



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #200

All Agency Projects (Building Program)

[LFB 2003-05 Budget Summary: Pages 74-1 thru 74-4, #1]

CURRENT LAW

Building program projects with a cost exceeding \$500,000 are required to be enumerated. 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 monies needed to fund the project. A major exception to the requirement that individual projects be enumerated by the Legislature is the category of projects known as "All Agency" projects. These broad types of projects are enumerated under titles that indicate a general category of work and that establish an overall budget for the biennium for that purpose. The "All Agency" enumerations are used for types of projects, such as maintenance, that recur, but where the Commission may need to address unanticipated needs during the biennium.

BUILDING COMMISSION

Provide \$245,640,000 in all funds for "All Agency" projects to be funded as part of the 2003-05 building program. Specify the following amounts for the various categories of "All Agency" projects:

Facilities Repair and Renovation Projects	\$137,423,000
Utilities Repair and Renovation Projects	61,694,000
Health, Safety and Environmental Protection	28,073,000
Preventative Maintenance	6,000,000
Programmatic Remodeling and Renovation Projects	7,000,000
Land and Property Acquisition	<u>5,450,000</u>
Total	\$245,640,000

Specify that the funds for "All Agency" projects would be provided from the following sources: (a) \$210,998,000 in new, GPR supported general obligation bonding authority; (b) \$23,119,000 in program revenue supported general obligation bonding authority; (c) \$529,000 in segregated fund supported general obligation bonding authority; (d) \$4,307,000 in revenue bond authority; (e) \$303,000 in existing general obligation bonding authority; (f) \$3,324,000 in agency operating funds authority; (g) \$1,336,000 in gifts, grants, and other receipts authority; and (h) \$1,724,000 in federal funds authority.

DISCUSSION POINTS

1. The Building Commission's recommendations for the "All Agency" projects portion of the 2003-05 state building program would be funded with \$234,646,000 in additional general obligation bonding. Of these amounts, \$210,998,000, or 89.9%, would be general fund supported bonding, \$23,119,000, or 9.9%, would be program revenue supported bonding and \$529,000, or 0.2%, would be segregated fund supported bonding.

2. The facilities maintenance and repair, utility repair and renovation, and health, safety and environmental protection categories would account for 92.5% of the recommended "All Agency" funding for the 2003-05 building program. The following table indicates the project funding each agency would receive under these main categories of "All Agency" funding based on the Building Commission's recommendations.

Main Categories of Recommended "All Agency" Project Funding Estimated Allocation by Agency

<u>Agency</u>	<u>Facilities Maintenance and Repair</u>	<u>Utility Repair and Renovation</u>	<u>Health, Safety and Environmental Protection</u>	<u>Total</u>
Building Commission (Any Agency)	\$45,000,000	\$17,000,000	\$12,500,000	\$74,500,000
Health and Family Services	5,291,000	805,000	1,483,000	7,579,000
Military Affairs	4,365,000	1,500,000	250,000	6,115,000
Natural Resources	2,422,000	2,634,000	0	5,056,000
Administration	7,128,000	2,690,000	390,000	10,208,000
Corrections	16,178,000	7,780,000	756,000	24,714,000
Transportation	3,139,000	0	0	3,139,000
Public Instruction	1,465,000	0	0	1,465,000
Veterans Affairs	1,566,000	850,000	1,075,000	3,491,000
State Historical Society	374,000	0	0	374,000
State Laboratory of Hygiene	1,663,000	0	0	1,663,000
University of Wisconsin System	<u>48,832,000</u>	<u>28,435,000</u>	<u>11,619,000</u>	<u>88,886,000</u>
Total	\$137,423,000	\$61,694,000	\$28,073,000	\$227,190,000

3. DOA Division of Facilities (DFD) officials indicate that the 2003-05 capital budget instructions issued to agencies stressed three issues: (a) the need to maintain and protect the state's investment in its existing facilities; (b) the need to limit new bonding authorizations; and (c) the importance of ensuring closer coordination between capital and operating budgets. They indicated that these issues, in addition to the estimated backlog of maintenance projects related to state facilities and the impact of the building program on job creation and economic development in the state, influenced the Department's 2003-05 capital budget recommendations to the Building Commission.

4. With these goals in mind, DFD officials, as staff to the Building Commission, recommended a building program that was primarily aimed at maintaining and conducting needed repairs on existing state facilities rather than constructing and having to pay for, and operate, new facilities. Therefore, DFD recommended, and the Commission approved, a 2003-05 building program that focused on funding "All Agency" maintenance and repair type projects. The recommended funding levels for "All Agency" projects accounts for \$211.0 million, or 78.2%, of the \$269.9 million of general fund supported borrowing recommended for the 2003-05 building program. The remaining \$58.9 million in general fund supported borrowing is for new construction projects primarily within the University of Wisconsin system (\$49.2 million) and the Department of Corrections (\$6.6 million).

5. An illustration of the emphasis that the Building Commission's 2003-05 building program recommendations would place on maintaining existing facilities rather than new facility construction is presented in the following table. The table compares the building program general obligation bonding for major building projects over the past several biennia. The bonding amounts shown are for specifically enumerated building program projects in each biennium. These projects typically involve construction of new facilities or the expansion of existing facilities. The portion of the general obligation bonding authorized that is supported from GPR is also shown.

**General Obligation Bonding for Enumerated Building Projects
Within Biennial State Building Programs**

<u>Biennium</u>	<u>GPR Supported Bonding Portion</u>	<u>Total General Obligation Bonding</u>	<u>GPR Supported as % of Total</u>
1995-97	\$183.6	\$276.3	66.5%
1997-99	262.2	320.3	81.9
1999-01	281.9	412.7	68.1
2001-03	529.0	927.4	57.0
2003-05	58.9	240.4	24.5

6. As the table shows, the Building Commission's recommended bonding amounts for new facility construction or the expansion of state buildings under the 2003-05 state building program would be the smallest increase in total bonding for such projects in the last five biennia.

Similarly, under the Commission's 2003-05 building program recommendations, the portion of these projects funded from GPR supported bonding (\$58.9 million) would be significantly lower than the amount of such bonding provided in recent biennia.

7. One reason why the recommended amount of new facility construction and facility expansion projects is lower than in recent biennia is because approximately \$245.6 million (\$169.7 million funded from GPR supported bonding) in projects enumerated under the 2001-03 state building program are not authorized to take place until the 2003-05 biennium. DFD officials indicate that in addition to the overriding goals mentioned earlier, these bonding amounts for previously enumerated project amounts were another reason why the Commission placed less of an emphasis on new construction and expansion projects.

8. The State owns over 6,200 buildings with an estimated value of over \$9.5 billion. According to DFD staff, over two-thirds of these buildings are more than 30 years old, which they indicate is an age that typically requires physical, mechanical and electrical improvements. In addition, health, safety, and environmental improvements are often required to upgrade facilities to meet health and safety codes.

9. According to DFD staff, one estimate of the annual amount of funding necessary to maintain these state facilities is provided by the National Research Council (NRC), which is affiliated with the National Academy of Sciences. NRC indicates that annually 2% to 4% of the value of the facilities is needed each year to properly repair and maintain public buildings. In order to meet this guideline, the state would need to invest \$184 million to \$368 million annually to maintain and repair its existing facilities. Using this guideline, DFD estimates that between \$134 million and \$268 million annually would be required to maintain and repair the GPR supported portion of the state's facilities.

10. In addition to the ongoing maintenance and repair needs, DFD officials indicate that their facilities and maintenance database tracking system estimates an existing backlog of maintenance and repair projects for GPR supported facilities of \$1.2 billion. These projects include roofing, superstructure and other capital improvements, plumbing, electrical, and heating and cooling improvements, water and sewer repairs and fire protection and safety upgrades, and disability access upgrades. Using the estimates of the backlog of capital repair projects on state facilities, if the state were to provide the \$245.6 million in recommended funding for all agency projects for the next several biennia, it would take nearly five biennia to complete the backlog of projects.

11. The recommended level of "All Agency" bonding under the 2003-05 state building program is greater than the amounts provided in three of the last four biennia. Only the "All Agency" bonding amounts provided under the 2001-03 building program exceeds the amount recommended for the 2003-05 building program. However, the amount of GPR bonding recommended for "All Agency" projects in 2003-05 would significantly exceed the amount of that bonding provided in each of the past four biennia. The following table compares the level of "All Agency" general obligation bonding provided in recent biennia with the amount recommended for

the 2003-05 building program.

**"All Agency" Bonding Authorizations
by Fund Type Supporting the Debt Service
(\$ in Millions)**

	<u>General Obligation Bonding</u>			<u>Total</u>
	<u>GPR</u>	<u>PR</u>	<u>SEG</u>	
1995-97	\$99.3	\$53.8	\$0.8	\$153.9
1997-99	104.0	36.3	0.2	140.5
1999-01	144.4	49.2	1.7	195.3
2001-03	180.8	78.9	2.1	261.8
2003-05	211.0	23.1	0.5	234.6

12. While some level of "All Agency" funding is needed to maintain and repair existing state facilities, providing \$210,998,000 in general fund supported borrowing for such projects will result in additional debt service cost for the life of the bonds. Although it is estimated that no debt service costs will be incurred in the 2003-05 biennium associated with this bonding, when the bonds are fully issued, annual GPR debt service costs to the state would be increased by an estimated \$20 million. Some have argued that given the state's current fiscal constants, it may be imprudent to increase the size of GPR borrowing for this portion of the state building program.

13. However, as mentioned earlier, the growth in the "All Agency" portion of recommended 2003-05 state building program would be more than offset by the reduced size of GPR supported bonding for the specifically enumerated projects under the Commission's recommendations. Overall, the \$269.9 million in total GPR supported bonding recommended for the 2003-05 building program would be the lowest level of GPR supported bonding provided for a biennial state building program since the 1993-95 biennium.

14. If the Committee is concerned about the level of GPR "All Agency" bonding recommended by the Building Commission for the 2003-05 biennia, the Committee could approve one of the following alternatives to reduce the level of that bonding: (a) provide \$132.1 million in GPR "All Agency" bonding, which would equal the average amount "All Agency" bonding provided in recent biennia; or (b) provide \$180.8 million in GPR supported "All Agency" bonding, which would provide the same level of GPR supported bonding that was provided under the 2001-03 building program. The second alternative would provide the Commission with same level of "All Agency" bonding that was included in the 2001-03 building program. If a lower level of bonding is provided, DFD and the Building Commission would likely have to re-prioritize the projects among the various "All Agency" project categories based on that lower funding amount. The following table lists the reductions in GPR supported bonding for "All Agency" projects under the two alternatives.

Comparison of Alternatives on GPR Supported Bonding

<u>Alternative</u>	<u>Reduced Bonding Amount</u>	<u>Change to Bldg. Commission</u>
Average of Past Biennia	\$132,100,000	-\$78,898,000
Maintained at 2001-03 Level	180,800,000	-30,198,000

ALTERNATIVES

1. Approve the Building Commission's recommendation to provide \$245,640,000 in all funds to fund "All Agency" projects under the 2003-05 state building program as follows: (a) \$210,998,000 in new GPR supported general obligation bonding authority; (b) \$23,119,000 in program revenue supported general obligation bonding authority; (c) \$529,000 in segregated revenue supported general obligation bonding authority; (d) \$4,307,000 revenue bond authority; (e) \$303,000 in existing general obligation bonding authority; (f) \$3,324,000 in agency operating funds authority; (g) \$1,336,000 in gifts, grants, and other receipts authority; and (h) \$1,724,000 in federal funds authority.

<u>Alternative 1</u>	<u>All Funds</u>
2003-05 FUNDING (Change to Bill)	\$245,640,000

2. Modify the Building Commission's recommendations by providing \$166,742,000 in total funding for "All Agency" projects under the 2003-05 state building program as follows: (a) \$132,100,000 in new GPR supported general obligation bonding authority; (b) \$23,119,000 in program revenue supported general obligation bonding authority; (c) \$529,000 in segregated revenue supported general obligation bonding authority; (d) \$4,307,000 revenue bond authority; (e) \$303,000 in existing general obligation bonding authority; (f) \$3,324,000 in agency operating funds authority; (g) \$1,336,000 in gifts, grants, and other receipts authority; and (h) \$1,724,000 in federal funds authority. *(This would reduce the level of GPR supported bonding compared to the Building Commission's recommendations by \$78,898,000, which would provide a level of GPR supported bonding for "All Agency" projects equal to the average level of such bonding provided over the past four biennia).*

<u>Alternative 2</u>	<u>All Funds</u>
2003-05 FUNDING (Change to Bill)	\$166,742,000

3. Modify the Building Commission's recommendations by providing \$215,442,000 in total funding for "All Agency" projects under the 2003-05 state building program as follows: (a) \$180,800,000 in new GPR supported general obligation bonding authority; (b) \$23,119,000 in program revenue supported general obligation bonding authority; (c) \$529,000 in segregated revenue supported general obligation bonding authority; (d) \$4,307,000 revenue bond authority; (e)

\$303,000 in existing general obligation bonding authority; (f) \$3,324,000 in agency operating funds authority; (g) \$1,336,000 in gifts, grants, and other receipts authority; and (h) \$1,724,000 in federal funds authority. *(This would reduce the level of GPR supported bonding compared to the Building Commission's recommendations by \$30,198,000, which would provide the a level of GPR supported bonding for "All Agency" projects equal to the amount provided under the 2001-03 building program.)*

<u>Alternative 3</u>	<u>All Funds</u>
2003-05 FUNDING (Change to Bill)	\$215,442,000

4. Maintain current law, which would result in no funding for "All Agency" projects under the 2003-05 building program.

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