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STATE SENATOR • 17<sup>TH</sup> SENATE DISTRICT

## Capitol Update By Senator Howard Marklein September 21, 2022

### Objecting For a Better Deal

The legislature's Joint Committee on Finance (JFC) recently approved a lease for the Department of Corrections (DOC) that saves taxpayers \$322,000 over five years. If both five year extensions of the lease are exercised, it will save more than \$1 million. But this savings would not have occurred without an objection by the JFC.

The JFC is the legislature's budget-writing and financial management committee. We have a mechanism where state agencies, like the DOC, send proposed contracts and spending to our committee through passive review. Our committee usually has 14 days to review the proposal and either let it go through or object to it, which then stops the proposal.

An objection allows the committee time to ask questions, do research and work with the state agency to resolve the reasons for the objection. 2017 Act 132 added a requirement to state law that the Department of Administration (DOA) must submit proposed leases that are more than \$500,000 in annual rent to JFC under the passive review process.

In the most recent case, the DOC submitted two leases to JFC on June 29, 2022, both part of a plan to relocate the Division of Community Corrections staff from the current location in Glendale, WI. The current lease was expiring and there were water issues and other problems with that location.

On July 20<sup>th</sup>, one of the leases was approved through passive review, but the other received an objection. There are tenant improvements necessary in both leases, but the difference in the base rental rates was \$13.40/sq. ft. versus \$24.00/sq. ft. This is a huge difference and it raised a red flag for the JFC, which caused an objection.

Committee members requested information from DOA including comparable leases that the state had in the same geographic area. Members also had conversations with both DOC and DOA about their needs for this space and other potential alternatives in the area that were not as expensive.

Eventually, DOA renegotiated the base rent on this lease to \$20.00/sq. ft. for the initial five-year lease term. This renegotiated rate amounts to a savings of \$64,400/year or \$322,000 over five years, and over \$1 million if both five-year extensions are exercised.

Through the passive review and objection process, the JFC saved taxpayers money. We did our job by objecting and asking for more information and recommending negotiations. This is the purpose of the JFC and I am proud of our work on behalf of taxpayers.

I would like to thank the members of the committee whose diligence and attention to this matter resulted in a big savings for our state. This is a great example of how the passive review and objection process can work on behalf of taxpayers.

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