



Legislative Fiscal Bureau

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

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Joint Committee on Finance

Paper #1110

Dane County Exposition Center Grant (DATCP)

[LFB Summary of the Governor's Budget Reform Bill: Page 14, #2]

CURRENT LAW

DATCP provides Dane County a \$240,000 annual grant from GPR for the County's exposition center (the Alliant Energy Center).

GOVERNOR

Eliminate the \$240,000 annual grant for the Alliant Energy Center.

DISCUSSION POINTS

1. Under the bill, eliminating the \$240,000 annual grant to the exposition center is part of the overall 3.5% and 5% budget reductions of DATCP Act 16 GPR appropriations, excluding debt service. Instead of reducing the exposition center grant, the Governor chose to eliminate it in order to reduce other DATCP GPR appropriations by lesser amounts.

2. Since fiscal year 1994-95, DATCP has annually granted Dane County \$240,000 to assist in paying debt service costs for a 1995 expansion related to hosting the annual World Dairy Expo at the exposition center. At the time the new exhibition hall was being considered, World Dairy Expo officials verbally agreed to remain at the site if the County built an exhibition hall of at least 80,000 square feet, while indicating that a 100,000 square-foot facility would better meet their needs. Dane County estimated that the additional 20,000 square feet would add approximately \$3 million to the cost of the facility and indicated that it would be difficult to finance the additional cost without state assistance.

3. The total project cost was \$27.8 million (including \$1 million that was used for

initial planning). To fund the project, the County issued \$27.8 million in 20-year bonds. A 1995 Dane County financing plan called for the County to pay debt service on \$18.8 million, the state to make payments on \$3 million of the debt and gifts and grants to cover the remaining \$6 million of the debt. To date, the state has made seven years of payments totaling \$1,680,000 and private funds have contributed \$1,270,500, with an additional \$6,234,800 in private funds promised through 2019. The total cost (principal and interest) of paying off \$9 million in bonds over 20 years is projected to be \$14.3 million.

4. In 2001, the County funded the \$2.36 million in annual debt service costs through county property tax levies (\$1,314,000), operating revenues associated with the facility (\$494,000), Alliant Energy Corporation naming rights payments (\$265,000), the state payment (\$240,000) and an annual \$50,000 grant from World Dairy Expo. County officials indicate that any amount that revenues fall short of covering debt service expenses will have to be paid for out of increased county property tax levies or reduced county services. As of January 1, 2002, the principal balance remaining on the \$27.8 million debt is \$22.1 million.

5. Alliant Energy Corporation purchased the naming rights for the exposition center in May, 2000. The agreement between the County and the corporation provides total payments of \$6,300,000 over 20 years with annual payments escalating from \$250,000 in 2000 to \$371,500 in 2019.

6. Since its inception in 1967, the World Dairy Expo has been held at the Dane County exposition center. In 2001, World Dairy Expo paid a total rental fee of \$329,700 to the County for use of the facility and other services. In addition, since 1995, the World Dairy Expo has made annual \$50,000 payments to assist in debt service costs and is scheduled to continue to do so through 2014.

7. The County and DATCP entered into an agreement in March, 1995, which states that the Department may grant \$240,000 to Dane County in 1994-95 and the amount appropriated by the state in future fiscal years. The agreement, renewable in January of each year before the grant proceeds are provided, is conditioned upon the use of the grant proceeds for debt service.

8. County officials indicated that based on the actions by the Governor and Legislature, Dane County proceeded with a borrowing and financing plan for the exhibition hall that assumed \$240,000 per year in state funds for 20 years, to be used exclusively for debt service. County officials had indicated that if state assistance were not available in future years, that portion of the debt service planned to be paid for with state funds would have to come from increased property tax levies or reductions in other County services or programs. Alliant Energy Center management also is considering options to further contribute to debt service payments in the short term, such as reducing capital repairs, reducing labor expenses and deferring expansion plans.

9. The Dane County Executive has directed that the sale of naming rights for the exhibition hall (separate from the naming rights of the center itself) also be pursued. In addition, it could be argued that since the proceeds of the sale of naming rights exceed the amounts previously

provided from the state, the County may be able to absorb at least some of the debt service costs. Conversely, even with the naming rights funding from the Alliant Energy Center, the County has not received as much private funding as it anticipated garnering when the exhibition hall was built.

10. Current law does not obligate the Legislature to retain the \$240,000 amount of funding in future years. However, Department of Administration officials indicated at the time that the intent of the Governor's recommendation in 1993 Act 16 was that state support would be ongoing for the 20 years of debt service. Continuing the \$240,000 GPR annual grant through 2014 would provide the County with an amount approximately equal to the annual debt service associated with the additional 20,000 square feet requested by the World Dairy Expo at the time the project was being considered. Had the state issued the bonds rather than Dane County, the state would be obligated to make debt service payments. However, since the bonds were issued by Dane County, the state is not under a legal obligation to make any debt service payments for the exhibition hall.

11. It could be argued that while not statutory, the state has made a 20-year commitment to assist Dane County with a portion of the costs of the exhibition hall. If grant funding is continued, the Committee may wish to sunset the provision on June 30, 2014, after the 20 years of payments have been made. On the other hand, because the expansion of the exposition facility was an economic venture that the County primarily undertook to increase revenues for the facility and the economy of the County, state funding could be discontinued.

12. If funding is retained for the Alliant Energy Center grant, the Committee may wish to reduce the agency's largest appropriation (related to food safety and consumer protection) by \$240,000 annually. If DATCP wanted to reallocate any of the reduction to other sum certain GPR appropriations made to the agency, it could submit a request to the Joint Committee on Finance under s. 13.10. Alternatively, the grant to Dane County could be reduced by 3.5% (\$8,400) and 5% (\$12,000) consistent with overall agency reductions, with the remainder removed from the largest DATCP appropriation. However, it could be argued that the exposition center grant appropriation should not be subject to 3.5% and 5% reductions as it is ultimately for debt service payments. Either of these alternatives would hold DATCP to the same 3.5% and 5% budget reductions generally applied to other agencies under the Governor's proposal.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to eliminate the \$240,000 annual grant for the Alliant Energy Center.

2. Maintain the current \$240,000 annual grant for the Alliant Energy Center, but sunset the provision on June 30, 2014, and delete \$240,000 annually from the Department's food safety and consumer protection GPR appropriation.

3. Provide \$231,600 GPR in 2001-02 and \$228,000 GPR in 2002-03 to reduce the annual grant to Dane County by 3.5% and 5% respectively. Further sunset the provision on June 30, 2014. Finally delete \$231,600 in 2001-02 and \$228,000 in 2002-03 from the Department's food

safety and consumer protection GPR appropriation.

4. Provide \$231,600 GPR in 2001-02 and \$228,000 GPR in 2002-03 to reduce the annual grant to Dane County by 3.5% and 5% respectively. Further sunset the provision on June 30, 2014.

Alternative 4	GPR
2001-03 FUNDING	\$459,600

5. Maintain the current \$240,000 annual grant for the Alliant Energy Center, but sunset the provision on June 30, 2014.

Alternative 5	GPR
2001-03 FUNDING	\$480,000

6. Maintain current law.

Alternative 6	GPR
2001-03 FUNDING	\$480,000

Prepared by: David Schug