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**BILL ANALYSIS**

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House Concurrent Resolution 28 (as reported without amendment)  
Sponsor: Representative Scott Shackleton  
House Committee: Appropriations  
Senate Committee: Appropriations

**CONTENT**

The Joint Capital Outlay Subcommittee (JCOS) has approved House Concurrent Resolution 28, which would convey land and establish a lease agreement between the State, the State Building Authority (SBA), and Lake Superior State University for use of the university's Arts Classroom Building. Approval of the resolution also would allow the sale of bonds to finance construction of the building.

This project was first authorized for planning in Public Act 229 of 1976 and then reauthorized in Public Act 205 of 1986. Preliminary planning documents were approved by the JCOS on July 25, 1989. At that time, the total estimated project cost was \$15.8 million. For a number of reasons, however, the project never received construction authorization. Then, Public Act 538 of 1998 once again authorized the project for planning. This time, however, the planning authorization and subsequent plan approvals established a total project cost of \$15.3 million, with the State's share totaling \$8.0 million or 52% of the total project cost. These costs were included in the construction authorization in Public Act 291 of 2000.

Since 1996, most State-funded construction projects at universities have included a shared cost structure that is 75%-State and 25%-university financed. The 52%/48% split on the Arts Classroom project reportedly was developed in order to match the portions of the building used for more "academic" purposes, relative to the portion used for more "nonacademic" purposes (theater, dance, art, etc.), with the understanding that the State would support the academic portions, and the university would support the nonacademic portions. On October 2, 2003, the JCOS approved a change in the cost share for the project at 75%-State and 25%-university, and included the change in Public Act 193 of 2003 (capital outlay appropriations for FY 2003-04). This resolution reflects the amended cost share.

This project has met all the planning approval requirements of the JCOS and the Management and Budget Act. The estimated annual amount of rent is provided pursuant to the requirements of the State Building Authority Act. Legislative approval of the resolution would commit the State to make annual rental payments for the building. The SBA then would use this rent money to pay off the bonds and satisfy the debt obligations.

**FISCAL IMPACT**

This project represents new debt obligations by the State Building Authority of nearly \$11.5 million. Adoption of the resolution would commit the State to make annual rental payments to the State Building Authority until the debt obligations are retired, which will likely be between 12 and 15 years. The estimated annual rental range is between \$0.9 million and \$1.2 million; a true amount of rent will be determined once the project is complete and has been independently appraised.

Project	HCR No.	Total Authorized Cost	State Building Authority Share	Estimated Annual Rental Range
<p><b>Lake Superior State University - Arts Classroom Building</b>  This project involves the construction of a 64,000 sq. ft. facility to house both fine and performing arts educational programs. It will include classrooms, display areas, and space for rehearsals and performances including a 900-seat auditorium.</p>	28	\$15,300,000	\$11,474,800	\$875,000 to \$1,150,000

Date Completed: 12-2-03

Fiscal Analyst: Mike Hansen

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.