

# Rob Hutton

STATE REPRESENTATIVE • 13<sup>TH</sup> ASSEMBLY DISTRICT

May 3, 2017

To: The Assembly Committee on State Affairs  
From: Rep. Rob Hutton  
Re: Assembly Bill 205

## Testimony of Rep. Rob Hutton in Support of Assembly Bill 205

Mr. Chairman and members of the committee, thank you for giving Assembly Bill 205 a public hearing. When looking at government there are three main drivers to its size and cost. These are people, places, and programs. Places, or the physical footprint, include properties owned or leased by the state. While looking at the state's purchasing and leasing practices we saw areas where we could improve transparency and add protective measures that ensure the taxpayers are getting the best value.

One example, is the lease for the Department of Corrections Headquarters. Its annual lease payment is \$4,955,044. In 2005 the lease was extended to 2016 and in 2009 the lease was extended again until the year 2021. The total cost to taxpayers from 2010 to the end of the extended lease will exceed \$50 million or almost 3 times the assessed value of the property which is \$14 million. In addition, the state's top 10 leases have annual rents that exceed \$500,000 per year.

Currently, the government spends approximately \$60 million a year on leases that support government agencies. With a budget that size we believe we need to improve our practices around how we evaluate and contract for those leases. Our legislation puts in several safeguards to accomplish these measures. First, it would require that any lease over \$500,000 must signed by the Secretary of DOA or the Governor. Second, DOA must complete a review of comparable properties within a 10 mile radius to determine that a proposed lease does not exceed market rates by more than 5 percent. Third, it would require a cost benefit analyses to be completed to determine whether a different property or the purchase of the potential leased property would be more cost effective than the proposed lease. Finally, the leases would be subject to a passive review by JFC before the lease can be signed.

This legislation is simply about requiring DOA to improve the due diligence in our government leasing process prior to locking down millions of taxpayers' dollars for extended periods of time. With these added measures Wisconsin citizens can be confident we are maximizing the use of government resources as we accommodate the facilities needs of state agencies.



# CHRIS KAPENGA

WISCONSIN STATE SENATOR

## Testimony on Assembly Bill 205

*Committee on State Affairs*

May 3, 2017

Thank you Chairman Swearingen and committee members for hearing testimony today on Assembly Bill 205. I also want to thank Representative Hutton for leading on this issue in Assembly.

One of the major drivers of state operating costs is our physical footprint, meaning properties owned and leased by the state. The current process for determining our footprint needs lacks the transparency and defined processes that help ensure taxpayers are receiving the best value possible.

When examining some of our most expensive leases, there are a number that stand out, most notably the Department of Corrections Headquarters. The assessed value of this property is approximately \$14 million dollars. In 2009, several weeks before shifting to a new administration, the lease was renewed for another five years until 2021, at a price of almost \$5 million per year. The total cost Wisconsin taxpayers will pay on rent from 2010 to 2021 will exceed \$50 million, almost three times the assessed value. This lease was clearly not a good deal for taxpayers.

This bill will help prevent these sort of leases by codifying a set of common-sense business practices and transparency measures that the Department of Administration (DOA) must follow prior to renewing or entering into a new lease. First, prior to signing a lease DOA must conduct a cost-benefit analysis comparing the proposed lease to other comparable lease options AND the alternative of purchasing a space within a 10-mile radius. DOA must then make a determination that the proposed lease rates do not exceed lease rates on comparable properties within this radius by more than 5 percent. This will help ensure that taxpayers are not stuck paying the bill for overpriced leases.

This bill also takes a step to ensure that leases with an annual rent of over \$500,000 are personally signed by the Secretary of the Department of Administration. These larger leases then must be submitted to the Joint Finance Committee, along with the cost-benefit analysis, for a 14-day passive review. This will ensure that leases with the largest cost to the state will receive added scrutiny and verify that Wisconsin taxpayer dollars are used in the most efficient manner.

Wisconsin taxpayers deserve to know that government services are being delivered in the most efficient and effective manner possible. This bill accomplishes this by adopting business practices utilized in the private sector and by providing legislators and the public with the additional transparency needed to fully analyze our cost footprint.

Thank you Chairman Swearingen and committee members for listening to my testimony, and I would be happy to answer any questions.