 to provide nine months of compensation in 2019-20 and eliminate the assumed increase in hourly wage in 2020-21. The corrected recommendation would provide net expenditure authority of \$1,014,400 PR in 2019-20 and \$1,112,800 PR in 2020-21, and reallocate 3.0 PR positions annually for operations, maintenance, and office design services. The facility operations and maintenance appropriation would be provided \$1,210,000 PR in 2019-20 and \$1,308,400 PR in 2020-21 and 3.0 reallocated PR positions annually.

6. In addition, in an errata letter dated May 1, 2019, the administration indicated that several errors were made in reallocating position authority and deleting associated funds. Rather than deleting \$53,800 and 1.0 position annually from the PR appropriation for general program operations; raffles and crane games, the provision as corrected would instead delete \$53,800 and 1.0 position annually from the PR appropriation for general program operations; Indian gaming. Further, rather than deleting \$75,600 PR and 1.0 PR position annually from the materials and services appropriation, the provision as corrected would instead delete \$65,500 PR and 1.0 PR position annually from the services to non-state entities appropriation. The net effect of the errata is -\$73,900 PR in 2019-20 and \$3,900 PR in 2020-21 and 0.0 PR positions annually.

7. Given the increase in building space required to be maintained and the identified increase in demand for design services, it could be argued that the requested funds would provide resources necessary to manage DFDM's increased workload. Therefore, the Committee could approve the Governor's recommendation with the corrections made to compensation calculations. [Alternative 1]

8. Currently, DFDM provides services at the Tommy G. Thompson building by temporarily reallocating staff. If the provision were not approved, DFDM would continue this practice. The administration cautions that this approach results in less than optimal coverage, resulting in a backlog of repairs and tenant requests, as well as deferred and delayed maintenance, which could in turn result in more costly repairs. Further, if the facilities management officer position were not approved, the administration indicates in an increasing backlog could delay projects. This could then cause delays in moves to new space, which could result in potential holdover leases at higher rates or delays in moving from more costly private leased space to state-owned space. However, if the provision is not approved, DOA could request additional PR position and expenditure authority under a 14-day passive review process. Therefore, the Committee could decide to take no action, thereby denying the request for additional facilities management resources. [Alternative 2]

ALTERNATIVES

1. Approve the Governor's recommendation, as corrected, to provide \$1,210,000 PR in 2019-20 and \$1,308,400 PR in 2020-21 and reallocate 3.0 PR positions annually to DOA's facility operations and maintenance appropriation (\$233,100 for salaries and fringe benefits and \$976,900 for supplies and services in 2019-20, and \$310,700 for salaries and fringe benefits and \$997,700 for supplies and services in 2020-21). Positions and funding would be deleted from the following PR appropriations within DOA: (a) services to non-state entities (\$65,500 and 1.0 position annually); (b) hearings and appeals fees (\$66,200 and 1.0 position annually); and (c) general program operations; Indian gaming (\$53,800 and 1.0 position annually).

ALT 1	Change to	
	Base	Bill
PR	\$2,147,400	- \$70,000

2. Take no action.

ALT 2	Change to	
	Base	Bill
PR	\$0	- \$2,217,400

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May, 2019

Joint Committee on Finance

Paper #121

Construction Representative Positions (Administration -- Facilities)

[LFB 2019-21 Budget Summary: Page 32, #2]

CURRENT LAW

In 2018-19, the Department of Administration (DOA) is authorized 21.0 construction project field staff positions (6.0 construction coordinator supervisors and 15.0 construction representatives) for the state building program. The Division of Facilities Development and Management in DOA staffs the Building Commission and manages approximately 2,200 construction projects. Base funding for the capital planning and building construction services appropriation, from which the positions are currently funded, is \$13,020,500 PR and 87.5 PR positions annually. Revenue for the program is derived from a 4% assessment on most state building project budgets.

GOVERNOR

Provide \$455,900 PR in 2019-20, \$607,900 PR in 2020-21, and 5.0 PR positions annually to DOA's facility operations and maintenance appropriation within the Division of Facilities Development and Management (\$412,700 PR for salaries and fringe benefits and \$43,200 PR for supplies and services in 2019-20, and \$550,200 PR for salaries and fringe benefits and \$57,700 PR for supplies and services in 2020-21). The positions would provide construction oversight and contract administration services for state building projects.

DISCUSSION POINTS

1. The administration argues that the current level of construction project field staff is insufficient to provide quality services, particularly in the construction phase of building projects. The Division estimates an average workload of 90 projects per field staff and indicates that "this workload

is nearly double the industry standard in this field." The administration argues that providing additional staff would reduce "the overall project workload per position, which will allow earlier detection of problems and quicker issue resolution." The provision in the bill would increase the number of construction representatives from 15.0 to 20.0 positions. This would result in an estimated average workload of 73 projects per field staff.

2. The Division has addressed the need for additional construction oversight on a temporary basis by utilizing architect and engineer consulting services. It could be argued that employing these consultants for field inspection can raise concerns because it requires architects and engineers to inspect their own designs and hold themselves accountable. In addition, the Division indicates that this approach is inefficient because consultants are compensated between \$100 and \$150 per hour, compared to an average of \$52.90 per hour for salaries and fringe benefits for the requested construction representative positions.

3. Further, the Division reports that construction representatives address up to 500 construction project requests for information (RFIs) on a monthly basis, which require coordination with multiple contractors, architect and engineer consultants, and other agency staff. These requests occur during construction when a contractor has a question regarding the project documents or notices a potential issue. The administration argues that providing additional staff would increase efficiencies because "the faster construction representatives can respond to RFIs, the more likely the project will be completed on schedule and within budget."

4. It should be noted that the Governor's proposal inadvertently recommended providing the positions under the facility operations and maintenance appropriation, which is funded by parking fees and rent charged to agencies occupying space in state-owned facilities. However, the appropriate fund source for the positions would be the capital planning and building construction services appropriation. Therefore, the alternatives provided modify the proposal to instead provide PR positions and associated funds to the capital planning and building construction services appropriation.

5. Given the administration's argument that additional resources are required "to make certain that projects are completed in accordance with design and scope and to ensure the appropriate use of state resources," the Committee could choose to approve the recommendation and correct the source of funding to provide 5.0 PR construction representative positions annually and \$455,900 PR in 2019-20 and \$607,900 PR in 2020-21 to the capital planning and building construction services appropriation.

6. The administration indicates that if fewer than 5.0 positions were provided, "each position would be prioritized by region in the area in which the largest project workload exists." The Division would continue to employ architect and engineer consultants to provide construction oversight, despite quality and cost concerns. If the Committee believes that some increased level of staffing is necessary to address DOA's concerns, but also that a lower level of increase is appropriate, it could choose to modify the recommendation to provide: (a) \$273,600 PR in 2019-20 and \$364,700 PR in 2020-21 and 3.0 PR positions annually [Alternative 2a]; or (b) \$91,200 PR in 2019-20 and \$121,600 PR in 2020-21 and 1.0 PR position annually [Alternative 2b]. Expenditure and position authority would be provided to the capital planning and building construction services appropriation.

7. Alternatively, it could be argued that the Division has been able to provide construction oversight through existing staff and contractors. Further, it should be noted that 6.0 construction representative positions were eliminated in the 2015-17 budget because they had been vacant for more than one year. If the workload of the construction representatives demanded that additional position authority be provided, DOA could request additional PR positions and funding under a 14-day passive review process and provide further details regarding the need for the positions. Therefore, the Committee could take no action. [Alternative 4]

ALTERNATIVES

1. Modify the Governor's recommendation to provide 5.0 PR construction representative positions and \$455,900 PR in 2019-20 and \$607,900 PR in 2020-21, funded by the capital planning and building construction services appropriation.

ALT 1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$1,063,800	5.00	\$0	0.00

2. Modify the recommendation to provide either:

a. \$273,600 PR in 2019-20 and \$364,700 PR in 2020-21 and 3.0 PR positions annually.

ALT 2a	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$638,300	3.00	- \$425,500	- 2.00

b. \$91,200 PR in 2019-20 and \$121,600 PR in 2020-21 and 1.0 PR position annually.

ALT 2b	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$212,800	1.00	- \$851,000	- 4.00

3. Take no action.

ALT 3	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$0	0.00	- \$1,063,800	- 5.00

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May, 2019

Joint Committee on Finance

Paper #122

Capital Planning and Building Construction Balance Transfer (Administration -- Facilities)

CURRENT LAW

Base funding for the Department of Administration's (DOA) capital planning and building construction services appropriation is \$13,020,500 PR. The services are provided through DOA's Division of Facilities Development and Management (DFDM), which staffs the State Building Commission. The Division manages approximately 2,200 state building program construction projects. The appropriation is funded with program revenue derived from a 4% fee assessed on most state building project budgets.

GOVERNOR

No provision.

DISCUSSION POINTS

1. As an annual program revenue appropriation, expenditures from the capital planning and building construction services appropriation are limited to the amounts indicated in the Chapter 20 schedule of appropriations for each year. Revenue to support these expenditures is provided primarily from the 4% fee DFDM assesses on state building projects. Unused funds remaining in the appropriation can be utilized in subsequent years, subject to expenditure authority and the available balance.

2. Under 2013 Act 145 and 2015 Act 55, a total of \$13.0 million was transferred to the general fund in 2015-16 and 2016-17 to reduce the appropriation's revolving balance. Revenues have exceeded expenditures for the appropriation over the past three years by an average of \$3.1 million per year. The following table identifies the appropriation's revenues, expenditures, transfers, and

associated cash balances from 2015-16 to 2017-18.

**Capital Planning and Building Construction Services,
2015-16 to 2017-18**

<u>Fiscal Year</u>	<u>Opening Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>Closing Balance</u>
2015-16	\$17,802,100	\$12,102,100	\$11,128,900	\$9,700,000	\$9,075,300
2016-17	9,075,300	13,472,200	9,998,500	3,350,000	9,199,000
2017-18	9,199,000	14,949,800	10,010,400	0	14,138,400

3. As of May 3, 2019, the appropriation's cash balance is \$21.1 million. The Department estimates that the 4% fee will generate approximately \$14.0 million annually during the 2019-21 biennium. Under the budget bill, DFDM would be authorized to spend approximately \$13.0 million PR annually over the 2019-21 biennium. The estimated closing balance of the appropriation for the 2019-21 biennium will be between \$18 million and \$21 million.

4. In a separate provision, the Governor recommends transferring \$10.0 million GPR from the general fund to the building trust fund for advanced planning activities for state building projects. One option to draw down the available PR balance would be to delete the proposed general fund transfer and, instead, transfer \$10 million from these accumulated monies to the building trust fund. This would provide the Building Commission funding for advanced planning, use a portion for the PR balances for purposes related to the building program, and save \$10.0 million for the general fund. Under this alternative, it is estimated that assessments would still generate sufficient revenues to support expenditures under the capital planning and building construction services appropriation. [Alternative 1]

5. It should be noted that expenditure authority for capital planning and building construction services has exceeded actual expenditures over the past three years by an average of \$2.3 million per year. In a separate provision, the Governor recommends providing 5.0 PR positions annually for construction oversight and contract administration services at a total cost of \$1,063,800 PR over the 2019-21 biennium. For further discussion of these positions, see "Construction Representative Positions" (Paper #121).

6. In addition, during 2013-15 budget deliberations, the Joint Committee on Finance and the Legislature directed DOA to annually assess the fee charged to state agency building projects budgets based upon the building program's budgeted expenditures. The Governor vetoed the provision under 2013 Act 20. As indicated above, revenue from the 4% fee that DOA charges state agencies consistently exceeds the cost of services provided. To more closely align revenues and expenditures, DOA could be directed to set the fee based upon the amount needed to meet the program's budgeted expenditures, not to exceed the current 4.0%. [Alternative 2]

7. It should be noted that the bill as introduced would not transfer funds from the capital planning and building construction services appropriation, nor would the bill modify the fee structure for DFDM. Further, DOA did not request modifications to the Division's assessment process or

appropriation balance in its agency budget request. Therefore, the Committee could decide to take no action, thereby maintaining the appropriation's current balance and fee structure. [Alternative 3]

ALTERNATIVES

1. Transfer \$10,000,000 from the capital planning and building construction services appropriation to the building trust fund in 2019-20. This would replace the proposed \$10,000,000 transfer from the general fund to the building trust fund. [This alternative may be selected with Alternative 2.]

ALT 1	Change to	
	Base	Bill
PR-Transfer	\$10,000,000	\$10,000,000
GPR-Transfer	0	- 10,000,000
SEG-REV	10,000,000	0

2. Direct DOA to annually assess the DFDM fee charged to state agencies based upon the building program's budgeted expenditures, not to exceed 4.0%. [This alternative may be selected with Alternative 1.]

3. Take no action.

Prepared by: Angela Miller

ADMINISTRATION

Facilities

LFB Summary Item Removed From Budget Consideration

<u>Item #</u>	<u>Title</u>
3	Modify Requirements for Leased Space