



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #690

Base Budget Reductions (State Fair Park)

[LFB 2003-05 Budget Summary: Page 388, #2]

CURRENT LAW

In 2002-03, the Wisconsin State Fair Park Board is appropriated \$1,203,200 GPR and \$16,797,700 PR with 45.20 PR positions.

GOVERNOR

Delete \$86,200 in 2004-05 and 15.0 positions annually.

DISCUSSION POINTS

1. As of February 22, 2003, 14.26 positions of the Park were vacant. The bill would shift \$621,200 in salary and fringe benefits associated with these positions in 2003-04 and \$535,000 in 2004-05 to fund supplies and services costs for State Fair Park operations.
2. While the 15.0 positions deleted in the bill were originally arrived at in consultation between DOA and State Fair Park officials, the Park has subsequently expressed some doubt as to whether the Park could be managed with a reduction of one-third of its permanent staff.
3. Oversight of the Wisconsin State Fair Park is managed by a 13-member board (seven members appointed by the Governor, four state legislators, and the Secretaries of the Departments of Tourism and Agriculture, Trade & Consumer Protection).
4. The State Fair Park Board: oversees the Park; sets policy; appoints a director to manage, supervise and conduct fairs, exhibits or promotional events for agricultural, industrial, educational and recreational purposes; leases or licenses the use of the Park for other purposes; and

charges reasonable rents and fees for use of the park, or attendance of events on its premises.

5. The Board is also overseeing implementation of a \$160 million master plan project for renovation of State Fair Park. In doing so, the Board cooperates with the Building Commission in all matters relating to the development of state facilities costing more than \$250,000. Section 13.488 (7) of the statues specifies that before proceeding with development of new facilities at State Fair Park in West Allis, the Building Commission may grant approval for any new facility costing more than \$250,000 only upon a finding that the proposed project is consistent with the overall objectives of the State Fair Park and that actual lease commitments and the probability of future lease commitments are such that the Building Commission may reasonably determine that the facility will be completely self-amortizing, including principal and interest payments covering the life of any bond issue.

6. Aside from housing the annual State Fair, the Park hosts many other events. Annually, the fair grounds host about 120 consumer and trade shows, various auto racing events (NASCAR, CART and monster trucks), 12 non-fair animal events, and youth center programming. Other revenue sources for the State Fair Park include parking and concession fees and an RV park (with a slot capacity of about 75).

7. The following table presents a history of revenues and expenditures for the State Fair Park for the past three years. Revenues and expenditures for 2002-03 are from a January, 2003, State Fair Park projection. The table shows the financial condition of the Park has been declining. In the current fiscal year, expenditures may exceed revenues by about \$1 million. Further, the statutes require the Park's unencumbered balance from operations to be placed in an appropriation for capital improvements each year. These funds are to be used for repair, maintenance and renovation of Park facilities. Therefore, the June 30, 2002, balance of \$747,000, shown in the table, generally would not be available for Park operational costs in 2002-03.

	<u>2000-01</u>	<u>2001-02</u>	<u>Estimated</u> <u>2002-03</u>
Opening Balance	\$1,346,000	\$1,221,700	\$747,000
Revenue	15,920,000	15,271,300	14,426,000
Expenditures	16,044,300	15,746,000	15,475,000
Closing Balance	\$1,221,700	\$747,000	-\$302,000

8. While State Fair officials, DOA and the Legislative Audit Bureau are all currently reviewing the Park's financial condition, 2003-05 revenue figures are not yet available. However, assuming annual revenue increases of 5%, the Park would need to reduce expenditures by about \$2.8 million from the amounts in the bill in the next biennium in order to avoid a negative balance on July 1, 2005.

9. As a result, the Committee could eliminate funding associated with the 15.0 deleted

staff of \$621,200 PR in 2003-04 and \$535,000 in 2004-05. If revenues were to subsequently improve, and State Fair Park found that it needed additional staff or expenditure authority, it could submit an expenditure and revenue plan to DOA and the Joint Committee on Finance through s. 16.505/515 passive review procedures.

10. A new, 200,000 square foot exposition center is housed on Park grounds. The Exposition Center replaced five other structures that were owned and operated by the State Fair Park: the South, North, and East Exhibit Halls, the Family Living Center and the Youth Expo Building, which offered a combined total of 160,000 square feet of exhibit space. Since the Exposition Center is owned and operated by a private entity, this building's construction has had the effect of transferring revenue that the State Fair Park would have received (from the five buildings mentioned above) to State Fair Park Exposition Center, Inc. Further, the Pettit National Ice Center, Inc., whose lease payments cover state debt service costs for construction of the Olympic training facility, is behind on its rent. In addition, the State Fair Park recently signed a revised lease with the racing promoter that is likely to reduce revenues in 2002-03. However, no estimate of revenues under the contract is currently available.

11. Under provisions of 2001 Acts 16 and 109, the State Fair Park Board is required to lapse a total of \$2,362,800 PR to the state's general fund. State Fair Park officials have stated that, in light of the park's financial condition, the Park will be unable to pay this assessment. A January 3, 2003, letter from the Secretary of Administration agreed that the State Fair Park would be unable to pay this assessment, in the foreseeable future, but argued that no relief should be provided the Park until it improved its financial management, and improved relationships with entities operating on State Fair Park grounds.

12. Due to the Park's current financial difficulties, the Committee may wish to exempt the Park from payment of the \$2.3 million assessment. Others argue that this would shield the Park from reductions other agencies are being required to make, and that the Park should have to show improvement in its financial management before being exempted from this assessment. However, given the park's finances, payment of any of the assessment is unlikely.

13. The Building Commission has recommended \$11.3 million in program revenue supported general obligation bonding for State Fair Park building projects be included in the budget as part of the state building program. The projects would include: (a) \$1.5 million for replacement and improvement of lighting for parking lots; (b) \$3.0 million for development of a parking lot on the west side of the park; (c) \$5.0 million for land acquisition within or adjacent to the park; and (d) \$1.8 million for racetrack infield improvements to complete the new grandstand project, including restroom upgrades, a media center and electronic signage. While Park officials believe these improvements will generate additional revenues from additional parking fees, evening events and private advertising at the park, debt service on \$11.3 million in bonds would be expected to total about \$900,000 annually for 20 years (\$18 million in total). While the timing of the construction projects and debt issuance is likely to mean debt service payments in the 2003-05 biennium will be much lower, given the financial status of the Park, questions can be raised as to whether sufficient revenues are likely to be available to meet State Fair program revenue debt obligations. Although

the bonds are characterized as program revenue supported, they would be a general obligation of the state. As such, if State Fair Park revenues were insufficient to meet debt repayment obligations, the state's general fund would be responsible for paying off the bonds.

14. Given the current uncertainty over Park finances, the Committee could consider deleting the \$11.3 million in PR supported borrowing at this time. State Fair Park could seek enumeration of these projects in subsequent legislation if the financial outlook of the enterprise improves. If the financial status of the Park continues to deteriorate, the Governor and Legislature may need to consider funding future capital improvements at the Park through GPR supported borrowing or through donations where feasible.

ALTERNATIVES

A. General Fund Lapse

1. Specify that State Fair Park be exempt from any PR lapse requirements under Acts 16 and 109 (this would relieve the State Fair Park from the requirement that \$2,362,800 be lapsed to the general fund).

<u>Alternative A1</u>	<u>GPR</u>
2003-05 REVENUE (Change to Bill)	- \$2,362,800

2. Maintain current law.

B. Funding

1. Approve the Governor's recommendation to eliminate 15.0 positions annually and \$86,200 PR in 2004-05. Further, shift \$621,200 in salary and fringe benefits associated with these positions in 2003-04 and \$535,000 in 2004-05 to fund supplies and services costs for State Fair Park operations.

2. Approve the Governor's recommendation. In addition delete \$621,200 PR in 2003-04 and \$535,000 in 2004-05.

<u>Alternative B2</u>	<u>PR</u>
2003-05 FUNDING (Change to Bill)	- \$1,156,200

3. In addition, do not provide \$11.3 million in program revenue supported general obligation bonding for State Fair Park projects in 2003-05.

<u>Alternative B3</u>	<u>BR</u>
2003-05 REVENUE (Change to Bill)	- \$11,300,000

4. Delete provision.

<u>Alternative B4</u>	<u>PR</u>
2003-05 FUNDING (Change to Bill)	\$86,200
2004-05 POSITIONS (Change to Bill)	15.00

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