

Senate Bill 295, relating to funding for the Biostar program

This bill passed the Senate Committee on Economic Development and Corrections (3-0) on October 31.

Your motion should be passage of SB 295.

MO# passage

1	BURKE	Y	N	A
2	DECKER	Y	N	A
	MOORE	Y	N	A
	SHIBILSKI	Y	N	A
	PLACHE	Y	N	A
	WIRCH	Y	N	A
	DARLING	Y	N	A
	ROSENZWEIG	Y	N	A
	GARD	Y	N	A
	KAUFERT	Y	N	A
	ALBERS	Y	N	A
	DUFF	Y	N	A
	WARD	Y	N	A
	HUEBSCH	Y	N	A
	HUBER	Y	N	A
	COGGS	Y	N	A

AYE 8 NO 8 ABS _____



Legislative Fiscal Bureau

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

November 5, 2001

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: 2001 Senate Bill 295: University of Wisconsin-Madison Biostar Program

Senate Bill 295 was introduced on October 26, 2001, and referred to the Senate Committee on Economic Development and Corrections, which recommended it for passage on a vote of three to zero. The bill was referred to the Joint Committee on Finance.

CURRENT LAW

The 2001-03 budget act (2001 Act 16) established the Biostar initiative for the purpose of providing financial support to construct biological sciences facilities at the University of Wisconsin-Madison. Act 16 provides that an amount equal to \$158,500,000 in general obligation bonding is allocated for the Biostar initiative. However, the amount that is authorized is phased in over a period of ten years. Prior to July 1, 2003, the amount of general obligation debt that is issued may not exceed \$18,000,000; prior to July 1, 2005, the amount of general obligation debt that is issued may not exceed \$63,500,000; prior to July 1, 2007, the amount of general obligation debt that is issued may not exceed \$95,500,000; prior to July 1, 2009, the amount of general obligation debt that is issued may not exceed \$127,500,000; and, after June 30, 2009, the amount of general obligation debt may not exceed \$158,500,000.

Under current law, the Biostar projects financed with general obligation bonding authority provided in Act 16 must be designed to provide biological sciences education and research facilities, ancillary systems, and supporting infrastructure. The following buildings are planned as part of Biostar: a \$27 million biotechnology addition scheduled for the 2001-03 biennium; the Microbial Sciences Building, a \$100 million project with construction planned for 2003-05; an addition to the Biochemistry building, an \$85 million project with construction planned for 2005-07; and a new Interdisciplinary Biology Building, a \$105 million project with construction planned for late 2007-09 and continuing through 2009-11.

SUMMARY OF BILL

SB 295 would provide an accelerated time table for issuing general obligation debt to fund the Biostar initiative. The original and proposed revised Biostar debt authority phasing are as follows:

	<u>Act 16</u>	<u>SB 295</u>
2001-03	\$18,000,000	\$18,000,000
2003-05	45,500,000	77,500,000
2005-07	32,000,000	32,000,000
2007-09	32,000,000	31,000,000
2009-11	<u>31,000,000</u>	<u>0</u>
Total	\$158,500,000	\$158,500,000

FISCAL EFFECT

Under the provisions of SB 295, general fund supported general obligation bonding for Biostar would be authorized over an eight-year period, rather than over a ten-year period as under Act 16. The overall program funding at a 50/50 match between general fund supported bonding and gift and grant monies would remain and the total project cost would remain at \$317 million. While the bill would allow the issuance of debt to fund Biostar on an accelerated schedule, the actual construction and debt issuance schedule would be determined by UW-Madison's ability to raise matching funds and the project development schedule approved by the Board of Regents and the Building Commission.

Because the amount of bonding available for issuance would remain unchanged in the 2001-03 biennium, SB 295 would not have a fiscal effect during the 2001-03 biennium. However, an accelerated schedule would move forward the timing of future 20-year debt payments and could increase GPR debt payments during the 2003-05 biennium. The actual amount of additional GPR debt service costs would depend on the timing of debt issuance but could reach \$2.6 million GPR annually, once all of the accelerated bonds would be issued. These added debt service costs could affect the 2003-05, 2005-07 and 2007-09 biennia. Less debt service costs would be incurred during the later years of the project, with final payoff occurring two years earlier as a result of the accelerated schedule.

Prepared by: John Stott

Swiderski, Julie

From: Burnett, Douglas
Sent: Monday, November 05, 2001 10:23 AM
To: Anderson, John; Bablitch, Kelly; Clark, Jessica; de Felice, David Patrick; Holschbach, Todd; Levin, Jeremy; Rinehart, Mark; Roller, Rachel; Swiderski, Julie; Sybell, Debra; Worcester, Barbara
Subject: JFC Exec today of SBs 295 and 296

Importance: High

The Joint Finance Committee will be taking up SB 295 and SB 296 today-- Sen. Chvala's bills related to Biotechnology. These bills are intended to take advantage of Wisconsin's leadership in this area, and provide a boost to our economic development efforts. Sen. Chvala is asking for your support of both these bills in committee today.

Below are general talking points on the concept of the bills, as well as specific points on both SB 295 and SB 296. Please don't hesitate to contact me if you have any concerns or questions about the bills.

- We have all been hearing and reading a great deal about our nation's economic slowdown and the effect on our economy here in Wisconsin - our "old" economy, heavily reliant on manufacturing has been particularly hard hit
- At the same time we have also been seeing a great deal of national media coverage of the groundbreaking research of Professor James Thomson and his research team on embryonic stem cells at UW-Madison
- Wisconsin is a recognized leader in the field of biotechnology as a result of our past work in areas like the Biostar initiative and the research occurring in our university system and businesses that have come from this
- What this means is that we in Wisconsin, and specifically we in the legislature, have the opportunity to grow our economy by capitalizing on the national and international reputation of the University of Wisconsin for excellence and innovation in biotechnology and expanding the burgeoning biotech clusters we have already developed in our state

- While we are facing fiscal challenges we cannot pass up the opportunity before us to grow the “next” economy in Wisconsin and bring the good paying jobs supported by cutting edge biotech research and industry to our state
- Senate Bills 295 and 296 will move us toward that goal

SB 295

- Our University of Wisconsin System, and the UW-Madison, is nationally and internationally recognized as a leading research facility in the area of biotechnology
- In addition the National Research Council ranks UW-Madison biotechnology related departments and graduate programs in biochemistry, molecular biology, molecular and general genetics, chemistry, computer science and biostatistics among the top 10 in the nation
- In the biennial budget we established the Biostar initiative to construct facilities and attract federal and private resources to the UW-Madison for biotechnology research
- This partnership between the state, UW - Madison and private industry is designed to help our university continue to develop its research capabilities
- Research that has led to the growth of the high tech economy in Wisconsin
- In fact, according to the Office of University-Industry Relations, UW-Madison work is leading to the creation of an average of 13 new firms every year for the past 5 years
- The transfer of technology and growth of private industry using our university as an engine of economic growth has proven to be successful

- Based on this past success and the international acclaim the groundbreaking work on embryonic stem cells has brought to UW-Madison, SB 295 would accelerate the authority to move forward with the Biostar initiative and allow the UW to capitalize on their soaring reputation as a leader in biotech research

SB 296

- SB 296 is the second piece of the puzzle
- Branding Wisconsin as a leader in the field of biotech, recruiting biotech companies to come to Wisconsin and providing adequate venture capital, targeted to WI business and WI communities, to grow the biotech industry across the state
- Specifically, this bill authorizes up to \$2.5 million to be earmarked from the Wisconsin Development Fund to aggressively promote or “brand” Wisconsin as a leader in the field of biotech and to recruit biotech business
- The bill would also authorize an additional \$50 million investment by SWIB in the venture capital fund to invest in biotech companies in the Green Bay, Eau Claire, Madison, Janesville-Beloit, La Crosse, Stevens Point-Marshfield, Racine-Kenosha, Milwaukee, Sheboygan-Manitowoc, Superior, the Fox River Valley, and Wausau areas

Conclusion

- The bottom line is that our state is poised to lead the nation in the biotechnology industry - but only if we take advantage of the opportunity

- Taken together these two bills capitalize on that opportunity to develop new industries and bring good paying jobs to our state by:
 - Using our world class UW System as an engine of economic growth
 - Publicizing the fantastic work we are doing here in biotechnology and branding Wisconsin as a leader in the field of biotech
 - Aggressively recruit new businesses
 - Provide the venture capital needed to grow Wisconsin based biotech companies around the state