

COP Authority for Biotechnology Life Sciences Building

RECOMMENDATION AND FISCAL SUMMARY

Washington State University requests authority to utilize the state's Certificates of Participation (COP) process to finance up to \$63,000,000 plus financing costs and expenses to construct the WSU Biotechnology/Life Sciences Building beginning in 2006. The source of funds to repay the COPs will be the revenue earned on the University's permanent funds and deposited in the WSU Building Account. Funding capacity is available since earlier projects funded in this manner will soon be repaid. **This revised request requires no state construction funding and does not affect the state's debt limit.**

NARRATIVE JUSTIFICATION AND IMPACT STATEMENT

The building is needed now. The building will immediately bring long-sought relief to the Pullman research university campus that has less than half of the teaching laboratories required for hands-on learning by undergraduate and graduate students. It will house some of the most productive WSU research projects. The School of Molecular Biosciences (SMB), one of WSU's leading units in securing federal funding, and will allow federal research in the school to increase. The building will also be the headquarters for the Center for Integrated Biotechnology. It is an important part of the state package in leveraging construction of an additional federally-funded research building on the Pullman campus.

The building plan to meld interdisciplinary programs under one roof near Johnson Hall is designed to create a synergy that fires up state economic development and produces students that will pursue hot, new careers on the cutting edge of science in everything from to cancer, to birth defects research to agriculture.



The building ranked high on the four-year baccalaureate list for essential new building construction supported by WSU and was the university's highest priority for new construction scheduled to begin this biennium. It was recommended for state funding in Governor Gregoire's 2005-2007 budget.

Promotes State Economic Development. The building will contain the types of programs promoted in Gov. Christine Gregoire's Life

Sciences Discovery Fund legislation, which WSU strongly endorses. It is designed to stimulate the state economy through partnerships between research institutions and other public and private sources in life science-related fields.

Design work is nearly complete and the building will be ready for construction by late spring 2006. It will be the second building in the science complex known as the WSU "Research & Education Center."

The revised funding plan has no cost to the State Construction Account and no impact on the state debt limit. Washington State University proposes a revised funding mechanism to get construction underway by late spring 2006 by leveraging the university's own funds from trust lands and utilizing the state treasurer's Certificate of Participation process. The proposal addresses statewide needs for research and economic development without impacting existing WSU trust land principal or the state's debt limit, and without competing with other general-fund state capital projects. It utilizes a similar funding mechanism that constructed the Todd Hall Addition and other projects in Pullman.

Under this proposal the building will come on-line in 2008 with no cost to the state construction account and no impact on the state debt limit. The state will be asked to fund maintenance and utilities when this state facility is completed, as it has in the past for other facilities funded from this source.

Background: Trust Lands and Permanent Funds

In 1889 the federal government granted certain lands to the then newly admitted State of Washington to be held in trust for the benefit of specifically designated institutions. The purpose of these trusts was to provide economic support for the designated institution. Two of these trusts - the "Agricultural Trust" and the "Scientific Trust" - were established for the benefit of Washington State University. These two trusts presently contain approximately 150,000 acres of land that is being managed by the Department of Natural Resources.

Proceeds from the sale of the granted lands are to be held in the Agricultural Permanent Fund and the Scientific School Permanent fund for the support and maintenance of Washington State University. Currently, lease payments on trust lands, tuition building fees and interest income from

the permanent funds are deposited in the WSU building account and are appropriated to the university largely to fund minor capital and smaller major capital projects (about \$10 million per year), to fund some major projects (design of the Biotechnology/Life Sciences Building was paid with cash from this fund source) and to pay off old debt. The University recommends that a portion of this income be utilized to fund construction of the Biotechnology/Life Sciences Building. This would be accomplished without diminishing any of the existing or anticipated principal of these funds by granting the University authority to utilize the COP process to finance the project. The source of funds to repay the COPs would be lease payments on trust lands, tuition building fees and interest accrued on the University's permanent funds and deposited in the WSU building account.

The WSU building account has been used to finance construction debt for many decades, and much of the outstanding debt will mature over the next few years. In the early 1990's service on the debt was approximately \$7 million per year. By 2000 it had declined to less than \$6 million. In 1999 and 2001 the legislature appropriated \$36 million dollars to the WSU Agriculture Permanent Fund, and earnings from this new funding were used to service debt on the Spokane Health Sciences building (SHS). Excluding the special funding for the SHS, WSU building account debt service had dropped to less than \$4 million by 2005 and is scheduled to be less than \$1 million by 2010. Adding \$4.3 million per year to service the debt for the new BioTechnology Life Sciences building will still leave the debt service below historic levels.

The advantages of pursuing this method utilizing repayment of COPs include the following:

- **This is not a new funding scheme. No new state funding precedent would be set. This is the same funding method that was successfully used for WSU's Fulmer Hall Renewal and the Todd Hall Addition in Pullman.**
- **WSU will complete design for this facility by spring 2006, and thus be prepared to commence construction by late spring**
- **Costs of additional delays in beginning construction beyond 2006 can be avoided. Inflation is expected to**

add \$3.4 million to the project if it is delayed a year.

- The building would be available for the first years of the state's Life Sciences Discovery Fund process.
- Other higher education or state projects, such as classroom facilities, would not be in direct competition with funding for this construction project.
- WSU's permanent fund would be maintained without diminishing the existing principal.
- The state's debt limit would not be impacted.

**UW/WSU TECHNOLOGY TRANSFER:
A Joint Investment to Enhance the Beneficial Impact of University
Research (Revised 11-10-2005)**

RECOMMENDATION
AND FISCAL
SUMMARY

The University of Washington and Washington State University should form a state alliance to enhance technology transfer programs which will provide economic benefits to the state and enable the creation of new, high paying jobs. Moreover, the joint efforts of the two institutions to resolve public policy conflicts should be bolstered with state investment in the new UW-WSU Policy Consensus Center.

	2006-07
General Fund-State (WSU)	\$450,000

Coordinated Technology Transfer

	2006-07
General Fund-State (WSU)	\$350,000

Programs are proposed that directly address significant issues identified by the Technology Commercialization Steering Committee of the Washington Economic Development Commission. These programs will enhance the ability of both universities to more effectively link research programs to the state's commercial enterprises, better prepare research results so that they can be more easily transferred to commercial enterprises, and to facilitate the creation and success of new companies which result from these linkages. These programs will, therefore, significantly enhance the commercial impact of federally-funded research programs, will lead to additional industrially sponsored research, will more effectively transfer research results into commerce, and will lead to new jobs within the state.

WSU and UW foster economic development by promoting the transition of research from the laboratory to the marketplace. While this is only one aspect of the larger research mission, nonetheless it is an important one upon which we are increasingly evaluated, and upon which we regularly leverage our other missions. In accord with the *Recommended Approach to Successful Commercialization of Innovative Technologies Developed at Washington State's Research Institutions* being developed by the Washington Economic Development Commission (EDC), the UW TechTransfer Office and the WSU Office of Research will coordinate activities to enhance the transfer of university-based discoveries to benefit Washington's economy, addressing needs articulated by the EDC and others.

Both WSU and UW have established programs that facilitate the movement of new discoveries into established or newly-created businesses, and have resulted in products and services that have improved healthcare and crops produced in agribusiness, played a major role in deciphering the human genome, fostered a cluster of medical device companies, and enhanced myriad commercial enterprises

statewide. These university-industry partnerships have created significant employment in the state. Nevertheless, based on discussions with faculty, commercial enterprises, and others, the EDC has identified areas which will enhance these programs that are the basis of this budget request.

The request funds specific programs to enhance the ability of both universities to more effectively link research efforts to the state's commercial enterprises, better prepare research results so that they can be more easily transferred, and to facilitate the creation and success of new companies which result from these linkages. These programs will, therefore, significantly enhance the commercial impact of the state's research universities.

Enhance the transfer of new discoveries to companies based in the state of Washington. Coordinated approaches will be employed to more effectively connect in-state companies with new discoveries made at the state's research universities. UW and WSU will each hire staff who will work within select academic units to draw technologies out of the research programs, link these research programs to industrial needs, and enhance the transfer of university-developed technologies to commercial enterprises. Moreover, in coordination with the WTC, SIRTl and others, the UW and WSU will organize and host events to market discoveries to companies in the state.

Companies will be invited to learn about new discoveries in their area of business and to discuss opportunities for additional collaborative research or licensing. Such activities will be supported by a coordinator for in-state marketing and technology licensing who will jointly reside within UW TechTransfer and WSU Office of Intellectual Property Administration. These programs will result in better identification of commercializable technology, better linkages with industry, more rapid distribution of knowledge about discoveries made at the universities and more rapid movement of these discoveries into local businesses for development and commercialization. This program will allow significant expansion of the EDC identified element to *“streamline the identification, patenting and nurturing of innovations with possible commercial potential.”*

Prototype Fund: The EDC has noted that “Proof-of-concept funding is scarce”, yet it commends the UW and WSU for “developing new programs and organizational

structures to address proof-of-principle funding for early technologies.” This portion of the request will enable enhancement of the modest prototype development funds initiated by the universities which are designed to enhance the commercial potential of early-stage university discoveries, and will be jointly administered by the two universities. Most discoveries and innovations that are made in university research programs occur at a very early stage in the commercialization continuum, and rarely lend themselves to immediate commercialization. Moreover, our industry partners are often not in a position to invest in them without further "proof-of-concept" or other additional development work. Unfortunately, funds for development projects like this are rarely available from granting agencies. Many promising technologies languish or simply die in this gap because they are too applied for further academic research funding, but not yet developed enough to attract industry investment.

WTC programs allow industry to bring problems to the university for research, but are not designed to facilitate the further development of university-owned technologies to enhance commercial potential. The Prototype Fund will address these problems by providing targeted funds for further development to a competitively selected group of innovations. The Fund will focus on discrete projects of relatively short duration (6 to 12 months) that have significant commercial potential but require additional commercially directed research. An external panel will be employed to review projects and provide advice on the feasibility and commercial value of projects supported by the Fund.

Company Creation: New companies can result from university-based discoveries. While both UW and WSU have an impressive history of company starts from their research programs, the potential exists to facilitate significantly more of these ventures. Most professional venture capitalists will not invest in a start-up that is run by a faculty member, so it is important to employ company structures and form management teams that are attractive for investment. The limiting element in this process is experienced managers and entrepreneurs who understand the technology and can start the company. On the other hand, if such entrepreneurs were housed within the university, they can work closely with the inventors while simultaneously being engaged in mentoring student entrepreneurs. Thus, this *Company Creation program* is

designed to identify and attract experienced managers and entrepreneurs to start-up opportunities from the research institutions and in which the entrepreneur is expected to commercialize a university technology within a short time.

Linkages with organizations like WTC, SIRTI and Connect/NW, and research park facilities on our campuses, will enable initial support and space to allow nascent companies to mature until they can attract significant outside investment.

Building on WTC or SIRTI. While the WTC and SIRTI, as well as other organizations like Connect/NW, have various programs that will work with those proposed here, the programs proposed here will work within the Universities to enhance the programs, change the university cultures, and add enhance the commercialization of university-owned technologies. WTC programs are designed to use university faculty in the solution of industrial problems; SIRTI manages space for small businesses and offers advice, but none are designed to enhance the ability to link the significant ongoing research conducted at the universities with the State's commercial enterprises.

Outcomes These programs are designed to enhance the ability of both universities to more effectively link research programs to the state's commercial enterprises, better prepare research results so that they can be more easily transferred, and to facilitate the creation and success of new companies which result from these linkages. These programs will, therefore, significantly enhance the commercial impact of federally-funded research programs, will lead to additional industrially sponsored research, will more effectively transfer research results into commerce, and will lead to new jobs within the state.

Component 2 – Policy Consensus Center

	2006-07
General Fund-State (WSU)	\$100,000

The Policy Consensus Center (PPC) is a joint effort of Washington State University (WSU) and the University of Washington (UW). The PCC was developed in response to requests from community leaders.

Building on the unique strengths of the two institutions, the mission of the PCC is to increase access to neutral resources for voluntary, collaborative approaches to problem-solving, multi-party dispute resolution and policy development. To meet its mission, the PCC:

- Hosts discussions on emerging public issues
- Provides training to improve capacity of individuals and organizations to use collaborative problem-solving approaches
- Performs program and processes evaluations
- And when requested to assist with a dispute, the PCC can:
 - provide a neutral/safe forum for stakeholders to define issues
 - marshal resources for collaborative problem solving
 - perform applied research to be used at the option of the stakeholders

The Center will not duplicate or compete with existing services.

The PCC has offices at WSU and UW. PCC is overseen by an advisory board chaired by William Ruckelshaus and composed of prominent leaders representing a broad range of constituencies and geographic locations in the State.

Legislative funding for the PCC is being sought to underwrite staff time and expenses for PCC projects where other funding is not available. Other operational funds will come from a mix of sources, including grants, contracts, gifts and fees for service.

CALCULATIONS

EXPENSES					
By Program	FTE	FY 06	FTE	FY 07	TOTAL
Public Service			3.0	450,000	450,000
Total			3.0	450,000	450,000
By Object	FTE	FY 06	FTE	FY 07	TOTAL
Salaries/ Faculty				-	-
A/P			3.0	210,000	210,000
Benefits				61,000	61,000
Goods/Serv				158,000	158,000
Travel				21,000	21,000
Total	-	-	3.0	450,000	450,000
Activity Distribution					
	FTE	FY 06	FTE	FY 07	TOTAL
Public Service			3.0	450,000	450,000
Total	-	-	3.0	450,000	450,000

Washington State Public Agricultural Weather Network

RECOMMENDATION
AND FISCAL
SUMMARY

The 2005 Legislature appropriated \$300,000 to WSU to fund vitally-needed equipment to double the stations in the state public agriculture weather system, now known as AgWeatherNet. But no funding was provided for staffing and operating the new system. WSU is requesting recurring funding of \$800,000 in the supplemental budget to operate this expanded system to provide localized weather data and related information to the vast majority of farming operations throughout Washington.

	2006-07
General Fund-State	\$800,000

NARRATIVE
JUSTIFICATION AND
IMPACT STATEMENT

This updated system will serve a wide array of family farm operations, from the cranberry growers in Long Beach to the to fruit farms in Skagit valley, to wheat farmers in the Palouse, to potato farmers in the Columbia basin, to tree fruit growers in the Okanogan valley, to tree fruit, hop, and grape producers in the Yakima valley, to grape producers in Walla Walla, to dairy producers in Sunnyside and Whatcom county, and to timothy hay growers in Ellensburg.

AgWeatherNet is vitally important to the agricultural economy, being used for :

1. **Irrigation scheduling** for water use efficiency
2. **Frost prediction to protect tree** fruits and other crops, weather data to underpin pest and disease prediction models that lead to minimal and effective use of pesticides and many other weather-related production management decisions.
3. **Important environmental data for** wind for fire services, for prediction of airborne particulates, PM-10 and 2.5, and other weather-dependent state and private agricultural, natural resource, and environmental activities in Washington.

The AgWeatherNet is the next generation of the Public Agricultural Weather System (PAWS) originally developed in the 1980's by Washington State University. Since 2001, the PAWS network has been administered by the WSU Center for Precision Agricultural Systems (CPAS), which itself was created as part of the WSU Advanced Technology Initiative (ATI) funded by the Washington State legislature in 1999.

The PAWS system operated as a subscription service since 1997. In March 2005, the PAWS network was opened to the public through a significant private fund raising campaign that provided temporary funds to support operations and pay for some of the upgrades to the weather stations using technologies developed by CPAS. The constituents that raised the 2005 donated operating funds also led an effort to secure appropriated state funds for WSU for AgWeatherNet from the Washington Legislature to support annual operations and a one-time capital request to fund the expansion of the network from 60 to 135 weather stations.

The current request is for permanent operating funds to WSU to support the expanded AgWeatherNet agricultural weather network as follows:

1. AgWeatherNet Staffing Plan (\$445,000 per year)
 - a. Agro-meteorologist (extension & research)(\$80,000 per year)
Responsible for implementing climate/weather related decision aids on AgWeatherNet and linking with other web-based climate and weather information products and sites.
Responsible for conducting workshops and focus groups to determine priorities for decision aids and information products, for informing clientele of the products, and for training users.
Responsible for implementing an applied research and extension program on the impact of climate variability on agricultural and natural resources with an emphasis on the development and implementation of decision aids to be used by extension agents, farmers, and natural resource managers.
 - b. AgWeatherNet Technical Operations Manager (A/P position, \$60,000 per year)
 - c. AgWeatherNet Systems Analyst/Software Development Engineer (A/P position, \$70,000 per year)
 - d. AgWeatherNet Field Technicians – Two needed (Civil Service, Engineering Technician II, \$50,000 per year each, \$100,000 per year total)
 - e. AgWeatherNet Administrative Assistant (civil service Administrative Assistant B, 0.5 FTE, \$20,000 per year)

2. AgWeatherNet Operations (\$355,000 per year)
 Equipment maintenance, travel to weather station sites, licenses, location access contracts, and other operational costs.

CALCULATIONS

EXPENSES					
By Program	FTE	FY 06	FTE	FY 07	TOTAL
Instruction					-
Research			0.5	54,000	54,000
Public Service			5.0	746,000	746,000
Primary Support					-
Libraries					-
Student Service					-
Inst Support					-
Plant					-
Total	-	-	5.5	800,000	800,000
By Object	FTE	FY 06	FTE	FY 07	TOTAL
Salaries/					
Faculty			1.0	80,000	80,000
A/P			2.0	130,000	130,000
TA/GA					-
Classified			2.5	120,000	120,000
Benefits				115,000	115,000
Goods/Serv				318,000	318,000
Travel				15,000	15,000
Equipment				22,000	22,000
Total	-	-	5.5	800,000	800,000
Activity Distribution	FTE	FY 06	FTE	FY 07	TOTAL
Instruction					-
Research			0.5	54,000	54,000
Public Service			5.0	746,000	746,000
Administration					-
Total	-	-	5.5	800,000	800,000

BIOAg: Biologically Intensive and Organic Agriculture Program

RECOMMENDATION AND FISCAL SUMMARY

\$800,000 is requested in recurring funding to make the initial investment in a “BIOAg” program that will foster biological approaches to farming that work in concert with natural systems and contribute to the emerging bioeconomy in Washington. The BIOAg request proposes the first state appropriation to a WSU program created by the Legislature, the “WSU Center for Sustaining Agriculture and Natural Resources.” The Center will use the funding for competitive research and extension grants, demonstration projects, and extension education designed to:

- **Enhance the economic and environmental health of Washington agriculture** through research, education and outreach on organic and other biologically intensive farming methods
- **Assist producers** in meeting environmental regulations, accessing higher-value markets and developing value-added products, thereby **increasing farm profitability**
- **Respond to the rapidly growing consumer demand** for locally-grown, organic and natural foods
- Investigate links between **improved human health**, food quality and biologically intensive farming methods

	2006-07
General Fund-State	\$800,000

NARRATIVE JUSTIFICATION AND IMPACT STATEMENT

A fundamental premise of biologically intensive agriculture is to use biological approaches that work in concert with natural systems to maximize on-farm resource management and minimize off-farm inputs and unwanted impacts such as soil erosion. In light of escalating energy and fertilizer costs, increasing drought frequency, continuing low farm prices, and food security concerns, growers need immediate cutting edge research, demonstration, and extension programs that help them reduce costs, protect the environment, develop ‘value-added’ products, and produce food that responds to public demand for locally-grown and organic. In addition, the need for **renewable energy supplies** and for greenhouse gas mitigation provides potential **economic opportunities** for the agricultural sector and Washington’s economy.

The following **initial** investments in the BIOAg program are proposed for FY2007.

1. **Integrated research and extension grants. \$500,000 per year.** Create an annual competitive grants program for WSU teams, together with external partners, to execute projects on targeted topics leading to near-term solutions and impact. The currently envisioned topics for these grants are: organic and biologically intensive farming systems studies (dry land and irrigated, annual and perennial crops, including biofumigation and biological nitrogen); production of value-added products including biofuels and bioproducts; and, biocontrol tactics to replace petrochemical-derived pesticides. Economic assessments will be incorporated to spur adoption. This funding meets the intent of a grants program for CSANR as described in RCW 15.92.030.
2. **Value added extension educators (2 FTE). \$177,000 per year.** (includes salary and benefits.) Educators will work with producers, businesses, and communities to explore value-added production, processing, and marketing to help address the economic decline in the farming sector across the state. One position will be based at WSU Mount Vernon where there is a strong agricultural sector, access to higher value markets nearby, and intense development pressure on farmland. The second position will be in eastern Washington.
3. **Extension demonstration and outreach operating funds. \$123,000 per year.** Funding will support the establishment of public demonstration or pilot sites on WSU research land and innovative private farms to accelerate adoption of proven biologically intensive technology. Where mutually agreeable, growers will work with extension educators and other WSU faculty to provide a public demonstration farm function for their operation, including field days, economic case studies, environmental performance, and potential value-added opportunities. Support will be provided to the farms for their time commitment and to improve system performance or implement experimental practices. BIOAg educational workshops, conferences, and field days will be supported for county, regional, and statewide audiences, and publications and internet-based products on BIOAg practices and systems will be produced. Support will be provided for the BIOAg team and BIOAg coordinator.

CALCULATIONS

EXPENSES					
By Program	FTE	FY 06	FTE	FY 07	TOTAL
Instruction					-
Research				500,000	500,000
Public Service			2.0	300,000	300,000
Primary Support					-
Libraries					-
Student Service					-
Inst Support					-
Plant					-
Total	-	-	2.0	800,000	800,000
By Object	FTE	FY 06	FTE	FY 07	TOTAL
Salaries/					
Faculty			2.0	132,000	132,000
A/P					-
TA/GA					-
Classified					-
Benefits				45,000	45,000
Goods/Serv				83,000	83,000
Travel				20,000	20,000
Equipment				20,000	20,000
Grants				500,000	500,000
Total	-	-	2.0	800,000	800,000
Activity Distribution					
	FTE	FY 06	FTE	FY 07	TOTAL
Instruction					-
Research				500,000	500,000
Public Service			2.0	300,000	300,000
Administration					-
Total	-	-	2.0	800,000	800,000

Escalating Energy Costs

RECOMMENDATION
AND FISCAL
SUMMARY

This request is Washington State University’s portion of a coordinated request undertaken by the Superintendent of Public Instruction, the State Board for Community and Technical Colleges and the Council of Presidents for supplemental one-time funding to mitigate unprecedented increases in utilities and energy costs anticipated in the 2005-2007 biennium. WSU needs funding for natural gas and electrical service to continue to operate its campuses and research stations. WSU would support a mechanism for OFM to adjust our budget late in the biennium to reflect actual energy costs.

	2005-06	2006-07	Total
GF-S non-recurring	\$3,914,000	\$4,016,000	\$7,930,000

NARRATIVE
JUSTIFICATION AND
IMPACT STATEMENT

Washington State University operates four campuses and *four major* research stations across the state. These facilities are heated, lit and operated with natural gas and electricity. The dramatic rise in the cost of energy threatens to adversely affect academic programs unless the institution receives state assistance. The price of natural gas has risen rapidly and repeatedly over the last several months, with some analysts projecting even higher prices during the upcoming winter months. Electricity rates, which are regulated, had been stable until recently but are now scheduled to rise substantially.

WSU’s flexibility in addressing the escalating energy costs is constrained by several factors:

- The new energy plant on the Pullman campus, while more efficient and ecologically friendly, does not burn coal, a lower cost fuel that the institution previously relied on.
- Conservation measures have been very effective in curtailing usage, but many buildings must be operational 365 days a year to support ongoing research.

Basis of Present/Projected Energy Cost Increase

Electrical: WSU Pullman receives electrical service from Avista Utilities. Their tariff rate has remained stable since March 2002, but a rate change request of 13% (for WSU) was filed this summer. It was challenged and a revised rate change of 9% (for WSU) was negotiated. The State Attorney General’s office is now challenging that settlement, advising that the increase should be less than 3%. That review is on-going. If an increase is approved, it will likely

take effect by the end of the year, perhaps sooner. A 3% increase would raise our base projected electrical cost of \$14.16 million for the 05-07 biennium by \$327,000; a 9% increase would raise our cost by \$990,000. Increases in electrical rates at other WSU locations are also expected.

Natural Gas: WSU Pullman has a campus steam distribution system and utilizes steam for space heating, domestic hot water, and a variety of process uses such as autoclaves, etc. The University has main and satellite steam plants which use boilers for steam production. The main plant has 3 boilers which can burn natural gas or diesel fuel; the satellite plant has 2 boilers permitted for natural gas only. This dual plant arrangement replaced the old power plant which had 3 boilers fueled by natural gas and one boiler permitted for coal. Historic fuel use at the old plant was 9.8 million therms per year. The new plants required only 8.3 million therms of fuel the first year, a 15% increase in boiler fuel efficiency. However, the old coal boiler allowed up to 60% of the steam needs to be satisfied with coal. Coal was often a cheaper alternative when natural gas prices were rising. The new main plant has fuel switching capability between natural gas and diesel, but unfortunately prices for those two fuels have begun tracking together very closely, reducing the opportunity to use fuel switching to minimize natural gas price impacts. WSU Spokane and WSU Vancouver are also heated by natural gas.

Campus Energy Conservation Actions

Over the last few years, WSU has utilized the Energy Services Performance Contracting (ESPC) process to implement over \$15 million in energy conservation projects on campus. These projects have reduced annual electrical and steam usage on existing loads by over 11 million kWh (~7.3%) and 41 million pounds of steam (~ 5%).

The ESPC projects include lighting retrofits on all of the older, large facilities on campus (over 4.4 million square feet of space retrofitted), replacement and/or upgrading of chillers supplying the campus chilled water loop, replacement of older fan systems with more efficient and maintainable systems, and replacement of the campus traffic signals with LED lights. This reduction has reduced the impact of higher energy costs.

The University is continuing to identify and implement energy conservation projects with additional lighting retrofits, chilled water system upgrades, and fan system improvements in progress already in this biennium.

Uncertainty of costs: This request is based on our best cost estimates as of October 2005. Recent events have shown energy costs to be volatile. Prices could go up or down from current estimates. WSU would support a mechanism for OFM to adjust our budget late in the biennium to reflect actual energy costs.

WSU Utility Costs

Fiscal Year	Pullman	Spokane	Tri-Cities	Vancouver	Totals
Actual Costs					
2004	12,370,507	576,470	175,177	412,119	13,534,273
2005	13,897,260	579,423	172,571	434,019	15,083,273
03-05 Biennium	26,267,767	1,155,893	347,748	846,138	28,617,546
Estimated Costs					
2006	17,675,000	670,000	193,000	459,000	18,997,000
2007	17,675,000	713,000	216,000	495,000	19,099,000
05-07 Biennium	35,350,000	1,383,000	409,000	954,000	38,096,000
Increase Over					
FY 2005 Base	7,555,479	224,154	63,858	85,962	7,929,453
Requested Increase					
FY 2006	3,778,000	91,000	20,000	25,000	3,914,000
FY 2007	3,778,000	134,000	43,000	61,000	4,016,000
05-07 Biennium	7,556,000	225,000	63,000	86,000	7,930,000

Note: The estimated FY 06 and FY 07 costs above do not include additional energy usage for buildings that will be completed during the 05-07 biennium. These utility costs are addressed separately through the maintenance and operations budget.

CALCULATIONS

EXPENSES					
By Program	FTE	FY 06	FTE	FY 07	TOTAL
Plant	<u> </u>	<u>3,914,000</u>	<u> </u>	<u>4,016,000</u>	<u>7,930,000</u>
Total	0	3,914,000	0	4,016,000	7,930,000
By Object	FTE	FY 06	FTE	FY 07	TOTAL
Goods/Serv	<u> </u>	<u>3,914,000</u>	<u> </u>	<u>4,016,000</u>	<u>7,930,000</u>
Total	0	3,914,000	0	4,016,000	7,930,000
Activity Distribution					
	FTE	FY 06	FTE	FY 07	TOTAL
Instruction		2,660,000		2,729,000	5,389,000
Research		631,000		649,000	1,280,000
Public Service		508,000		523,000	1,031,000
Administration	<u> </u>	<u>115,000</u>	<u> </u>	<u>115,000</u>	<u>230,000</u>
Total	0	3,914,000	0	4,016,000	7,930,000

Technical Corrections to Appropriations Act

RECOMMENDATION
AND FISCAL
SUMMARY

The 2005 – 2007 appropriations act inadvertently over-funded or under-funded several salary increase, benefit increase and maintenance items. Washington State University would like to work with the Office of Financial Management to correct these amounts. The net effect will be a reduction to the WSU appropriation.

General Fund-State	2005-06	2006-07	2005-07 Biennium
M&O	\$220,000	\$281,000	\$501,000
Salaries & Benefits	(\$1,263,000)	(\$2,685,000)	(\$3,948,000)
Total	(\$1,043,000)	(\$2,404,000)	(\$3,447,000)

NARRATIVE
JUSTIFICATION AND
IMPACT STATEMENT

Missing Maintenance and Utility Funding

When the 2005 – 2007 budget was passed, funding was inadvertently left out for maintenance and utilities for three capital projects: Spokane South Campus Annex, Vancouver Student Services Building and the Prosser Precision Agricultural Center.

The Spokane South Annex project was renovation of space that had not been used or maintained for academic purposes previously.

The space being renovated had been leased to outside users until 1999. The building was old and, until renovated, not appropriate for academic use. WSU Spokane has used a portion of the facility for general campus storage, Facilities Operations shops, equipment maintenance & storage, campus receiving & delivery services, and storage of ICN's Ronald McDonald mobile care unit. Only minimal M&O was required. A study commissioned by the University in 2000, concluded that the FO Berg facility is "structurally sound" and that "upgrading and developing (the facility) is a very appropriate and cost effective solution to providing space for campus." Now approximately half of the facility is being renovated for academic and administrative use and we need to operate and maintain the facility accordingly. We requested, and the governors' budgets included M&O for 29,000 square feet. The funding was inadvertently left out of the legislative budget however.

The Vancouver Student Services Building and the Prosser Precision Agricultural Center were projects that were added

to the 2005 – 2007 capital budget very late in the legislative process. Legislators and staff had no opportunity to adjust the operating budget to match the capital appropriation. These projects will be completed this biennium, and maintenance and operations money is needed to utilize the buildings.

New Building and Maintenance Costs
(for new facilities estimated to come on line in 2005-07)

TOTAL COSTS

Building Name	Project Code	Square Feet	FY 2006 Average Cost Per Sq. Ft.	FY 2007 Average Cost per Sq. Ft.	FY 2006 Percent of Time Occupied	FY 2007 Percent of Time Occupied	FY 2006 Estimated Costs	FY 2007 Estimated Costs	2005-07 Total Costs
PROSSER:									
Prosser: Cntr for Precision Ag (CF)	2006-2-850	5,000	\$ 7.62	\$ 7.81	0.00%	16.67%	-	7,000	7,000
SPOKANE:									
South Campus Annex (FO Berg)	2004-1-951	29,000	\$ 7.62	\$ 7.81	100.00%	100.00%	220,000	226,000	446,000
VANCOUVER:									
Student Services Center	2000-2-905	18,000	\$ 7.62	\$ 7.81	0.00%	33.33%	-	48,000	48,000
							220,000	281,000	501,000

091 - 04A - Utilities

Building Name	Project Code	Square Feet	FY 2006 Average Cost Per Sq. Ft.	FY 2007 Average Cost per Sq. Ft.	FY 2006 Percent of Time Occupied	FY 2007 Percent of Time Occupied	FY 2006 Estimated Costs	FY 2007 Estimated Costs	2005-07 Total Costs
PROSSER:									
Prosser: Cntr for Precision Ag (CF)	2006-2-850	5,000	\$ 2.36	\$ 2.45	0.00%	16.67%	-	2,000	2,000
SPOKANE:									
South Campus Annex (FO Berg)	2004-1-951	29,000	\$ 2.36	\$ 2.45	100.00%	100.00%	68,000	71,000	139,000
VANCOUVER:									
Student Services Center	2000-2-905	18,000	\$ 2.36	\$ 2.45	0.00%	33.33%	-	15,000	15,000
							68,000	88,000	156,000

092 - 04B - Utility & Building Maintenance

Building Name	Project Code	Square Feet	FY 2006 Average Cost Per Sq. Ft.	FY 2007 Average Cost per Sq. Ft.	FY 2006 Percent of Time Occupied	FY 2007 Percent of Time Occupied	FY 2006 Estimated Costs	FY 2007 Estimated Costs	2005-07 Total Costs
PROSSER:									
Prosser: Cntr for Precision Ag (CF)	2006-2-850	5,000	\$ 1.81	\$ 1.85	0.00%	16.67%	-	2,000	2,000
SPOKANE:									
South Campus Annex (FO Berg)	2004-1-951	29,000	\$ 1.81	\$ 1.85	100.00%	100.00%	52,000	54,000	106,000
VANCOUVER:									
Student Services Center	2000-2-905	18,000	\$ 1.81	\$ 1.85	0.00%	33.33%	-	11,000	11,000
							52,000	67,000	119,000

093 - 04D - Custodial and Grounds

Building Name	Project Code	Square Feet	FY 2006 Average Cost Per Sq. Ft.	FY 2007 Average Cost per Sq. Ft.	FY 2006 Percent of Time Occupied	FY 2007 Percent of Time Occupied	FY 2006 Estimated Costs	FY 2007 Estimated Costs	2005-07 Total Costs
PROSSER:									
Prosser: Cntr for Precision Ag (CF)	2006-2-850	5,000	\$ 1.89	\$ 1.92	0.00%	16.67%	-	2,000	2,000
SPOKANE:									
South Campus Annex (FO Berg)	2004-1-951	29,000	\$ 1.89	\$ 1.92	100.00%	100.00%	55,000	55,000	110,000
VANCOUVER:									
Student Services Center	2000-2-905	18,000	\$ 1.89	\$ 1.92	0.00%	33.33%	-	12,000	12,000
							55,000	69,000	124,000

094 - 04C - Operations and Maintenance Support

Building Name	Project Code	Square Feet	FY 2006 Average Cost Per Sq. Ft.	FY 2007 Average Cost per Sq. Ft.	FY 2006 Percent of Time Occupied	FY 2007 Percent of Time Occupied	FY 2006 Estimated Costs	FY 2007 Estimated Costs	2005-07 Total Costs
PROSSER:									
Prosser: Cntr for Precision Ag (CF)	2006-2-850	5,000	\$ 1.56	\$ 1.59	0.00%	16.67%	-	1,000	1,000
SPOKANE:									
South Campus Annex (FO Berg)	2004-1-951	29,000	\$ 1.56	\$ 1.59	100.00%	100.00%	45,000	46,000	91,000
VANCOUVER:									
Student Services Center	2000-2-905	18,000	\$ 1.56	\$ 1.59	0.00%	33.33%	-	10,000	10,000
							45,000	57,000	102,000

Correction to Funding for Health Costs and Salary Increases

The 2005 – 2007 appropriations act included funding to pay for fringe benefit increases and salary increases. The state used a new personnel model to calculate the amount needed by each agency. We believe the amount calculated for WSU benefits was erroneously set at a level higher than intended.

The funding calculations were further complicated by changes in employment status of many WSU classified employees. Many employees were considered represented employees at the time the budget was passed, but became non-represented workers by the time the legislatively mandated salary increase were awarded. This changed the funding rate for both salary increases and benefit increases.

Specifically, the status changed from represented to non-represented for employees that were formerly in bargaining units #2, #5, #9 and #10. On April 27, 2005, the Washington Federation of State Employees disclaimed interest in units #2, #9 and #10. On August 31, 2005, the Public Employment Relations Commission certified that former bargaining unit #5 no longer exists since a majority of its employees had voted to decertify.

Employees in bargaining units #2- supervisors and #3 filed petitions with the Public Employees Relations Commission for decertification in March and July, respectively. However, at the time of budget submittal the Public Employment Relations Commission had not yet conducted decertification elections. The vote to determine whether these employees are represented or not should be completed in November.

As shown below, our current estimates are that after adjusting for the changes in employment status WSU was over-funded by \$3.9 million. WSU will continue to work with OFM to refine the analysis as events unfold.

Washington State University
Comparison of 05-07 State funding and Actual or Estimated Costs

	Funded		WSU Costs		(Over) Under	
	Yr 1	Yr 2	Yr 1	Yr 2	Yr 1	Yr 2
Super Coalition Health Benefits	2,163	4,325	731	1,462	(1,432)	(2,863)
Non-Represented Health Benefit Change	3,290	1,462	2,649	1,177	(641)	(285)
Cola Non-Represented	5,061	8,735	5,557	9,186	496	451
Salary Survey-Non-Represented	405	410	200	200	(205)	(210)
Salary Survey-Represented (1,11)	-	-	60	60	60	60
Collective Bargaining (1,4,5,11)	172	287	114	194	(58)	(93)
Classification Revisions	69	139	35	70	(34)	(69)
Pension Adjustments	493	1,080	502	1,099	9	19
Grad Health Insurance	-	-	55	276	55	276
Totals	11,653	16,438	9,903	13,724	(1,750)	(2,714)

Adjustments for Represented to Non-Represented Changes*:

Super Coalition Health Benefits		(474)	(949)	(474)	(949)
Non-Represented Health Benefit Change		474	211	474	211
Cola Non-Represented		433	740	433	740
Salary Survey-Non-Represented		-	-	-	-
Salary Survey-Represented (1,11)		-	-	-	-
Collective Bargaining (1,4,5,11)		-	-	-	-
Classification Revisions		54	27	54	27
Pension Adjustments		-	-	-	-
Grad Health Insurance		-	-	-	-
Totals		487	29	487	29

* 488 FTE moved from represented to non-represented from BU's 2,5,9,10

Comparison with Adjusted WSU Costs:

Super Coalition Health Benefits	2,163	4,325	257	513	(1,906)	(3,812)
Non-Represented Health Benefit Change	3,290	1,462	3,123	1,388	(167)	(74)
Cola Non-Represented	5,061	8,735	5,990	9,926	929	1,191
Salary Survey-Non-Represented	405	410	200	200	(205)	(210)
Salary Survey-Represented (1,11)	-	-	60	60	60	60
Collective Bargaining (1,4,5,11)	172	287	114	194	(58)	(93)
Classification Revisions	69	139	89	97	20	(42)
Pension Adjustments	493	1,080	502	1,099	9	19
Grad Health Insurance	-	-	55	276	55	276
Totals	11,653	16,438	10,390	13,753	(1,263)	(2,685)

CALCULATIONS

EXPENSES					
By Program	FTE	FY 06	FTE	FY 07	TOTAL
Instruction	-	(538,000)	-	(1,068,000)	(1,606,000)
Research	-	(137,000)	-	(274,000)	(411,000)
Public Service	-	(165,000)	-	(342,000)	(507,000)
Primary Support	-	(112,000)	-	(238,000)	(350,000)
Libraries	-	(52,000)	-	(114,000)	(166,000)
Student Service	-	(95,000)	-	(194,000)	(289,000)
Inst Support	-	(112,000)	-	(239,000)	(351,000)
Plant	<u>2.8</u>	<u>168,000</u>	<u>3.5</u>	<u>65,000</u>	<u>233,000</u>
Total	2.8	(1,043,000)	3.5	(2,404,000)	(3,447,000)
By Object	FTE	FY 06	FTE	FY 07	TOTAL
Salaries/	2.8	822,000	3.5	1,001,000	1,823,000
Benefits		(1,983,000)		(3,558,000)	(5,541,000)
Goods/Serv		<u>118,000</u>		<u>153,000</u>	<u>271,000</u>
Total	2.8	(1,043,000)	3.5	(2,404,000)	(3,447,000)
Activity Distribution					
	FTE	FY 06	FTE	FY 07	TOTAL
Instruction	1.8	(710,000)	2.3	(1,626,000)	(2,336,000)
Research	0.5	(155,000)	0.6	(362,000)	(517,000)
Public Service	0.4	(179,000)	0.5	(411,000)	(590,000)
Administration	<u>0.1</u>	<u>1,000</u>	<u>0.1</u>	<u>(5,000)</u>	<u>(4,000)</u>
Total	2.8	(1,043,000)	3.5	(2,404,000)	(3,447,000)