

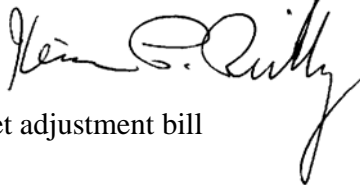


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June 14, 2005

To: Wisconsin State Legislature  
From: Kevin P. Reilly, President   
Subject: AB 438, Support for budget adjustment bill

The UW System appreciates the bipartisan 16-0 vote of support by the Joint Finance Committee for AB 438. I urge your continued support for AB 438 as it reaches the Assembly and Senate for a vote of all members. Among other budget adjustments, this legislation will close the shortfall in the University of Wisconsin System appropriation for energy costs with \$22.5 million for the 2004-05 fiscal year. This amount represents the GPR share of a total expected shortfall in the 2004-05 appropriation of approximately \$30 million which needs to be paid by July 1. Students share in paying these costs and will contribute about \$8 million to this year's shortfall. Additionally, students pay all the utility costs associated with living in a residence hall as part of their residence hall contract.

The University of Wisconsin System has experienced a shortfall in its utility budget for each the past five fiscal years since 1999-2001. These shortfalls were due to a number of factors including underestimates of actual costs by the Department of Administration, overly optimistic estimates of energy cost savings due to participation in energy conservation initiatives, rising energy costs, some additional new building construction, bringing on-line a new co-generation plant, and the carrying over of energy costs from one year to the next. Overall energy costs are expected to rise by 16.5% this year led by partial year increases of 57% in the cost of coal, 38% in the cost of natural gas, and 16% in the cost of electricity.

Since 1973 the UW System has reduced energy use per square foot by 3.4%. The savings are accomplished by improving building design, adjusting behavior (lowering thermostats and turning off equipment when not in use), and modernizing technology.

Thank you for your assistance and continued support in meeting rising energy costs to prevent this shortfall from having an impact on student instruction. Every effort will continue to be made to operate buildings with minimum energy usage and identify projects and opportunities to further improve efficiency.

Copy: Regents  
Chancellors  
Cabinet