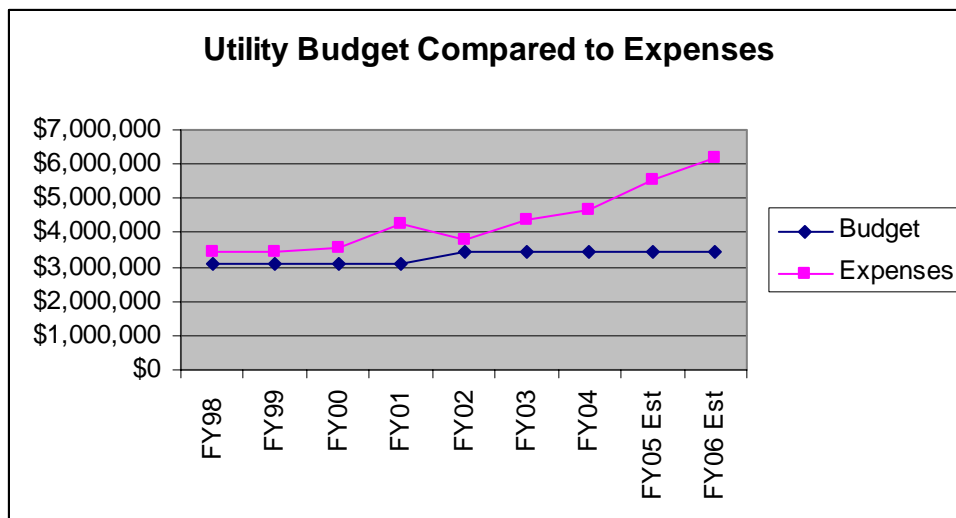


Synopsis: Utility budgets in the general fund provide heating fuels, sewer, water, and electricity to the two special schools and all academic facilities in the Board of Regents' system. The Board of Regents has been appropriated \$3,427,576 to cover utility costs, but projected costs are estimated to reach \$6,168,454 in FY06 – a shortfall of \$2,740,878. The budget has fallen short of actual expenditures for several years, due to higher utility rates and increased demand. This annual shortfall continues to grow larger each year as gas and electricity rates soar. The regents' request was to bring the level of utility funding for academic facilities in line with current costs. Governor Rounds' recommendation of \$647,329 will fund the increased cost for FY06.

Utilities' funding fails to keep pace

The Board of Regents' utility budget has increased by only \$353,690 since FY93. The FY04 budget was \$3,427,576, while expenditures that year were \$4,678,373, exceeding the appropriated budget by \$1,250,797.

Projected utility costs for FY05 will exceed the appropriated amount by an estimated \$2,118,624, and by \$2,740,878 for FY06. When this happens, these funds must be captured out of the instructional budgets of the institutions. This comes at a time when general fund operating expense budgets are flat and technology needs annually consume a greater portion of available funding.



Base budgets cover more utilities' costs

As utility costs escalate, funding must come from campuses' base operating budgets, which are intended to advance instructional programs. The utility cost increase is a significant issue that must be addressed in order to preserve instructional funds at their current level.

The campuses have always maintained their utility budgets in separate accounts so expenses can be easily tracked. Any additional funds will be distributed to the campuses according to actual costs.

The FY06 utilities' request is for academic facilities only. Revenue facilities, such as student unions and residential buildings, must pay for their own utilities.

WAPA projections into the future

According to state officials, the Western Area Power Administration (WAPA) was scheduled to implement the second part of its Calendar Year 2004 rate increase in October 2004, for a total increase of around 14 percent. Therefore, 2005 will be the first year under the fully implemented rate. WAPA is also predicting a rate increase of an unknown amount for October 2005, estimated at 16.1 percent.

Projections also show gas prices increasing at about 28 percent for all institutions except BHSU and SDSMT, which are estimated at about 11 percent. A decline in prices is expected for 2006 of about 8 percent.