



OLYMPIA UPDATE

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Feds Stimulate State Legislature

Federal stimulus plays big WSU budget role; Key energy legislation signed into law

Amidst historic general state reductions to university funding by the Legislature this year, some federal economic stimulus money allocations have already been signed into law by the governor and will provide some actual growth to selected Washington State University research and extension programs.

Not yet signed are 2009 state bills on the capital construction budget, operating budget, and tuition. That will happen in the coming days. But it is legislation out of Washington D.C. awarding federal stimulus funds, some directly to state Legislatures and governors, that played a huge role in the shaping of major budget and tuition bills on Gov. Gregoire's desk. Unlike many states, Washington chose not to use federal funds for higher education construction projects. State legislators are counting on federal funds to hold students and families harmless for major state tuition increases and limit WSU net state operating budget reduction to 10 percent in the coming biennium. Without tuition increases and federal stimulus dollars, the state Legislature's budget would cut WSU's operating budget 22 percent.

Most federal stimulus funding (American Reinvestment & Recovery Act) for the university will be awarded directly by federal agencies through new competitive research grants. WSU researchers have already submitted more than 90 research proposals directly to federal agencies totaling requests for nearly \$60 million. And many more applications are being prepared by WSU.

But tens of millions of dollars in federal stimulus money flows through the state government rather than federal agencies. It was allocated by the bills passed by the Legislature last month. Many of those bills have already been recently signed by the governor this month and will be fully implemented with the upcoming signing of the state budgets.

Whether delivered from the federal or state government, these economic stimulus funds all come with strings attached to Washington D.C. The U.S. government's reporting requirements on these federal stimulus dollars are going to be detailed and will place great responsibility on the state and agencies like WSU. Gov. Gregoire is required to report on the outcomes of all federal stimulus money that ends up in the state, regardless of whether it passed through state government or not. The first comprehensive quarterly report by the governor is due Oct. 10, addressing cumulative activity back to last February. WSU has already been put on notice by the governor's staff that it should begin efforts to assist in the preparation of quarterly reports. In addition, the federal government will require an annual report. The state's reporting requirements cover everything from increased federal student financial aid grants, to successful federal research grants, to \$15.7 million in one-time education "stabilization" funds that the Legislature allocated to WSU's base budget, to more than \$15 million in WSU energy extension

programs. State officials say the reporting requirements will be unprecedented. Details will especially be required on the contribution the programs will make to the economy and the number of jobs that will be preserved or created. Unlike typical state funding that becomes part of the university's base for many years to come, these stimulus funds that WSU receives will be one-time appropriations. That means this funding will end after one year, two years, or three years. That makes it difficult to commit to permanent employee positions.

State Energy Legislation

One early recipient is the WSU Extension Energy Programs headquartered in Olympia, which increased its full-time employees on non-state funding from the equivalent of 50 to more than 60 in recent months. Part of that growth was because the U.S. Department of Energy designated WSU as the major information source for federal energy stimulus funding inquiries from across the country. The WSU extension program will play a role in some of the following state energy legislation signed into law by the governor that relies on federal funding sources:

Energy Efficiency in Buildings, Engrossed Substitute Senate Bill 5649. Sen. Phil Rockefeller D-Bainbridge Island, sponsored the bill, signed into law by the governor, that deals with spending federal stimulus funds available for building energy efficiency. Rockefeller pushed throughout the session for clear WSU extension involvement in the bill. The bulk of the effort is on weatherization of an estimated 20,000 homes and businesses in the next five years. Among the provisions, WSU is authorized and funded to establish grant programs that provide community-wide residential and commercial energy efficiency upgrades in three or more urban areas of the state. Roughly 5,000 middle-income families with incomes over 200 percent of poverty (about \$44,000 per year for a family of four) could receive free or reduced-cost weatherization upgrades with the program.

The program may also address issues such as lighting and hot water efficiency. WSU must coordinate and collaborate with the Department of Commerce in the design, administration, and implementation elements of the pilot programs. The agency name "Department of Commerce" will be made official Friday when the governor signs House Bill 2242, reorganizing the former state Department of Community, Trade and Economic Development.

Other provisions of ESSB 5649 managed exclusively by the new state Commerce department will provide similar assistance to families under the 200 percent poverty threshold. Sponsors such as alliances of businesses, organizations and/or cities would provide matching funds for the pilots and directly hire contractors to do the work for homeowners. Section 128 5 (c) of the operating budget bill (ESHB 1244) provides \$14.5 million in federal stimulus funds to WSU for the grants for pilot programs contained in ESSB 5649. The budget also provides \$500,000 to WSU for farm efficiency assessments required by the bill. WSU is directed to form an interdisciplinary team of agricultural and energy extension agencies to help agricultural producers assess opportunities to increase energy efficiency in all aspects of farm energy uses. The governor has not yet acted on the budget, but is expected to do so before next week.

ESSB 5649 passed the House 63-34 on April 16 and the Senate 30-17 on April 21. The bill was signed by the governor on May 7 with a partial veto of duplicative language. The bill gives a preference to hiring workers trained under the provisions of the Evergreen Jobs legislation, ESHB 2227, which is currently getting close scrutiny by the governor before she acts on the bill.

Clean Technology Leadership Bill. Substitute Senate Bill 5921. This new law, supported by WSU, directs the Governor to establish a Clean Energy Leadership Initiative in collaboration with a public-private alliance of clean energy leaders. The alliance would be supported by private and public funds. The bill establishes a Clean Energy Leadership Council through the alliance. A related measure, Substitute House Bill 2289, also signed into law this month, gives the Clean Energy Council authority to designate projects eligible for federal funding as part of the "Energy Freedom Program." The biennial operating budget appropriates \$38.5 million in federal funds to Energy Freedom Program. The funds will target programs in energy that quickly create a maximum number of jobs in the state and reduce energy consumption. The clean energy leadership initiative "is to be supported by public and private resources

including, to the extent available, the resources of the state's energy office and Washington State University's Energy Program" according to the bill. The bill passed the Senate 32-13 and the House 64-33. It was signed into law by the governor May 4.

Broadband

The federal stimulus bill provided \$4.7 billion in broadband funding nationally through the Broadband Technology Opportunities Program (program). The program specifically provides: \$3.9 billion for infrastructure; \$250 million for competitive grants to encourage sustainable adoption of broadband service; \$200 million for expanding public computer center capacity; and \$350 million for the BDIA grant program and development of a national broadband inventory map. In addition, the ARRA provides \$2.5 billion for distance learning, telemedicine, and a broadband grant program.

Engrossed Second Substitute House Bill 1701 is scheduled to signed by the governor Friday. It directs her to take all appropriate steps to secure federal stimulus funding for the state and to maximize investment in broadband deployment and adoption in the state. Such steps may include designating a broadband coordinator, reviewing and prioritizing grant applications, disbursing block grant funding, and providing direction to state agencies to carry out broadband programs. The state budget allocates some funds to the Department of Information Services for these purposes.

Tuition & Financial Aid

The Legislature-passed budget and related tuition bills presumed a 14 percent per year tuition increase for resident undergraduate students. That amounts to about \$870 per year or a total WSU annual tuition rate beginning next fall of \$7,088. While federal stimulus dollars reduced the Legislature's cut from 22 percent to about 18.5 percent, it is the presumed tuition increases that get WSU to a 10 percent net cut that is the basis of the institution's budget deliberations. Legislators made the tuition decision based on information that federal stimulus dollars will offset the cuts to most families earning \$160,000 per year or less.

Low income students will not be hurt by the increase. WSU's "Cougar Commitment" assures that tuition will be covered for students that meet 70 percent of median family income (about \$52,500 per year for a family of four.) There are also potential tax credits for students in this category of \$700 to \$1,000 per year.

There is also expected to be no initial net impact on students from families earning 52,500 to \$96,000 per year. Students in this group were previously able to receive the HOPE tax credit up to \$1,800 for two years. New federal policy increases their potential tax credit by \$700 and extends the benefit to four years. Students from families in the \$96,000 to \$160,000 income bracket also have no net impact. Students or families in this group were not previously able to receive the federal "HOPE" income tax credit. They or their families are now eligible to receive up to \$2,500 per year in federal tax credits.

For today's status of bills (passed and failed) affecting WSU -
http://www.olympia.wsu.edu/Status/2009_Shortlist_May5.aspx

For governor's actions on bills that were successful in the 2009 Legislature, go to:
http://www.olympia.wsu.edu/Status/2009_Maylist_May12.aspx

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