

# Building Program

(LFB Building Program Summary Memorandum Dated April 20, 2021)

## **LFB Summary Memorandum Items for Which an Issue Paper Has Been Prepared**

<u>Item #</u>	<u>Title</u>
1, 2, 3, & 4	2021-23 State Building Program (Paper #190)





## Legislative Fiscal Bureau

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June, 2021

Joint Committee on Finance

Paper #190

### 2021-23 State Building Program (Building Program)

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#### CURRENT LAW

Each state agency that requested projects for the 2021-23 state building program submitted a capital budget request to the Secretary of the Building Commission in 2020. Staff of the Department of Administration (DOA) analyzed the requests and provided recommendations to the Secretary of DOA and the Governor. The Governor then provided recommendations for the 2021-23 building program to the Building Commission for its consideration. On March 17, 2021, a series of motions before the Commission to recommend the Governor's proposed building program for consideration by the Joint Finance Committee resulted in 4-4 tie votes.

The attached information related to bonding and building program authorizations may assist the Legislature as they consider which projects to include in the building program for the 2021-23 biennium. Tables 1 through 4 provide information on GPR debt service and general fund supported borrowing (GFSB) amounts, while Tables 5 through 8 provide information on prior building programs and proposed 2021-23 enumerated projects. For more information on proposed projects, see the Legislative Fiscal Bureau's "Summary of the Governor's 2021-23 Building Program," published April 20, 2021.

#### DISCUSSION POINTS

1. Table 1 shows outstanding GFSB principal in December of each year from 2011 through 2020. As shown in Table 1, outstanding GFSB has declined from \$4.92 billion in 2011 to \$3.89 billion in 2020, as the state has paid off more GFSB than it has issued during that time period.

**TABLE 1**

**Outstanding GPR Supported General Obligation  
Bonding as of December of Each Year  
(in Millions)**

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2011	\$4,919.2	2016	\$4,780.9
2012	5,314.5	2017	4,433.4
2013	5,208.5	2018	4,209.9
2014	4,885.8	2019	4,015.3
2015	4,826.6	2020	3,892.2

2. Table 2 presents GPR debt service as a percentage of total GPR expenditures from 2010-11 through 2022-23. The debt service numbers for 2020-21 through 2022-23 reflect the most recent estimates of current law debt service, while the GPR expenditures for 2021-22 and 2022-23 are the adjusted base with standard budget adjustments and sum sufficient reestimates.

**TABLE 2**

**Annual GPR Debt Service  
(\$ in Millions)**

<u>Fiscal Year</u>	<u>GPR Expenditures</u>	<u>GPR Debt Service</u>	<u>Debt Service as a % of Expenditures</u>
2010-11	\$13,579.3	\$213.8*	1.57%
2011-12	13,751.1	155.1*	1.13
2012-13	14,332.9	616.7	4.30
2013-14	14,673.9	717.1	4.89
2014-15	15,503.5	509.7*	3.29
2015-16	15,378.9	507.2*	3.30
2016-17	15,897.0	566.8	3.57
2017-18	16,504.6	543.6	3.29
2018-19	17,515.1	600.6	3.43
2019-20	17,476.5	489.7*	2.80
2020-21	17,952.8	510.7	2.84
2021-22**	18,750.7	514.0	2.74
2022-23**	18,687.6	486.6	2.60

\*Excludes principal payments that were not paid in those years as a result of debt restructuring or reamortization.

\*\*Adjusted base with standard budget adjustments and sum sufficient reestimates.

3. GPR debt service as a percent of GPR expenditures can represent a policy goal when considering the amount of GFSB to be authorized in a budget. With general fund expenditures totaling around \$19 billion, each percentage point is \$190 million, and a goal of keeping debt service below 3.5% of GPR expenditures would mean that annual debt service should not exceed \$665 million. Each biennial budget includes the state building program for that biennium by enumerating projects and authorizing the related bonding. Given the timing needed to plan, bid, and construct many of the projects included in the 2021-23 building program, the bonding authorized for it will have little effect on debt service in the 2021-23 biennium. Once the bonds are issued, debt service will be paid over the 20-year life of the bonds. Table 3 shows estimated annual debt service amounts associated with the issuance of varying amounts of GFSB at assumed interest rates of 2% or 3%, once the full authorization amount has been issued.

**TABLE 3**

**Examples of Debt Service Once All Bonds Are Issued  
(in Millions)**

<u>Bonding Amount</u>	<u>Estimated Debt Service</u>	
	<u>2.0%</u>	<u>3.0%</u>
\$600	\$36.7	\$40.3
800	48.9	53.8
1,000	61.2	67.2
1,200	73.4	80.7

4. Table 4 shows an illustration of the general fund's potential capacity for additional GPR debt service. Several assumptions are incorporated into Table 4, including: (a) a growth rate of 2% in annual GPR expenditures; (b) a goal of debt service not exceeding 3.5% of GPR expenditures; and (c) estimated debt service on all currently authorized bonds prepared by capital finance staff based on issuance assumptions for pending capital finance needs. The final column in Table 4 subtracts estimated debt service on all currently authorized bonds from the 3.5% goal and shows the capacity for additional debt service. As shown in Table 4, as current debt is paid down and the general fund grows at an assumed 2% rate, the general fund's capacity to support GPR debt service increases. Based on the example in Table 4, GFSB authorizations in the amounts shown in Table 3 would be compatible with a goal to maintain GPR debt service below a 3.5% level.

**TABLE 4**

**Example of Calculation of Debt Service Capacity  
Assuming 2% Growth of GPR Spending and 3.5% Goal for Debt Service  
(in Millions)**

	<u>Net GPR 2% Growth</u>	<u>3.5% of Net GPR</u>	<u>Debt Service on Current Authorizations</u>	<u>Capacity for Additional Debt Service</u>
2021-22	\$19,279.5	\$674.8	\$514.0	\$160.8
2022-23	19,665.1	688.3	488.7	199.6
2023-24	20,058.4	702.0	488.2	213.8
2024-25	20,459.5	716.1	494.1	222.0
2025-26	20,868.7	730.4	510.6	219.8
2026-27	21,286.1	745.0	518.3	226.7
2027-28	21,711.8	759.9	497.5	262.4
2028-29	22,146.1	775.1	478.6	296.5
2029-30	22,589.0	790.6	465.5	325.1
2030-31	23,040.8	806.4	429.4	377.0

5. Table 5 shows general obligation borrowing amounts for each of the last five biennial building programs. Amounts include enumerated projects and all agency projects by fund source.

**TABLE 5**

**Building Program General Obligation Borrowing Levels  
(\$ in Millions)**

	<u>General Obligation Borrowing</u>			
	<u>GPR</u>	<u>PR</u>	<u>SEG</u>	<u>Total</u>
<b>2011-13</b>				
Enumerated Projects	\$235.6	\$167.6	\$8.4	\$411.6
All Agency Program	<u>185.0</u>	<u>133.9</u>	<u>1.6</u>	<u>320.6</u>
Total	\$420.6	\$301.5	\$10.0	\$732.1
<b>2013-15</b>				
Enumerated Projects	\$324.3	\$522.0	\$15.5	\$861.8
All Agency Program	<u>186.5</u>	<u>79.1</u>	<u>5.2</u>	<u>270.8</u>
Total	\$510.8	\$601.1	\$20.7	\$1,132.6
<b>2015-17</b>				
Enumerated Projects	\$101.2	\$0.0	\$0.0	\$101.2
All Agency Program	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total	\$101.2	\$0.0	\$0.0	\$101.2

**TABLE 5**

**Building Program General Obligation Borrowing Levels  
(\$ in Millions)**

	General Obligation Borrowing			
	<u>GPR</u>	<u>PR</u>	<u>SEG</u>	<u>Total</u>
<b>2017-19</b>				
Enumerated Projects	\$329.0	\$134.5	\$4.8	\$468.3
All Agency Program	<u>181.7</u>	<u>22.0</u>	<u>1.0</u>	<u>204.7</u>
Total	<u>\$510.7</u>	<u>\$156.5</u>	<u>\$5.8</u>	<u>\$673.0</u>
<b>2019-21</b>				
Enumerated Projects	\$668.7	\$396.5	\$14.0	\$1,079.2
All Agency Program	<u>275.0</u>	<u>97.2</u>	<u>1.8</u>	<u>374.0</u>
Total	<u>\$943.7</u>	<u>\$493.7</u>	<u>\$15.8</u>	<u>\$1,453.2</u>

6. Table 6 shows the all funds project enumeration amounts by agency since 2011-13. All funds includes new and existing general obligation bonds, existing revenue bonds, agency operating funds, gifts and other funds, and federal funding. At times, the building program includes grants for private projects, which may be shown as private project grants or under the Building Commission in the attachment. Adjustments to prior building program projects are not shown in Table 6.

7. The major agency projects enumerated as part of the 2021-23 state building program, as recommended by the Governor, are listed in Table 7 in priority order for each agency. Table 7 does not include adjustments to prior building program projects. The GFSB and total enumeration amounts are shown for each project.

**TABLE 6****Building Program Project Enumerated Amounts (All Funding Sources)  
(in Millions)**

	<u>2011-13</u>	<u>2013-15</u>	<u>2015-17</u>	<u>2017-19</u>	<u>2019-21</u>
Administration	\$0.00	\$178.84	\$4.75	\$79.00	\$5.69
Building Commission	1.62	61.24	78.13	87.27	40.00
Corrections	23.91	34.47	17.42	50.85	23.73
Educational Communications Bd.	0.52	0.00	0.00	0.00	0.00
Health Services	3.45	6.71	4.87	38.70	34.85
Justice	0.00	0.00	0.00	0.00	0.000
Medical College	0.00	14.77	0.00	0.00	18.50
Marquette University	16.00	0.00	4.00	0.00	0.00
Military Affairs	15.62	69.93	8.77	30.66	8.11
Natural Resources	23.94	32.00	49.19	10.25	17.92
Private Project Grants	0.00	21.25	0.00	0.00	0.00
Public Instruction	4.98	0.00	0.00	0.00	7.39
State Fair Park	0.00	0.00	0.00	7.92	3.00
State Historical Society*	83.65	0.00	0.00	1.65	100.00
Transportation	2.96	0.00	12.42	0.00	0.00
UW System	420.53	703.76	451.93	323.70	1,025.62
Veterans Affairs	8.98	5.91	84.82	17.94	18.51
All Agency	<u>365.73</u>	<u>329.13</u>	<u>132.42</u>	<u>361.29</u>	<u>432.04</u>
	\$971.89	\$1,458.01	\$848.72	\$1,009.23	\$1,735.36

\* Of the bonding enumerated for the State Historical Society in 2011-13, only \$4.4 million of bonding remains authorized.



**TABLE 7**

**State Agency 2021-23 Enumerated Major Projects  
Total Project Authority**

	<u>GFSB</u>	<u>Total Enumeration</u>
<b>Administration</b>		
Milwaukee – New State Office Building	\$0	\$163,629,000
<b>Building Commission</b>		
WisCraft, Inc.–Beyond Vision Center	\$5,000,000	\$19,000,000
Kenosha STEM Innovation Center	9,750,000	19,500,000
Milwaukee – Wisconsin Museum of Nature and Culture	<u>40,000,000</u>	<u>170,000,000</u>
Total	\$54,750,000	\$208,500,000
<b>Corrections</b>		
Central Generating Plant – Water System Infrastructure	\$7,114,900	\$7,114,900
Oshkosh Correctional Institution – Secure Residential Treatment and Diversion Units	2,580,000	2,580,000
Milwaukee County – Juvenile Corrections Facility	45,791,000	45,791,000
Wisconsin Secure Program Facility – New Health Services Unit	7,792,000	7,792,000
Dodge Correctional Institution – New Health Services Unit	18,596,000	18,596,000
Green Bay Correctional Institution – New Health Services Unit	12,500,000	12,500,000
Jackson Correctional Institution – Health Services Unit Remodel and Expansion	4,400,000	4,400,000
Taycheedah Correctional Institution – Security Improvements	<u>6,209,000</u>	<u>6,209,000</u>
Total	\$104,982,900	\$104,982,900
<b>Health Services</b>		
Winnebago Mental Health Institute – Patient Admissions Area	\$16,795,000	\$16,795,000
Sand Ridge Secure Treatment Center – Skilled Care Unit Remodel	12,612,000	12,612,000
Central Wisconsin Center – Food Service Building Renovation	23,873,000	23,873,000
Mendota Mental Health Institute – Water System Improvements	11,200,000	11,200,000
Mendota Mental Health Institute – Heating Plant Renovation	19,107,000	19,107,000
Mendota Mental Health Institute – Utility Improvements	<u>14,920,000</u>	<u>14,920,000</u>
Total	\$98,507,000	\$98,507,000
<b>Historical Society</b>		
Old World Wisconsin – Immersive Welcome Experience, Phase II	\$9,661,000	\$14,321,000
<b>Military Affairs</b>		
Viroqua – New Readiness Center	\$6,928,000	\$23,994,000
Statewide– Tower Upgrades	21,112,800	21,112,800
Milwaukee – Readiness Center Renovation Phase IV	3,247,000	6,494,000
Marinette and Waupaca– New Motor Vehicle Storage Buildings	720,900	2,561,000
Fort McCoy – Physical Fitness Facility	40,000	2,068,000
Chippewa Falls– New Facility Maintenance Building	<u>333,000</u>	<u>1,330,000</u>
Total	\$32,381,700	\$57,559,800

	<u>GFSB</u>	<u>Total Enumeration</u>
<b>Natural Resources</b>		
Rock Island State Park – Historic Boat House Exterior Repair	\$1,441,900	\$1,441,900
Lake Wissota State Park –Campground Toilet/Shower Building Replacement	3,497,700	3,497,700
Mirror Lake State Park –Campground Toilet/Shower Building Replacement	0	1,462,200
Vernon Wildlife Area – Consolidated CWD Field Operations Facility	0	1,970,900
Pattison State Park –Campground Toilet/Shower Building Replacement	1,458,900	1,458,900
Potawatomi State Park –Public Entrance Visitor Station Replacement	2,532,500	2,532,500
Peninsula State Park –Campground Toilet/Shower Building Replacement	2,091,400	2,091,400
Hartman Creek State Park –Campground Toilet/Shower Building Replacement	2,239,300	2,239,300
Collins Marsh Wildlife Area – New Field Station	0	1,688,400
Richard Bong State Recreational Area – Consolidated Field Operations Facility	0	1,576,300
Fisheries Operations Headquarters – Field Operations Facility Replacement	0	2,503,800
Horicon Marsh Wildlife Area – Centralized Field Equipment Facility	0	1,214,700
Grantsburg Ranger Station – Fire Equipment Maintenance Facility Replacement	0	3,319,200
Washburn – Fire Response Range Station Replacement	0	3,591,900
Wisconsin Rapids Service Center – Consolidated Equipment Storage Facility	0	2,040,300
Dodgeville Service Center – Multifunctional Field Support Building	<u>0</u>	<u>3,432,900</u>
Total	\$13,261,700	\$36,062,300
<b>University of Wisconsin System</b>		
Systemwide – Instructional Space Projects Program, Group 1	\$15,217,000	\$15,217,000
Systemwide – Minor Facilities Renewal Projects Program, Group 1	55,216,000	56,629,000
Stevens Point – Albertson Hall Replacement	96,000,000	96,000,000
Madison – Music Hall Restoration	26,368,000	26,368,000
Oshkosh – Clow Hall/Nursing Education Renovation, Phase II	26,974,000	26,974,000
Milwaukee – Sandburg Hall West Tower Renovation	0	11,445,000
La Crosse – Residence Halls Elevator Tower Additions	0	9,642,000
Systemwide – Instructional Space Projects Program, Group 2	16,658,000	16,658,000
Systemwide – Minor Facilities Renewal Projects Program, Group 2	36,457,000	43,798,000
Whitewater – Winther Hall/Heide Hall Entry Additions	59,445,000	59,445,000
La Crosse– Mitchell Hall HVAC System Replacement	26,329,000	26,329,000
Madison – Engineering Drive Utilities Replacement	50,467,000	73,141,000
River Falls – Science and Technology Innovation Center	116,730,000	116,730,000
Green Bay – Cofrin Technology and Education Center	93,850,000	96,297,000
La Crosse – Prairie Springs Science Center, Phase II	92,799,000	92,799,000
Madison – Engineering Building Replacement, Phase I	100,000,000	150,000,000
Madison – College of Letters and Science Academic Building	<u>65,363,000</u>	<u>88,441,000</u>
Total	\$877,873,000	\$1,005,913,000
<b>Veterans Affairs</b>		
Union Grove – Kitchen Remodel	\$1,228,200	\$3,508,900
King – Chiller Modifications	1,609,800	4,599,300
King – HVAC and Controls Upgrades	1,316,000	3,760,000
Southern Wisconsin Veterans Memorial Cemetery – Unheated Storage Building	1,264,000	1,264,000

	<u>GFSB</u>	<u>Total Enumeration</u>
<b>Veterans Affairs (continued)</b>		
Central Wisconsin Veterans Memorial Cemetery – Unheated		
Storage Building	<u>\$1,264,000</u>	<u>\$1,264,000</u>
Total	\$6,682,000	\$14,396,200
<b>All Agency</b>		
Facility Maintenance and Repair	\$130,871,700	\$211,632,300
Utility Repair and Renovation	64,594,300	113,926,700
Health, Safety and Environmental Protection	37,042,200	45,736,600
Preventive Maintenance Program	50,000	375,000
Programmatic Remodeling and Renovation	5,387,500	31,525,400
Capital Equipment Acquisition	7,142,000	10,270,100
Land and Property Acquisition	0	11,700,000
Energy Conservation	<u>0</u>	<u>100,358,400</u>
Total	\$245,087,700	\$525,524,500
 Grand Total	 \$1,443,187,000	 \$2,229,395,700

8. Table 8 shows the recommended adjustments to previous building programs. The new GFSB and total enumeration amounts are shown for each project.

**TABLE 8**

**Modifications to Previous Building Programs  
New GFSB and Total Project Authority**

	<u>New GFSB</u>	<u>Revised Total Enumeration</u>
<b>2015-17 Building Program</b>		
Health Services		
Central Wisconsin Center-life safety renovations Building 1 and 6	\$4,840,400	\$22,448,400
<b>2017-19 Building Program</b>		
Veterans Affairs		
Wisconsin Veterans Home at King-food service upgrades	1,635,900	11,675,000
Central Wisconsin Center-life safety renovations Building 1 and 6	1,401,000	3,783,000
<b>2019-21 Building Program</b>		
Corrections		
Stanley Correctional Institution-new health services unit	14,126,000	14,126,000
Public Instruction		
Wisconsin Education Services Program for the Deaf and Hard of Hearing-New Huff Hall Dormitory	<u>17,611,700</u>	<u>25,000,000</u>
Totals	\$39,615,000	\$77,032,400

9. Another relevant factor in considering the amount of GFSB to authorize for building program projects is the effect of inflation on construction costs if projects are delayed to subsequent building programs. Data on inflation indicate that the cost to build new office space has increased at nearly double the rate of the consumer price index over the last ten years. Based on this factor and current low interest rates on debt issuance, it may be more costly for the state if projects are postponed.

Prepared by: Angela Miller

## **Building Program**

### **LFB Summary Memorandum Items with Statutory Language Related to Projects Included in Items 1 and 2**

<u>Item #</u>	<u>Title</u>
7	Beyond Vision Center
8	Kenosha Science, Technology, Engineering, and Mathematics Innovation Center
9	Wisconsin Museum of Nature and Culture

### **LFB Summary Memorandum Items for Which No Issue Papers Have Been Prepared**

<u>Item #</u>	<u>Title</u>
5	State Industry and Labor Building (GEF 1) Replacement
6	State Historical Society Headquarters, Phase II (note: \$2,400,000 of building trust funds is proposed)
10	Statement of Building Program Continuation
11	Project Loans

