



Legislative Fiscal Bureau

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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.

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