



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 #188

Kenosha Civil War Museum (Building Program)

Base Agency

[LFB 2007-09 Budget Summary: Page 625, #1, Page 629, #2, Page 634, #8]

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

Authorize the Building Commission to issue up to \$500,000 in general fund supported bonding for the purpose of making a grant to aid in the construction of a Civil War exhibit as part of the Kenosha Public Museums in the City of Kenosha. Require that the state funding commitment be in the form of a grant to Kenosha Public Museums. Specify that before approving any state funding commitment and before awarding the construction grant, the Building Commission would be required to make a determination that the organization has secured additional funding commitments of at least equal to \$2,000,000 from nonstate donations for the purpose of constructing a Civil War Exhibit. Specify that if the Building Commission authorizes a grant to the Kenosha Public Museums, and if for any reason the facility that is constructed with the funds from the grant is not used as a Civil War exhibit, the state would retain an ownership interest in the facility equal to the amount of the state's grant. Include a legislative finding as to the public interest involved in assisting the construction of facilities that will be used for a Civil War exhibit.

Specify that the Building Commission could not make a grant to the Kenosha Public Museums for the construction of a Civil War exhibit unless DOA has reviewed and approved the plans for the project, although DOA could not supervise any services or work or let any contract for the project

Create a GPR sum sufficient appropriation to fund the debt service payments and any payments on an agreement or ancillary arrangement associated with the bonding.

DISCUSSION POINTS

1. The Kenosha Civil War museum along with the Kenosha Public Museum and the Dinosaur Discovery museum comprise the three public museums in the Kenosha area. Building Commission documents note that the museums support economic development and enhance the quality of life for the citizens of the area. Museum officials note that by being located in the Chicago/Milwaukee corridor, the Kenosha museums have a potential audience of almost 11 million people within a 100 mile radius. Also, with close proximity to Illinois, the Kenosha public museums are frequently visited by a large Illinois audience and schools, which could increase tourism in our state.

2. According to museum officials, when completed, the Civil War Museum in Kenosha will be the second largest Civil War Museum in the country and the only one in the Midwest. Museum officials indicate that the new Civil War Museum will be a national attraction drawing people from all over the country. The museum is expected to open in March, 2008.

3. According to museum officials, the City of Kenosha has committed \$15 million to the Civil War Museum project. The museum, a 58,000 square foot building, is approximately 35% complete. The City has committed to provide operating funds for the museum as well. The museum is dedicated to the Civil War contributions of inhabitants of the upper midwest, including Wisconsin, Illinois, Indiana, Iowa, Michigan, and Minnesota. Building Commission documents indicate that the museum is working with the State Historical Society, Wisconsin Veterans Museum, and the Kenosha History Center to share resources. It is anticipated that 300,000 people will visit the museum each year.

4. According to museum officials the permanent Civil War exhibit would be titled "The Fiery Trail" and can be described as follows:

"The exhibit is dedicated to telling the personal stories and contributions of the men and women of the upper middle west...Through state-of-the-art museum technology, life-sized dioramas, and interactive engaging exhibits, visitors would travel back in history to the social, political and economic influences that contributed to the Civil War. From the homefront, to the railroad and waterways, to the battlefield and back home again, the Civil War would be seen through the eyes of soldiers, nurses, spouses, children, clergymen, slaves, tradesmen and the others who lived it. Visitors will experience the battlefield, the incredible logistics, and resources that were required to mount the war effort and the deep

emotions that tore families apart. The Civil War changed american family life and our life as a nation. This would explore those issues through first person accounts and personal stories. This will be like no other museum in the nation."

5. Historically, local projects tend not to be included in the state building program. However, in recent biennia, the Building Commission and the Legislature have included local projects biennial state building program. Since 1997, the state has provided \$6.5 million toward five local projects with estimated construction budgets of over \$26.1 million as indicated in the following table. The estimated annual GPR debt service on the bonding provided for these projects is \$440,000 with overall financing costs totaling \$8.8 million. The following list of facilities does not include the state funding provided for non-state projects like the funding for the Marquette Dental School and the biomedical research, business incubator facility at the Medical College of Wisconsin or the Children's Research Institute at the Children's Hospital and Health System in the City of Wauwatosa. These facilities, unlike the facilities listed in the table, arguably, are not aimed at a specific location or population in the state, but rather have a broader impact on the health of citizens in the state as well as the state's economy.

Local Projects Enumerated in Recent State Building Programs

<u>Project</u>	<u>State Funding</u>	<u>Total Funding</u>	<u>Bonding Issued</u>
Nash Auto Museum (1997 Act 27)	\$1,000,000	\$8,000,000	\$1,000,000
Swiss Cultural Center (1999 Act 9)	2,000,000*	6,000,000	0
Milwaukee Policy Athletic League Youth Activities Center (1999 Act 9)	1,000,000	5,074,000	1,000,000
Racine Discovery Place Museum (2001 Act 16)	1,000,000	2,000,000	0
HR Academy, Inc. Youth and Family Center (2001 Act 16)	<u>1,500,000</u>	<u>5,000,000</u>	<u>1,500,000</u>
Total	\$6,500,000	\$26,074,000	\$3,500,000

*Includes \$1,000,000 grant from the Department of Commerce tribal gaming economic diversification grant and loan program.

6. In the past, concerns have been raised related to the 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 exhibit could further the recent trend toward state funding for local projects and give other communities or groups of citizens cause to request state aid for their local project.

7. In its 2001-03 state building program recommendations, the Building Commission recommended the enumeration of a \$4.0 million Kenosha Civil War Museum project to be funded with \$2.0 million in GPR-supported bonding. The Joint Committee on Finance deleted the project during its 2001-03 budget deliberations.

8. In an effort aimed at addressing these concerns, the Building Commission has developed policies and criteria for including state funding for local projects in the state's capital budget. Under the Building Commission policies and guidelines the following requirements are to be used in determining whether a local project should be included in the state building program.

- the project must be in the public interest;
- there should be a statewide basis justifying the need for the project;
- local or other financing alternatives should be considered first;
- 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;
- the requestor and DOA should consider appropriate language to protect the state's interest in the project if the property is used for purposes other than those approved by the Building Commission;
- the Commission can modify its original approval if the proposed change is in the public interest and approved by state bond counsel;
- 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; and
- the local project shall be submitted and reviewed following the same procedures used for state agency requests for funding through the state capital budget.

9. While the Kenosha Civil War exhibit project would appear to meet several of the criteria established by the Building Commission, some questions exist as to whether there is a statewide justification for a local museum project in southeastern Wisconsin, and whether the project was submitted and reviewed using the same procedures as state agency capital project requests. State agency capital budget requests were due in September, 2006. According to DOA staff, funding for this project was first requested when DOA staff were in the process of compiling the Governor's 2007-09 operating budget recommendations in late, 2006 or early, 2007. Also, as with all local projects that were deliberated by the Building Commission, DOA staff did not make a recommendation as to whether the Commission should include the Kenosha Civil War exhibit project request in the Commission's 2007-09 state building program recommendations. However, the Building Commission recommended the project for inclusion in the 2007-09 building program on a 7-1 vote.

10. Providing state assistance to local museum projects is not without precedent. As indicated earlier, 1997 Act 27 provided \$1 million in GPR-supported bonding for the Nash Auto Museum in Kenosha and 2001 Act 16 provided the Racine Discovery Place Museum \$1 million in

GPR-Supported bonding. In addition, the state Department of Tourism is statutorily required to provide the following assistance to local museum facilities from its tourism marketing budget: (a) \$200,000 GPR each biennium to the Milwaukee Public Museum for Native American exhibits; and (b) \$50,000 GPR each biennium to the Black Holocaust Museum to assist with promotion of the facility. The Wisconsin Historical Society provides \$90,000 GPR annually to the Black History Museum in Milwaukee to support its operations.

11. It is likely the general fund supported bonds for the project would not be issued until 2008-09, or later if fundraising efforts are slower than anticipated. Therefore, there would be minimal, if any, GPR debt service costs associated with bonding recommended for the project in the 2007-09 biennium. However, under a twenty-year, flat repayment structure, the annual debt service costs once the bonds are fully-issued would result in debt service payments of an estimated \$40,000 GPR annually. In total, the state costs associated with the exhibit would be over \$800,000 GPR over the twenty-year period. While local projects similar to the exhibit project have been deemed worthy and have been funded with GPR-supported borrowing in recent years, given the statewide demands on the state's general fund budget, such projects may no longer be considered a priority use of GPR-supported borrowing.

12. The request for the \$500,000 from the state for the exhibit is to tell the story of Wisconsin's contribution to the Civil War effort. Museum officials also plan on approaching the other five states for funding and artifact contributions. Committing to this project does not obligate the State of Wisconsin to any further expenditure associated with museum or the exhibit. However, the state, by providing their share of the project costs, will act as leverage in petitioning the other five states for contributions.

ALTERNATIVES TO BASE

1. Approve the Building Commission's recommendation to enumerate the \$2.5 Kenosha Civil War Museum exhibit project as part of the 2007-09 state building program. Authorize the Building Commission to issue up to \$500,000 in GPR-supported bonding for the purpose of making a grant to aid in the construction of a Civil War exhibit as part of the Kenosha Public Museums in the City of Kenosha.

ALT 1	Change to Bill	Change to Base
	Revenue	Revenue
BR	\$500,000	\$500,000

2. Maintain current law (the project would not be included as part of the 2007-09 state building program).

Prepared by: Al Runde