



UTAH SCIENCE TECHNOLOGY AND RESEARCH INITIATIVE (USTAR)

BUSINESS, ECONOMIC DEVELOPMENT AND REVENUE APPROPRIATIONS SUBCOMMITTEE
STAFF: ZACKERY KING

BUDGET BRIEF

SUMMARY

During the 2005 General Session, the Legislature allocated funding to the University of Utah and Utah State University to recruit and hire research teams, purchase equipment, and develop and implement a technology based economic development initiative. During the 2006 General Session, the Utah Science Technology and Research Initiative (USTAR) was formally created with passage of S.B. 75.

The USTAR program has three major components: recruiting and hiring of top-notch research teams in fields where Utah has a competitive advantage, construction of research buildings, and operation of a technology outreach program at four locations throughout Utah.

Additional information can be found in the Compendium of Budget Information at: http://le.utah.gov/lfa/reports/cobi2013/agcy_714.htm

Issue and Recommendations

Budget Adoption

For USTAR, The Fiscal Analyst Recommends a FY 2014 budget of \$16,995,300.

USTAR Budget

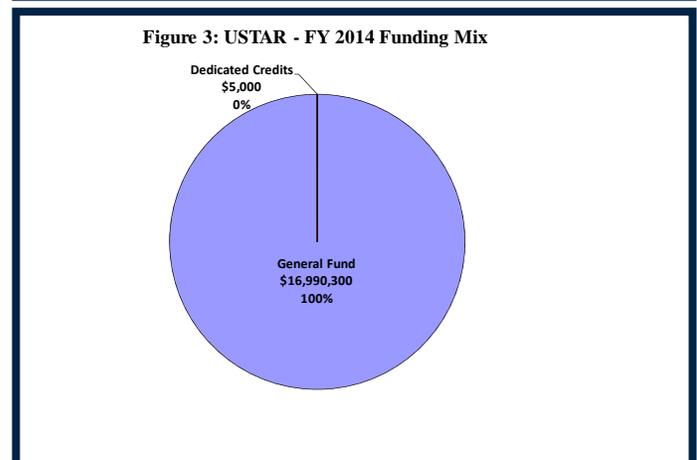
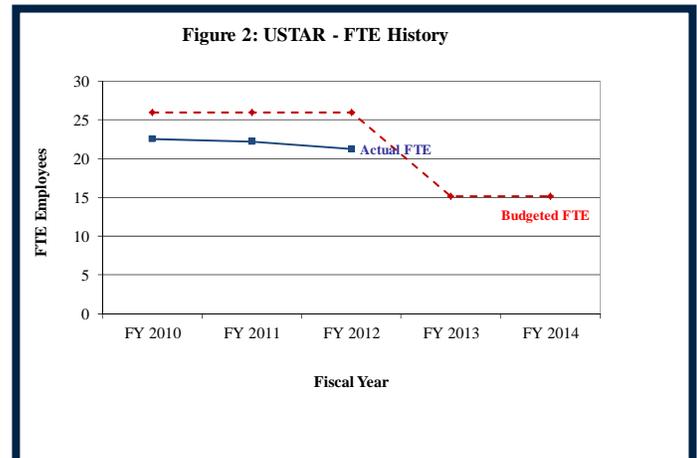
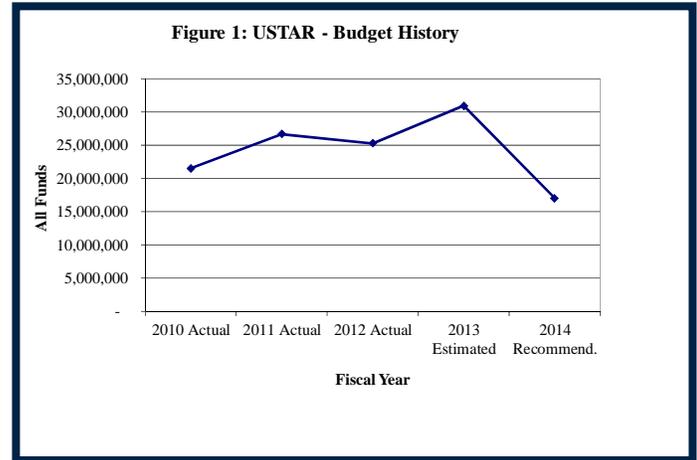
Should funds become available, the Fiscal Analyst recommends the subcommittee forward to the Executive Appropriations Committee for further consideration, a one-time increase of \$3,000,000 from the General Fund to maintain USTAR's current General Fund appropriations through FY 2014.

This recommended appropriation will ensure USTAR has funding to operate at its current levels. Operations and maintenance questions, salary tails of USTAR professors, performance measures, and nonlapsing balances are four major factors that have contributed to this recommendation; they are discussed in greater detail throughout this budget brief and in the issue brief entitled *USTAR Budget Issues for FY 2014*.

Performance and Accountability

The Fiscal Analyst recommends the following intent language be included with the recommended \$3 million one-time funding for USTAR's FY 2014 budget.

The Legislature intends that USTAR's annual statutorily required report to the Businesses, Economic Development, and Labor Subcommittee and to the Executive Appropriations Committee, shall include the following information henceforth, beginning with its FY 2014 report: 1) a report detailing specific program-level performance measures for research teams at each participating university, and for the technology outreach program at each regional



location. The outcomes of these performance measures shall be included, and historical outcomes should be included as data becomes available. 2) A report detailing research team expenditures at each participating university. This portion of the report shall include total expenditures by research team by fiscal year, as well as total expenditures by research team by area of expenditure. 3) A report detailing nonlapsing balances, including but not limited to: source(s) of nonlapsing balances, and planned usage of nonlapsing balances. 4) A report detailing federal grants awarded to university research teams, cumulatively and also the total amount for the most recent fiscal year. 5) A report detailing the private equity investment in USTAR programs both cumulatively and also the total amount for the most recent fiscal year. 6) A report detailing any other forms of funding received by USTAR programs, broken down by fiscal year with cumulative totals as well as totals for the most recent fiscal year.

Currently, the main oversight function of the USTAR budget is follow-up initiated by the Office of the Legislative Fiscal Analyst and the Governor's Office of Management and Budget. Although USTAR is currently required to report to two different committees about its achievements, expenditures, and nonlapsing balances, report content is at the discretion of USTAR. This intent language would provide additional direction from the Legislature as to content of the annual reports supplied by USTAR. Additional detail is included in the issue brief referenced above, with suggestions for performance measures to include in the annual USTAR reports to the Legislature.

Additional Recommendations for Consideration

The Fiscal Analyst also recommends that the Business, Economic Development, and Labor Appropriations Subcommittee facilitate to allow for more in-depth oversight of the USTAR budget by (1) splitting the USTAR budget into multiple line items, and (2) a performance audit of USTAR in FY 2014.

Line Items

The Fiscal Analyst recommends the subcommittee approve splitting the USTAR line item into two separate line items: (1) USTAR, and (2) Research Teams.

USTAR currently has two line items in its budget: USTAR, and USTAR Capital Developments. USTAR Capital Developments has been inactive since FY 2008. It was used to appropriate funding for USTAR buildings in FY 2007 and to track the carryover of the funds into FY 2008. The USTAR line item contains the funding of all USTAR programs and operations; Administration, Tech Outreach, and Research Teams are the three programs included in this line item.

In the recommended budget structure, the Administration and Tech Outreach programs would be included in the USTAR line item, and the Research Teams programs would be its own line item; with two new appropriation units, one for each university. This budget structure would leave USTAR with a total of three line items in its budget.

Splitting the USTAR line item into multiple line items would provide the Legislature with a more in-depth report of USTAR's budget activities throughout a fiscal year. For example, if the Research Teams program were its own line item, the budget could be broken down further into two programs titled Utah State University, and University of Utah. The Legislature could then see the funding allocations to both universities and their respective research teams.

Performance Audit

With approximately seven years of operations complete, the Fiscal Analyst recommends a performance audit of USTAR to gain in-depth understanding of the program and how it is functioning in comparison to the intent of the Legislature. A performance audit would provide the Legislature with a formal report of the strengths and weaknesses of the program and how to increase the efficiency and effectiveness of its operations.

Adoption of Fees

In accordance with UCA 63J-1-504 requiring the department to "submit its fee schedule . . . to the Legislature for its approval on an annual basis", UCA 63J-1-504 also states, "the Legislature may approve, increase or decrease and approve, or reject any fee submitted to it by a fee agency." A detailed fee schedule for USTAR is found in the issue brief titled *USTAR: FY 2014 Fee Schedule*.

Governor's Recommendations

The Governor made the following recommendations for USTAR's requests:

	<u>Name</u>	<u>Requested</u>	<u>Gov. Rec.</u>
FY 2014	USTAR Buildings O&M	\$3 million ongoing GF	
	USTAR New Research Teams	\$3 million ongoing GF*	\$5 million one-time
	Replacement of One-time Funding	\$3 million ongoing GF*	As Requested

* Indicates item was requested during the last general session

Budget Detail Table

USTAR						
	FY 2012	FY 2013		FY 2013		FY 2014*
Sources of Finance	Actual	Appropriated	Changes	Revised	Changes	Recommended
General Fund	13,952,700	16,990,300	0	16,990,300	0	16,990,300
General Fund, One-time	540,500	3,000,000	0	3,000,000	(3,000,000)	0
Dedicated Credits Revenue	3,100	5,000	0	5,000	0	5,000
Beginning Nonlapsing	21,702,000	5,215,600	5,708,100	10,923,700	(10,923,700)	0
Closing Nonlapsing	(10,923,700)	0	0	0	0	0
Total	\$25,274,600	\$25,210,900	\$5,708,100	\$30,919,000	(\$13,923,700)	\$16,995,300
Programs						
Administration	759,000	673,700	(10,400)	663,300	0	663,300
Technology Outreach	1,993,700	1,154,500	1,308,600	2,463,100	0	2,463,100
Research Teams	22,521,900	23,382,700	4,409,900	27,792,600	(13,923,700)	13,868,900
Total	\$25,274,600	\$25,210,900	\$5,708,100	\$30,919,000	(\$13,923,700)	\$16,995,300
Categories of Expenditure						
Personnel Services	1,394,900	951,800	183,300	1,135,100	(3,800)	1,131,300
In-state Travel	14,200	17,900	(12,800)	5,100	9,000	14,100
Out-of-state Travel	18,000	10,200	9,900	20,100	6,900	27,000
Current Expense	1,028,700	790,200	535,300	1,325,500	542,400	1,867,900
DP Current Expense	60,500	58,100	11,500	69,600	(3,500)	66,100
Other Charges/Pass Thru	22,758,300	23,382,700	4,980,900	28,363,600	(14,474,700)	13,888,900
Total	\$25,274,600	\$25,210,900	\$5,708,100	\$30,919,000	(\$13,923,700)	\$16,995,300
Other Data						
Budgeted FTE	26	21	(6)	15	0	15
Actual FTE	21	0	0	0	0	0

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.

Summary of Recommendations

The Fiscal Analyst Recommends the Legislature:

1. Approve a recommended FY 2014 budget of \$16,995,300 as shown in the budget detail table.
2. Should funds become available, forward to the Executive Appropriations Committee for further consideration, a one-time General Fund increase of \$3,000,000 as outlined on page 1.
3. Approve the intent language on page 2 and under the *Performance and Accountability* section.
4. After review and adjustment, adopt USTAR's proposed fee schedule referenced on page 2, and contained in the issue brief entitled *USTAR: FY 2014 Fee Schedule*.
5. Approve breaking the USTAR budget into multiple line items as discussed on page 2 and under the subheading *Additional Recommendations for Consideration*.
6. Consider approving a performance audit of USTAR for FY 2014 as discussed on page 2 and under the subheading *Additional Recommendations for Consideration*.