



Utilities

Issue Brief No. 9 – January 31, 2007

Synopsis: The Board of Regents' system utility budget provides heating fuels, sewer, water, and electricity to the two special schools and the academic facilities at the universities. General funds are not used to support revenue facilities, which must generate sufficient resources to cover all costs including utilities. Based on the projected costs of electricity and natural gas as determined by the Bureau of Finance and Management and the Office of the State Engineer, the regents' system anticipates a deficit in FY08 of \$3,908,371 in its utility budget, without an increase in funding.

Original Board of Regents' request vs. Governor's recommended

- The assumption since FY06, the first year of an increase to the utility budget in five years, was that the increases were not intended to cover the accrued deficit as of FY05. The increases were intended to cover rate and usage increases only. But cost increases have outpaced the budget increases.
- Under the guidance of the state energy management office, the Board of Regents submitted a FY08 request for increasing the utility budget based primarily on expected electricity rate increases and flat rates for natural gas.
- The board's request of \$843,339 was the expected difference between budgeted utility costs in FY07 and FY08. The request was not based on the deficit that had accrued over past years.
- The Bureau of Finance and Management and the state's energy office developed a common methodology for each state entity, using projected rates for electricity and gas, usage information from the agencies, and normalizing for weather to arrive at a budget increase for the Board of Regents of \$2,042,163.

Request Summary

- The Governor's recommended increase of \$2,042,163 would hold the utility shortfall close to the FY05 level of \$1.8 million, the understood assumption in prior utility requests.
- While the Board of Regents initially requested an increase of \$843,339, that request was based on 25 percent electricity increases and mostly stable gas price projections from the state's energy expert. Those calculations were based on the following increases (decreases) by component:

- Electricity \$452,581
 - Natural Gas \$271,589
 - Water and Sewer (\$5,848)
 - Fuel Oil \$31,505
 - Coal, Propane, Drain Assess Payments, etc. \$93,512
- The revised calculation, used for all state agencies, was created jointly by the Bureau of Finance and Management and the Office of the State Engineer and included updated utility pricing information and weather normalization. The recalculation netted an increase of \$1,198,824, for a total recommended increase of \$2,042,163, and can be broken down into the following cost increases (decreases) by commodity:
- Electricity \$654,270
 - Natural Gas \$1,302,321
 - Water and Sewer (\$5,848)
 - Fuel Oil \$1,581
 - Coal, Propane, Drain Assess Payments, etc. \$89,839
- With no additional funding, the Board of Regents expects a budget deficit of \$3,908,371 for FY08.
- The following table provides a history of Board of Regents' utility budgets and expenses, with the last two lines showing the expected deficit should no additional funding be appropriated and the anticipated budget with the Governor's recommended funding.

		Budget	Expenses	(Deficit)
	FY99	\$3,073,886	\$3,451,009	(\$377,123)
	FY00	\$3,073,886	\$3,529,839	(\$455,953)
	FY01	\$3,113,886	\$4,236,105	(\$1,122,219)
	FY02	\$3,427,576	\$3,794,273	(\$366,697)
	FY03	\$3,427,576	\$4,362,594	(\$935,018)
	FY04	\$3,427,576	\$4,670,339	(\$1,242,763)
	FY05	\$3,427,576	\$5,299,107	(\$1,871,531)
	FY06	\$4,074,905	\$6,634,175	(\$2,559,270)
	(Revised estimate) FY07	\$4,925,514	\$7,812,244	(\$2,886,730)
	(Estimated without budget increase) FY08	\$4,925,514	\$8,833,885	(\$3,908,371)
	(Estimated with Governor's recommended increase) FY08	\$7,067,677	\$8,833,885	(\$1,866,208)