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Budget Request

Agency 365 – Washington State University
2009-2011 Operating Budget Request

The Land Grant University for the 21st Century
Performance Level Decision Package – Policy Level "MU"

Maintenance & Operations for New Facilities (Policy Level)

Agency Recommendation Summary:

Washington State University is requesting maintenance and operations funding for three buildings provided by non-state funding that will nevertheless address state priorities: the Riverpoint Veterinary Teaching Center, Global Animal Health, Phase 1 and the federally-funded Agricultural Research Services Building in Pullman.

Background:

The 2004 supplemental appropriations act (ESHB 2573, Sec. 907) recognized that *"one incentive to attracting non-state funding of facilities might be the state sharing in the ongoing operating and maintenance costs through the operating budget and sharing future capital maintenance costs."*

The House of Representatives capital budget committee 2002 interim workgroup on higher education facilities asked institutions to request maintenance and operations funding before construction begins on a building provided with federal or private resources. This decision package is intended to serve as that formal notification.

Fiscal Details:

	2009-10		2010-11		2009-11 Biennium
By Fund	**FTE**	**Dollars**	**FTE**	**Dollars**	**Dollars**
General Fund State	1.0	101,000	6.3	672,000	773,000
Total	**1.0**	**$ 101,000**	**6.3**	**$ 672,000**	**$ 773,000**

Narrative Justification and Impact Statement:

1. <u>Global Animal Health, Phase 1</u>

Operations and maintenance funding is requested by Washington State University for a $35 million Global Animal Health Building made possible by a private grant from the Bill & Melinda Gates Foundation.

$25 million has been committed by the Gates Foundation to build the Phase I "health research" component of the Global Animal Health building at WSU

Pullman. The additional $10M for this building will be provided through other private donations. This privately-funded building will be the first phase of what is a combined Global Animal Health complex originally proposed to be funded with state capital construction dollars.

The private gift removes the need for state construction funding for Phase I, leaving only an appropriation of state maintenance and operations dollars to put the building and program into use.
There are two related components of the WSU Global Animal Health initiative for the upcoming biennium.

a) The University's 2009-11 Capital Budget Request includes a request for pre-design and design funds for the disease surveillance and "diagnostic-related research and development laboratories" portion of the complex. That project, the balance of the original complex, is entitled Global Animal Health Building, Phase 2.
b) WSU's 2009-11 Operating Budget Request includes funding for the targeted recruitment of new faculty to add new and strengthen existing expertise, for fulfilling the mission of the School of Global Animal Health, developing an internationally leading graduate program and strengthening existing inter-institutional linkages.

The privately-funded health research building, and the disease surveillance and diagnostic building, together serve as the center for the newly created School for Global Animal Health[1].

The new facilities explicitly address the College of Veterinary Medicine's and University's strategic priorities. It is strongly supported by stakeholders in the state and region.

Faculty in the School for Global Animal Health occupied current Bustad Hall laboratories in 1978 when it was newly constructed. These laboratories no longer meet standards for modern infectious disease research, including biosafety and biocontainment requirements.

The completion of Phase I and Phase II will enable the state of Washington and WSU to fulfill a mandate for high risk infectious disease surveillance; respond to high risk pathogen outbreaks; meet international laboratory accreditation standards required for participation in disease surveillance and emergency response programs; and facilitate professional and graduate student teaching and enhanced research collaboration involving sophisticated diagnostics and vaccine development. It will provide support for the state's biotechnology businesses.

The state should maintain the Global Animal Health Building, Phase I because:

- This is a building the state needs. If this building was not provided through private fundraising, this building would have been requested by Washington State University for state capital construction funding by the Washington Legislature. It was listed in the state 10-year plan.

[1] www.globalhealth.wsu.edu

- The building will allow WSU to do high-risk infectious disease surveillance for the state; respond to high-risk pathogen outbreaks, meet international laboratory accreditation standards required for participation in disease surveillance and emergency response programs, and facilitate professional and graduate student teaching and enhanced research collaboration involving sophisticated diagnostics and vaccine development.
- The Global Animal Health building meets a state priority need addressing issues that have significant impact on the health of the citizens of this state and our economy. The building addresses multiple state priorities of government relating to "health, security, economic vitality, safety, and natural resources" (OFM Priorities of Government);
- This building enhances research and education programs where Washington State University already excels and has chosen to improve. The program housed by this building is at the forefront of the university strategic plan led by President Elson Floyd to create research centers that are world-renowned and bring direct benefits to the state.
- It deals directly with the issue that outstanding state researchers are currently working in substandard laboratory facilities.
- The building makes possible a program that addresses human health issues from infectious diseases which are transmitted from animals to human. Infections transmitted from animals to humans account for more than 70 percent of human infectious diseases, and include emerging diseases like Avian influenza and West Nile Virus, and those existing diseases which are poorly controlled and not easily prevented such as *Salmonella* and *E. coli*. While solutions to these issues have worldwide implication, they also have profound economic development benefits to the state of Washington.
- Donors like the Gates Foundation should be encouraged to invest in state priority needs and funding for maintenance and operation is an important incentive.
- It will provide support for the state's biotechnology businesses.
- The private gift did not provide continuing revenue for operating and maintaining the building. It is a one-time gift for design and construction costs. No source of funding has been identified for maintenance and operations. Funding has historically been provided by the state in these instances.

2. <u>Spokane Satellite Veterinary Specialist Teaching Unit</u>

Maintenance and operation funds are requested for an innovative private-public fourth-year veterinary specialty teaching clinic to open in Spokane in 2009 that is made possible by a private contribution to Washington State University by a veterinarian's estate.

Currently, 70 to 100 WSU veterinary students must take on-line programs to gain required clinical training in ophthalmology, dermatology and dentistry. The successful funding of this maintenance and operations request will allow those students to go to the Spokane Riverpoint campus and get hands-on training in these clinical subjects. Currently students learn the theoretical aspect of these subjects on-line but receive little or no clinical training in them, due to the lack of

faculty with specific expertise in these disciplines. Senior veterinary students will work alongside private veterinary specialists, treating animals in ophthalmology, dermatology, dentistry, and oncology.

Cost for maintenance and operating will be $101,000 in 2009-10 and $103,000 in 2010-11 and thereafter (See Attachment E). These costs are far lower than the alternative of hiring, providing benefits, and equipping new faculty in these fields.
A $2.5 million private contribution for the development of a satellite facility was the catalyst for the project. WSU is using some of those private funds for renovation of an old plumbing and warehouse building on the Riverpoint campus that was acquired by the university and the state in 2004.

The building, built in 1946, will now be used to provide leases to private veterinarians that are interested in relocating to Spokane to practice their targeted medical specialty. Specialists have shown keen interest in the project. It allows them to meet the specialty demands of Inland Northwest pet and other animal owners, take advantage of working with WSU students, and form a close link with WSU veterinary faculty. Spokane currently has no veterinary specialists in ophthalmology, dermatology or dentistry.

While the program will provide many benefits to the state, teaching is the prime mission of the satellite project. WSU would have to make substantial new investments in salaries and benefits and equipment to attract faculty in ophthalmology, dermatology, and dentistry. Without the satellite facility or making that investment, WSU's College of Veterinary Medicine could run into accreditation problems in 2010. The specialties are considered essential in a world-class veterinary program and recent assessments of the effectiveness of the existing curriculum indicate the need to enhance the clinical training of students in these disciplines. At present, these specialties are not available at the Pullman campus.

At the time the building was acquired, it was being leased to BPS Plumbing and that arrangement continued until 2006. Building maintenance and operations costs were covered by the associated lease revenues. Since the expiration of that lease, the space has been serving as storage space for WSU Spokane.

Why the state should fund M&O costs of the clinic building:

- **Saves operating funds.** The clinic will allow an innovative public-private program to move ahead while, over time, saving the state expense related to the cost of filling high-priority needs in four-year specialty teaching programs in the state's College of Veterinary Medicine. Many of those needs will now be filled by the private veterinary specialists who will lease clinic space.
- **Reduces capital investment.** It leverages privately-donated funds to convert an under-utilized state building into a facility that will serve 70-100 veterinary students and improve veterinary care and instruction in the region. That saves state capital construction dollars addressing this need.
- **Increases patient access.** The state's pet owners, especially those in the Inland Northwest, will get local access to specialized fields of medicine that are currently not served or are underserved by the area's private sector. These specialty areas include ophthalmology, dermatology, and dentistry.

- **Supports local veterinarians.** Inland Northwest Veterinarians will get more access to WSU's College of Veterinary Medicine, as the clinic will often host visiting students and faculty from Pullman.
- **Strengthens WSU's teaching program.** The addition of the specialties planned for the Spokane facility will greatly enhance WSU's teaching effort in a high-priority program and allow the university to teach at a level expected by students and constituents.
- **Strengthens priority WSU research programs.** The Clinic, located in the larger Spokane metropolitan area, will allow for expanded research options not currently available at the WSU Veterinary Teaching Hospital in Pullman.
- **Increases outreach.** The clinic will be a base for additional continuing education and community outreach programs, giving the state's veterinary college more opportunity to serve the region.
- **Adds a new professional Health Sciences program to the Riverpoint Campus.** Health sciences is the focus of programs offered on the Riverpoint Campus by Washington State University and Eastern Washington University.

3. Agricultural Research Services (ARS) Facility

Washington State University is requesting maintenance and operations funding for the federally-funded Agricultural Research Services facility. Completion of this Pullman facility could be possible by January 2011 if the federal appropriations are secured for the construction cost balance.

Consistent with prior capital legislation, a similar narrative and justification was included in the University's 2005-07 and 2007-09 budget request to keep the legislature and OFM informed about the progress of the facility being constructed by the federal government (U.S. Department of Agriculture - ARS) and the University's associated request for maintenance and operations funding.

Supporting legislation: The 2004 supplemental appropriations act (ESHB 2573, Sec. 907) recognized that *"one incentive to attracting non-state funding of facilities might be the state sharing in the ongoing operating and maintenance costs through the operating budget and sharing future capital maintenance costs."*

The legislation identified Washington State University's agricultural research facility, constructed using federal funds, as such a project, and said it will consider providing funds for operating and maintenance on the facility "when the project nears completion. Considerations will include the appropriate amount of such assistance, particularly given the research nature of the facility and the potential for indirect cost recovery associated with the research grants coming to the institution as a result of the facility."

Federal funding received: Between 2004 and 2007, the federal government appropriated $12.4 million toward design and construction of this facility. In August 2008 Senator Patty Murray announced that a bill that includes an additional $1.87 for the ARS facility passed the full Appropriations Committee. It now goes to the full Senate for consideration. An estimated $44.6 million is being requested

from Congress for a total project cost of $57 million. The funding secured is a result of the long and effective research partnership between the U.S. Department of Agriculture's "Agricultural Research Service (ARS)" and Washington State University.

Relationship between WSU and ARS: As Washington's land-grant university, WSU is able to attract federally paid scientists to the state. The federal Agricultural Research Service (ARS) agency hires scientists to work on the WSU Pullman campus performing many of the same roles as WSU faculty, but with no direct cost to the State of Washington. The State reaps huge rewards.

Consider the career of the recently retired Dean of the College of Agricultural, Human, & Natural Resource Sciences. Dr. R. James Cook began his professional career in Pullman in 1965. For the next 33 years, the federal ARS paid his salary as he worked alongside WSU faculty members doing research on issues of importance to Washington farmers, food processors, and consumers. While ARS paid his salary, he brought grants to WSU, he trained WSU graduate students, and he solved agricultural problems for Washington State citizens. He brought to Washington producers world-class knowledge in biological control of plant pathogens, cropping systems, and integrated crop health management.

In 1988, Cook led the team of researchers at WSU who made the first field test of a genetically-modified organism in the Pacific Northwest -- a microorganism for control of root disease in wheat. Dr. Cook was elected to the National Academy of Sciences in 1993, bringing honor to both ARS and WSU. In 1998, Dr. Cook was appointed to the Endowed Chair in Wheat Research and was paid by WSU until his retirement. He continued the same type of research and graduate training, but as a WSU employee rather than a federal employee.

As a second example, Dr. Orville Vogel, who developed the dwarf wheat for Washington growers and is now credited for his role in the green revolution, was an ARS scientist for his entire 42 years on the WSU campus.

Federal contributions to building maintenance
The federal government will provide design and construction funding for a building but will not provide operating budget. Facilities and administration (F&A) revenue for paying facility operating costs from grant and contract activity conducted within the building is expected to be small because much of the research is for Washington state agricultural commissions and the USDA (ARS). Neither the state commissions nor ARS fund indirect cost recovery.

Reasons why the state should fund maintenance of the ARS building:
- Under a unique agreement with WSU and the federal government, half of the scientists in this building will actually be state-funded WSU researchers. So state priorities will be addressed in this building as well as federal priorities.
- This building will provide modern laboratory and work space for 15 WSU scientists as well as 15 federal Agricultural Research Service scientists.

- Federal laboratories typically have larger equipment budgets. Much of the equipment provided to federal laboratories is shared by both WSU scientists in the building and WSU faculty elsewhere on campus.
- This building is expected to expand job and research opportunities for WSU students. Most USDA laboratories on the WSU campus employ both university undergraduate and graduate students thus enriching their education through hands-on research experience.
- Attracting this building to Washington is a significant state benefit and the state should match that commitment by maintaining the building.
- This building provides facilities for integrated WSU programs in Soil and Crop Sciences, and Plant Pathology. Scientists within each program are separated in current facilities. This building will bring scientists into shared research environment. This will allow greater potential for collaboration essential in today's research. The university has found that these research conditions make its faculty more competitive. WSU expects the building to lead to more federal grants to the university.
- The federal government is paying for a modern building and scientists that will promote economic development in Washington that could alternatively be located in other states.
- The research being conducted helps the state's farmers, food processors, and consumers.
- University graduate and undergraduate students receive valuable training and an essential part of their education from working with both WSU faculty and ARS scientists.

Attachment E2 below provides additional financial information on this request.

Attachment E
Maintenance & Operations Costs
For New Facilities Projected to Come On-Line in 2009-11

Institution: **Washington State University**

Total gross square feet of campus facilities supported by State Funds: 9,298,751
Total net assignable square feet supported by State Funds: 7,945,750

Building Name	Capital Budget Project Code	Total Gross Square Ft	Percent of Facility to be Used for Instr.	Research	Specify Other		Projected Occupancy Date	Projected Percent of Year Occupied FY 10	FY 11	Proposed State-Supported Cost per Square Foot FY 10	FY 11	Requested State Support FY 10	FY 11	TOTAL
Riverpt Veterinary Teaching Center		9,300					Jul-09	100%	100%	$ 10.90	$ 11.11	$ 101,000	$ 103,000	$ 204,000
Global Animal Health, Ph 1		38,628					Jun-11	0%	8%	$ 10.90	$ 11.11	$ -	$ 36,000	$ 36,000
ARS Research Bldg		96,000					Jan-11	0%	50%	$ 10.90	$ 11.11	$ -	$ 533,000	$ 533,000
												$ 101,000	$ 672,000	$ 773,000

Component	Proposed Rate per GSF FY 10	FY 11	Estimation Basis for Proposed Rate
091 - Utilities	$3.60	$3.66	Actual Cost per FY2007 data, plus inflation
092 - Bldg & Utilities Maintenance	$2.27	$2.33	APPA 2007 rates, plus inflation
093 - Custodial & Grounds Svcs.	$1.70	$1.73	APPA 2007 rates, plus inflation
094 - Ops & Maintenance Support	$3.33	$3.39	APPA 2007 rates, plus inflation, plus Safety & Fire, plus Info Tech
TOTAL	$10.90	$11.11	

Calculations:

FISCAL DETAIL TABLES - M&O POLICY LEVEL					
	2009-10		2010-11		2009-11 Biennium
By Program	**FTE**	**Dollars**	**FTE**	**Dollars**	**Dollars**
Plant	1.0	101,000	6.3	672,000	773,000
Total	**1.0**	**$ 101,000**	**6.3**	**$ 672,000**	**$ 773,000**
By Object					
Salaries					
AP	0.3	10,000	1.7	69,000	79,000
Classified	0.7	29,000	4.6	190,000	219,000
Benefits		14,000		94,000	108,000
Goods/Services		48,000		319,000	367,000
Total	**1.0**	**$ 101,000**	**6.3**	**$ 672,000**	**$ 773,000**

For more information, contact Larry Ganders, Assistant to the WSU President, Olympia, at 360-534-2333