



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #262

Wisconsin History Center (Building Program)

[LFB 2001-03 Budget Summary: Page 158-10, #8]

CURRENT LAW

The State Historical Society Museum is located in a four-story building at the corner of West Mifflin Street and North Carroll Street in Madison. Most of the museum collections and curatorial staff are located in the basement of the Society's headquarters building on the University of Wisconsin-Madison campus.

The Society's headquarters building also houses the Wisconsin Center for Film and Theater Research (WCFTR). The Center is a joint program of the Historical Society and UW-Madison to preserve historical records from the entertainment industry including film, videos, manuscripts, photographs and sound recordings.

BUILDING COMMISSION

Enumerate \$131.5 million in self-amortizing bonding for construction of the Wisconsin History Center. Specify that the Building Commission would not be allowed to issue the self-amortizing bonding until the Building Commission determines that the Historical Society has secured funding commitments of at least \$75 million from gifts, grants, or other receipts to finance the structure. Modify the Society's existing program revenue debt service appropriation to also receive revenues from the Society's gifts and grants appropriation. Specify that the Society's existing self-amortizing bonding authorization for acquisition, construction, development, enlargement and improvement of facilities at the state historic sites could not be used for construction of the Wisconsin History Center.

DISCUSSION POINTS

1. The existing Historical Society museum is approximately 32,200 square feet. The museum currently displays about 2% of the Society's total collections. Society staff estimate that an average of 90,000 to 100,000 people visit the Society museum annually, of which about 30% are students.

2. A study of the feasibility of a history center was conducted in 2000. A draft report of the study's findings, conducted by Lord Cultural Resources (an international planning and consulting firm), indicates that the existing museum's lack of facilities for exhibits and public programs precludes the delivery of programs expected for a state museum. The report also indicates that storage space at the headquarters building is inadequate and substandard.

3. Because of lack of storage space, the Society's collections acquisitions have effectively ceased. The Society has rented additional storage space over the last six years. However, Society staff indicate that all available storage space is full. The Wisconsin Center for Film and Theater Research, also with collections storage in the Society's headquarters building, shares the same storage constraints, and has also ceased collections acquisitions.

4. For the 1995-97 biennium, the Society requested \$11.9 million in general fund bonding to construct an offsite facility for storage, office and laboratory space. Instead, 1995 Act 27 enumerated a \$5,000,000 general fund supported project under the Department of Administration for a records center and office facility that was to serve the needs of the State Records Center, the UW stores program and the Historical Society. The project was designed, but never bid. Under 1995 Act 27, \$400,000 in borrowing was also authorized to permit the Society to install the systems and equipment necessary to move collections to a new storage facility, and study policies and procedures relating to storage needs. The \$400,000 has not been used because a storage facility has not been identified. The Society indicates that the funding would be needed if a new location is provided.

5. Because of existing facility concerns, the Historical Society has let its accreditation with the American Association of Museums lapse until its facilities are upgraded. Society staff indicate that they have been able to renew in the past because of proposed collections facilities. However, such proposals have not proceeded, to date.

6. The Building Commission recommendations include enumeration of \$131.5 million for a history center project that would be funded with program revenue supported borrowing. The current proposal includes the existing museum property and adjacent land. The recommended borrowing level does not include the purchase of land or relocation costs, which have not been identified. The project would accommodate both the Historical Society Museum and the WCFTR including space for exhibits, storage, offices, an auditorium and event rentals.

7. The Commission's recommendations would require that no bonding could be issued until the Historical Society has a commitment of at least \$75 million from gifts grants and other

receipts. Funds from parking fees revenue from the parking structure that would be included as part of the new facility would also support some of the costs of the center.

8. In its agency capital budget submission, the Historical Society requested \$30 million in general fund supported borrowing for a Wisconsin history center. However, the proposed project is significantly increased in scope and costs from the \$30 million facility that the Society requested. While a state history center may be a building program priority for the Society, and could be included in the 2001-03 state building program, the proposed \$131.5 million project is more than four times the size of the project requested.

9. It is unclear whether the \$75 million in gifts and grants and other receipts required under the proposal would be used directly to pay construction costs of the facility or to assist in the retirement of debt service on \$131.5 million in program revenue bonds. It is estimated that annual debt service payments on \$131.5 million in bonds would equal approximately \$10.6 million on an annualized basis assuming a flat, 20-year repayment structure. Assuming that the full \$75 million in gifts and grants is in hand at the time the bonds are issued, the principal and investment earnings on those funds would be sufficient to pay for the first nine or ten years of debt service on the bonds. The Society would need to generate an additional \$50 to \$60 million in gifts or other revenues in the next few years, or a larger amount of pledges in the future for the bonds to be paid off with gift proceeds.

10. At the time of the Building Commission deliberations on the 2001-03 capital budget, Society officials indicated that they did not know how they could generate sufficient program revenue to finance the Center. Since that time, Historical Society officials have indicated that they have identified a possible donor that may provide a large portion of the \$75 million. In addition, the current proposal for the Center includes a parking structure that would generate revenue toward the debt service costs. The Society is also considering an admission fee for the new museum facility.

11. Self-amortizing general obligation bonds are intended to be self-funded with program revenues from the activities within the facility that the bonds funded or by gift or other monies. However, in the event that program revenues are not sufficient to cover annual debt service costs on the bonds, the general fund would be required to cover any remaining annual debt service payment on the bonds.

12. While a possible opening date for the Center has not been identified, part of the space for the structure is committed until July, 2002. In addition, some have assumed a 2006 opening date that would coordinate the opening with the Overture Project in Madison. Given that the opening of the Center would not likely occur for several years, the Committee could eliminate the project until sources of funding are more secure, and the project plans have more detail and time to be reviewed. The project could then be enumerated in separate legislation or as part of the 2003-05 building program when project design and financing are more developed. However, delaying approval of the project could jeopardize the Society's ability to generate gifts, grants and other commitments for the project.

ALTERNATIVES TO BASE

1. Approve the Building Commission's recommendation to: (a) enumerate \$131.5 million in self-amortizing bonding to contract for construction of the Wisconsin History Center; (b) specify that the Building Commission would not be allowed to issue the self-amortizing bonding until the Building Commission determines that the Historical Society has secured funding commitments of at least \$75 million from gifts, grants, or other receipts to finance the structure; (c) modify the Society's existing program revenue debt services appropriation to also receive revenues from the Society's gifts and grants appropriation; and (d) specify that the Society's existing self-amortizing bonding authorization for acquisition, construction, development, enlargement and improvement of facilities at the state historic sites could not be used for construction of the Wisconsin History Center.

Alternative 1	BR
2001-03 FUNDING (Change to Base)	\$131,500,000
<i>[Change to Bill</i>	<i>\$131,500,000]</i>

2. Maintain current law.

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