



Legislative Fiscal Bureau

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March 16, 2010

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 514: Enumeration of Building Projects Related to the Milwaukee Initiative

Senate Bill 514 was introduced on February 3, 2010, and referred to the Senate Committee on Ethics Reform and Government Operations. The bill was recommended for passage on February 18, 2010, by a vote of 5 to 0. The bill was referred to the Joint Finance Committee on February 23, 2010.

BACKGROUND

In December, 2008, the Board of Regents modified its 2009-11 capital budget recommendations to include the Milwaukee Initiative. As recommended by the Board of Regents, the Milwaukee Initiative would include \$240 million of funding to be expended over the course of three biennium, with a mix of general fund supported borrowing (GFSB), program revenue supported borrowing (PRSB), gifts and grants, and building trust funds. The Board of Regents recommendation identified several possible projects that could be funded through the Milwaukee Initiative: (1) the acquisition and renovation of the Columbia-St. Mary's Columbia Hospital campus, located adjacent to the UW-Milwaukee campus; (2) an addition to and the renovation of the Great Lakes Research Facility and the replacement of the research vessel Neeskay; (3) an integrated research building to be located on the existing campus; and (4) the development of unspecified, non-contiguous land acquisitions.

The Milwaukee Initiative was recommended for inclusion in the state's 2009-11 building program by the Building Commission in April, 2009, and was incorporated into the 2009-11 biennial budget by the Joint Finance Committee and approved by the Legislature in its deliberations on the state budget (2009Act 28).

Act 28 specifies that the Milwaukee Initiative is created for the purpose of providing

financial support to attract federal and private funds to construct research and academic facilities to spur scientific education and research activities at UW-Milwaukee. Act 28 requires that projects financed as part of this program be designed to provide engineering, science, freshwater science and health education and research facilities, ancillary systems, and supporting infrastructure. Act 28 provides that total funding commitments related to the Milwaukee Initiative cannot exceed \$240 million, with up to \$123.41 million of GFSB, \$55.59 million of PRSB, \$60 million in gifts, grants, and receipts, and \$1 million in building trust funds. Of the \$123.41 million of GFSB authorized in Act 28, \$43.365 million can be issued prior to July 1, 2011, an additional \$49.965 million can be issued beginning in the 2011-13 biennium, and the remaining \$30.08 million can be issued beginning in the 2013-15 biennium.

Act 28 did not enumerate any specific projects under the Milwaukee Initiative as part of the 2009-11 state building program. Instead, Act 28 requires that the Board of Regents approve an expenditure plan for the Milwaukee Initiative identifying specific projects and fund sources and that the projects be enumerated by the Legislature before the GFSB authorized in Act 28 may be issued. In January, 2010, the Board of Regents approved an expenditure plan for the Milwaukee Initiative and requested the enumeration of the three projects that are included in SB 514. Later that month, the Building Commission approved the Board of Regents' request for the enumeration of these three Milwaukee Initiative projects.

SUMMARY OF BILL

SB 514 would enumerate the following three projects as part of the 2009-11 authorized state building program: (1) Freshwater Science Initiative research building -- phase I and Neeskay research vessel replacement; (2) the Kenwood Integrated Research complex -- phase I; and (3) Columbia-St. Mary's Columbia campus medical facilities acquisition and redevelopment. The Freshwater Science Initiative project would be enumerated at a total cost of \$70 million, including \$50 million of existing GFSB and \$20 million from gifts, grants, and other receipts. Of the existing GFSB for the project, the bill would specify that \$6.6 million could not be issued until after June 30, 2011. The Kenwood Integrated Research project would be enumerated at a total cost of \$75 million, including \$73.4 million of existing GFSB and \$1.6 million from gifts, grants, and other receipts. Of the existing GFSB for the project, the bill would specify that \$43.4 million could not be issued until after June 30, 2011, and \$30 million could not be issued until after June 30, 2013. The Columbia-St. Mary's project would be enumerated at a total cost of \$31 million, including \$30 million of existing PRSB and \$1 million in building trust funds.

FISCAL EFFECT

Because the bonding for these projects was authorized in Act 28, there would be no additional funding provided in SB 514. The following sections provide a brief discussion of each of the three projects that would be enumerated in the bill.

Freshwater Sciences Initiative Research Building -- Phase I and Neeskay Research Vessel

Replacement. Under Act 28, the Legislature authorized the creation of a School of Freshwater Sciences at UW-Milwaukee. This new School will build upon the existing research program of Great Lakes Wisconsin Aquatic Technology and Environmental Research (WATER) Institute. The WATER Institute is currently housed in the Great Lakes Research Facility (GLRF), which was built in 1966 as a factory and acquired by UW-Milwaukee in 1973. GLRF has 88,000 square feet of laboratory, office, and storage space. As initially proposed, a 125,000 gross square feet addition to the GLRF would have been constructed as the first phase of the Freshwater Sciences Initiative building project. The addition would have housed academic, administrative, and research programs associated with the new School of Freshwater Sciences. According to materials prepared for the Building Commission, construction was scheduled to begin on this project in July, 2011, with occupancy anticipated in August, 2013.

In recent months, an alternate site has been proposed for the School of Freshwater Sciences. This alternate site, known as the Reed St. Yards, is located northwest of the GLRF site on the Menominee River canal. Currently owned by a developer, it has been suggested that this land could be remediated and donated to the University. If this alternate site were to be selected, existing plans would have to be modified, which could delay the project. In addition, the cost of future phases of the Freshwater Sciences Initiative would likely be significantly increased as additional space would need to be constructed on the Reed St. site to replace the 88,000 square foot GLRF. At this time, a site for the Freshwater Sciences Initiative building project has not yet been selected and it is possible that the project may still be built on the existing GLRF site. It is anticipated that a site will be selected in the spring of 2010.

In addition, the funding provided would be used to replace the research vessel Neeskay, which is a 71 foot former Army transport vessel converted for research use in 1970 and the WATER Institute's primary research vessel. The cost of replacing the Neeskay has been estimated at \$20 million. UW-Milwaukee has indicated that no GFSB would be used to fund the replacement of the Neeskay; however, neither the bill nor existing state statutes would prevent the use of GFSB for this purpose. UW-Milwaukee has indicated that the replacement vessel would be entirely funded through gifts and donations for this purpose.

Kenwood Integrated Research Complex -- Phase I. When completed, the Integrated Research Complex will consist of three connected buildings located on the existing UW-Milwaukee campus. Phase I of this project would construct the first of these three buildings on the site of an existing parking lot. UW-Milwaukee planning staff indicate that this building would consist of four stories with a basement, and a mechanical penthouse. Current plans indicate that more than 70% of building space would be dedicated to research. The remainder of the building would consist of office, instructional, and collaborative spaces. The building would be occupied by faculty and academic staff affiliated with departments in the science, technology, engineering, and mathematics disciplines. In addition, it is anticipated that administrative and other functions associated with the Physics Department may also move into the new building. Under the bill, no bonding would be available to finance this project until after June 30, 2011. Current plans indicate that construction would begin on this project in April, 2012, with occupancy anticipated in June, 2014.

Columbia St. Mary's Columbia Hospital Purchase and Redevelopment. Columbia-St. Mary's Columbia Hospital campus consists of seven buildings situated on 10.9 acres of land bordering UW-Milwaukee campus to the north and west. Columbia-St. Mary's is building a replacement facility and will have fully vacated the existing Columbia hospital campus by the end of 2010. In previous biennia, the Legislature authorized \$56.53 million GFSB and \$55.59 million PRSB for UW-Milwaukee for the acquisition and renovation of the Columbia Hospital site. Under Act 28, the enumeration for the acquisition of Columbia hospital campus was deleted and the related bonding reprogrammed to support the Milwaukee Initiative. Columbia-St. Mary's has solicited an appraisal of the property and buildings. Possible future uses for the site include the relocation and expansion of the campus's child care center and health center. At this point, it is unknown how much it will cost the University to acquire this site; however, it is anticipated that cost of acquiring the site and renovating certain buildings for university use would not exceed the requested enumeration of \$30 million PRSB. The building trust funds that would be allocated to the project would be used to fund the demolition of one or more of the existing buildings. In the short term, the demolition of existing buildings would create additional green space on the campus. In the longer term, new spaces may be constructed on these sites to accommodate the future needs of the campus.

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