



Legislative Fiscal Bureau

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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