

**Date:** March 28, 2013

**Subject:** Governor Inslee Budget Priorities

***Governor’s Biennial Operating Budget Priorities – Overview***

Governor Inslee released his budget priorities today. The plan, which assumes new revenue from eliminating certain tax breaks, appropriates \$34.2 billion of Near General Fund State for the 2013-15 biennium. Of this amount, *all* of higher education, including financial aid, would receive nearly \$3 billion (or 8.4 percent). As a reminder, the Governor’s budget plan will be followed by a Senate and then a House budget proposal. These are expected within the next two weeks. It is likely that the UW will not have a clear sense of its actual anticipated state funding level until late April 2013.

Governor Gregoire released two budgets at the end of the last calendar year. One, a “current law” balanced budget, assumed no new revenue. The second, a “new law” budget, assumed new revenue. As shown in Table 1, the UW receives \$10 million more in state funding each year under Governor Inslee’s plan than under Governor Gregoire’s “Current Law” budget and between \$3 and \$4 million more each year than under her “New Law” budget. Of the additional funding in Governor Inslee’s budget, however, \$6 million per year is set aside for a Clean Energy Institute. Furthermore, the increases include maintenance level adjustments. For the UW, 30 percent of the difference between the “current law” budget and Governor Inslee’s budget is a result of increases in the maintenance level; an additional 60 percent is a result of the funding for the Clean Energy Institute.

**Table 1: UW State Funding Scenarios (in \$1000s)**

	<b>FY14</b>	<b>FY15</b>	<b>Total</b>
<b>Gov. Inslee’s Budget Priorities</b>	\$232,316	\$232,993	\$465,309
<b>Maintenance Level/Carry Forward</b>	\$225,580	\$225,491	\$451,071
<i>Increase with Inslee</i>	\$6,736	\$7,502	\$14,238
<b>Gov. Gregoire’s No Rev Budget</b>	\$222,080	\$222,897	\$444,977
<i>Increase with Inslee</i>	\$10,236	\$10,096	\$20,332
<b>Gov Greg’s 2013-15 Budget - New Law</b>	\$228,376	\$229,650	\$458,026
<i>Increase with Inslee</i>	\$3,940	\$3,343	\$7,283

Table 2 shows the funding for higher education institutions provided by Governor Inslee’s plan and Governor Gregoire’s “current law” budget. Under Governor Inslee’s plan, each of the state’s six baccalaureate institutions receive increases in funding. Here too, increases include maintenance level adjustments. Note that in all three budgets, Education Legacy Trust funding, from which the UW normally received at least \$8 million per year, was removed from public baccalaureate institutions’ budgets and replaced with general fund appropriations.

**Table 2: 2013-15 State Funding Proposals – Higher Education (in \$1000s)**

	<b>Maintenance/Carry Forward Funding Levels</b>			<b>Governor Gregoire No Revenue Budget</b>			<b>Governor Inslee Proposed</b>		
	<b>FY14</b>	<b>FY15</b>	<b>Total</b>	<b>FY14</b>	<b>FY15</b>	<b>Total</b>	<b>FY14</b>	<b>FY15</b>	<b>Total</b>
<b>UW</b>	\$225,580	\$225,491	\$451,071	\$222,080	\$222,897	\$444,977	\$232,316	\$232,993	\$465,309
<b>WSU</b>	\$159,735	\$160,343	\$320,078	\$158,689	\$159,921	\$318,610	\$164,974	\$166,404	\$331,378
<b>CWU</b>	\$35,071	\$35,090	\$70,161	\$35,000	\$35,150	\$70,150	\$35,367	\$35,501	\$70,868
<b>EWU</b>	\$36,133	\$36,089	\$72,222	\$35,983	\$36,162	\$72,145	\$36,386	\$36,547	\$72,933
<b>TESC</b>	\$19,189	\$19,047	\$38,236	\$19,041	\$18,993	\$38,034	\$19,255	\$19,190	\$38,445
<b>WWU</b>	\$44,390	\$44,433	\$88,823	\$43,764	\$44,563	\$88,327	\$44,364	\$45,160	\$89,524
<b>TOTAL</b>	<b>\$520,098</b>	<b>\$520,493</b>	<b>\$1,040,591</b>	<b>\$514,557</b>	<b>\$517,686</b>	<b>\$1,032,243</b>	<b>\$532,662</b>	<b>\$535,795</b>	<b>\$1,068,457</b>

## *Tuition*

The Governor's plan **authorizes tuition increases of up to 5 percent per year for resident undergraduate students at the UW** and WSU and up to 3 percent per year for resident undergraduate students at all other four-year universities. Tuition at the community and technical colleges is to remain at 2013 levels for the next two years. Additional funding for the State Need Grant and State Work Study programs is provided to increase award levels along with tuition.

The Governor recognizes that the UW still has another year of tuition setting authority under HB 1795, the Higher Education Opportunity Act; if Regents choose higher tuition increases than those specified in the budget proposal, the UW would be responsible for providing increased financial aid.

Tuition rates for the 2013-14 academic year will be established in late spring 2013 by the UW Board of Regents, in consultation with the President, Provost, Board of Deans, Provost Advisory Committee for Students, and Faculty Senate Committee on Planning and Budgeting after enactment of a final budget.

## *Policy Changes Affecting Funding for UW Activities*

1. **Clean Energy Institute Proviso** – Governor Inslee allocates \$6 million per year of the UW's general fund for the creation and staffing of a Clean Energy Institute, which is to focus on energy storage and solar energy.
2. **College of Engineering Proviso** – Like Governor Gregoire's new revenue budget, Governor Inslee's plan provides \$1 million per year in new state funds for the College of Engineering to continue enrollment growth, which was initially "funded" through a redirect of UW funding last year.
3. **Aerospace Initiative Funding** – The Governor's plan includes \$1.5 million per year of Economic Development Strategic Reserve Account Funds for the Joint Aerospace Initiative with WSU—identical to both of Governor Gregoire's budget proposals.
4. **Center on Ocean Acidification** – The plan also provides \$910,000 per year for a new Center on Ocean Acidification in response to the Governor's blue ribbon task force on ocean acidification—again, as in Governor Gregoire's budgets.
5. **Medicine/Hospitals** – It will require further analysis to understand the details, but Governor Inslee's priorities support the continuation of the hospital safety net assessment program and expansion of Medicaid.

## *Compensation*

The Governor's plan funds collective bargaining agreements that do not include general wage increases. It is assumed that the UW will be able to fund general wage increases in its collective bargaining agreements with increased state support and potential increases in tuition revenue, but this is not clearly stated. The 3 percent salary cut imposed on state agencies in the last biennium (for the UW, this was a temporary reduction of \$12 million per year) is restored.

**The plan includes no mention of the current salary freeze for state employees**, which is set to expire on June 30 of this year. Given that it is not explicitly mentioned, we assume the freeze will be lifted under the Governor's budget priorities.

### *Other Higher Education Budget Impacts*

1. **Financial Aid** – The Governor’s plan contains increased funding for the State Need Grant, work study, and College Bound scholarship programs. Approximately \$25 million is provided to increase State Need Grant and work study award amounts in a way that keeps pace with the previously-described tuition increases. In addition, the plan includes \$35 million to fully fund the College Bound scholarship program and allow nearly 4,000 students to pay no tuition at public institutions
2. **STEM Enrollment Pool** – The Governor’s budget, like those of Governor Gregoire, contains an \$11 million appropriation (\$5.5 million per year) for a competitive funding program for public baccalaureate institutions to expand STEM enrollments. Funds would be distributed by the Office of Financial Management, in consultation with the governor’s office, and the Student Achievement Council.
3. **STARS Eliminated** – The Governor’s plan eliminates funding for the Entrepreneurs in Residence Program (STARS) at the UW and WSU for a “savings” of \$3.7 million.
4. **Life Sciences Discovery Fund** – The plan shifts \$22 million in funding away from the Life Sciences Discovery fund, from which the UW often receives grant funding. While it is not clear what impact this will have on the UW, there is the potential for lost research funding.
5. **Matching Capital Funds for Clean Energy Solutions** –To make research institutions such as the UW and WSU more attractive in federal grant applications for clean energy solutions funding, the Governor’s budget plan identifies \$10 million in capital funds to match federal grants. These funds are to support Washington’s efforts to compete for federal funding for advanced manufacturing centers. The UW will continue to look into this section of the budget priorities for clarification, but at this time assumes the matching funds would come in the form of a grant or via another agency.

### *K-12 Impacts*

The Governor’s plan suspends cost-of-living increases for K-12 education employees for a “savings” of \$360 million. The Governor is proposing an increase in the K-12 budget to begin implementation of HB 2776, increasing the state’s commitment to basic education. These enhancements include funds to reduce class sizes, continue phasing in all-day kindergarten, improve teacher and principal evaluations, and support for maintenance, supplies, and operating costs.

**Governor Inslee’s budget plan is an important step in the annual legislative budget process.** Along with the Governor Gregoire’s budgets, it serves as a foundation from which both legislative chambers can build their budgets. The Senate and House will release their budgets soon. We will provide a brief when each is released, and, as each chamber works toward a compromise budget, please continue to monitor the [State Relations](#) and [OPB](#) blogs for updates. We are at least a month away from a final, compromise legislative budget, which the University will use when determining FY14 and FY15 unit level budgets.

For more information about the operating budget, please contact: Becka Johnson at [jbecka@uw.edu](mailto:jbecka@uw.edu) or Carol Diem at [cdiem@uw.edu](mailto:cdiem@uw.edu).

*Governor's Biennial Capital Budget Priorities - Overview*

Governor Inslee's capital budget plan keeps former Governor Gregoire's proposed capital budget intact as demonstrated in the table below. Both budgets contain a total appropriation to the UW of \$56.5 million in state funds and \$67.5 million in UW Building Account funds. The Governor's budget includes funding for three of the University's top four capital priorities including: Minor Capital Repair (Preservation), UW Tower Chilled Water System Replacement, and Magnuson Health Sciences Center Roofing Replacement. Denny Hall Renovation and Lewis Hall Renovation (the UW's 10th and 11th priority projects) are funded in part with state funds.

Governor Gregoire's budget authorized the UW to issue bonds in an amount not to exceed \$20 million to make up the difference for the renovation of Denny Hall, which is to be financed from UW building fee and trust land revenues. Although Governor Inslee's budget does not explicitly authorize the UW to do the same, it is implied. Direction for UW to issue bonds to fund Denny Hall would impact the UW's debt capacity available to fund other capital projects.

The Governor's budget also shifts \$25 million from the UW Building Account to fund Preventive Facility Maintenance and Building System Repairs. The table below compares the 13-15 UW Capital Budget Request to Governor Inslee's and former Governor Gregoire's proposed budget.

Priority	Requested Projects		2013-15		Gov Gregoire Budget 12/18/2012			Gov Inslee Budget 03/28/2013		
	Name	Phase	State Funds	UW Bldg Acct	State Funds	UW Bldg Acct	UW Bond Auth	State Funds	UW Bldg Acct	UW Bond Auth
1	Minor Capital Repair - Preservation	D/C	64,700	40,000	11,754	35,000	-	11,754	35,000	-
2	Minor Capital Repair - Program Renewal	D/C	-	22,000	-	-	-	-	-	-
3	Major Infrastructure - UW Tower Chilled Water Sys Rpl	D/C	7,500	-	-	7,500	-	-	7,500	-
4	Major Infrastructure - MHSC Roofing Rpl	D/C	7,000	-	6,529	-	-	6,529	-	-
5	Major Infrastructure - UW Dist. Energy Resource Ctr	D	2,200	-	-	-	-	-	-	-
6	Health Sciences Phase I - T-Wing Renovation/Addition	PD/D	8,000	-	-	-	-	-	-	-
7	College of Eng. Classroom & Research Renovation	PD/D/C	13,400	-	-	-	-	-	-	-
8	UWT Classroom Bldg Renovation - Urban Solutions Ctr	PD/D	1,900	-	-	-	-	-	-	-
9	Health and Life Sciences - Hitchcock West	PD/D	10,500	-	-	-	-	-	-	-
10	CAS - Denny Hall Renovation	C	54,600	-	34,600	-	20,000	34,600	-	20,000
11	CAS - Lewis Hall Renovation	C	3,650	-	3,650	-	-	3,650	-	-
12	UW Libraries Archival Storage - Sand Point Bldg 5	PD/D	1,000	-	-	-	-	-	-	-
13	Innovation Collaboration Ctr	PD	350	-	-	-	-	-	-	-
14	College of Eng - Interdisciplinary Ed/Research Ctr I	PD	350	-	-	-	-	-	-	-
15	UWT Innovation Partnership Zone Develop - Phase 1	PD	500	-	-	-	-	-	-	-
-	Preventive Facility Maintenance & Bldg Sys Repairs		-	-	-	25,000	-	-	25,000	-
<b>Biennial TOTAL:</b>			<b>175,650</b>	<b>62,000</b>	<b>56,533</b>	<b>67,500</b>	<b>20,000</b>	<b>56,533</b>	<b>67,500</b>	<b>20,000</b>

For more information about the capital budget, please contact: John Seidelmann, [seidj@uw.edu](mailto:seidj@uw.edu) or Kateri Schlessman, [kateris@uw.edu](mailto:kateris@uw.edu).