

Mueller Policy Paper #4: Institutionalize Long Term Economic and Environmental Planning

PSU has the opportunity to make a slight organizational adjustment that will save the University millions of dollars while encouraging environmental stewardship. Currently those paying for development and renovation are not responsible for the costs of operating and maintaining such development. According to Peter Weiler, associate vice president of development and alumni relations, alumni usually donate a building – Penn State donors do not want to pay for maintenance such as heating buildings¹. With the operating costs roughly equal to the initial cost of a building over its lifetime, every time money is donated for development it must be matched by another sector of the University. Thus, the counterintuitive result the more money donated to Penn State University – the higher Penn State's operating costs.

In addition, this organizational structure forces University leaders to make decisions that are not in the best long-term economic or environmental interests of the Penn State community. For example, consider this dilemma the Dean of the Eberly College of Science recently had to solve. He had to decide between funding a re-circulating water-cooling system for new scientific equipment or paying the salary of a new faculty member. The re-circulating water system would prevent an unnecessary toll on the environment - 1,000's of gallons of water from being wasted. In addition, over the long-term it would save the University operating costs 1,000's of dollars by offsetting water and sewage fees (operating costs), which could then be used for more generous faculty salaries and offsetting tuition increases. Under the current organizational structure, the College of Science is not responsible for the costs of water and sewage. Thus, there is no incentive to make the long-term economically rational decision for the entire University. Result: Thousands of PSU dollars literally go down the drain.

This can be corrected by one simple change that will leave the decision making structure of the University intact, while helping PSU use money more efficiently. Penn State administration could require that for every development project a fund be set aside to finance the operation and maintenance of that project for 15 years. The annual income from this fund and a gradual draw on its capital would suffice to pay for the operation and maintenance of the project over its lifecycle².

The real advantage of this new rule is that it will encourage the designers of new buildings (and the renovators of older ones) to think in the long term. Rather than optimize a building to minimize *initial* cost, the building will be designed to minimize *total* cost (initial + maintenance and operation). Fortuitously, when a building is designed to be economically superior for the long term, it also has a much smaller environmental impact than a standard building (designed only for the short-term). The Penn State Green Destiny Council has already outlined the best method for designing technically and environmentally superior buildings utilizing an integrated process of design in “Mueller Policy Paper #3: Platinum LEED Certify All New Buildings”.

This *intelligent development* will reduce the rate of tuition increases, provide better facilities, and decrease waste costs without impairing the research, teaching, outreach, maintenance, operation, administrative, and fund raising functions of the University.

Policy Suggestion:

The Executive Administration – Stipulate that all new PSU development must have funds set aside for 15 years of operation and maintenance before beginning construction.

This policy paper represents the 4th in a series of PSU Green Destiny Council suggestions stemming from the Mueller Report. This study shows it is possible to reduce our ecological impact and save money by increasing efficiency, using technology intelligently, and increasing environmental awareness. The full text of the Mueller Report, the Indicators Reports, and past Mueller Policy Papers are available free of charge at: www.bio.psu.edu/greendestiny/

¹ “Tough Choices” by Christine McCamron in July/August 2002 The Penn Stater

² The “15 year rule” was not chosen arbitrarily. It coincides with a fiscally responsible return on investment for environmental improvements explained in “Mueller Policy Paper #2: Environmental Investments = Financial Investments”.

For more information contact the Mueller Report Coordinator, Joshua Pearce at jmp228@psu.edu