



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

June 4, 2001

Joint Committee on Finance

Paper #260

Kenosha Civil War Museum (Building Program)

[LFB 2001-03 Budget Summary: Page 158-1, #1 (part), 158-5, #2 (part) and 158-8, # 6]

CURRENT LAW

Building program projects with a cost exceeding \$500,000 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 monies needed to fund the project.

BUILDING COMMISSION

Enumerate a \$7 million Kenosha Civil War Museum project as part of the 2001-03 state building program. Authorize the Building Commission to issue \$2 million in general fund supported borrowing to aid in the construction of a Civil War museum in the City of Kenosha. Create a \$2 million bonding authorization for a Civil War museum in the City of Kenosha and create a sum sufficient appropriation under the Building Commission for debt service and to make payments determined by the Building Commission that are attributable to the proceeds of obligations incurred in the financing of the construction grant associated with project. Specify that the Building Commission would not be allowed to issue any bonding prior to July 1, 2003. Require that the state funding commitment be in the form of a construction grant to the City of Kenosha. Specify that before approving any state funding commitment for the museum and before awarding the construction grant, the Building Commission would be required to determine that the City of Kenosha has secured additional funding commitments of at least \$2 million from nonstate revenue sources. Provide that if the Commission authorizes a grant to the City of Kenosha and if the facility that is constructed with funds from the grant is not used as a Civil War museum, the state would retain an ownership interest in the facility equal to the amount the grant.

Specify that the Building Commission would not be allowed to make any grant to the City of Kenosha for the project, unless the Department of Administration has reviewed and approved the plans for the project. Exclude the project from the current law state construction and contracting requirements for state construction projects by specifying that DOA would not be allowed to supervise any services or work or let any contract for the project. Further exclude the contracts for the project from the written approval of the DOA Secretary or the Governor as required under current law for most state construction projects

DISCUSSION POINTS

1. The report on the Building Commission recommendations for the 2001-03 capital budget indicates that the proposed Kenosha Civil War Museum would be located on a brownfield property along Kenosha's lakefront. The building program report indicates that the museum would showcase artifacts from the Carthage College and State Historical Society collections. The report also indicates that the museum would concentrate on Wisconsin's role in the Civil War and the African American contribution to the war with an overview of the war in general.

2. The proposed Kenosha Civil War museum was requested by the City of Kenosha. In its building program report, the Commission indicates to the Legislature that no detailed budget exists for the project, although the City of Kenosha requested that the \$7 million project be funded from \$5 million in general fund supported borrowing and \$2 million from gifts, grants and local funds. The Building Commission recommends the enumeration of the project at \$2 million in general fund supported borrowing and \$5 million in gifts, grants and local funds.

3. City officials indicate that the museum would be a strong tourism draw for the Kenosha area. The Mayor of the City of indicates that the \$2 million in state bonding, \$2 million in City of Kenosha funds and \$1 million in gifts and grants would be used to fund the construction of the museum facility. In addition, \$2 million in gifts and grants would be used to purchase Civil War displays and artifacts for the museum. The City would also donate the land for the facility.

4. Under the Building Commission recommendations, no state funding would be provided for the project until the City of Kenosha has secured additional funding commitments of a at least \$2 million from non-state revenue sources. The City is in the process of beginning to raise funds for the project. The Mayor also indicates that if the state funding for the project is approved, he will include funding in the City's 2002 capital budget to conduct the planning and design for the facility.

5. While the annual operating costs of the facility are not known, the Building Commission and the Mayor indicate that the City of Kenosha would be responsible for those costs. Debt service costs on the \$2 million of state bonding proposed for the project would total an estimated \$160,500 GPR annually over the 20-year life of the bonds. However, given the likely timing of the project, it is projected that no debt service costs would be incurred in the 2001-03 biennium.

6. The building program amendment specifies that if the \$2.0 million in state bonding is provided for the project and the facility that is constructed is not used to a museum facility, the state would have an ownership interest in the facility in an amount equal to the state funding in the project. This provision, which has been included in past local capital projects that included state funding, would appear to ensure the state would have some ownership interest in the event the state's funding in the event the facility constructed with state funds is not used as a Civil War museum.

7. The State Veterans Museum in Madison has a total display area that consists of 10,000 square feet, of which 2,000 is dedicated to the Civil War, which is known as one of the premier civil war displays and collections in the midwestern United States. The annual cost of operating the Veterans Museum totals approximately \$1.5 million annually, of which most is dedicated to maintaining and operating the Museum's display areas.

8. By comparison, the Mayor of Kenosha indicates that the proposed Civil War museum facility would total over 30,000 square feet, with nearly all of the facility being dedicated to display areas. Further, with only limited artifacts and display materials available on the Civil War, it is unclear given the size of the proposed facility relative to the Veteran's museum Civil War display whether sufficient materials would be available to fill such a facility.

9. The Kenosha Civil War museum project was not included in DOA Division of Facilities Development staff recommendations to the Building Commission. The project was included by the Building Commission during deliberations on the 2001-03 state building program on a 8-0 vote.

10. In accordance with statutory requirements for a long-range plan for the building program, agencies submit six-year facilities plans to DFD. These plans define the facility related needs of the agency into specific projects and establish a timeline for those projects over the next six years. The first two years of the plan would form the basis for the agency's request for projects to be included as part of the 2001-03 building program. Because the project was included by the Building Commission during its deliberations on the 2001-03 building program, the proposed Civil War museum did not go through this planning process.

11. While local projects tend not to be included in the state building program, in recent biennia the Building Commission and the Legislature have included local projects in the biennial state building program. The Building Commission's 1997-99 state building program included an \$8 million project, including \$1 million in general fund supported borrowing, for the Nash Auto Museum in Kenosha. The project was deleted by the Joint Committee on Finance, but included in by the Legislature in 1997 Act 27. Similarly, 1999 Act 9 authorized \$1 million in general fund supported borrowing each for the Swiss Cultural Center in New Glarus and the Milwaukee Police Athletic League's youth activity center. These projects were not part of the Building Commission's 1999-01 state building program recommendations, but were included in 1999 Act 9 by the Legislature.

12. Some have raised concerns related to the recent 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 the Kenosha Civil War museum could further the recent trend toward state funding for local projects and give other communities cause to request state aid for their local project.

13. In an effort aimed at addressing this concern, during the Building Commission deliberations on the Kenosha Civil War museum project, the Governor requested the Commission to develop policies and criteria for including state funding for local projects in the state's capital budget. At the May, 2001, Building Commission meeting, staff from the DOA-Division of Facilities Development provided the Commission with preliminary policies and guidelines on how the Commission could respond to future requests from local units of government and private entities that request state general fund supported borrowing for their project. The Commission is expected to address the staff recommendations at its next meeting. The following were the suggested Building Commission policies and guidelines for the inclusion of local projects in the state building program.

- a. The project would be required to be in the public interest.
- b. There would be a statewide basis justifying the need for the project.
- c. Local or other financing alternatives should be considered first.
- d. 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.
- e. The requestor would be required to consider deeding title to the land to the State of Wisconsin with a lease back to the requestor for at least the period of time required to retire the bonds.
- f. The Commission could modify its original approval of a local project if the proposed change is in the public interest and provided the change is approved by the state's bond counsel
- g. 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.
- h. No local project would be allowed to be included in the state biennial state building program, unless the project goes through the same administrative process that is required of state agency projects relating to the timelines for submitting such project requests.

14. Under current law, the Building Commission each biennium develops a manual for preparation of capital budget requests. The manual provides the general guidelines, policies and timelines for submission of capital budget requests by state agencies. If adopted by the Commission, it is likely that the policies and guidelines relating to local projects would be included in the Building Commission's 2003-05 capital budget manual.

15. While the Building Commission is recommending the enumeration of the Kenosha Civil War museum project in the 2001-03 state building program, the \$2 million in general fund

supported borrowing would not be provided until the 2003-05 biennium. Because the project would not need the funding until next biennium, the Committee could choose not to enumerate the museum facility in the 2001-03 state building program or provide the funding at this time. The City of Kenosha could then resubmit the project for consideration in the 2003-05 biennium. The project would then be subject to any Building Commission's guidelines and policies for local projects that are adopted and the project would be required to go through the same capital budget process that state agency capital projects must go through.

16. Not providing state funding for the project at this time could affect the fund raising efforts of the City of Kenosha for the facility. Having a state commitment to the project could assist the City in soliciting donors for the project and could encourage donors to contribute to the project.

ALTERNATIVES TO BASE

1. Approve the Building Commission's recommendations to enumerate a \$7 million Kenosha Civil War museum project as part of the 2001-03 state building program. Authorize the Building Commission to issue \$2 million in general fund supported borrowing to aid in the construction of a Civil War museum in the City of Kenosha. Create a \$2 million bonding authorization for a Civil War museum in the City of Kenosha and create a sum sufficient appropriation under the Building Commission for debt service and to make payments determined by the Building Commission that are attributable to the proceeds of obligations incurred in the financing of the construction grant associated with project. Specify that the Building Commission would not be allowed to issue any bonding prior to July 1, 2003. Require that the state funding commitment be in the form of a construction grant to the City of Kenosha. Specify that before approving any state funding commitment for the museum and before awarding the construction grant, the Building Commission would be required to determine that the City of Kenosha has secured additional funding commitments of a at least \$2 million from nonstate revenue sources. Provide that if the Commission authorizes a grant to the City of Kenosha and if the facility that is constructed with funds from the grant is not used as a Civil War museum, the state would retain an ownership interest in the facility equal to the amount of the grant.

Specify that the Building Commission would not be allowed to make any grant to the City of Kenosha for the project, unless the Department of Administration has reviewed and approved the plans for the project. Exclude the project from the current law state construction and contracting requirements for state construction projects by specifying that DOA would not be allowed to supervise any services or work or let any contract for the project. Further exclude the contracts for the project from the written approval of the DOA Secretary or the Governor as required under current law for most state construction projects.

<u>Alternative 1</u>	<u>BR</u>	<u>Other Funds</u>	<u>All Funds</u>
2001-03 FUNDING (Change to Base)	\$2,000,000	\$5,000,000	\$7,000,000
<i>[Change to Bill</i>	<i>\$2,000,000</i>	<i>\$5,000,000</i>	<i>\$7,000,000]</i>

2. Take no action. The Kenosha Civil War museum project would not be enumerated in the 2001-03 state building program and no state funding would be provided for the project.

Prepared by: Al Runde