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May 30, 2013

Joint Committee on Finance

Paper #169

Local Projects in 2013-15 State Building Program (Building Program)

[LFB 2013-15 Budget Summary: Page 521, #1, Page 525, #2, Page 526 #5, Page 527, #6, Page 529, #8, Page 530, #9, and Page 531, #10 and #11]

CURRENT LAW

Building program projects with a cost exceeding \$760,000 are required to be enumerated in the authorized state building program. 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 moneys needed to fund the project.

BUILDING COMMISSION

Enumerate the following local, nonstate projects and authorize the following GPR supported bonding amounts as part of the 2013-15 state building program.

<u>Project</u>	<u>GPR Supported Bonding</u>
Dane County Livestock Facilities	\$9,000,000
Domestic Abuse Intervention Service Facility and Shelter - Madison	560,000
Family Justice Center - Milwaukee	10,625,000
KI Convention Center Expansion	2,000,000
Norskedalen Nature and Heritage Center	1,048,300
Wisconsin Maritime Center for Excellence - Marinette County	<u>5,000,000</u>
Total	\$28,233,300

Create a bonding authorization and debt service appropriation for each of these projects.

Specify that that Legislature finds and determines that that there is public interest and purpose associated with each of these projects. In addition, specify that if each facility is not

used for its designated purpose, the state would retain an ownership interest in the facility.

Require that the state funding commitment be in the form of a grant to each entity for which the project is being completed. Specify that before approving any state funding commitment to each project, the Building Commission would be required to make a determination that the County has secured additional funding from nonstate donations for the project. Specify that the Building Commission would not be allowed to make the grants for these projects, unless the Department of Administration (DOA) has reviewed and approved the plans for the construction of the projects, although DOA could not supervise any services or work or let any contract for the project.

DISCUSSION POINTS

1. Historically, local projects tend not to be included in the state building program, which is intended to address state facility needs. However, since the 1997-99 biennia, the Building Commission and the Legislature have included local projects as part of the biennial state building program. In 2009 Act 28 alone, the Legislature authorized \$15,575,000 in general fund supported bonding to nine local projects. Since 1997, the state has provided a total of \$23,075,000 in general fund supported bonding toward seventeen local projects, as indicated in Table 1. Estimated annual GPR debt service on these bonds will be \$1.6 million and overall state financing costs associated with the projects will total \$32 million.

Local Projects Enumerated in Recent State Building Programs

<u>Project</u>	<u>Bonding Authorized</u>
Nash Auto Museum (1997 Act 27)	\$1,000,000
Swiss Cultural Center (1999 Act 9)	1,000,000
Milwaukee Policy Athletic League Youth Activities Center (1999 Act 9)	1,000,000
HR Academy, Inc. Youth and Family Center (2001 Act 16)	1,500,000
Hmong Cultural Center (2007 Act 20)	2,250,000
Kenosha Civil War Exhibit (2007 Act 20)	500,000
Bond Health Center (2007 Act 20)	1,000,000
Aids Resource Network (2009 Act 28)	300,000
Aids Resource Center (2009 Act 28)	800,000
Bradley Center Sports and Entertainment Corporation (2009 Act 28)	5,000,000
Dane County Yahara Watershed Initiative (2009 Act 28)	6,600,000
Madison Children's Museum (2009 Act 28)	250,000
Myrick Hixon EcoPark (2009 Act 28)	500,000
Aldo Leopold Climate Change Classroom and Interactive Library (2009 Act 28)	500,000
Oshkosh Opera House (2009 Act 28)	500,000
L.E. Phillips Library – Eau Claire (2009 Act 28)	125,000
Lac du Flambeau Indian Tribal Cultural Center (2011 Act 32)	<u>250,000</u>
Total	\$23,075,000

2. In the past, concerns have been raised related to the trend of including local projects in biennial state building programs, since there are many local projects within communities throughout the state that could use state assistance. Approving a project like those currently recommended by the Building Commission for the 203-15 state building program could further the recent trend toward state funding for local projects and give other communities or groups of citizens cause to request state aid for their local project.

3. In an effort aimed at addressing these concerns, the Building Commission has developed policies and criteria for including state funding for local projects in the state's capital budget. Under the Building Commission policies and guidelines the following requirements are to be used in determining whether a local project should be included in the state building program.

- the project must be in the public interest;
- there should be a statewide basis justifying the need for the project;
- local or other financing alternatives should be considered first;
- the requestor should be required to provide evidence that the purpose and use of the project is such that it can be financed with tax-exempt bonds;
- the requestor and DOA should consider appropriate language to protect the state's interest in the project if the property is used for purposes other than those approved by the Building Commission;
- the Commission can modify its original approval if the proposed change is in the public interest and approved by state bond counsel;
- the requestor agrees to provide a 50% or greater match for the project before initial review by the Commission and the Commission may require appropriate guarantees for this match; and
- the local project must be submitted and reviewed following the same procedures used for state agency requests for funding through the state capital budget.

4. According to Department of Administration (DOA) Division of Facilities Development staff, each local project recommended by the Commission was submitted and reviewed following the same procedures used for state agency requests for funding through the state capital budget.

5. It is likely that the GPR supported bonds for these projects would not be issued until 2014-15, or later if fundraising efforts are slower than anticipated. Therefore, there would be little, if any, GPR debt service costs associated with bonding recommended for the projects in the 2013-15 biennium. However, under a twenty-year, flat repayment structure, the annual debt service costs once the bonds are fully-issued would result in the annual and total debt service amounts indicated

in Table 2. While local projects similar to the proposed projects have been deemed worthy and have been funded with GPR supported borrowing in recent years, some question exists as to whether such projects are a priority use of GPR supported borrowing.

TABLE 2

Projected GPR Debt Service on Bonding for Local Projects

<u>Project</u>	<u>Annual GPR Debt Service</u>	<u>Total GPR Debt Service</u>
Dane County Livestock Facilities	\$630,000	\$12,600,000
Domestic Abuse Intervention Service Facility and Shelter - Madison	40,000	800,000
Family Justice Center - Milwaukee	750,000	15,000,000
KI Convention Center Expansion	140,000	2,800,000
Norskedalen Nature and Heritage Center	70,000	1,400,000
Wisconsin Maritime Center for Excellence - Marinette County	<u>350,000</u>	<u>7,000,000</u>
Total	\$1,980,000	\$39,600,000

6. Concerns have been raised as to the increase in level of general obligation indebtedness the state has incurred over the past couple of decades and the amount of new bonding being authorized in the Governor’s budget and the Building Commission recommendations. As indicated in Table 2, total debt service on the local projects would be \$1,980,000 GPR per year for the next 20 years after the bonds are fully-issued. Total debt service on the GPR supported bonding would be \$39,600,000 to support the \$28,233,300 in general fund supported bonding, which means it could cost the state an additional \$11,366,700, or 40.2% more than the amount borrowed, to pay the interest over the life of the borrowing.

7. If the Committee is concerned about borrowing for these projects, the overall level of bonding before the Committee, and given the additional GPR funds available in 2012-13 through 2014-15, as indicated by this office in our recent revenue estimates, the Committee could choose instead to provide a GPR grant to fund some or all of the projects rather than providing GPR supported bonding (Alternatives A2, B2, C2, D2, E2, and F2). These alternatives would save the state the interest costs on bonds issued for the project.

8. Conversely, interest rates on bonds issued for capital financing projects are at historic lows, which could make borrowing for these local capital projects less of a concern at this time. Also, these local projects, while being built over the next few years, would be available to public for many years. Therefore, it is often argued that it is equitable to borrow for such projects, because it allows both current and future taxpayers, all of whom will benefit from these public projects, to pay for the project.

9. Given that general state aid programs to counties and municipalities have been reduced in the current biennium and no additional local aid funding would be provided in the 2013-15 biennium under the Governor's budget recommendations, it may be difficult to justify providing funding through the building program to a select few local projects. Further, given that these

projects would be exclusively located in one community, each of the projects meets the criteria established in 2011 Act 220 and was listed on the earmark transparency report to the Committee required under Act 220.

A. Dane County Livestock Facilities

10. Dane County and the World Dairy Expo requested the enumeration of \$9.0 million in GPR borrowing to construct up to three livestock buildings for a total of approximately 290,000 square feet at a total project cost of \$18.0 million. Building Commission documents note that the construction is necessary to adequately house dairy cattle during the World Dairy Expo, an international dairy cattle and trade show, which showcases dairy genetics and other advances in technology and equipment available to the world's dairy industry. The Commission notes that the World Dairy Expo event has been nationally ranked as one of the fastest growing trade shows.

11. According to the Building Commission recommendations, the World Dairy Expo has outgrown the facilities at the Alliant Energy Center. The Commission indicates that in 2011, 2,587 head of cattle were exhibited at the World Dairy Expo, and it is anticipated that the dairy cattle numbers will increase to 2,650 by 2017. The proposed new livestock buildings and the remaining barns would accommodate the immediate need for additional space for dairy cattle exhibitors and allow for the continued growth of the Expo.

12. This would not be the first time the state has aided the World Dairy Expo Center. The state assisted the Dane County Exposition Center in Madison, the facility that hosts the Expo, with a major expansion and renovation of the Dane County facility at a time when the World Dairy Expo Center was looking at alternate sites to host their annual expo. The updated facility opened in 1995, and state has been making an annual payment since then to assist Dane County with the debt service associated with the expansion project. For most years the state has provided \$240,000 GPR toward the project's debt service, and the final payment of \$182,700 GPR will be made in 2013-14. In addition, since 1974, the state has annually provided GPR funding to aid the World Dairy Expo (currently funded at \$20,100 GPR). Given the significance of the state's dairy industry and the state funding provided for the World Dairy Expo Center in the past, some would argue that the current project is consistent with the view that the World Dairy Expo project has a statewide significance.

B. Domestic Abuse Intervention Service Facility and Shelter (Madison)

13. The Building Commission recommends providing \$560,000 in GPR supported borrowing for a Domestic Abuse Intervention Service Facility and Shelter project in Madison. The project would be enumerated as a \$5.6 million project. The project would involve the construction of a 35,175 square foot facility on a 1.4 acre site at 2102 Fordem Ave. on the north side of Madison. The site is currently a vacant warehouse and the new facility would include the reuse of 19,030 square feet of the existing building and a new 16,145 square foot, two-story addition. The facility would be a mix of residential, program, and office spaces.

14. The grant for the project would be made to Domestic Abuse Intervention Services, Inc. (DAIS), who would be responsible for securing the remaining funds for the \$5.6 million facility. DAIS indicates that it has secured a \$463,000 Dane County community development block

grant for pre-development work and has raised an additional \$1.9 million from individuals and businesses.

C. Family Justice Center (Milwaukee)

15. The Building Commission is recommending the enumeration of a \$21,250,000 Family Justice Center project in Milwaukee which would include \$10,625,000 in GPR supported bonding. The project would involve the construction of a 78,000 square foot facility to coordinate, centralize, and co-locate services for families impacted by violence in the Milwaukee community and would be a joint effort between Children's Hospital of Wisconsin and the Sojourner Family Peace Center (SFPC).

16. The SFPC provides education, advocacy and resources and operates a 46-bed shelter and carries out other programs, including a 24-hour domestic violence hotline. SFPC also provides domestic abuse victim advocates in the Milwaukee District Attorney's Office, operates the Belle Resource Center for Women and Children, and provides a courthouse advocacy and restraining order clinic, legal emergency assistance and child advocacy services. Currently, the SFPC clients are served in a separate domestic violence shelter and the Belle Resource Center. The Child Protection Center (CPC) serves clients at its offices in Milwaukee. The Family Justice Center would be located at 619 West Walnut Street in Milwaukee and would house SFPC, CPC, and Children's Hospital of Wisconsin staff and associated community-based services. The project includes the redevelopment of an existing site with improvements that formerly served as a nursing home and rehabilitation center.

17. The Building Commission indicates that the justification for this project is that the CPC brings together professionals from law enforcement, criminal justice, child protective services, victim advocacy groups, and the medical and mental health communities. This comprehensive approach to providing services to child victims and their families in family-friendly environment could minimize trauma, help break the cycle of abuse, and increase prosecution and conviction rates.

18. The state has assisted the Children's Hospital of Wisconsin with a capital project in the past. Under 2005 Act 25, \$10 million of GPR supported bonding was provided for a \$40 million Children's Research Institute project.

19. The state currently provides \$6.7 million GPR annually for grants to domestic abuse centers under a Department of Children and Families (DCF) domestic abuse grant program. Some federal funding is also available for domestic abuse. Joint Finance action on May 23 added \$750,000 GPR annually for domestic abuse grants. The grants can also be used for any of the following purposes: (a) shelter facilities or private home shelter care; (b) advocacy and counseling for victims; (c) a 24-hour telephone service; and (d) community education.

20. While the proposed projects in Madison and Milwaukee may be worthy projects, the projects would likely only provide services to the populations of those cities who would use the facilities. Therefore, one can question whether the project would meet the Commission's criteria of having to be project that addresses a statewide concern. An expansion funding for DCF's existing domestic abuse grant program would allow more services to be funded statewide based on those

areas with the most need, which may be a better approach rather than just choosing two projects to receive funding through the state building program.

D. K I Convention Center Expansion

21. The City of Green Bay requested that the state provide \$4.0 million in GPR borrowing for the expansion of the K I Convention Center in downtown Green Bay. The Building Commission recommends \$2.0 million in GPR supported borrowing for the \$21.5 million facility, and would enumerate the project in the 2013-15 state building program.

22. The project would involve the construction of a 35,000 square foot meeting room space with state of the art wireless and conferencing technology. The project would also involve the expansion of the existing facility above an existing parking lot and street right-of-way to preserve on-site parking and vehicle circulation. Proponents contend that the project is needed a critical component of the continued development of downtown Green Bay.

23. While the project would appear to meet several of the criteria established by the Building Commission, some question exists as to whether there is a statewide justification for a local convention center facility. Despite having provided state assistance to the Monona Terrace Convention Center in Madison in the past, it is not clear that the state as whole benefits from by assisting local convention centers.

24. The state provides local units of government two revenue options to assist local units of governments in meeting their needs: the 0.5% county sales and use tax assessed on the same base of products and services as the state sales and use taxes; and the local room or "lodging" taxes, which can be assessed on most overnight lodging at a rate of up to 8%, with revenues being used primarily for tourism development and promotion activities. Under certain circumstances, the room tax rate can exceed 8%, one of which would be if the municipality has long-term debt associated with the construction or renovation of a convention center. Several Brown County municipalities recently approved a 10% room tax, effective July 1, 2012. County sales tax revenues can be used to defray any item which could otherwise be funded from a countywide property tax. Providing some level of financial assistance to the KI Center in Green Bay would likely be seen as an allowable use of county property tax levy. However, Brown County has not enacted the 0.5% county sales and use tax. Some may question whether the state should provide \$2.0 million in funding for a convention center in Green Bay, when the County has not imposed a 0.5% sales and use tax to help with the project.

E. Norskedalen Nature and Heritage Center

25. The Building Commission recommends the enumeration of a \$4,482,900 Norskedalen Nature and Heritage Center project funded with \$1,048,300 in GPR supported bonding. The Norskedalen Board of Directors plans to revitalize the Skumsrud Farm, is a 43-acre farm located in Coon Valley (Vernon County). The farm was once home to the Thrune family, descendants of the Skumsrud family who emigrated from Norway in 1849. The original Skumsrud 1853 log cabin is located on its original building site. The property was donated to Norskedalen in 1983.

26. Written materials and archaeological evidence indicate the site was inhabited by Native Americans for millennia before the Norwegian settlers arrived. Discovered and documented pottery shards, projectile points, and other worked artifacts indicate that there was a Native American presence dating back 13,000 years. The Center would feature the historic cabin and buildings and reorganize the property into an all-encompassing heritage site highlighting the rich archaeological features of the property. Norskedalen will focus on reconstructing a traditional Native American village and interpret the interaction of Native Americans

27. While the Nature and Heritage Center project would appear to meet several of the criteria established by the Building Commission, some questions exist as to whether there is a statewide justification for such a project. However, providing state assistance to cultural centers like the Norskedalen Nature and Heritage Center is not without precedent: 1999 Act 9 provided \$1,000,000 in GPR-supported bonding and a \$1,000,000 grant for the Swiss Cultural Center in New Glarus; 2007 Act 20 provided \$2,250,000 in GPR supported bonding for Hmong Cultural Centers in Madison and La Crosse; and 2011 Act 32 provided \$250,000 in general fund supported bonding for a Lac du Flambeau Indian Tribal Cultural Center.

F. Wisconsin Maritime Center for Excellence – Marinette County

28. The Building Commission's recommendations would provide \$5,000,000 in GPR supported bonding in the form of a grant to Marinette County Association for Business and Industry. The recommendation would enumerate the construction of an \$11,658,000 Wisconsin Maritime Center for Excellence in Marinette County. The project would involve the construction of a 24,000 square foot facility that would be a community-based training, education, research, and entrepreneurship center needed to support the maritime and shipbuilding industry cluster in Marinette County. The facility would be managed by the Association along with local educational and industry partners. The facility would also house a maritime business incubator to cultivate the formation of new businesses.

29. The Commission indicates that the justification for the project is that Marinette and the surrounding region have a long history in the maritime and shipbuilding industry. The Commission notes that nearly one-third of workers in Marinette County are employed in the manufacturing industry, with most of these positions tied to the maritime and shipbuilding industries. Finally, the Commission notes that the Center would help keep currently employed workers competitive in their fields, while also providing training for new employees.

30. While the facility would seem to meet most of the criteria for the Building Commission has outlined for enumerated local projects, some concerns exist as to whether there is a statewide justification for a local project aimed at assisting a local economy. However, others may contend that helping one region of the state by assisting employers and employees through education, research, and entrepreneurship training would benefit the entire state's economy.

31. The state has several economic development and employee training programs that local governments or public/private partnership, or non-profit groups must apply for in order to receive state funding. It could be argued by selecting one local community to receive state assistance for economic development and training infrastructure may not be the best way to provide

such funds.

32. For example, the Wisconsin Economic Development Corporation (WEDC) administers the targeted industry projects program, which provides funding for projects with the potential for high impact on employment and economic growth in targeted industries. The projects must be actively led by industry consortia and have potential for significant private sector investment and job creation, sustainable long-term economic impact, improved competitive advantage, and a high return on investment. Division staff identifies targeted industry sectors through criteria-based assessment, and funding is allocated to sector projects based on the criteria. WEDC budgeted \$6,000,000 for this program in 2012-13.

ALTERNATIVES

A. Dane County Livestock Facilities

1. Approve the Building Commission's recommendations relating to the Dane County Livestock Facilities project. Enumerate the project as a \$18,000,000 project under the 2013-15 state building program and authorize \$9,000,000 in GPR supported bonding for the project.

ALT A1	Change to Bill Funding
BR	\$9,000,000

2. Modify the Building Commission's recommendations relating to the Dane County Livestock Facilities project to provide a \$9,000,000 GPR cash grant for the project instead of bonding. Create a biennial GPR appropriation from which the Commission could provide such grants.

ALT A2	Change to Bill Funding
GPR	\$9,000,000

3. Maintain current law, which result in this project not being included in the 2013-15 building program.

B. Domestic Abuse Intervention Service Facility and Shelter - Madison

1. Approve the Building Commission's recommendations relating to the Domestic Abuse Intervention Service Facility and Shelter project. Enumerate the project as a \$5,600,000 project under the 2013-15 state building program and authorize \$560,000 in GPR supported bonding for the project.

ALT B1	Change to Bill
	Funding
BR	\$560,000

2. Modify the Building Commission's recommendations relating to the Domestic Abuse Intervention Service Facility and Shelter project to provide a \$560,000 GPR cash grant for the project instead of the bonding. Create a biennial GPR appropriation from which the Commission could provide such grants.

ALT B2	Change to Bill
	Funding
GPR	\$560,000

3. Maintain current law, which would result in this project not being included in the 2013-15 building program.

C. Family Justice Center - Milwaukee

1. Approve the Building Commission's recommendations relating to the Family Justice Center project in Milwaukee. Enumerate the project as a \$21,250,000 project under the 2013-15 state building program and specify that \$10,625,000 in existing GPR supported bonding could be used to assist in funding the project.

ALT C1	Change to Bill
	Funding
BR	\$10,625,000

2. Modify the Building Commission's recommendations relating to the Family Justice Center project to provide a \$10,625,000 GPR cash grant for the project instead of the bonding. Create a biennial GPR appropriation from which the Commission could provide such grants.

ALT C2	Change to Bill
	Funding
GPR	\$10,625,000

3. Maintain current law, which would result in this project not being included in the 2013-15 building program.

D. K I Convention Center Expansion

1. Approve the Building Commission's recommendations relating to the K I Convention Center Expansion project. Enumerate the project as a \$21,500,000 project under the 2013-15 state building program and authorize \$2,000,000 in GPR supported bonding for the project.

ALT D1	Change to Bill Funding
BR	\$2,000,000

2. Modify the Building Commission's recommendations relating to the K I Convention Center Expansion project to provide a \$2,000,000 GPR cash grant for the project instead of the bonding. Create a biennial GPR appropriation from which the Commission could provide such grants.

ALT D2	Change to Bill Funding
GPR	\$2,000,000

3. Maintain current law, which would result in this project not being included in the 2013-15 building program.

E. Norskedalen Nature and Heritage Center

1. Approve the Building Commission's recommendations relating to the Norskedalen Nature and Heritage Center project. Enumerate the project as a \$4,482,900 project under the 2013-15 state building program and authorize \$1,048,300 in GPR supported bonding for the project.

ALT E1	Change to Bill Funding
BR	\$1,048,300

2. Modify the Building Commission's recommendations relating to the Norskedalen Nature and Heritage Center project to provide a \$4,482,900 GPR cash grant for the project instead of the bonding. Create a biennial GPR appropriation from which the Commission could provide such grants.

ALT E2	Change to Bill Funding
GPR	\$1,048,300

3. Maintain current law, which would result in this project not being included in the 2013-15 building program.

F. Wisconsin Maritime Center for Excellence – Marinette County

1. Approve the Building Commission's recommendations relating to Wisconsin Maritime Center for Excellence in Marinette County. Enumerate the project as a \$11,658,000 project under the 2013-15 state building program and authorize \$5,000,000 in GPR supported bonding for the project.

ALT F1	Change to Bill Funding
BR	\$5,000,000

2. Modify the Building Commission's recommendations relating to the Wisconsin Maritime Center for excellence project to provide a \$5,000,000 GPR cash grant for the project instead of the bonding. Create a biennial GPR appropriation from which the Commission could provide such grants.

ALT F2	Change to Bill Funding
GPR	\$5,000,000

3. Maintain current law, which would result in this project not being included in the 2013-15 building program.

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