



Legislative Fiscal Bureau

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

May 27, 2009

Joint Committee on Finance

Paper #186

UW System: Milwaukee Initiative (Building Program)

[LFB 2009-11 Budget Summary: Page 714, #7]

CURRENT LAW

Building program projects with costs 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 non-statutory provision enacted as part of the biennial budget bill. In addition, the Legislature must authorize any new bonding needed to fund the project.

BUILDING COMMISSION

Create a program to be known as the Milwaukee Initiative, for the purpose of providing financial support to attract federal and private funds to construct research and academic facilities to spur science education and research activities at the UW-Milwaukee. Require that projects financed under the program must be designed to provide engineering, science, freshwater science, and health education and research facilities, ancillary systems, and supporting infrastructure.

Specify that the projects would be financed from UW System's academic facilities GPR supported bonding authorization or as otherwise provided in the authorized state building program. Specify that the total funding commitments could not exceed \$240,000,000. Specify that the project funding would from the following sources: (a) up to \$123,410,000 in GPR supported borrowing; (b) \$55,590,000 in PR supported borrowing; (c) \$60,000,000 in funding from gifts, grants, and receipts; and (d) \$1,000,000 in funding from moneys in the state building trust fund.

Allocate \$123,410,000 in GPR supported bonding from the UW System's academic facilities bonding authorization for the Milwaukee Initiative. Specify that the total amount of

GPR supported debt authorized for the Milwaukee Initiative could not exceed the following amounts on the following dates:

- a. prior to July 1, 2011, \$43,365,000;
- b. July 1, 2011, to June 30, 2013, \$93,330,000; and
- c. July 1, 2013, or thereafter, \$123,410,000.

Although not specifically identified, \$56,530,000 of the GPR supported bonding and the \$55,590,000 in PR supported bonding that would be provided for projects to be funded under the Milwaukee Initiative would be associated with the bonding previously authorized for the UW-Milwaukee Columbia St. Mary's Columbia campus medical facilities acquisition and remodeling project, which would be deleted under the Building Commission's recommendations.

No specific projects to be funded under the Milwaukee Initiative would be enumerated as part of the 2009-11 state building program. Specify that no GPR supported bonding authorized for the Milwaukee Initiative could be issued until the UW System Board of Regents approves an expenditure plan for the Milwaukee Initiative that includes the identification of specific projects and sources of funding and the identified projects are enumerated as part of a state building program. As a result, subsequent legislation would be required to enumerate these projects.

DISCUSSION POINTS

1. In August, 2007, the Building Commission approved the release of \$2,000,000 in building trust funds for UW-Milwaukee to hire consultants to prepare a master plan for the campus. UW-Milwaukee and the consultants are currently in the process of developing this master plan, which is expected to be completed by December, 2009. At this stage in the process, Milwaukee planners have identified that the campus would have to add 1.2 million gross square feet (GSF) within the next 10 years in order to address current deficiencies and accommodate future growth. Most of the space required would fall into one of four categories: student life, laboratories, residential, and study or library space. The funding included in the proposed 2009-11 capital budget for the Milwaukee Initiative would primarily address the need for additional laboratory space.

2. Master plan goals include the creation of interdisciplinary research clusters to facilitate research collaborations and the expansion of UW-Milwaukee's presence in the city. While this provision would not enumerate any specific projects, UW System staff have indicated that the funding would likely be used to support the following projects: (a) the renovation of the Great Lakes Research Facility (GLRF) and the acquisition of a research vessel related to the proposed School of Freshwater Sciences; (b) a health sciences facility to house the proposed School of Public Health; (c) an interdisciplinary research building to be located on UW-Milwaukee's main campus; and (d) an auxiliary engineering campus to be located in Wauwatosa.

3. GLRF, which is located on the Milwaukee harbor, is home to the Great Lakes WATER (Wisconsin Aquatic Technology and Environmental Research) Institute and its affiliated centers and research units. GLRF would also house the proposed School of Freshwater Sciences,

which would be authorized under AB 75. The facility, which was built in 1966 as a ceramic tile factory and was acquired by UW-Milwaukee in 1973, includes 88,000 square feet of laboratory, office, and storage space. The WATER Institute's primary research vessel is the R/V Neeksay, a 71 foot former Army transport vessel converted for use by WATER Institute scientists in 1970.

4. A portion of the funding proposed for the Milwaukee Initiative could be used to renovate and upgrade GLRF and replace the R/V Neeksay with a newer research vessel. This component of the Milwaukee Initiative project is likely to be one of the first completed as it would not involve the acquisition of any additional land, require the demolition of an existing structure, or the wholesale construction of a new facility and GLRF renovation needs have already been identified by the 2003 GLRF master plan study. While the total cost of these renovations is currently unknown, it has been estimated that purchasing a replacement for the R/V Neeksay could cost between \$16 and \$20 million. In addition, the possibility of constructing or acquiring a new facility related to the proposed School of Freshwater Sciences to be located on the lakefront in downtown Milwaukee has also been discussed. This facility would complement, not replace, the existing GLRF.

5. The proposed health sciences facility would be located in downtown Milwaukee on the former Pabst Brewery site. This facility would be home to the proposed School of Public Health, which would be authorized under AB 75, and provide additional space for programs within the College of Nursing and the College of Health Sciences. By locating this facility in downtown Milwaukee, instead of on the existing campus, UW-Milwaukee would be expanding its presence within the city. In addition, the proposed site would locate UW-Milwaukee health sciences programs in close proximity to possible partners such as the Milwaukee Area Technical College (MATC) and the Aurora Sinai Medical Center. It has also been suggested that the City of Milwaukee Health Department, a possible partner for the proposed School of Public Health, may occupy another facility at the Pabst site. According to Regents' materials, the total cost of such a facility could be \$25 million. In September, 2007, Joseph Zilber, a Milwaukee real estate developer and philanthropist, donated \$10 million to UW-Milwaukee to fund infrastructure costs associated with the proposed facility.

6. The interdisciplinary research building (IRB) would provide additional laboratory and other space for existing UW-Milwaukee academic departments. IRB would be located on the existing UW-Milwaukee campus on a site currently occupied by surface parking and a one-story building that currently houses the campus's childcare facility. IRB would be a multi-story facility that would provide space for multiple departments including the physics department. As the name implies, by providing space for multiple departments in one research building, UW-Milwaukee hopes to facilitate collaboration across departments and encourage interdisciplinary research.

7. UW-Milwaukee also has plans to create a new engineering campus on the site of the Milwaukee County Grounds in Wauwatosa. This location was chosen based on its proximity to the Milwaukee County Medical Complex where the Medical College of Wisconsin, Froedtert, the Children's Hospital of Wisconsin, GE Healthcare Technologies, and the Blood Center of Wisconsin are located. The purpose of this new campus would be to pair UW-Milwaukee's engineering expertise with the medical expertise of researchers and clinicians working in the Medical Complex

with the aim of creating a new center for biomedical research and technology. It had initially been suggested that the School of Engineering would relocate in its entirety to the new Wauwatosa campus. This idea has been deemed impractical and current plans include a complex of buildings that would house certain School of Engineering faculty, academic staff, and graduate students. This complex would occupy only a portion of the County Grounds leaving the remainder, nearly half of the total parcel, available for future development. It is envisioned that this land could eventually be repurposed as a research park similar to the University Research Park affiliated with UW-Madison.

8. As with the other components of the Milwaukee Initiative, plans for the proposed engineering campus are in flux. According to UW System staff, the UW-Milwaukee Real Estate Foundation is in negotiations with Milwaukee County to purchase the development site. As this land would be purchased by the Foundation and not the Board of Regents and the State, the Division of State Facilities in the Department of Administration, and the State Building Commission have not been directly involved in these negotiations. Further project planning will depend in part of the successful acquisition of the development site by the Foundation.

9. The recommendation of the Building Commission specifies that no GPR supported bonding authorized for the Milwaukee Initiative could be issued until the UW System Board of Regents approves an expenditure plan for the Milwaukee Initiative that includes the identification of specific projects and sources of funding and the identified projects are enumerated as part of a state building program. As a result, subsequent legislation would be required to enumerate these projects. This requirement would provide the Legislature with the opportunity to review plans for Milwaukee Initiative projects prior to the issuance of any bonds.

10. Under 2005 Act 25, \$56,530,000 general fund supported borrowing (GFSB) and \$55,590,000 program revenue supported borrowing (PRSB) was authorized for UW-Milwaukee for the acquisition and renovation of the Columbia St. Mary's Columbia campus medical facilities. Act 25 specified that not more than 50% of the GFSB and not more than 50% of the PRSB could be incurred during the 2007-09 biennium with the remainder of the authorized borrowing to be incurred in future biennia. Under 2007 Act 20, the bonding authorized for this project was delayed such that not more than 50% of the GFSB and not more than 50% of the PRSB could be incurred during the 2009-11 biennium with the remainder of the authorized borrowing to be incurred after June 30, 2011. At present, no bonding has been issued related to this project.

11. The Columbia campus is adjacent to the UW-Milwaukee campus. Given UW-Milwaukee's urban setting, surrounding development, and build-out of the existing campus, the acquisition of this site was identified as a priority for the Board of Regents. As proposed in the 2005-07 building program, UW-Milwaukee would have located additional student housing and parking on the site. These revenue-generating facilities would have funded the debt service related to the PRSB authorized for the project. The GFSB would have supported the addition of classroom and other academic spaces that might have been located on the site.

12. Under the Building Commission's recommendations, the project enumeration for the acquisition of the St. Mary's Columbia campus would be deleted and the related bonding reprogrammed for the Milwaukee Initiative. UW System staff have indicated that negotiations with

St. Mary's for the acquisition of the site were unsuccessful and that Columbia St. Mary's is currently working on a deal with a private development firm. Although it is unclear what the outcome of these negotiations will be or how the site will be developed if it is acquired by a private firm, it is possible that a private developer may renovate an existing structure or otherwise construct a residence hall that could be sold to UW-Milwaukee. Under this scenario, the \$55,590,000 in PRSB for the Milwaukee Initiative recommended by the Building Commission could be used to support the acquisition of such a residence hall. At present, there are no other revenue generating components of Milwaukee Initiative.

13. As the Milwaukee Initiative currently contains no revenue generating components, the Committee may wish to delete the PRSB recommended for this project by the Building Commission. This would reduce the total funding authorized for the project from \$240,000,000 to \$184,410,000. This amount might more accurately reflect the amount of funding available to UW-Milwaukee to construct the facilities currently proposed. If the opportunity to purchase a residence hall or other revenue generating facility on the Columbia St. Mary's Columbia campus should arise in the future, the Legislature could authorize the required PRSB at that time. On the other hand, if the recommended PRSB were not to remain in the 2009-11 capital budget, it may be less likely that a private developer would construct a residence hall or other facility on that site.

14. The proposed 2009-11 capital budget would allocate \$49,965,000 in GFSB for the Milwaukee Initiative in the 2011-13 biennium and an additional \$30,080,000 in GFSB for the project in the 2013-15 biennium. As this bonding would not be available until future biennia, the Committee could delay authorizing new bonding and simply reprogram \$56,530,000 of existing GFSB. By authorizing bonding that would not be available until 2011-13 and 2013-15, the Committee would advance commit the 2011 and 2013 Legislatures for this bonding and limit the amount of bonding available for other projects in those biennia. By delaying this authorization, the Committee would allow the 2011 and 2013 Legislatures to consider the relative desirability of investing in additional laboratory and classroom space for UW-Milwaukee in the context of other state building needs in those biennia. This alternative may also be desirable, as it would allow the Legislature to make decisions about Milwaukee Initiative projects when more information about those projects is known. Under this alternative, the Committee would allocate \$173,120,000, including \$56,530,000 of existing GFSB, \$55,590,000 of existing PRSB, \$60,000,000 in gift and grant funds, and \$1,000,000 in building trust funds.

15. However, the proposed allocation would specify that \$60,000,000 in gifts and grants be raised to support this project. The authorization of bonding now for delayed issuance in the 2011-13 and 2013-15 biennia may be used to leverage those gift funds. Without the current authorization of additional GFSB to be issued in future biennia, it may be difficult to secure gift and grants to fund this project.

16. Regents' materials indicate that the Milwaukee Initiative may be the first phase in a multi-phase plan. This is consistent with preliminary information provided by campus planners, which identifies the need for a significant amount of additional student life, residence, study, and library space on the campus. The current Milwaukee Initiative would not address these needs. In addition, UW System staff have suggested the recommended funding may not be sufficient to

accomplish even those projects that are currently part of the Milwaukee Initiative. As the four projects discussed in this paper would include only academic and research space, none could utilize the PRSB recommended for the project by the Building Commission. Excluding this bonding authority, funding for the Milwaukee Initiative would be \$184,410,000. It is likely that this amount of funding will not be sufficient to complete all four projects currently being discussed as part of the Milwaukee Initiative.

ALTERNATIVES

1. Approve the Building Commission's recommendation to allocate \$240,000,000 of funding for the Milwaukee Initiative. Authorize \$66,880,000 in general fund supported bonding. Allocate \$56,530,000 in existing GFSB, \$55,590,000 of existing program revenue supported bonding, \$60,000,000 in gifts and grants funding, and \$1,000,000 in funding from the state building trust fund to support this project. Specify that, of the amount of GFSB authorized, no more than \$43,365,000 could be issued prior to July 1, 2011, and that no more than \$93,330,000 could be issued prior to July 1, 2013. This project would require subsequent enumeration by the Legislature before it could proceed.

ALT 1	Change to Bill Funding
BR	\$66,880,000

2. Modify the Building Commission's recommendation by allocating \$183,410,000 of funding for the Milwaukee Initiative. Authorize \$66,880,000 in general fund supported bonding. Allocate \$56,530,000 in existing general fund supported bonding, \$60,000,000 in gifts and grants funding and \$1,000,000 in funding from the state building trust fund to support this project. Specify that, of the amount of GFSB authorized, no more than \$43,365,000 could be issued prior to July 1, 2011, and that no more than \$93,330,000 could be issued prior to July 1, 2013. Delete \$55,590,000 of existing program revenue supported bonding. This project would require subsequent enumeration by the Legislature before it could proceed.

ALT 2	Change to Bill Funding
BR	\$11,290,000

3. Modify the Building Commission's recommendation by allocating \$173,120,000 of funding for the Milwaukee Initiative. Allocate \$56,530,000 of existing general fund supported bonding, \$55,590,000 of existing program revenue supported bonding, \$60,000,000 of gifts, and \$1,000,000 of building trust funds. This project would require subsequent enumeration by the Legislature before it could proceed.

4. Maintain current law, which would result in this initiative not being included as part of the 2009-11 building program.

Prepared by: Emily Pope