

THE UNIVERSITY OF WYOMING

BOARD OF TRUSTEES “SPECIAL” MEETING REPORT

August 23, 2012

7:00 a.m.

Conference Call in Old Main Boardroom

AGENDA

I. 2013-2014 Supplemental Budget Request, Buchanan1

I. AGENDA ITEM TITLE:

2013-2014 Supplemental Budget Request, Buchanan

BACKGROUND AND POLICY CONTEXT OF ISSUE:

The State of Wyoming and the University of Wyoming use a biennial budget process. The supplemental budget request focuses on the second year (FY 2014) of the current biennium.

The following table summarizes the recommended supplemental budget request for the University of Wyoming in two parts: the operating budget request and the capital construction request. Budget request narratives for these proposals follow the table. The capital construction request was provided to the State Building Commission in mid-August. The 2013-2014 Supplemental Budget Request is due to the State Budget Division on Friday, August 31, 2012.

University of Wyoming - Agency 067 (including the School of Energy Resources)

PRIORITY		\$ AMOUNT
Statement of Principle		
	The most valuable resources at the University of Wyoming are the people who carry out its mission.	
Operating Budget Request - Recurring General Fund		
1.	Human resource investments: Compensation increase and funding for associated employer-paid benefits (annual amount)	Salary \$ 4,122,868 Benefits \$ 891,585
	Total Operating Budget Request	\$ 5,014,453
Capital Construction Request – Non-recurring General Fund		
1.	Engineering Building Renovation and Expansion (total project approximately \$105.8 million)	\$ 60,000,000
	Total Capital Construction Request	\$ 60,000,000

Operating Budget Request: Despite the possibility of significant reductions to the Standard Budget, the University of Wyoming must address the increasing challenge of retaining key personnel. Without legislative action, FY 2014 will mark four consecutive years without pay increases for university employees. UW has lost ground in its ability to provide competitive salaries and retain the best faculty and staff. As a result, the number of faculty members leaving the institution for more attractive offers at other schools is climbing. Compounding the challenge, budget cuts—both past and proposed—have a significant impact on UW’s ability to move funds to address critical staffing challenges.

To meet its responsibilities to the people of Wyoming, the University of Wyoming aspires to be one of the finest public land-grant research universities. A quality higher education conveys a lifetime of benefits for graduates, furthers the state's economic development and better positions the state in a world that increasingly values college degrees. The University's contributions to the State of Wyoming are knowledge-based endeavors: teaching advanced concepts and professional skills, advancing the frontiers of knowledge, and disseminating research-based information and innovation that promotes economic growth and quality of life.

The most valuable resources at UW are the people who carry out its mission. UW's key priority, as noted in University Plan 3, is to ensure that employee salaries remain competitive to attract and retain a high quality workforce. UW must compete with the best institutions in the nation and the world for talented employees. Failure to maintain competitive salaries and benefits leaves the institution vulnerable to the loss of some of its best employees and leaders.

UW faculty and staff last received a pay raise in FY10. In the 2011 legislative session, executive branch employees received increases bringing them to 91 percent of the market average; however, UW employees did not receive that adjustment. For several years, employees have been required to absorb increases in retirement contributions, health insurance premiums, and inflationary pressures within their existing pay.

The University recently updated its market salary comparisons for all employee groups, and has used the nationally recognized Oklahoma State University Faculty Salary Survey to assess the competitiveness of its faculty salary levels. Overall UW faculty salary levels compared to the other universities in the OSU Survey fell again in FY2012 and are now at 88% of market average (12% below the average salary received by faculty at comparable public universities in the United States).

UW's operating budget priority is a program of targeted salary increases that would begin to move the University's salaries closer to the average of market competitors. In the first of what may be a multi-year effort to address the issue, UW is requesting \$5,014,453 to increase salaries and associated employer-paid benefits for faculty, staff and graduate assistants supported by Agency Budget 067, which now includes the School of Energy Resources. In accordance with standard University practice, individual employees' salary raises will be merit-based—some employees would receive less-than-average percentage raises; others will receive greater-than-average percentage raises, and some will not receive a raise. The aggregate effect is an increase totaling 3% of UW's salary base. An increase of this magnitude would still leave UW employees below market levels but would be a critical step in enhancing UW's ability to retain quality employees.

Capital Construction Request: At the direction of the Wyoming Legislature the State of Wyoming and the University of Wyoming have begun the planning process for construction of a new Engineering Complex. This Complex will enhance the University's academic, research and public service programs in the College of Engineering and Applied Sciences (the College), which will ultimately benefit Wyoming and its citizens.

Planning: During the 2012 budget session, the Wyoming Legislature appropriated \$1.1 million to plan for renovation and expansion of the College’s facilities and \$30 million in matching funds (\$14.2 million in general funds and \$15.8 million in capital gains from the Wyoming Permanent Mineral Trust Fund) for renovation and expansion of the facilities. The Legislature conveyed its expectation that the building project costs would approximate \$100 million and supported an initiative to “lead the university toward a tier one academic and research institution in areas of excellence appropriate for Wyoming.”

In May 2012, Governor Mead appointed the Wyoming Governor’s Energy, Engineering, STEM Integration Task Force to assist in guiding the effort. Former Governor Dave Freudenthal and Baker Hughes Inc. Executive Chairman, Chad Deaton, serve as co-chairs of the task force, and members include industry leaders and legislators. Other legislators, alumni, students, employers of University graduates, industry partners, community colleges, and various advisory boards are providing input into the planning process.

The College’s vision is to be recognized nationally and internationally for the excellence of its education and research programs, and for its central role in economic and social development of Wyoming and the surrounding region. The College’s mission is to provide excellent teaching, research and service in engineering and applied science, with special emphasis on critical areas of science and technology identified in the University’s strategic plan. These areas include but are not limited to earth and energy science and technology, water resources, and computational science—all areas of importance to Wyoming’s economy and to the nation.

The College presently occupies the Engineering Building, parts of the Petroleum Engineering Building, Wyoming Hall, Agriculture Building B/D, and the UW Flight Facility. Previous discussions focused particularly on renovation (replacement) of the “Sawtooth” area within the existing building and extension of laboratory space. The University is already renovating and significantly upgrading classrooms and several advanced teaching laboratories (e.g., the EnCana Integrated Simulation Data Center) in the existing Engineering Building. The University has, or will soon have, other physical assets which support the concept of an expanded Engineering Complex, including the Energy Innovation Center, which will house the School of Energy Resources, the Michael B. Enzi STEM (science, technology, engineering and mathematics) laboratory, and the NCAR-UW Supercomputer.

The Engineering Complex Project involves both renovating and expanding the Engineering Building, as well as constructing an Energy Engineering Research Facility. This strategic investment will strengthen Wyoming’s ability to develop its resources, promote technological innovation, and educate professionals critical to the state’s economic development.

Renovating and expanding the Engineering Building involves upgrading approximately 300,000 gross square feet of existing space, including new classrooms, offices, study areas, teaching and research laboratories, and a central atrium space as a hub for the College’s programs. The design provides for an annual enrollment of approximately 2,000 undergraduate and 500 graduate students (or about 18,000 students over a 25-year period), and will strengthen academic programs supporting the University’s strategic initiatives, including earth and energy sciences,

computational sciences, water resources science and engineering, materials science, and health sciences. The space will be configured to promote faculty-student mentoring, foster collaborative and cross-disciplinary education and research, and provide spaces for students to interact and work in teams, better positioning the College to compete for talented students, faculty, and staff.

A second part of the project, the Energy Engineering Research Facility, would provide the necessary space and infrastructure to house and support large-scale testing related to energy development, conversion, and conservation. This facility would also include a laboratory building with an estimated total floor area of 81,000 gross square feet to accommodate research laboratories, offices and meeting areas.

The Level I study for both the Engineering Building and the Energy Engineering Research Facility was completed in July 2012 and examined the need for research space that would increase the College's capacity to conduct energy-related engineering research and education. Level II planning is expected to commence in Fall 2012 and will involve preparation of a schematic design, cost estimates and site investigations for buildings. Construction of the EERF is likely to progress on a timetable which is not directly tied to that of the Engineering Building.

Financing: The University requests Level III funding for design drawings and construction for renovating and expanding the Engineering Building. The University estimates the cost of the renovation and reconstruction project will total \$105.8 million, which does not include funding for a new Energy Engineering Research Facility.

During the 2012 budget session, the University received \$1.1 million in Abandoned Mine Land funds for Level II planning for the renovation and addition to the College's facilities. This planning effort will identify: (1) the expectations for new construction replacing the "Sawtooth" building; (2) the extent of renovation and improvements to the remainder of the buildings; and (3) final estimated costs for the project. Level II planning is expected to be completed in early 2013.

The 2012 Legislature appropriated \$15.8 million in capital gains from the Permanent Wyoming Mineral Trust Fund (PWMFT), and \$14.2 million in matching funds.

Through private contributors, the University has the ability to provide \$15.8 million in matching funds; however, as part of this supplemental budget request, the University requests removal of the matching requirement on the \$14.2 million general fund appropriation.

To fund the remaining \$60 million, the University requests a General Fund appropriation during the 2013 and/or 2014 legislative sessions, or a General Fund/Abandoned Mine Land (AML) funds combination, if the latter proves to be available for appropriation. Following input from the Governor's Task Force and other stakeholders and completion of Level II and Level III planning, construction could start summer 2014.

This request addresses the cost of physical infrastructure needs for the Engineering Building to support a tier one academic and research institution; however, programmatic and personnel costs are not included. UW’s strategic planning process will identify the initiatives needed for its faculty and programs to achieve tier one status and will plan for acquiring and directing the actions and resources needed in these areas.

The 2012 Legislature also provided \$15 million in AML funding as a match for private funding for the Energy Engineering Research Facility. The University is currently raising private contributions for this project. Due to the current availability of this AML funding, completion of renovation and expansion of the Engineering Building would be expected to occur no later than June 30, 2018.

The table below outlines the various funding sources for the Engineering Building only.

Engineering Building Funding Sources	Amount (in millions)
Private contributions	\$ 15.8
State matching funds - already appropriated	\$ 15.8
State general fund - already appropriated	<u>\$ 14.2</u>
Subtotal	\$ 45.8
State General Fund – Supplemental Budget Request	<u>\$ 60.0</u>
Estimated total Engineering Building cost	\$ 105.8

UW Medical Education – Agency 167

Operating Budget Request- Recurring General Fund		
1.	Human resource investments: Compensation increase and funding for associated employer-paid benefits (annual amount)	Salary \$ 213,632 Benefits \$ 48,270
	Total General Fund Operating Request	\$ 261,902

Salary increases are the highest priority in the University of Wyoming supplemental budget request. This request provides the same average percentage salary adjustment (3 %) for UW-Medical Education employees, as for UW’s other employees. Salary raises are administered on a merit basis (i.e., not all employees receive the same percentage raise).

PRIOR RELATED BOARD DISCUSSIONS/ACTIONS:

The Board was briefed about the Engineering Complex Project at the May 2012 Board of Trustees meeting.

The Board discussed the 2013-2014 Supplemental Budget Request at a Special Meeting in July 2012.

WHY THIS ITEM IS BEFORE THE BOARD:

The Trustees of the University of Wyoming, a constitutional body, are responsible for the “management of the university” (Wyoming Constitution, Article 7, 17). The Board approves the operating and capital budget requests for the University of Wyoming and UW – Medical Education.

ARGUMENTS IN SUPPORT:

Despite the possibility of significant reductions to the Standard Budget, the University of Wyoming must address the increasing challenge of retaining key personnel. Without legislative action, FY 2014 will mark four consecutive years without pay increases for university employees. UW has lost ground in its ability to provide competitive salaries and retain the best faculty and staff. As a result, the number of faculty members leaving the institution for more attractive offers at other schools is climbing. Compounding the challenge, budget cuts—both past and proposed—have a significant impact on UW’s ability to move funds to address critical staffing challenges.

Capital construction project authorizations and appropriations are needed to continue to advance elements of the university’s master plan and capital construction portfolio. Funding the capital construction request meets the intent of the 2012 Wyoming Legislature.

ARGUMENTS AGAINST:

Given the financial realities reflected in the Governor’s request for 8% budget reduction proposals and that may shape the 2013 legislative session, a request for a salary increase for UW employees without a corresponding one for the community colleges and state employees may face resistance from lawmakers and some sectors of the public.

ACTION REQUIRED AT THIS BOARD MEETING:

Approval of the 2013-2014 Supplemental Budget Requests for the University of Wyoming (Agency 067) and UW – Medical Education (Agency 167) as presented.

PRESIDENT’S RECOMMENDATION:

The President recommends Board approval of the FY 2013-2014 Supplemental Budget Requests for the University of Wyoming (Agency 067) and UW – Medical Education (Agency 167), as described in this item.