

## Issue Brief – USTAR Research Buildings

NUMBER CRA-07-001

### SUMMARY

*USTAR Initiative* (Senate Bill 75, 2006 General Session) authorized the issuance and sale of \$111.1 million in general obligation bonds and appropriated \$50 million one-time General Fund to the USTAR Governing Authority for the construction of a Bio Innovations Research Institute at Utah State University and a Neuroscience and Biomedical Technology Research Building at the University of Utah. Before any construction funds may be expended, the universities must certify reliable non-state fund commitments of \$40 million, bringing total funding for the initial USTAR research buildings to \$201.1 million. The Governing Authority has contracted with the Division of Facilities Construction and Management to oversee the construction of these buildings, with groundbreaking scheduled for early 2008.

### OBJECTIVE

In addition to identifying funding sources and requirements for the two initial USTAR buildings, this brief addresses provisions for operation and management of the buildings and provides an update on construction progress.

### DISCUSSION AND ANALYSIS

#### *Funding*

Table 1 details funding authorized in S.B. 75 for the construction of a Neuroscience and Biomedical Technology Research Building at the University of Utah and a Bio Innovations Research Institute at Utah State University. Of the \$201.1 million authorized for the construction of these buildings, over half is financed through general obligation bonds. Before the Bonding Commission may issue and sell the bonds and the USTAR Governing Authority may expend monies for construction of the USTAR buildings, the universities must obtain matching non-state funds, as described in the following section.

**Table 1: USTAR Research Buildings Funding**

Sources of Finance	Neuroscience and Biomedical Technology Research Building, University of Utah	Bio Innovations Research Institute Building, Utah State University	TOTAL
General Fund, One-time	\$30 million	\$20 million	\$50 million
General Obligation Bonds	\$70.7 million	\$40.4 million	\$111.1 million
Non-State Funds	\$30 million	\$10 million	\$40 million
<b>Total</b>	<b>\$130.7 million</b>	<b>\$70.4 million</b>	<b>\$201.1 million</b>

#### *Funding Requirements*

According to UCA 63B-15-101 and intent language contained in S.B. 75, the University of Utah and Utah State University must obtain “reliable commitments, convertible to cash,” in non-state funds equal to \$30 million and \$10 million, respectively, before the Bonding Commission may issue and sell bonds and the Governing Authority may expend monies for construction. Intent language does allow the Authority to expend monies for planning and design before the universities meet the matching fund requirement.

Once the universities have obtained the necessary matching funds, they must certify the commitments to the Bonding Commission and the USTAR Governing Authority. At that point, the Governing Authority may begin to expend monies for construction. General obligation bonds, however, may not be issued and sold until the chair

of the Bonding Commission and the Governing Authority make a presentation on the projects to the Executive Appropriations Committee.

### ***Building Progress***

The USTAR Governing Authority has contracted with the Division of Facilities Construction and Management (DFCM) to oversee the construction of these buildings. The Governing Authority and DFCM have completed the selection process for architectural programmers and the programming phase, which will identify project scope and facility requirements, has commenced for both buildings. The Governing Authority expects that the projects will be in the architectural design phase by this summer, with construction beginning by early 2008.

### ***Operations and Maintenance***

The USTAR Governing Authority is responsible for costs related to the operation and maintenance of the Bio Innovations Research Institute and Biomedical Technology Research Building, as required by UCA 63B-15-101(d). Statutory authority is provided in UCA 63-38g-201 for the USTAR Governing Authority to lease the research buildings to Utah State University and the University of Utah and to require research teams to generate a certain amount of revenue to contribute to the USTAR project. The Analyst recommends that as part of the presentation made by the chair of the Bonding Commission and the Governing Authority to the Executive Appropriations Committee, that the Authority identify anticipated operations and maintenance costs for both buildings. The Analyst also suggests that the Governing Authority consider a plan of finance that includes monies from lease payments and research team contributions.

### ***Future Research Buildings***

As funding becomes available from the Legislature or other sources, the Governing Authority may construct the three additional research buildings listed in UCA 63-38g-201. The Authority may construct an Infectious Disease Research Center and Informatics Computing Research Center at Utah State University and an Information Technology and Bioinformatics Research Center at the University of Utah.

### **LEGISLATIVE ACTION**

The Analyst recommends the following action by the Economic Development and Revenue Subcommittee:

- Direct the USTAR Governing Authority to identify estimates of operations and management costs for the two initial research buildings and present a preliminary plan of finance for such costs during its presentation with the chair of the Bonding Commission to the Executive Appropriations Committee.