

BOARD OF REGENTS MEETING

RECOMMENDED ACTIONFY 2017 Operating Budget and 2016-17 Tuition Rates

It is the recommendation of the administration that the Board of Regents, pursuant to its authority under RCW 28B.20.130, the Bylaws of the Board of Regents, and the Board of Regents Standing Order No. 1, approve the Fiscal Year 2017 operating budget and tuition rates for the University of Washington that are presented in the following text and tables. In this action item, the Board of Regents, in its sole and independent discretion:

1. Approves the FY 2017 Operating Budget;
2. Authorizes tuition rates for all tuition categories for the 2016-17 academic year and financial aid allocations;
3. Affirms selected fees for FY 2017;
4. Specifies that academic fee increases that are implemented under authority that the Board of Regents has delegated to the President and Provost that are consistent with the limitations the Board has specified are reasonable and necessary;
5. Confirms changes to the tuition and fees in the context of a revised Cost of Attendance attachment; and,
6. Identifies an initial slate of state operating budget requests for submission to the Office of Financial Management as part of the 2017-19 state budget development cycle.

BACKGROUND:

The University's operating budget for the period July 1, 2016 through June 30, 2017 is presented in this action item. The FY 2017 operating budget, including tuition rates, is presented in one comprehensive draft following an executive summary highlighting budget policies and previous Board actions that influence the budget item. Note that changes made to the preliminary item, as presented in May, are highlighted in yellow.

- The first attachment, entitled "Budget Policies and Assumptions," includes an introduction to the budget document, a description of the administration's oversight of expenditures, explanations of the distribution policies underlying each major revenue category, a primer

BOARD OF REGENTS MEETING

FY 2017 Operating Budget and 2016-17 Tuition Rates (continued p. 2)

on fee and tuition setting policies, and a summary of Regents' actions assumed in the budget document generally.

- The second attachment, "FY 2017 Operating Budget and 2016-17 Tuition Rates," includes two main sections.
 - The first section contains information about the primary drivers of the FY 2017 operating budget, including a summary of all projected revenues and expenditures for the upcoming fiscal year. It details the administration's proposed use of General Operating Funds and Designated Operating Funds, known together as "University Operating Resources." The first section also includes projections of revenue for all major University enterprises, including auxiliary, self-sustaining, health system entities, and restricted funds.
 - The second section, "Tuition Rates and Financial Aid," provides a detailed summary of tuition rates, peer tuition comparisons, and financial aid funding.
- The third attachment provides the Board of Regents with an updated slate of tuition and fee rates for first-year undergraduate students, within the larger framework of Cost of Attendance.
- The fourth attachment summarizes the current preliminary slate of operating budget requests to be submitted to the Governor's Office of Financial Management in September 2016 for the 2017-19 (FY 2018 & FY 2019) state operating budget.

Attachments

1. Budget Policies and Assumptions (NEW)
2. FY 2017 Operating Budget and 2016-17 Tuition Rates (UPDATED)
3. Cost of Attendance for First-Year UW Undergraduates (UPDATED)
4. Preliminary 2017-19 State Operating Request Summary (NEW)

Attachment 1: Budget Policies and Assumptions

In an effort to provide as much supplementary budget information as possible, UW administration submits the following budget policies and assumptions briefing document. This document is intended to give a high-level introduction to the budget; articulate the administration's oversight of expenditures; highlight budget policies that guide our distribution of incremental University Operating Resources and other budget decisions; describe fee-setting authority exercised by the Board of Regents, the President, the Provost, deans, and others; and review Regents' actions from the recent past.

General Introduction to the Budget Item

The FY17 operating budget contemplates changes in state funding and revenue projections, including tuition and fees, research enterprise, restricted funds, UW Medicine, and auxiliary/self-sustaining activities. The operating budget item provides Regents and the public with a sense of scale for total revenue projections, but focuses on the sources and uses of University Operating Resources, known as General Operating Funds (GOF) and Designated Operating Funds (DOF).

Distribution of incremental revenues to units in budget groupings GOF and DOF is determined by **Activity Based Budgeting (ABB)**¹, which is a method of budgeting designed to provide greater transparency. Under ABB, central resources, such as tuition revenue and indirect cost recovery (ICR) from research, are allocated directly to the unit responsible for the activity. First, however, a tax is taken to fund central administrative operations, strategic investments in student and faculty experience, and critical compliance efforts – shared expenses that would otherwise have no direct source of funds. These activities are taxed at a rate outlined by ABB (see pages 2-3). The tax is part of the funds the administration uses to address the President's and Provost's priorities for the University and deployment of these funds is the result of a lengthy and highly consultative budget development cycle.

Last fall, Interim Provost Baldasty initiated the Provost Budget Development cycle, which evolved into a rigorous budget review and consultation process involving students, faculty, staff, and executive leadership. Interim Provost Baldasty's priorities for the coming fiscal year were shared by many and identified as follows:

1. Provide competitive compensation
2. Transform administration
3. Fund areas of critical compliance
4. Invest in the student experience

This year, the bulk of tax funds resulting from the ABB model are being spent on compensation-related expense (wages, salaries, and benefits). These expenditures are detailed in Attachment 2, Table 4.

¹ <http://opb.washington.edu/activity-based-budgeting>

Administrative Oversight of Costs

As part of the annual budget development cycle, the Provost and President review base budgets, allocations, and any deficits by college, school, campus, and administrative unit. During the annual budget development cycle, each of these units submits a proposed fiscal year budget. Unit budgets are posted here: <http://opb.washington.edu/fy17-unit-budget-submissions>. In addition, as part of the planning for the beginning of the next biennium, the Provost asks for base budgets (salaries, benefits, and operations) by department. For the FY18 budget development cycle, we will be asking for base budgets by fund for every school, college, campus, and administrative unit.

During the FY17 budget development cycle, the Provost reviewed an interactive model created by the Office of Planning & Budgeting (OPB) to project compensation and other expense increases, by unit, against projections of net, new revenue. The Provost used this model to inform decisions regarding merit levels, allocations of central permanent and temporary funding, and the distribution of state funding for compensation and to backfill the resident undergraduate tuition reduction.

In addition, as we seek to streamline central administrative units, improve efficiency, and redeploy funds to support our academic work, the Transforming Administration Project reinforces the notion of continuous improvement and cost containment/resource deployment.

In FY16, \$4.5 million of administrative unit funding was captured and reinvested in building a new child care center at Portage Bay and in providing sick elder and child care backup support. In FY17, over \$2 million of administrative funds will be redeployed for compensation. Each central administrative unit is being asked to fund 10 percent of its merit pool through attrition and cost savings.

Since the implementation of ABB in FY12, Seattle academic units have experienced more budget growth than Seattle administrative units, both in terms of real dollars (\$138 million versus \$41 million) and in terms of proportionate growth. In FY16, academic units received \$624 million of permanent University Operating Resources, compared to administrative unit allocations of \$338 million. Administrative units include the Libraries, Graduate School, Undergraduate Academic Affairs, Student Life, and central administrative units that focus on compliance, operating and capital planning, finance and human resource functions, to name a few. This clear prioritization is not an artifact of one year's budget process, but rather, sustained investments in the academic mission of the UW. Data suggests that this trend will continue with the adoption of the proposed FY17 budget. For more information, see OPB's ABB trends brief: http://opb.washington.edu/sites/default/files/opb/Budget/ABB_Trends_Brief.pdf

Budget Policies and ABB Distribution

University Operating Resources (pg. 10):

State Appropriations: The 2015-17 biennial operating budget appropriated just over \$100 million in additional biennial funding to the UW, \$44 million of which was to backfill resident undergraduate tuition rate reductions as a result of SB 5954. The 2016 supplemental budget provided an additional

\$3.5 million. The original budget included \$23 million in additional biennial funds to support medical residencies, increase computer science enrollments, and continue operations of the Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) medical education program. Approximately \$27 million was appropriated over the biennium for general wage increases and collective bargaining agreements. Each of these allocations are represented in Table 4, University Operating Expenses as incremental figures.

State appropriations are distributed to schools, colleges and campuses according to legislative intent and state law. For example, \$17 million of the wages, salaries and benefits funding mentioned above was provided for FY17, and will be distributed to campuses, schools, colleges and administrative units according to each respective units' share of total GOF budgeted positions. *Distribution under ABB: funds with no legislative directive, though extremely rare, are available to support the strategic priorities of the University and are distributed by the Provost, in consultation with academic and administrative leadership.*

Tuition Operating Fee Revenue: The University allocates new, *net tuition revenue* to the unit(s) that conduct the activity generating the new revenue. Net tuition revenue is the total of all operating fees charged to students after subtracting waivers, grants, and certain fees (see Attachment 2, Financial Aid section, page 19). By statute, a specific percentage of tuition fees are credited to the UW Building Account (building fees) and are to be used exclusively for constructing, altering, and maintaining buildings; these funds are appropriated by the legislature. *Distribution under ABB: 70 percent of net tuition operating fee revenue is distributed to schools and colleges, and 30 percent is retained by the Provost for basic university functions and strategic investments.*

Indirect Cost Recovery: Several negotiated rates of allowable facilities and administrative overhead fees govern the receipt of ICR collected on federal grants and contracts. *Distribution under ABB: Units receive 35 percent of ICR they generate. In this case, a large portion of the funds retained by the central administration are used for debt service, building operations and maintenance, and utilities costs.*

Institutional Overhead: A percentage of self-sustaining units' revenue from the sale of goods and services, charged to recover costs for building use, physical plant operations and maintenance, and institutional support. The institutional overhead rate is applied to revenues associated with these activities. The UW has two institutional overhead rate categories: on-campus and off-campus, determined by the location of the preponderance of effort by each entity. FY17 rates are 15.60 percent for on-campus and 6.85 percent for off-campus activities. *Distribution under ABB: Institutional overhead charges are received as revenue to the DOF fund group and distributed back to units as part of the budget process.*

Remaining DOF: Includes investment income, summer quarter tuition, the Provost Internal Lending Program (ILP) risk fund, and administrative overhead charges to UW Bothell and UW Tacoma. Administrative overhead charges reflect a share of centralized administrative services provided by UW Seattle to UW Bothell and UW Tacoma, and are calculated as 10 percent of GOF revenue funding for each campus, excluding funds for salary increases and funds for operations and maintenance. *Distribution: Remaining DOF revenues are distributed back to units as part of the budget process.*

Restricted Funds (pg. 14):

Gift Income and Endowment Distribution: The Policy approved by the Board of Regents allows 5 percent, or 500 basis points, of the endowment's average quarter market value^[1] to be distributed. Of this payout, 400 basis points are allocated to individual endowment shareholders. The remaining 100 basis points are allocated to offset endowment related expenses, with 80 basis points going to Advancement and 20 basis points going to Treasury. Endowment funds and gift income can only be used for the purposes specified by the granting agency or donors, and are distributed accordingly.

State Restricted Funds: Certain state funds can only be used for the purposes specified by the Washington state legislature, and are distributed accordingly.

Self-Sustaining/Auxiliary Funds (pg. 15):

Revenues and expenses are managed by each auxiliary unit or unit with self-sustaining activities. The University's large, self-sustaining auxiliary business enterprises include UW Educational Outreach, Housing and Food Services, Intercollegiate Athletics, and Parking and Transportation Services. In addition, UW Medicine health system is an auxiliary, but is identified in a separate category given its size.

In consultation with leadership in these entities, UW administration included revenue targets for each of these auxiliary enterprises. It is important to note that although total revenues may show modest growth, some units carry structural deficits when expenses are taken into account. For units that have not met debt covenants, a Financial Stability Plan is required and must be shared with the Board of Regents in accordance with policy. Units that carry a deficit, but no debt covenants, are under the jurisdiction of the Provost. These deficits are identified, monitored, and mitigated by the Office of Planning & Budgeting on behalf of the Provost. In addition, each of the University's primary auxiliary units are audited annually.

Some of these auxiliary units, such as UW Educational Outreach and Housing and Food Services, charge fees. Where Regents have reserved fee-setting authority, rate approvals and/or fee change requests are brought to Regents for action.

Setting Fees and Rates

State law gives the Board of Regents broad authority to set fees necessary to run the University, but also requires that fee impositions and increases are approved by the legislature. Legislative approval is achieved through disclosures of possible and known fee increases. Overall, fees paid by all students (and represented in the "cost of attendance") are approved by the Board. These include the New Student Enrollment & Orientation Fee, Student Tech Fee, Services and Activities Fee, and dedicated fees for

^[1] The average quarter market value is based on a trailing 20-quarter, or 5-year, average.

transportation and bond payments on student-funded capital projects and sports facilities. Housing and dining fees, though not universal, are also approved by the Board.

Student fees under delegated approval from Regents to the President and Provost include international student fees, application fees, transcript fees, course fees, and study abroad fees. Generally, course fees are approved by Deans if under \$50 and by the Provost if over \$50. In FY15, the average course fee was \$178, but course fees were associated with only 5 percent of classes at the UW.

An example of a large auxiliary unit that charges fees for programs is UW Educational Outreach, which offers a wide variety of fee-based instructional programs. The approval of fee-based program rates has been delegated from the Regents to the Provost, who sets rates after consulting with campus advisory bodies such as the Faculty Senate Committee on Planning & Budgeting and the Provost Advisory Committee for Students.

Finally, Regents retain tuition-setting authority on all categories except resident undergraduate tuition. Every June, the administration brings tuition rate recommendations for all categories – with the exception of undergraduate resident tuition – to the Board for approval. These recommendations are the result of staff, faculty, student and academic leadership collaboration.

Fee setting delegation is guided by Administrative Policy Statement 33.1, User Fee Approval Policy, available at the following location: <http://www.washington.edu/admin/rules/policies/APS/33.01.html>.

Recent Regents' Actions

The following recent actions by the Board of Regents were factored into the development of the FY17 budget:

- February 2016:
 - New Student Enrollment & Orientation Fee Increases for Seattle and UW Bothell:
 - Bothell rate increased from \$250 to \$300.
 - Seattle rate increased from \$300 to \$310.
- March 2016:
 - Housing rental and dining plan rate increases:
 - Bothell: housing rental rate increase of 3.6 percent.
 - Seattle: housing rental rate increase of 1.0 to 4.1 percent and dining plan rate increases of 5.0 percent.
 - Tacoma: housing rental rate increase of 2.0 percent.
- May 2016
 - Approved reduction in ILP Interest Rate from 4.75 percent to 4.5 percent, and the creation of the Provost ILP risk fund effective July 1, 2016.
 - Revised the timeline and budget for HR/Payroll Modernization Program (additional \$7.82 million over the original approved budget, from temporary central resources)

UNIVERSITY OF WASHINGTON

FY 2017 OPERATING BUDGET

FY 2017 OPERATING BUDGET
2016-17 TUITION RATES

Prepared by the Office of Planning & Budgeting

ATTACHMENT 2

Board of Regents

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Kristianne Blake
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Constance W. Rice
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Patrick M. Shanahan, Board Chair
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Mark Pagano, Chancellor, UW Tacoma
Paul Ramsey, CEO/Dean, UW Medicine
Margaret Shepherd, Chief Strategy Officer, Office of the President
Bob Stacey, Dean, College of Arts and Sciences
Denzil Suite, Vice President, Student Life
Ed Taylor, Dean and Vice Provost, Undergraduate Academic Affairs
Kelli Trosvig, Vice President and CIO, UW Information Technology
Wolf Yeigh, Chancellor, UW Bothell

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Mark A. Pagano, Chancellor, UW Tacoma

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Zoe Barsness, Faculty Senate Vice Chair
JoAnn Taricani, Faculty Legislative Representative
Marcia Killien, Secretary of the Faculty
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Paul Hopkins, Faculty at Large
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Tyler Wu, ASUW president
Alex Bolton, GPSS President
Gerald Baldasty, Interim Provost and Executive Vice President
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UW Mission & Sustainable Academic Business Plan

The primary mission of the University of Washington is the preservation, advancement, and dissemination of knowledge. The University preserves knowledge through its libraries and collections, its courses, and the scholarship of its faculty. It advances new knowledge through many forms of research, inquiry, and discussion, and disseminates knowledge through the classroom and the laboratory, scholarly exchanges, creative practice, international education, and public service. As one of the nation's outstanding teaching and research institutions, the University is committed to maintaining an environment for objectivity and imaginative inquiry and for the original scholarship and research that ensure the production of new knowledge in the free exchange of facts, theories, and ideas.

UW Brand: Together undaunted for a world of good.

The UW must...

Sustain

- Preserve academic excellence and mission
- Maintain financial stability

Compete

- Attract the best students, faculty, and staff
- Increase and diversify funding

Transform

- Embrace technology and interdisciplinary collaboration to meet the needs of a diverse and dispersed student body
- Invest in people and infrastructure to meet 21st century challenges

By...

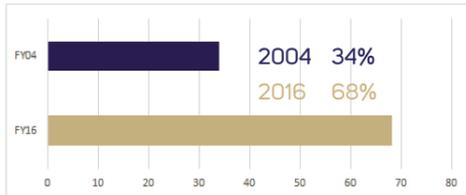
- Increasing revenue
- Decreasing costs
- Investing in people
- Investing in infrastructure
- Increasing access

2016 Key Facts

PROFILE

- The University of Washington has three campuses that offer over 530 degree options across 294 programs
- The UW's fiscal year 2016 (FY16) budget totals \$6.9 billion
- **Tuition revenue comprises 68 percent of the UW's general operating fund** resources (state funds plus tuition revenue), up from 34 percent in 2004, primarily because the **UW lost half of its state funding** between FY09 and FY12

Tuition as a % of UW general operating funds



- Across all campuses, 74 percent of UW undergraduate students are residents of Washington

ENROLLMENT AND DEGREES

| FALL 2015 TOTAL ENROLLMENT | | | | |
|----------------------------|---------|---------|--------|--------|
| | SEATTLE | BOTHELL | TACOMA | ALL UW |
| UNDERGRAD | 31,525 | 4,698 | 3,940 | 40,163 |
| GRAD/PROF | 14,345 | 581 | 678 | 15,604 |
| TOTAL | 45,870 | 5,279 | 4,618 | 55,767 |

UW Educational Outreach educates more than 50,000 students annually through a variety of programs, including 200 credit and non-credit certificate programs, 90 graduate degrees, UW summer quarter courses, UW in the High School and UW International & English Language Programs.

The UW has become increasingly competitive since the beginning of the recession (2007-08):

- Seattle freshman applications increased by 122 percent
- The Seattle freshman admission rate declined from 64 percent to 53 percent, the UW's lowest admit rate ever
- The average GPA of the Seattle entering class increased from 3.69 to 3.78
- The average SAT composite score for the Seattle entering class increased from 1782 to 1855 (out of 2400)

The UW's **average time to degree is 4.0 years**, and 83 percent of entering freshmen graduate from the UW within six years, the highest percentage of any public university in the state.

| DEGREES AWARDED 2014-2015 | | | | |
|---------------------------|---------|---------|--------|--------|
| | SEATTLE | BOTHELL | TACOMA | TOTAL |
| BACHELOR'S | 7,491 | 1,376 | 1,294 | 10,161 |
| MASTER'S | 3,606 | 225 | 287 | 4,118 |
| DOCTORAL | 841 | N/A | N/A | 841 |
| PROFESSIONAL | 568 | N/A | N/A | 568 |
| TOTAL | 12,506 | 1,601 | 1,581 | 15,688 |

In fall 2015, 38.2 percent of UW students were pursuing at least one science, technology, engineering & mathematics (STEM) major and in 2014-15, **the UW awarded 5,290 STEM degrees.**

AFFORDABILITY AND ACCESS

- Since before the recession, the number and proportion of **underrepresented minority students at the UW has increased, comprising 18.1 percent of the 2015 incoming freshman class**, compared to 10.5 percent in 2006
- The UW's 2015-16 resident undergraduate tuition and fee rate is \$11,839, which is **below the Global Challenge State peer mean and median**
- In 2015-16, **29 percent of undergraduates are eligible for Pell Grant funding**, and 31 percent of all freshmen will be the first in their families to attend college
- **The UW has more Pell Grant recipients than all Ivy League schools combined**
- In 2015-16, **30 percent (or about 9,500) of UW undergraduate residents were eligible for Husky Promise¹**, which provides free tuition to students with financial need
- In 2015-16, about 54 percent of UW undergraduates are receiving some form of financial aid, totaling over \$414 million
- Half of all UW undergraduates graduate with no known debt, and those who borrow graduate with less debt than the national average
- In 2015-16, 2,650 UW students are recipients of the College Bound Scholarship Program and 7,400 UW students are projected to receive the Washington state Need Grant
- In 2015-16, the UW is giving \$105 million in institutional grants and scholarships to Washington residents

AWARDS AND HONORS

- The UW is one of the best universities in the world, ranked No. 11 globally by *U.S. News & World Report*, No. 15 globally by the Academic Ranking of World Universities and No. 7 nationally by *Washington Monthly*
- *Kiplinger's* ranks the UW as the No. 9 best value in the nation for in-state students, and *Washington Monthly* ranks the UW campus in Seattle No. 1, UW Bothell No. 13, and UW Tacoma No. 22 in its "Best Bang for the Buck" rankings
- The UW is home to six Nobel Prize winners, 15 MacArthur Fellows, over 240 members of the Institute of Medicine of the National Academies and 167 fellows in the American Association for the Advancement of Science

RESEARCH AND SERVICE

- The UW **receives more federal research dollars than any other public university** in the nation — in FY15, the UW received \$1.3 billion in total research awards
- The UW is one of the top five largest employers in Washington, supporting 79,331 jobs across the state
- In FY15, CoMotion **launched 15 new startups** and the UW was rated the **No. 1 most innovative public university** in the world by *Reuters*, which examined patent applications and impact
- Over the last 10 years, the UW has produced **more Peace Corps volunteers than any other U.S. university**
- **The UW's annual economic impact on the state of Washington is now \$12.5 billion — up from \$9.1 billion in 2009**

¹ Through a combination of state, federal and UW local funds

Components of the FY17 Budget

In the sections below, each major component of the FY17 operating budget is defined, and changes to the budgeted amounts for the coming fiscal year are explained. As a reminder, the primary sections of the Regents' budget are as follows:

University Operating Resources

- General Operating Funds: state support and tuition operating fee revenue (net of financial aid)
- Designated Operating Funds

Research Enterprise

Restricted Funds

- Gift income and endowment distributions
- Restricted appropriations from the state of Washington

UW Medicine Health System

Auxiliary/Self-Sustaining Activities

- Auxiliary unit budget projections
- UW Tacoma and UW Bothell self-sustaining revenue projections
- Academic and academic support unit self-sustaining revenue projections

Figure 1, below, shows each major component of the UW's FY17 budget and the share of the total budget represented by each. Table 1, on the next page, shows the *total* projected revenues and expenditures for FY17, even though the University operates on an incremental budget process.

Figure 1: FY17 Budget by Major Component

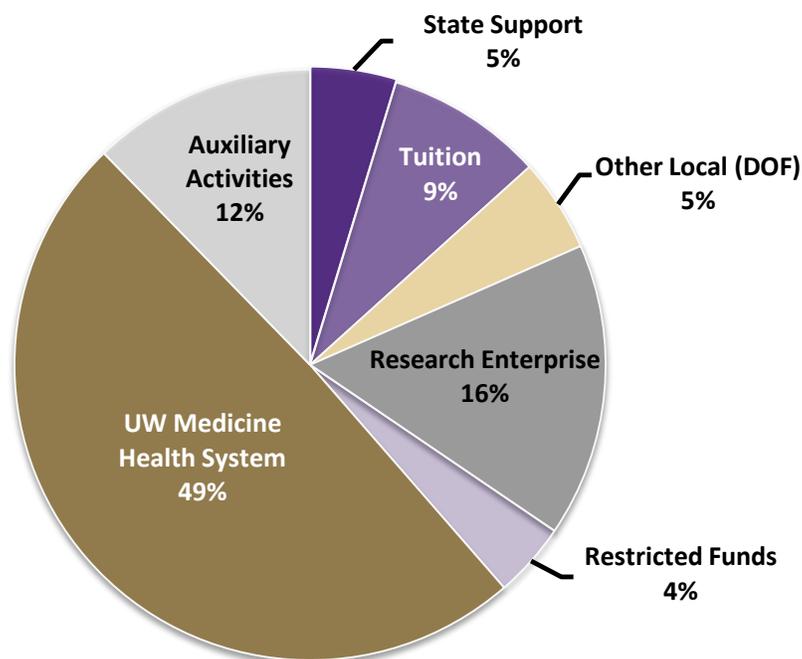


Table 1. FY 2017 Budget - Revenues and Expenditures by Fund and Category

| Revenue and Expenditure by Fund | FY17 Adopted | FY16 Adopted | Change FY16 to FY17 | % Change |
|--|----------------------|----------------------|---------------------|-----------|
| University Operating Resources | | | | |
| <i>General Operating Fund:</i> | | | | |
| State Appropriations | 332,343,000 | 291,886,000 | 40,457,000 | |
| Tuition Operating Fee Revenue | 608,140,000 | 625,503,000 | (17,363,000) | |
| <i>Designated Operating Fund:</i> | | | | |
| Indirect Cost Recovery | 247,000,000 | 238,000,000 | 9,000,000 | |
| Institutional Overhead | 26,000,000 | 24,000,000 | 2,000,000 | |
| Remaining DOF | 87,643,000 | 83,379,000 | 4,263,000 | |
| Total Operating Revenue | 1,301,125,000 | 1,262,768,000 | 38,357,000 | 3% |
| Total Operating Expenditures | 1,301,125,000 | 1,262,768,000 | 38,357,000 | |
| Research Enterprise | | | | |
| Total Research Enterprise Revenue | 1,137,196,000 | 1,114,898,000 | 22,298,000 | 2% |
| Total Research Enterprise Expenditures | 1,137,196,000 | 1,114,898,000 | 22,298,000 | |
| Restricted Funds | | | | |
| Gift Income & Endowment Distributions | 280,000,000 | 259,700,000 | 20,300,000 | |
| <i>State Restricted Funds</i> | | | | |
| Biotoxin Acct (Shellfish Monitoring) | 297,000 | 195,000 | 102,000 | |
| Aquatic Lands Enhancement Account | 775,000 | 775,000 | | |
| Economic Development Strategic Reserve Acct | 1,507,000 | 1,504,000 | 3,000 | |
| Dedicated Marijuana Acct-State | 227,000 | 227,000 | | |
| Accident Account | 3,649,000 | 3,480,000 | 169,000 | |
| Medical Aid Account | 3,421,000 | 3,328,000 | 93,000 | |
| State Restricted Funds Total | 9,876,000 | 9,509,000 | 367,000 | 4% |
| Total Restricted Fund Revenue | 289,876,000 | 269,209,000 | 20,667,000 | 8% |
| Total Restricted Fund Expenditures | 289,876,000 | 269,209,000 | 20,667,000 | |
| UW Medicine Health System (Preliminary) | | | | |
| UW Medical Center | 1,160,000,000 | 1,118,088,000 | 41,912,000 | |
| Harborview Medical Center* | 950,000,000 | 920,350,000 | 29,650,000 | |
| Valley Medical Center | 568,000,000 | 546,172,000 | 21,828,000 | |
| NW Hospital | 392,000,000 | 375,377,000 | 16,623,000 | |
| UW Physicians | 304,000,000 | 311,690,000 | (7,690,000) | |
| Airlift NW | 48,000,000 | 48,891,000 | (891,000) | |
| UW Neighborhood Clinics | 49,000,000 | 42,647,000 | 6,353,000 | |
| Total UW Medicine Health System Revenue | 3,471,000,000 | 3,363,215,000 | 107,785,000 | 3% |
| Total UW Medicine Health System Expenditures | 3,471,000,000 | 3,363,215,000 | 107,785,000 | |
| Auxiliary/ Self-Sustaining Activities | | | | |
| Housing and Dining (Seattle campus) | 120,993,000 | 112,795,000 | 8,198,000 | |
| Intercollegiate Athletics | 108,944,000 | 109,510,000 | (566,000) | |
| Educational Outreach | 111,098,000 | 107,209,000 | 3,889,000 | |
| Parking | 40,418,000 | 39,782,000 | 636,000 | |
| UW Bothell & UW Tacoma | 21,799,000 | 22,600,000 | (801,000) | |
| Additional academic self-sustaining activities | 329,416,000 | 326,250,000 | 3,166,000 | |
| Additional academic support self-sustaining activities | 135,648,000 | 151,808,000 | (16,160,000) | |
| Total Auxiliary/Self-Sustaining Revenue | 868,316,000 | 869,954,000 | (1,638,000) | 0% |
| Total Auxiliary/Self-Sustaining Expenditures | 868,316,000 | 869,954,000 | (1,638,000) | |
| Total University Revenue | 7,067,513,000 | 6,880,043,000 | 187,469,000 | 3% |
| Total University Expenditures | 7,067,513,000 | 6,880,043,000 | 187,469,000 | 3% |

*HMC is managed by UWMC, but appears on King County's financial statement.

University Operating Resources

As a reminder, University Operating Resources are derived from state appropriations, net tuition revenue, indirect cost recovery from grants and contracts, institutional overhead charged to self-sustaining budgets and auxiliary units of the University, administrative overhead charged to Bothell and Tacoma, and summer quarter tuition revenue. These revenues are combined into two major budget categories: General Operating Funds and Designated Operating Funds. These budget categories fund the UW’s campuses, Seattle schools and colleges, and Seattle academic support units. Each of these primary revenue drivers is described below.

General Operating Fund (GOF)

GOF is made up of state appropriations and tuition operating fee revenue (net of financial aid).

State Subsidy

The 2015-17 biennial operating budget, which was enacted in the 2015 legislative session, appropriated incremental funds to support medical residencies, increase computer science enrollments, and continue operations of the UW’s WWAMI program in Spokane. The budget also provided limited funds for general wage increases and collective bargaining agreements for state-funded personnel. The 2016 supplemental operating budget made minor changes to the enacted biennial budget. The supplemental budget provided additional funds to “true-up” previous appropriations to backfill resident undergraduate tuition rate reductions, and it adjusted appropriations due to changes in workers’ compensation rates and employer contributions to employee health insurance. Table 2 provides an overview of supplemental changes to the University’s “Near General Fund-State”¹ biennial appropriation.

Table 2: UW State Funding in the Final 2016 Supplemental Budget

Near General Fund-State, detail by fiscal year (in \$1,000s)

| | | Compromise Supplemental Operating Budget | | |
|--|----------------------------------|--|----------------|----------------|
| | | FY 16 | FY17 | Total |
| 2015-17 Biennial Budget Total Funding | | 291,886 | 327,686 | 619,572 |
| Supplemental Funding Changes | | 1,047 | 4,657 | 5,704 |
| | Supplemental Maintenance Changes | (29) | (45) | (74) |
| | Tuition Backfill | 411 | 3,102 | 3,513 |
| | OFM Central Service Charges* | 622 | 622 | 1,244 |
| | Moore v. HCA settlement costs* | | 90 | 90 |
| | Mental Health Task Force | 25 | 25 | 50 |
| | Telemedicine | 18 | 18 | 36 |
| Comp | Workers' Compensation Changes | | 979 | 979 |
| | PEBB Funding Rate Reduction | | (134) | (134) |
| Total 2015-17 Funding: | | 292,933 | 332,343 | 625,276 |

*These amounts will be swept back by the state to cover their intended uses.

¹ “Near General Fund-State” is the official fund title used by the state to describe the combination of appropriations from the general fund and the Education Legacy Trust Account.

Tuition Revenue

Recall that the enacted biennial budget assumed the provisions of the Second Engrossed Substitute SB 5954, which **reduced the operating fee portion of resident undergraduate tuition at all public institutions**. In 2015-16, resident undergraduate operating fees were decreased to 5 percent below the 2014-15 rates. In 2016-17, resident undergraduate operating fees at the state universities (the UW and WSU) will be decreased to 15 percent below the 2014-15 rates. The incremental change between 2015-16 and 2016-17 is an effective decrease of 10.5 percent.

Tuition rates for nonresident undergraduates and all graduate and professional students remain firmly under the authority of the UW Board of Regents. Proposals for 2016-17 tuition rates are presented for review and consideration in Table 6, on page 16.

Projected tuition revenue—net of building fee, required financial aid set-aside, and, of course, waivers—is shown in Tables 1 and 3 as “Tuition Operating Fee” revenue. Year over year, tuition revenue is decreasing. This decrease is largely driven by the reduction in resident undergraduate tuition rates. However, flattening enrollment growth and, in some cases, rate reductions in other tuition categories, factor into this change.

Designated Operating Fund (DOF)

Other, local sources of revenue that support operations for all University units are referred to collectively as the Designated Operating Fund (DOF). The largest of these local sources is the UW’s receipt of indirect cost recovery (ICR) from grants and contracts. ICR provides reimbursement for prior institutional expenses associated with the UW’s research activity and contributes significantly to central funds. In the coming year, UW administration will budget \$9 million in additional ICR over the FY16 value of \$238 million. Through most of FY16, total awards remained relatively flat, though ICR generation increased. In line with the method employed by the administration to allocate 35 percent of ICR to units generating the research activity, we are budgeting the actual collections (ICR received) from the 12-month period ending March 31, 2016. In other words, UW administration is budgeting more ICR revenue to reflect the prior actuals in line with our distribution of these funds. The year-over-year increase displayed is not an indication of significant growth, but rather, of a more accurate budgeting protocol.

Table 3: FY 2017 University Operating Budget Revenue (Activity Based Budgeting rules apply)

| REVENUE | FY17 Adopted Budget | FY16 Adopted Budget |
|----------------------------------|----------------------------|----------------------------|
| General Operating Fund | 940,483,000 | 917,389,000 |
| State General Fund | 332,343,000 | 291,886,000 |
| Tuition Operating Fee | 608,140,000 | 625,503,000 |
| Designated Operating Fund | 360,643,000 | 345,379,000 |
| Indirect Cost Recovery | 247,000,000 | 238,000,000 |
| Institutional Overhead | 26,000,000 | 24,000,000 |
| Administrative Overhead | 8,619,000 | 8,104,000 |
| Summer Quarter Tuition | 55,136,000 | 53,200,000 |
| Investment Income | 12,961,000 | 13,650,000 |
| Provost ILP Risk Fund | 2,500,000 | |
| Miscellaneous Fees | 8,226,000 | 8,226,000 |
| Other DOF | 200,000 | 200,000 |
| Total GOF/DOF Sources | 1,301,125,000 | 1,262,768,000 |

Proposed Uses of GOF and DOF

Last fall, Interim Provost Baldasty initiated the Provost Budget Development cycle, which evolved into a rigorous budget review and consultation process involving students, faculty, staff, and executive leadership. Interim Provost Baldasty's priorities for the coming fiscal year were shared by many, and identified as follows:

1. Provide competitive compensation
2. Transform administration
3. Fund areas of critical compliance
4. Invest in the student experience

Table 3, above, highlights the sources of two primary funds, General Operating Funds and Designated Operating Funds. Our proposed uses for these funds are displayed in Table 4, on the next page. Pending action from the Regents, final Provost Reinvestment Fund decisions will be made and released to campus for information and local budget planning efforts.

Compensation

As a reminder, the enacted 2015-17 state budget assumed that all employee salaries will increase by 1.8 percent in FY17 and allowed the University to increase compensation beyond levels specified in the budget. In total, state support of \$27 million was provided *over the biennium* for higher education general wage increases. The amount provided in FY17 alone (\$17.2 million) is insufficient to fund a 1.8 percent salary increase across all state-funded personnel categories. Importantly, we budget and distribute only the increment between the FY16 and FY17 allocations for compensation. The increment is being spread to all campuses, schools, colleges and administrative units on the basis of proportionate share of state and tuition-funded paid FTE.

The 2015-17 state budget deemed collective bargaining agreements (CBAs) with the Washington Federation of State Employees (WFSE) and Service Employees International Union 925 (SEIU 925) financially feasible and partially funded a 2 percent increase in FY17. The budget also provided language to implement normally-recurring salary and merit increases with local funds.

The proposed FY17 operating budget provides for a four percent merit-based salary increase and associated benefits. State funds and Provost Reinvestment Funds will be distributed to campuses, schools, and colleges to cover the cost for the first 2 percent of these increases. Funding for associated benefits will be provided to units. For central administrative units, the Provost will cover 90 percent of the cost required to implement an average 4 percent salary increase. This approach will require that administrative units reduce expenses.

Employee Benefits

The 2016 state supplemental budget funded FY17 Public Employee Benefits Board (PEBB) healthcare benefits at \$888 per employee per month—a slight decrease from the 2015-17 enacted budget assumption of \$894 per employee per month for FY17. The monthly employer funding rates will maintain PEBB healthcare benefits at their current cost-sharing split, with the employer covering 85 percent and the employee covering 15 percent.

The UW's benefit load rates for faculty, classified staff, and professional staff will be adjusted to reflect these new employer health benefits contribution levels. The UW implemented significant increases in benefit load rates in FY16, which reflected an increase in the health care portion of total benefit expenses. As a result of the significant increase in FY16, the incremental change to benefit expenses for all personnel in FY17 is far less impactful. As a reminder, the Provost funds employee benefits for positions in central administrative units. Seattle schools and colleges, UW Bothell, UW Tacoma, and all other University auxiliary units will locally fund incremental benefits costs after receiving a proportionate share of the benefits funding provided by the state.

Table 4, below, shows new *incremental*, permanent uses of GOF and DOF revenue in FY17. The “FY16 Adopted Budget” column provides context for the FY17 expenses. The FY16 column shows each of the incremental permanent expenses that were added to the expenditure base in FY16 and are, therefore, included in the new FY17 expenditure base. Thus, a blank row in FY17 means there was no change to the amount budgeted in FY16.

Table 4: FY 2017 University Operating Budget Permanent Expenses

| EXPENSES | FY17 Adopted Budget | FY16 Adopted Budget |
|--|----------------------------|----------------------------|
| Permanent Adjusted Expenditure Base* | 1,270,836,000 | 1,199,563,000 |
| *Includes carryforward of \$8,068,000 of benefit reimbursement from the state. | | |
| Incremental Distributions to Units | 22,390,000 | 41,313,000 |
| Incremental Tuition Allocation to Schools/Colleges | (13,557,000) | 12,170,000 |
| Tuition Reduction Backfill | 20,764,000 | 10,018,000 |
| Provost Reinvestment Pool | 5,413,000 | 8,587,000 |
| Compensation Adjustments from State | 7,712,000 | 10,496,000 |
| Benefit Adjustments from State | 2,058,000 | 42,000 |
| Legislative Directives (Near General Fund State Only) | 4,508,000 | 11,370,000 |
| Maintenance level central service changes | 21,000 | 127,000 |
| Policy level central service changes | 622,000 | 112,000 |
| Computer Science | 2,000,000 | 2,000,000 |
| WWAMI Medical Education | 1,800,000 | 3,600,000 |
| Revolving Funds | (68,000) | |
| Moore vs HCA Settlement | 90,000 | |
| Telemedicine | 18,000 | |
| Mental Health Task Force | 25,000 | |
| O&M for UW Bothell’s Discovery Hall | | 881,000 |
| Medicine Residency Network | | 4,000,000 |
| Latino Health Center | | 250,000 |
| Climate Impact Group | | 200,000 |
| Labor Archives | | 200,000 |
| Other Adjustments | 3,391,000 | 10,522,000 |
| Increase in Summer Qtr Costs (UWB/UWT and Seattle) | 753,000 | 4,935,000 |
| Utilities | 859,000 | 1,100,000 |
| Incremental ICR ABB Allocations | 1,725,000 | 582,000 |
| Transportation Subsidy | (109,000) | 240,000 |
| Sick Elder & Child Services/Priority Access | 225,000 | 200,000 |
| Operations & Maintenance - Portage Bay Childcare | 100,000 | |
| Energy Services Company - Central Savings | (94,000) | |
| Retiree & Reserve Parking - Central Savings | (68,000) | |
| Institutional Support for Title VI - Foreign Languages & Cultures | | 550,000 |
| Miscellaneous Fee Distributions (UG application Fee) | | 281,000 |
| Husky Card Operations | | 185,000 |
| Library Collections | | 750,000 |
| Additional Operations Support for Disabled Students/Employees | | 700,000 |
| Set aside for 4545 Debt Service starting FY2017 | | 1,000,000 |
| Total Projected GOF/DOF Uses | 1,301,125,000 | 1,262,768,000 |

Regent's approved use of fund balance for HRP project

7,800,000

University Revenues

Research Enterprise

Though awards in FY16 continue to trend better than expectations, subject matter experts in the UW administration believe that direct expenditures on grants and contracts in FY17 will remain relatively flat. This expectation is based on the fact that the federal budget environment remains tenuous this election year.

Restricted Funds

Expenditures for state restricted funds and nearly all gifts can **only be used** for the purposes specified by the Washington state legislature or the granting agency or donor.

The FY17 operating budget does not provide a comprehensive view of endowment support in future years, as FY17 revenue only represents one year of endowment distribution activity. The policy approved by the Board of Regents allows 5 percent, or 500 basis points, of the endowment's average quarter market value² to be distributed. Of this payout, 400 basis points are allocated to individual endowment shareholders. The remaining 100 basis points are allocated to offset endowment related expenses, with 80 basis points going to Advancement and 20 basis points going to Treasury. Advancement projects a total endowment distribution of \$110 million for FY17.

Gift income represents anticipated expenditures against "current use" gifts. Advancement projects that the UW will receive \$170 million in gift income in FY17.

The majority of the "state restricted funds" line item is composed of just over \$7 million in Accident and Medical Aid account revenue, which will continue to benefit the School of Public Health for specific activities performed by the Department of Environmental Health in FY17. An appropriation of \$1.5 million from the Economic Development Strategic Reserve account supports the Joint Center for Aerospace Innovation Technology. This category also includes \$297,000 for shellfish biotoxin monitoring, \$775,000 for ocean acidification work, and \$227,000 of Dedicated Marijuana account funds for research and education on the effects of marijuana use, in accordance with the language of voter-approved Initiative 502.

UW Medicine Health System

The UW Medicine health system is composed of several partner entities, hospitals, and other, related, medical operations. Although these entities have different financial relationships with the UW, the sum of the proposed budgets for each of these entities is displayed for information purposes.

The production of this budget item requires that UW Medicine provide early projections of revenue, by entity, for the Board of Regents to adopt with all other University revenues. After the annual budget item is adopted, leadership from UW Medicine typically provides a separate annual report to Regents on the financial health of UW Medicine. This year, we provided data from the adopted FY16 budget as well as the subsequently reported revenue by entity for FY16 to provide Regents with additional detail about the evolution of revenue projections by entity. These data are displayed in Table 5, below.

² The average quarter market value is based on a trailing 20-quarter, or 5-year, average.

Table 5: UW Medicine Health System Originally Adopted and Revised FY16 Budgets

| UW Medicine Health System (Preliminary) | FY17 Adopted | FY16 Adopted Subsequently | FY16 UW Regents Adopted |
|--|----------------------|--------------------------------------|------------------------------------|
| UW Medical Center | 1,160,000,000 | 1,118,000,000 | 1,118,088,000 |
| Harborview Medical Center | 950,000,000 | 920,000,000 | 920,350,000 |
| Valley Medical Center | 568,000,000 | 546,000,000 | 546,172,000 |
| Northwest Hospital | 392,000,000 | 375,000,000 | 375,377,000 |
| UW Physicians | 304,000,000 | 282,000,000 | 311,690,000 |
| Airlift NW | 48,000,000 | 48,000,000 | 48,891,000 |
| UW Neighborhood Clinics | 49,000,000 | 43,000,000 | 42,647,000 |
| UW Medicine System Total | 3,471,000,000 | 3,332,000,000 | 3,363,215,000 |

Auxiliaries / Self-Sustaining Activities

The University’s large, self-sustaining auxiliary business enterprises include Educational Outreach, Housing and Food Services, Intercollegiate Athletics, and Parking and Transportation Services. In addition, UW Medicine health system is an auxiliary, but is identified in a separate category given its size.

In consultation with leadership in these entities, UW administration included revenue targets for each of these auxiliary enterprises. It is important to note that although total revenues may show modest growth, some units carry structural deficits when expenses are taken into account. For units that have not met debt covenants, a Financial Stability Plan is required and will be shared with the Board of Regents in accordance with policy. Units that carry a deficit, but no debt covenants, are under the jurisdiction of the Provost. These deficits are identified, monitored, and mitigated by the Office of Planning & Budgeting on behalf of the Provost. In addition, each of the University’s primary auxiliary units are audited annually.

Auxiliary/self-sustaining units are charged a tax, known in policy as institutional overhead, to recover the cost of central services.

In addition to the University’s auxiliary units, self-sustaining activities are operated by certain schools, colleges, and academic support units. Self-sustaining budgets, which are broadly defined as those funded by the sale of goods and services or by other revenue-generating activities, are charged overhead (in most cases) and are monitored monthly for deficits.

Over 380 departments operate self-sustaining activities. Educational Outreach is represented as only one department in this count, though it actually operates over 290 self-sustaining certificate and graduate degree programs.

Tuition Rates and Financial Aid

Tuition Recommendations

As noted previously, tuition rates for nonresident undergraduates and all graduate and professional students are under the authority of the Board of Regents. The recommendations in Table 6, below, result from many months of collaboration between deans, faculty, students, and staff along with executive and academic leadership.

Table 6. Proposed 2016-17 Tuition Rates (operating fee + building fee)

| Unit | Tuition Category | | FY 2016 | FY 2017 | |
|--------------------------------|--|----------|----------|---------------------|----------|
| | | | | Increase | Tuition |
| n/a | Undergraduate | Resident | \$10,768 | -9.97% ³ | \$9,694 |
| | | Non-Res | \$33,072 | 2.0% | \$33,732 |
| | Graduate Tier I | Resident | \$15,207 | 0.0% | \$15,207 |
| | | Non-Res | \$27,255 | 0.0% | \$27,255 |
| | Graduate Tiers II | Resident | \$15,594 | 0.0% | \$15,594 |
| | | Non-Res | \$27,837 | 0.0% | \$27,837 |
| | Graduate Tiers III | Resident | \$16,425 | 3.0% | \$16,917 |
| | | Non-Res | \$29,274 | 3.0% | \$30,153 |
| Built Environments, College of | Masters - Construction Mgmt. Landscape Architecture, Urban Design & Planning | Resident | \$15,954 | 0.0% | \$15,954 |
| | | Non-Res | \$28,413 | 0.0% | \$28,413 |
| | College of Built Environments Masters - March and MSRE (Real Estate) | Resident | \$16,875 | 0.0% | \$16,875 |
| | | Non-Res | \$35,535 | 0.0% | \$35,535 |
| Dentistry, School of | Dental Professional (DDS) Year 1 ⁴ | Resident | \$42,423 | 8.0% | \$45,816 |
| | | Non-Res | \$65,412 | 8.0% | \$70,644 |
| | Dental Professional (DDS) Year 2 ² | Resident | \$42,423 | 8.0% | \$45,816 |
| | | Non-Res | \$65,412 | 8.0% | \$70,644 |
| | Dental Professional (DDS) Year 3 ² | Resident | \$42,417 | 8.0% | \$45,810 |
| | | Non-Res | \$65,412 | 8.0% | \$70,644 |
| | Dental Professional (DDS) Year 4 ² | Resident | \$39,210 | 8.0% | \$42,348 |
| | | Non-Res | \$65,412 | 8.0% | \$70,644 |
| | Graduate Dental - Oral Biology | Resident | \$14,745 | 4.0% | \$15,336 |
| | | Non-Res | \$28,476 | 4.0% | \$29,616 |
| | Graduate Dental - Oral Medicine, Pediatric Dentistry, Periodontics, and Prosthodontics | Resident | \$16,377 | 4.0% | \$17,031 |
| | | Non-Res | \$29,886 | 8.0% | \$32,277 |
| | Graduate Dental - Endodontics | Resident | \$18,012 | 4.0% | \$18,732 |
| | | Non-Res | \$29,886 | 8.0% | \$32,277 |
| Graduate Dental - Orthodontics | Resident | \$22,935 | 4.0% | \$23,853 | |
| | Non-Res | \$29,886 | 8.0% | \$32,277 | |
| Education, College of | Master of Education and Master in Teaching | Resident | \$15,465 | 3.0% | \$15,930 |
| | | Non-Res | \$28,671 | 3.0% | \$29,532 |
| | Doctor of Education and Education PhD | Resident | \$15,465 | 3.0% | \$15,930 |
| | | Non-Res | \$28,671 | 3.0% | \$29,532 |

³ This represents the combined effect of a 10.5% incremental operating fee reduction, plus no change to the building fee.

⁴ The DDS program has a cohort tuition structure. This means, for example, that a current Year-3 DDS resident student will not experience an 8% increase in FY17. Instead, the student's tuition will decrease in FY17, as it will go from \$42,417/year to \$42,348/year.

| Unit | Tuition Category | | FY 2016 | FY 2017 | |
|--------------------------------|---|----------|----------|--------------|----------|
| | | | | Increase | Tuition |
| Engineering, College of | Master of Chemical Engineering | Resident | \$20,520 | 3.0% | \$21,135 |
| | | Non-Res | \$32,352 | 3.0% | \$33,324 |
| | Masters of Industrial and Systems Engineering | Resident | \$20,520 | 3.0% | \$21,135 |
| | | Non-Res | \$32,352 | 3.0% | \$33,324 |
| | Master of Material Science and Engineering | Resident | \$20,520 | 3.0% | \$21,135 |
| | | Non-Res | \$32,352 | 3.0% | \$33,324 |
| | Master of Applied Bioengineering | Resident | | New category | \$30,000 |
| | | Non-Res | | New category | \$36,000 |
| Environment, College of the | College of the Environment Graduate Programs | Resident | \$15,594 | 0.0% | \$15,594 |
| | | Non-Res | \$27,837 | 0.0% | \$27,837 |
| | MS in Earth and Space Sciences: Applied Geosciences | Resident | \$16,764 | 0.0% | \$16,764 |
| | | Non-Res | \$29,925 | 0.0% | \$29,925 |
| Evans School | Master of Public Administration (MPA) | Resident | \$19,815 | 3.0% | \$20,409 |
| | | Non-Res | \$35,565 | 3.0% | \$36,633 |
| Foster School | MBA Incoming ⁵ | Resident | \$30,129 | 4.0% | \$31,335 |
| | | Non-Res | \$44,379 | 4.0% | \$46,155 |
| | MBA Continuing ² | Resident | \$29,250 | 3.0% | \$30,129 |
| | | Non-Res | \$43,086 | 3.0% | \$44,379 |
| Law, School of | Law (JD) – 1L <i>(new split out of JD rate)</i> | Resident | \$30,891 | 2.5% | \$31,662 |
| | | Non-Res | \$43,053 | 0.0% | \$43,053 |
| | Law (JD) – 2L, 3L <i>(new split out of JD rate)</i> | Resident | \$30,891 | 0.0% | \$30,891 |
| | | Non-Res | \$43,053 | -2.0% | \$42,192 |
| | Master of Laws (LLM) | Resident | \$19,677 | 10.0% | \$21,645 |
| | | Non-Res | \$35,883 | 3.0% | \$36,960 |
| | Law PhD | Resident | \$18,426 | 3.0% | \$18,978 |
| | | Non-Res | \$35,883 | 3.0% | \$36,960 |
| Medicine, School of | Medical Professional (MD) | Resident | \$32,688 | 3.0% | \$33,669 |
| | | Non-Res | \$63,123 | 0.0% | \$63,123 |
| Nursing, School of | Nursing Master and Doctor of Nursing Practice | Resident | \$25,461 | 0.0% | \$25,461 |
| | | Non-Res | \$45,804 | -15.0% | \$38,934 |
| Pharmacy, School of | Doctor of Pharmacy | Resident | \$27,291 | 4.5% | \$28,518 |
| | | Non-Res | \$49,215 | 0.0% | \$49,215 |
| | Doctor of Pharmacy/MBA with UW Bothell | Resident | | New category | \$31,383 |
| | | Non-Res | | New category | \$49,215 |
| Public Health, School of | Master of Public Health - 1st Year | Resident | \$17,943 | 8.0% | \$19,377 |
| | | Non-Res | \$33,738 | 0.0% | \$33,738 |
| | Master of Public Health - Continuing | Resident | \$17,445 | 8.0% | \$18,840 |
| | | Non-Res | \$33,738 | 0.0% | \$33,738 |
| | Public Health PhD Programs | Resident | \$16,746 | 5.0% | \$17,583 |
| | | Non-Res | \$29,274 | 3.0% | \$30,153 |
| | Public Health MS and other graduate programs | Resident | \$16,746 | 5.0% | \$17,583 |
| | | Non-Res | \$29,274 | 3.0% | \$30,153 |

⁵ The MBA programs have a cohort tuition structure. This means, for example, that a Seattle MBA resident who entered in Fall 2015 will not experience a 3% increase in FY17. Instead, the student's tuition will stay steady at \$30,129 per year in FY17.

| Unit | Tuition Category | | FY 2016 | FY 2017 | |
|------------------------|---------------------------------------|----------|----------|----------|----------|
| | | | | Increase | Tuition |
| Social Work, School of | Master of Social Work | Resident | \$17,130 | 3.0% | \$17,643 |
| | | Non-Res | \$29,427 | 3.0% | \$30,309 |
| UW Bothell | Bothell – Nursing | Resident | \$15,594 | 0.0% | \$15,594 |
| | | Non-Res | \$27,837 | 0.0% | \$27,837 |
| | Bothell - MBA Incoming ⁴ | Resident | \$22,596 | 0.0% | \$22,596 |
| | | Non-Res | \$28,329 | 0.0% | \$28,329 |
| | Bothell - MBA Continuing ⁴ | Resident | \$22,371 | 0.0% | \$22,371 |
| | | Non-Res | \$28,329 | 0.0% | \$28,329 |
| UW Tacoma | Tacoma - Master of Nursing | Resident | \$15,594 | 0.0% | \$15,594 |
| | | Non-Res | \$27,837 | 0.0% | \$27,837 |
| | Tacoma - MBA Incoming ⁴ | Resident | \$20,325 | 0.0% | \$20,325 |
| | | Non-Res | \$33,828 | 0.0% | \$33,828 |
| | Tacoma - MBA Continuing ⁴ | Resident | \$20,124 | 1.0% | \$20,325 |
| | | Non-Res | \$33,492 | 1.0% | \$33,828 |

⁴ These MBA programs also have a cohort tuition structure.

These requests have been considered by many constituencies and have been evaluated by schools and colleges in terms of how they compare to peer programs at other universities and the revenue base they would support for normal, increasing expenses. During budget meetings with the Interim Provost, each dean or chancellor who proposed an increase was required to explain the need for the increase, put the increase in context with peer programs, and describe how incremental funds generated by the increase would be used.

Tuition and Fees Comparison

As Table 7 elucidates, the UW's 2015-16 resident undergraduate tuition and fee rate is well below the peer mean. Since the 2015-17 state operating budget decreased the UW's resident undergraduate operating fee by 5 percent in 2015-16, and by another 10.5 percent in 2016-17, the UW's resident undergraduate operating fee rate will decrease further in 2016-17, from \$10,203 to \$9,129.

Table 7: Resident Undergraduate Tuition & Fees Peer Comparison

| Global Challenge State (GCS) Peer Universities | 2014-15 | 2015-16 | Change |
|---|-----------------|-----------------|---------------|
| University of Virginia | \$13,208 | \$14,678 | 11.13% |
| University of Massachusetts Amherst | \$13,258 | \$14,171 | 6.89% |
| Rutgers, State University of New Jersey | \$13,813 | \$14,131 | 2.30% |
| University of California Davis | \$13,896 | \$13,951 | 0.40% |
| University of California San Diego | \$13,421 | \$13,530 | 0.81% |
| University of Connecticut | \$12,700 | \$13,366 | 5.24% |
| University of California Irvine | \$13,179 | \$13,253 | 0.56% |
| University of California Los Angeles | \$12,701 | \$12,763 | 0.49% |
| University of Washington Seattle | \$12,394 | \$11,839 | -4.48% |
| University of Colorado Boulder and Denver | \$10,789 | \$11,091 | 2.80% |
| University of Maryland College Park and Baltimore | \$9,428 | \$9,996 | 6.02% |
| GCS Group Average | \$12,639 | \$13,093 | 3.66% |

Note: The GCS group average does not include the UW's rate.

Though the UW’s resident undergraduate tuition rate is currently below the average of its peers, Table 8 shows that the UW’s graduate Tier I tuition rate is higher than the peer average. We expect this status to evolve with a second year of static tuition rates.

Table 8: Tier 1 Resident Graduate Tuition & Fees Peer Comparison

| Global Challenge State (GCS) Peer Universities | 2014-15 | 2015-16 | Change |
|---|-----------------|-----------------|---------------|
| Rutgers, State University of New Jersey | \$17,922 | \$18,346 | 2.37% |
| University of Virginia | \$16,678 | \$17,094 | 2.49% |
| University of Maryland College Park and Baltimore | \$15,938 | \$16,688 | 4.71% |
| University of Washington Seattle | \$16,296 | \$16,278 | -0.11% |
| University of Connecticut | \$14,472 | \$15,296 | 5.69% |
| University of Massachusetts Amherst | \$13,391 | \$14,094 | 5.25% |
| University of California Davis | \$13,109 | \$13,164 | 0.42% |
| University of California San Diego | \$12,929 | \$13,021 | 0.71% |
| University of California Irvine | \$12,962 | \$13,010 | 0.37% |
| University of California Los Angeles | \$12,571 | \$12,629 | 0.46% |
| University of Colorado Boulder and Denver | \$11,974 | \$12,320 | 2.89% |
| GCS Group Average | \$14,195 | \$14,566 | 2.54% |

Note: The GCS group average does not include the UW’s rate.

Financial Aid

There are a number of ways in which tuition policy is intertwined with financial aid policy. In the past, tuition increases were accompanied by increases in financial aid in order to support the University’s mission of providing student access. Given the **decrease in tuition for resident undergraduates** and the **associated loss of tuition revenue**, the amount of revenue used for aid **may need to be recalibrated**.

In response to previous Regental actions, there are three pools of tuition revenue that are used to provide student aid. The state of Washington requires that the UW put an amount equal to four percent of total collected tuition revenue toward financial aid. In addition to this state obligation, UW policy requires that an amount equal to four percent of the total resident portion of tuition charged to all students be used for tuition waivers. Three-fourths of these waivers are awarded on the basis of need and one-fourth on the basis of merit. Both of these aid pools decrease as tuition decreases.

When the University experienced four consecutive years of double-digit tuition increases, a portion of the incremental revenue generated was put into an “additional aid pool” to help ensure student access. This proposed budget recognizes that the loss of tuition revenue associated with state policy provides less net revenue to redistribute to aid. UW administration recommends that the additional aid pool not decrease by the full 10.5 percent of the tuition decrease, but that the cut to the pool be limited so that the decrease in University aid for undergraduate residents does not decrease at a faster rate than the decrease in the *total* student budget. This recommendation is reflected in the budget presented here and will be instituted should Regents take action on this budget proposal. Importantly, depending on the conditions imposed by the next state biennial operating budget, the UW may not be able to afford to continue this policy.

Moreover, a small percentage of the incremental revenue generated by recent tuition increases for domestic nonresidents has been used for a pilot program offering scholarships to domestic nonresidents. The decision to start this scholarship program was motivated by a desire to maintain the UW’s current level of nonresident enrollments given that this population, in effect, subsidizes the financial aid and basic educational costs for resident students.

In addition, waivers that represent foregone tuition revenue help many students pay for tuition. The largest group of these waivers is automatically awarded to students with graduate student service appointments. Intercollegiate Athletics (ICA) funded half of the value of Title IX Gender Equity Waivers in FY16, but will not be doing so in FY17. This entails a subsidy of \$3.9 million of tuition revenue to ICA gender equity waivers, lowering the net operating fee revenue projection by the same amount.⁶

Given these policies, the decrease in undergraduate resident tuition, and the increases for all other categories, we expect the tuition revenue and financial aid allocations summarized in Table 9.

Table 9: 2016-17 Gross Tuition, Tuition-Based Aid, and Net Operating Fee Revenue

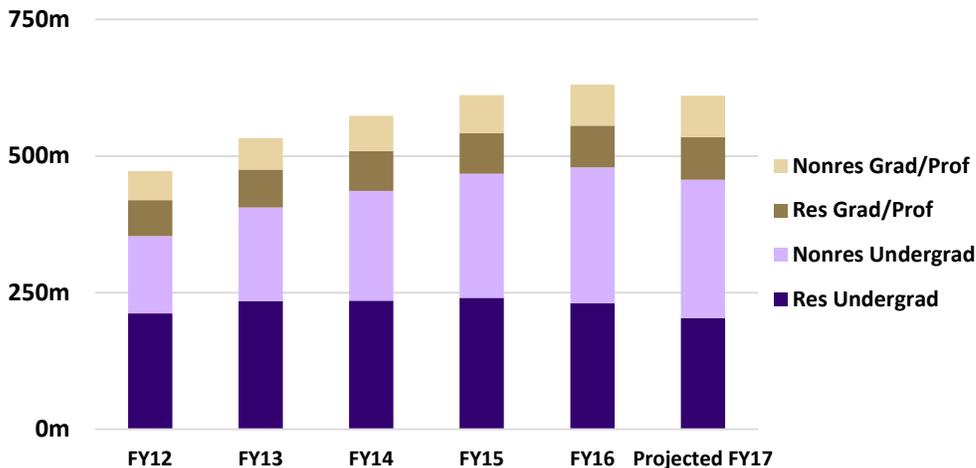
| 2016-17 | Undergraduate | | | Graduate/Professional | | | Total |
|---|--------------------|--------------------|--------------------|-----------------------|-------------------|--------------------|--------------------|
| | Resident | Nonresident | Total | Resident | Nonresident | Total | |
| FTE | 26,453 | 8,934 | 35,387 | 5,954 | 6,154 | 12,108 | 47,494 |
| Gross Tuition Revenue | 263,830,640 | 297,353,270 | 561,183,910 | 99,035,580 | 160,262,210 | 259,297,790 | 820,481,700 |
| Less Building Fee | 15,335,900 | 13,324,890 | 28,660,790 | 3,634,840 | 5,450,050 | 9,084,890 | 37,745,680 |
| Gross Operating Fee Revenue | 248,494,740 | 284,028,380 | 532,523,120 | 95,400,740 | 154,812,160 | 250,212,900 | 782,736,020 |
| State-Mandated Return to Aid | 9,462,500 | 11,166,770 | 20,629,270 | 3,307,860 | 3,212,330 | 6,520,190 | 27,149,460 |
| University of Washington Aid | 31,678,100 | 15,011,360 | 46,689,460 | 4,643,000 | 4,332,370 | 8,975,370 | 55,664,830 |
| Waivers - Foregone Revenue¹ | 4,137,020 | 1,639,430 | 5,776,450 | 8,888,160 | 70,974,730 | 79,862,890 | 85,639,340 |
| Risk Pool² | 2,032,170 | 2,562,110 | 4,594,280 | 785,620 | 762,930 | 1,548,550 | 6,142,830 |
| Net Operating Fee Revenue | 201,184,950 | 253,648,710 | 454,833,660 | 77,776,100 | 75,529,800 | 153,305,900 | 608,139,560 |
| Total Aid from Group | 45,277,620 | 27,817,560 | 73,095,180 | 16,839,020 | 78,519,430 | 95,358,450 | 168,453,630 |
| Aid from Group as % of Gross Op | 18% | 10% | 14% | 18% | 51% | 38% | 22% |
| Total Aid to Group | 60,402,060 | 10,639,430 | 71,041,490 | 24,292,730 | 70,974,730 | 95,267,460 | 166,308,950 |
| Aid to Group as % of Gross Op | 24% | 4% | 13% | 25% | 46% | 38% | 21% |

¹ More than 75% of waivers representing foregone revenue are provided to graduate TAs and RAs as a function of their appointment.

² To be conservative, a 1% risk pool is subtracted from projected gross operating fee revenue.

Nonresident undergraduates continue to contribute considerably more to financial aid than is awarded to them; they generate \$27.8 million in financial aid funds, but are awarded only \$10.6 million. Overall, nonresident undergraduates have become an increasingly important source of revenue. Figure 2 shows the change in net revenue by student level and residency over the past several years.

Figure 2: Net Tuition Revenue by Student Level and Residency



⁶ In Table 9, the addition revenue used for ICA Gender Equity waivers has been subtracted from the resident undergraduate revenue pool, but these waivers may be awarded to both resident and nonresident students at any level.

Attachment 3: Cost of Attendance for First-Year UW Undergraduates

2016-17 INFORMATION

PLEASE NOTE: After accounting for grant and scholarship aid, UW students (particularly resident undergraduates) often pay far less than the total expenses shown here. In **2014-15** (the most recent year for which net price data is available), the published price for resident undergraduates at Seattle was **\$27,112**, whereas the net price for first-time, resident undergraduates at Seattle was **\$9,744**.

| Annual Student Budget Items | Bothell | Seattle | Tacoma |
|---|-----------------|-----------------|-----------------|
| Room and Board* (traditional undergraduates) | \$10,833 | \$11,691 | \$10,230 |
| Books, Personal, Transportation* | \$4,614 | \$3,504 | \$4,614 |
| Annual Student Fees – Total** | \$1,296 | \$1,369 | \$1,237 |
| <i>New Student Enrollment & Orientation Fee (NSEOF) – onetime fee</i> | \$300 | \$310 | \$100 |
| Student Tech Fee | \$126 | \$114 | \$120 |
| Services and Activities Fee | \$273 | \$387 | \$477 |
| Activities & Recreation Center 1 | \$441 | | |
| Activities & Recreation Center 2 | \$66 | | |
| Sports Field | \$90 | | |
| Facilities Renovation Fee | | \$210 | |
| Intramural Activities Building (IMA) | | \$96 | |
| U Pass | | \$252 | |
| YMCA | | | \$540 |
| Resident Annual Tuition | \$9,694 | \$9,694 | \$9,694 |
| Resident Annual Total | \$26,437 | \$26,258 | \$25,775 |
| Non-Resident Annual Tuition | \$33,732 | \$33,732 | \$33,732 |
| Non-Resident Annual Total | \$50,475 | \$50,296 | \$49,813 |

* The Office of Student Financial Aid calculates annual student budgets based on the federal "cost of attendance" definition, which is used to determine financial aid eligibility. <https://www.washington.edu/financialaid/getting-started/student-budgets/>

** Student-led committees approved all fees under this header, except the NSEOF (see below), and are responsible for recommending fee changes to the Board of Regents for approval. Student representatives provide support recommendations for the NSEOF and the administration recommends fee changes to the Board of Regents for approval. Please note that many students pay fees beyond the ones presented here, such as course fees (the cost of which varies by discipline), fees for student insurance, international program fees and fees for WashPIRG and WSA.

*** The Student Tech Fee Committee is also requesting that this fee be charged in summer quarter.

COST OF ATTENDANCE TREND DATA BY CAMPUS

| BOTHELL | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 5yr Change |
|--|----------------|----------------|----------------|----------------|----------------|-------------------|
| Room and Board * (traditional undergrads) | \$9,969 | \$10,752 | \$10,833 | \$10,833 | \$10,833 | \$864 |
| Books, Personal, Transportation * | \$4,824 | \$4,995 | \$4,995 | \$4,995 | \$4,614 | -\$210 |
| Annual Student Fees - Total ** | \$856 | \$856 | \$856 | \$1,240 | \$1,296 | \$440 |
| <i>NSEOF - onetime fee</i> | \$250 | \$250 | \$250 | \$250 | \$300 | \$50 |
| Student Tech Fee | \$126 | \$126 | \$126 | \$126 | \$126 | \$0 |
| Services and Activities Fee | \$390 | \$390 | \$390 | \$267 | \$273 | -\$117 |
| Activities & Recreation Center 1 | \$0 | \$0 | \$0 | \$441 | \$441 | \$441 |
| Activities & Recreation Center 2 | \$0 | \$0 | \$0 | \$66 | \$66 | \$66 |
| Sports Field | \$90 | \$90 | \$90 | \$90 | \$90 | \$0 |
| Resident Annual Tuition | \$11,305 | \$11,305 | \$11,305 | \$10,768 | \$9,694 | -\$1,611 |
| Resident Annual Total | \$26,954 | \$27,908 | \$27,989 | \$27,836 | \$26,437 | -\$517 |
| Non-Resident Annual Tuition | \$28,860 | \$30,879 | \$32,424 | \$33,072 | \$33,732 | \$4,872 |
| Non-Resident Annual Total | \$44,509 | \$47,482 | \$49,108 | \$50,140 | \$50,475 | \$5,966 |

| SEATTLE | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 5yr Change |
|--|----------------|----------------|----------------|----------------|----------------|-------------------|
| Room and Board * (traditional undergrads) | \$9,969 | \$10,752 | \$10,833 | \$11,310 | \$11,691 | \$1,722 |
| Books, Personal, Transportation * | \$3,714 | \$3,885 | \$3,885 | \$3,885 | \$3,504 | -\$210 |
| Annual Student Fees - Total ** | \$1,350 | \$1,364 | \$1,389 | \$1,371 | \$1,369 | \$19 |
| <i>NSEOF - onetime fee</i> | \$272 | \$272 | \$300 | \$300 | \$310 | \$38 |
| Student Tech Fee | \$123 | \$123 | \$123 | \$123 | \$114 | -\$9 |
| Services and Activities Fee | \$360 | \$378 | \$390 | \$393 | \$387 | \$27 |
| Facilities Renovation Fee | \$262 | \$267 | \$252 | \$219 | \$210 | -\$52 |
| Intramural Activities Building (IMA) | \$105 | \$96 | \$96 | \$96 | \$96 | -\$9 |
| U Pass | \$228 | \$228 | \$228 | \$240 | \$252 | \$24 |
| Resident Annual Tuition | \$11,305 | \$11,305 | \$11,305 | \$10,768 | \$9,694 | -\$1,611 |
| Resident Annual Total | \$26,338 | \$27,306 | \$27,412 | \$27,334 | \$26,258 | -\$80 |
| Non-Resident Annual Tuition | \$28,860 | \$30,879 | \$32,424 | \$33,072 | \$33,732 | \$4,872 |
| Non-Resident Annual Total | \$43,893 | \$46,880 | \$48,531 | \$49,638 | \$50,296 | \$6,403 |

| TACOMA | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 5yr Change |
|--|----------------|----------------|----------------|----------------|----------------|-------------------|
| Room and Board * (traditional undergrads) | \$9,969 | \$10,752 | \$10,833 | \$10,833 | \$10,230 | \$261 |
| Books, Personal, Transportation * | \$4,824 | \$4,995 | \$4,995 | \$4,995 | \$4,614 | -\$210 |
| Annual Student Fees - Total ** | \$697 | \$697 | \$1,057 | \$1,237 | \$1,237 | \$540 |
| <i>NSEOF - onetime fee</i> | \$100 | \$100 | \$100 | \$100 | \$100 | \$0 |
| Student Tech Fee | \$120 | \$120 | \$120 | \$120 | \$120 | \$0 |
| Services and Activities Fee | \$477 | \$477 | \$477 | \$477 | \$477 | \$0 |
| YMCA (began in winter of 2015) | \$0 | \$0 | \$360 | \$540 | \$540 | \$540 |
| Resident Annual Tuition | \$11,305 | \$11,305 | \$11,305 | \$10,768 | \$9,694 | -\$1,611 |
| Resident Annual Total | \$26,795 | \$27,749 | \$28,190 | \$27,833 | \$25,775 | -\$1,020 |
| Non-Resident Annual Tuition | \$28,860 | \$30,879 | \$32,424 | \$33,072 | \$33,732 | \$4,872 |
| Non-Resident Annual Total | \$44,350 | \$47,323 | \$49,309 | \$50,137 | \$49,813 | \$5,463 |

Attachment 4: Preliminary 2017-19 State Operating Budget Requests

| Proposed Request | Unit/Building |
|--|--|
| <u>Sustainable Operations and Finances</u> | |
| Compensation Support | UW (all three campuses) |
| Operations & Maintenance Support | Life Science Building |
| Operations & Maintenance Support | Burke Museum |
| Operations & Maintenance Support | Nano-engineering Sciences |
| Operations & Maintenance Support | Intellectual House |
| <u>Student Access and Services</u> | |
| RIDE Expansion - Seattle and Spokane | UW School of Dentistry |
| WWAMI Expansion - Spokane | UW School of Medicine |
| Tri-Campus Student Services and Success Initiative | UW (all three campuses) |
| Occupational Health Internship Management ¹ | Department of Environmental and Occupational Health Sciences |
| <u>Research</u> | |
| Marijuana Research Support ² | To Be Determined |

Note that additional operating funding requests may be submitted to the Office of Financial Management at the behest of UW administration, depending on opportunities presented throughout fall and winter of the coming academic year; these may include proposals regarding STEM enrollment and/or interdisciplinary research.

¹ Request is for funding from the state's Medical Aid Account and Accident Account

² Request is for funding from the state's Dedicated Marijuana Account