



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #716

Private Lease Space Supplements - DOA Directed Moves (Program Supplements)

[LFB 2001-03 Budget Summary: Page 525, # 4 (part)]

CURRENT LAW

There is a single GPR appropriation under Program Supplements for state agencies' costs of rent in private leased space and for DOA-directed moves. A total of \$3,395,000 GPR was appropriated in 2000-01 for these purposes. There are two other existing appropriations to allow comparable supplements from program revenue and segregated revenue funding sources.

GOVERNOR

Provide overall increased funding under this GPR appropriation of \$5,774,700 in 2001-02 and \$6,298,800 in 2002-03. Total GPR funding in this appropriation under the Governor's recommendation (which includes base level funding of \$3,935,000) would be \$9,709,700 in 2001-02 and \$10,233,800 in 2002-03.

DISCUSSION POINTS

1. The program supplements appropriation section of the statutes allows the establishment of reserve funds, particularly GPR funding, for the supplement of individual state agency appropriation levels. Generally, these reserve appropriations are established for certain costs that are anticipated to have to be borne by state agencies in the next biennium, but for which the precise amount of increased funding is not yet determinable at the time the budget is under consideration.

2. This GPR appropriation will provide reserve funding for the amounts that are

estimated to be needed in the next biennium to supplement state agencies' GPR appropriations for two types of cost increases. These are for: (a) increased costs of any privately-leased space that these agencies occupy; and (b) required agency moves when directed by the Department of Administration (DOA). Costs under this second category could include increased space costs as a result of the required move, the actual cost of making the physical relocation and other costs associated with the move such as telephone and IT relocations and reconnections, building improvements in the new location and temporary overlapping rent payments. The comparable PR and SEG appropriations are established for the same purpose.

3. The total requested funding for this appropriation in 2001-03 consists for funding for two distinct purposes as shown in Table 1.

TABLE 1

Lease Space Supplements By Purpose

<u>Purpose</u>	<u>GPR Funding Amount</u>	
	<u>2001-02</u>	<u>2002-03</u>
Private Lease Space Supplements	\$1,288,700	\$1,967,000
Costs for DOA Directed Moves	<u>8,421,000</u>	<u>8,266,800</u>
TOTAL	\$9,709,700	\$10,233,800

3. This paper addresses just the component requests for the total funding indicated under "Costs for DOA Directed Moves".

4. The total amount of funding included for directed moves under the Governor's recommendation consists of funding requirements that have been jointly developed by the affected agencies, the Division of Police and Building Services in DOA and the State Budget Office. Some of funding requested is for moves that have already occurred or will be occurring in the near future. Other funding is for moves that are still in the planning stages for the next biennium but which are expected to occur. The cost components of the funding for directed moves are shown by agency and cost category in Table 2.

TABLE 2**Detail of Funding Components for Directed Moves Total Budget**

<u>Agency</u>	<u>Cost Components</u>	<u>GPR Funding</u>	
		<u>2001-02</u>	<u>2002-03</u>
Corrections	American Family Building		
	Increased lease costs	\$2,172,500	\$2,294,200
	IT master lease payments	630,500	603,700
	Miscellaneous costs	92,100	17,500
	Move of 3 Probation and Parole Offices		
	Increased lease costs	10,000	11,400
	Purchase of systems furniture	0	36,700
	One-time move costs	5,000	25,000
	Total	\$2,910,100	\$2,988,500
Justice	Increased lease costs - Justice Center Building	\$1,464,600	\$1,545,700
	Remaining rent - Loraine Building	653,500	0
	One-time move costs	314,400	0
	IT master lease payments	501,900	602,300
	Crime Lab Expansion		
	Increased lease costs	0	397,900
	One-time move costs	0	131,600
	Total	\$2,934,400	\$2,677,500
Revenue	Increased lease costs	\$965,400	\$965,400
	Supplements for 2001-03 rent increases	465,900	652,200
	IT master lease payments	380,000	375,300
	Miscellaneous costs	45,900	46,000
	Total	1,857,200	2,038,900
Health & Family Services	Southern Regional Office move	155,000	0
Legislative Audit Bureau	IT master lease payments	50,800	\$50,800
Natural Resources	Surge space rental -- GEF 2 remodeling	496,500	477,100
	Increased lease costs - DNR Lab move	17,000	34,000
	Total	513,500	511,100
	GRAND TOTAL	\$8,421,000	\$8,266,800

5. The results of a review and analysis by this office of the items included in Table 2 is described in the following paragraphs.

6. *Justice: Increased lease costs.* In calculating the increased funding needed for relocation of the Department of Justice to office space in the new Justice Center, the budget was based on the assumption that the Justice Center would be privately owned and used the higher rental rates expected to be charged by the building owner. However, in the 2001-03 state building program budget amendment that has been sent to Committee, bonding authority is provided to allow purchase of the facility so that it would become a new state office building. Further, separate legislation (SB 144/AB 316) has been introduced to provide this specific bonding authorization prior to final enactment of the biennial budget and the Governor has recommended its passage as emergency legislation. As a state-owned office building, the rental rate paid by the Department of Justice will be less than was budgeted for under the Governor's recommendation (2000-01 rate of \$18.10 versus \$22.61). In addition, as is the case with other state agencies, funding for proposed rent increases in the next biennium would be available from the separate appropriation for rent supplements for state-owned office space. Making these two adjustments to calculations used for increased lease costs for the Department of Justice would reduce the required funding by \$681,500 GPR in 2001-02 and \$762,600 GPR in 2002-03.

7. *Health and Family Services. Southern Regional Office move.* The Department of Health and Family Services plans to relocate in 2001-02 its Southern Regional Office in Madison to a different leased facility. In connection with the relocation, there will be a need for the purchase of new furniture for the new location. A portion of the cost of system furniture for the new office is to be paid as a one-time cost from the directed moves supplement. However, this cost is being funded at 100% GPR funding even though other space-related costs are funded approximately 25% from GPR and 75% from other sources. If that same funding ratio were used for this portion of the system furniture cost, the amount reserved under the Governor's budget for this item could be reduced by \$87,000 GPR in 2001-02.

8. *Natural Resources. Surge space rental.* The remodeling of the GEF II (Natural Resources Building) will begin during the 2001-03 biennium, with work being done in stages by floor or portions of floors of the building. As a consequence, some freed-up space needs to be developed by moving a portion of the current occupants of the building to other locations. The plan is for DNR to assume as "surge-space" some of the leased space previously occupied by the Department of Corrections. Since the DNR will still be responsible for rent payments on its leased space in the GEF II building, it needs supplemental funding for this surge space rental. Under the Governor's recommended funding level, the proposed GPR supplement for this item would be for the total rent cost of that space. However, DNR budgets its space costs in a central account and then bills the costs back to all of its supporting funding sources on a proportional basis. If this additional space cost were to be handled in the same manner, only an estimated 33% of that total cost would have to be borne by GPR funding. If that funding ratio were used, the Governor's recommended funding level for this item could be reduced by \$312,600 GPR in 2001-02 and \$319,700 GPR in 2002-03.

9. Table 3 summarizes the fiscal change to the Governor's budget if one or more of these modifications were to be made.

TABLE 3

**Identified Changes to DOA Directed Moves Funding
By Agency and Fiscal Year**

<u>Agency</u>	<u>2001-02</u>	<u>2002-03</u>
Justice	-\$681,500	-\$762,600
Health and Family Services	-87,000	0
Natural Resources	<u>-312,600</u>	<u>-319,700</u>
TOTAL	-\$1,081,100	-\$1,082,300

ALTERNATIVES

1. Approve the Governor's recommendation.
2. Reduce the Governor's recommended funding level by \$1,081,000 GPR in 2001-02 and by \$1,082,300 GPR in 2002-03.

<u>Alternative 2</u>	<u>GPR</u>
2001-03 FUNDING (Change to Bill)	- \$2,163,400

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