

Date: March 8, 2018

Subject: Final Compromise - 2018 Supplemental Operating and Capital Budgets (Making Changes to the 2017-19 Biennial Budgets)

Earlier this week, leadership in the House and Senate released their compromise 2018 supplemental [operating](#) and [capital](#) budget proposals. This followed the release of 2018 supplemental budget proposals by leadership in each chamber in February and by the Governor in December. Please see [this brief](#) for a comparison of those previous 2018 supplemental budget proposals. The supplemental compromise budgets include technical corrections and minor appropriation changes to the recently approved [2017-19 biennial capital budget](#) and the [2017-19 biennial operating budget](#), which was approved last June. With this release, lawmakers will end the legislative session on time (without a special session) for the first time since the 2014. Please note that the budgets must still go to the Governor’s desk for signature, so it is possible that certain sections will be vetoed. If changes are made that are relevant to the UW, we will update this brief accordingly.

Operating Budget

The [February Revenue Forecast](#) significantly increased the projected revenue for this biennium by \$647 million. The final proposal offers some tax relief to taxpayers given the unexpected additional revenue. Like previous proposals, the final compromise would add new funds to K-12 education, but would not significantly change appropriations for higher education institutions. Most significant changes in appropriation amounts are due to funding shifts required by the 2017-19 budget, or technical changes to that budget. Notable items directed at the UW include additional funding for computer science enrollments, a temporary fix to compensation and central service allocations, and funding for the UW’s Psychiatry Integrated Care Training Program.

Direct Impacts to the UW

Table 1 shows total Near-General Fund-State (NGF-S) appropriations provided over the 2017-19 biennium. The assumed carryforward level reflects the cost of continuing the 2015-17 budget into the 2017-19 biennium. The 2017-19 enacted operating budget reflects funding levels approved in the 2017 legislative session. The 2018 supplemental proposals from the Governor, Senate, and House would make changes to those enacted funding levels, and the final compromise supplemental budget makes final changes to the 2017-19 budget.

Table 1: UW State Funding - 2018 Supplemental Operating Budget Proposals
Near General Fund State (including Pension Funding Stabilization Acct*), (in \$1,000s)

Budget	FY 1	FY 2	Total
2017-19 Carryforward Level (base budget)	333,151	332,225	665,376
2017-19 Enacted Operating Budget (approved in 2017)	351,726	368,847	720,573
Governor's 2018 Supplemental Proposal	349,034	364,658	713,692
Senate 2018 Supplemental Proposal - Passed Floor	351,061	370,074	721,135
House 2018 Supplemental Proposal - Passed Floor	352,506	370,374	722,880
Final Compromise 2018 Supplemental Budget	351,549	369,271	720,820

*See footnotes below Table 2

Table 2, on the next page, shows a line-by-line breakdown of the funding levels and policy changes proposed by the supplemental budget proposals and in the final compromise budget. Line items in the table are described in more detail in the following pages.

Table 2: 2018 Supplemental Operating Budget Proposals
Near General Fund State (in \$1,000s)

		Governor Proposed	Senate Passed Floor	House Passed Floor	Legislative Compromise		
		2017-19 Total	2017-19 Total	2017-19 Total	FY18	FY19	2017-19 Total
Total Enacted 2017-19 Funding:		720,573	720,573	720,573	351,726	368,847	720,573
Maintenance Level Changes		(61,127)	(63,816)	(64,508)	(29,298)	(35,476)	(64,774)
Maintenance & Operations for CSE		979	1,003	1,003	-	1,003	1,003
Tuition Backfill Inflation Adjustment		(38)	650	650	226	424	650
Maintenance Lvl Ctrl Service Adjs.		16	19	19	9	10	19
WA Academy of Sciences to WSU		(74)	(74)	(74)	-	(74)	(74)
Pension Fund Shift to Agencies*		(51,068)	(51,068)	(51,068)	(25,615)	(25,453)	(51,068)
Compensation	Workers' Compensation Changes	(390)	(390)	(390)	(195)	(195)	(390)
	Error Correction - SEIU**	(6,048)	(8,462)	(8,462)	(2,038)	(6,424)	(8,462)
	Error Correction - WFSE**	(3,284)	(5,496)	(5,496)	(1,686)	(3,810)	(5,496)
	Updated PEBB Rate	(1,352)	-	(822)	-	(1,088)	(1,088)
	Wellness \$25 Gift Card	2	2	2	1	1	2
	Paid Fam. Leave Employer Premium	130	-	130	-	130	130
Policy Level Changes		3,178	13,310	15,747	3,506	10,447	13,953
Policy Level Central Service Adjs.		135	47	27	6	17	23
CSE Enrollments		3,000	3,000	3,000	-	3,000	3,000
Native Am. Curriculum (SB 5028)		-	128	-	-	81	81
MESA First Nations Toppenish		-	135	-	-	135	135
Ext. Comm. Health Outcomes Proj.		-	1,000	-	-	-	-
Olympic Peninsula Forest Collab.		-	-	77	-	77	77
Gold Star Families (HB 2009)		-	-	85	-	85	85
Center for Ed Strategy (UW Tacoma)		-	-	250	-	-	-
Psychiatry Integrated Care Training		-	-	1,000	-	1,000	1,000
WA Parcel and Forestland Database		-	-	190	-	-	-
UWWS Predator/Prey Study		-	-	172	-	172	172
UW Tacoma Pre-Law Pipeline		-	-	200	-	200	200
Higher Ed Behav. Health (SB 6514)		-	-	-	-	150	150
Nonnative Finfish		-	-	-	-	10	10
Special Olympics USA FY Shift		-	-	-	500	(500)	-
Temporary Fund Split Adjustment		-	9,000	9,513	3,000	6,000	9,000
Comp	PERS & TRS Plan 1 Benefit Increase	39	-	-	-	20	20
	Family Leave - Low Wage Employees	4	-	-	-	-	-
	Fund Split Correction - SEIU	-	-	581	-	-	-
	Fund Split Correction - WFSE	-	-	652	-	-	-
Total 2017-19 Funding:		662,624	670,067	671,812	325,934	343,818	669,752
Total 2017-19 Funding Including PFSA*		713,692	721,135	722,880	351,549	369,271	720,820

* This is a net-zero change in state funding. All budgets provide an equal amount of funding from the Pension Funding Stabilization Account (PFSA). See discussion under "Maintenance Level Changes" below.

** These collective bargaining agreements were over-funded in the enacted 2017-19 budget. See discussion in "Compensation."

Tuition Policy:

The 2017-19 compromise budget assumed the continuation of current tuition policy (2ESSB 5954), which will allow resident undergraduate tuition increases of approximately 2.0 percent in FY19 and each year thereafter. Part of that policy requires an inflationary adjustment to tuition backfill amounts provided in previous budgets. The backfill adjustment results in an additional \$650,000 over the biennium in this budget.

Maintenance Level Changes:

- **Maintenance & Operations for the Bill & Melinda Gates Center for Computer Science & Engineering (formerly CSE II)** – The final budget would add just over \$1 million starting in FY19 to operate the building, which will be online in December 2018. The ongoing funding amount in FY20 and beyond will be approximately \$1.7 million per year.
- **Washington State Academy of Sciences (WSAS)** – Currently, the UW and Washington State University (WSU) receive appropriations for WSAS. To improve administrative efficiency, WSU requested, and the UW supported, moving the UW’s portion of the funding to WSU beginning in FY19. The final budget makes that change.
- **Pension Funding Shift** – The 2017-19 enacted budget included a funding shift between General Fund-State (Fund 001) and the Pension Funding Stabilization Account (Fund 489). The Governor’s Office of Financial Management has said that this would have a net-zero effect on the UW’s (and other agencies’) overall state funding. Because the Pension Funding Stabilization Account is not considered “Near General Fund-State,” it appears as a significant reduction above, without the offsetting increase. However, the final budget includes equivalent funds from the Pension Funding Stabilization Account to offset the General Fund cut, which is reflected in the final total.
- **“Error Corrections” for SEIU and WFSE** – These collective bargaining agreements were over-funded in the 2017-19 budget due to a state calculation error. The UW held these amounts (\$9.3 million over the biennium) in reserve in anticipation of a correction. All three proposals would all pull back the \$9.3 million; however, the final budget also applies a “fund split” to the remaining appropriation, which results in a further reduction of \$4.65 million. Therefore, the total reduction is \$13.95 million.

Policy Level Changes:

- **Computer Science & Engineering (CSE) Enrollments** – The final budget would provide \$3 million per year, starting in FY19, to complete a goal of doubling the number of CSE degrees at the UW in Seattle from 300 to 600 annually, which is the same as previous proposals. Funding would be allocated from the Education Legacy Trust Account (ELT), which is considered Near-General Fund- State and is included in the table above.
- **Shellfish Aquaculture Study** – As with previous proposals, the final budget provides \$200,000 per year for three years to the Washington Sea Grant to complete a study to identify management practices to optimize the value of shellfish farms for shellfish production and as habitat for other species. This funding is provided from the Geoduck Aquaculture Research Account and, therefore, is not included in the table above.
- **Native American Curriculum (SB 5028)** – \$81,000 in FY19 (one-time) to implement SB 5028, which requires integrating Native American Curriculum, developed by the Office of the Superintendent of Public Instruction, into existing history and government course requirements.
- **MESA First Nations Toppenish** – \$135,000 in FY19 (one-time) to the Mathematics Engineering Science Achievement (MESA) program in Toppenish in the Yakima Valley.
- **Olympic Peninsula Forest Collaborative** – \$77,000 per year (ongoing) “for the School of Environmental and Forest Sciences to pilot a program with the Olympic Peninsula Forest Collaborative.”
- **Gold Star Family Stipends (HB 2009)** – \$85,000 per year (ongoing) to provide \$500 textbook stipends for certain veterans who receive tuition waivers.
- **Psychiatry Integrated Care Training** – \$1 million per year (ongoing) for the UW’s Psychiatry Integrated Care Training Program.

- **Predator/prey study** – \$172,000 per year for a “three-year analysis of wolf use and density in the South Cascades, as well as the impact of wolf recolonization on the predator-prey dynamics of species previously inhabiting the area.”
- **UW Tacoma Pre-Law Pipeline** – \$200,000 per year (ongoing) for the Pipeline and Social Justice Program.
- **Higher Education Behavioral Health (SB 6514)** – \$150,000 in FY19 to develop a behavioral health and suicide prevention statewide resource for higher education institutions.
- **Nonnative Finfish (HB 2957)** – \$10,000 in FY19 and FY20 to update guidance and informational resources to industry and governments for planning and permitting commercial marine net pen aquaculture.
- **Special Olympics USA Fiscal Year Shift** – The UW will be a vendor of the 2018 Special Olympics USA games, serving as the main site for the events. To support that work, the 2017-19 compromise budget included \$3.2 million in one-time funding for FY19. Due to the timing of the games, it was requested that some of the funds be available to cover FY18 expenditures. The compromise budget divides the \$3.2m General Fund-State (GF-S) appropriation into \$500,000 for FY18 and \$2.7 million for FY19, and keeps the fund source as GF-S. This change is less flexible than OFM’s recommendation and does not resolve the issue; we are working with partners to identify solutions.
- **Temporary Fund Split Adjustment** – The final budget includes a one-time allocation to temporarily increase the amount of state funding, and thereby temporarily reduce the amount of tuition revenue, that supports compensation and central service costs. The UW had requested a permanent “fund split” fix that would provide more ongoing state funding to cover these ongoing expenses. It is unknown how the UW could cover the ongoing costs once the proposed temporary state funds expire. The budget would provide a temporary \$9 million shift from tuition to state funding (\$3 million in FY18 and \$6 million in FY19). This is slightly lower than what was proposed by the House budget (\$9.51 million, \$3.19 million in FY18 and \$6.32 million in FY19). The final budget would also fund a study by the Washington State Institute for Public Policy on higher education funding models, including looking at fund splits between state funding and tuition and requiring conversations with the Governor’s Office of Financial Management and higher education institutions.
- **Several items in previous budget proposals were not funded.** These include the Healthy Energy Workers Task Force, the Extension for Community Healthcare Outcomes (ECHO) Project, a Center for Education Strategy at UW Tacoma, and an update to the Washington Parcel and Forestland Database.

Compensation:

- **Paid Family Leave: Employer Premium and Low-Wage Employees (maintenance and policy levels)** – In the 2017 session, the state passed a paid family and medical leave program (Chapter 5, Laws of 2017, 3rd Special Session). Beginning January 1, 2019, the state will be responsible for the payment of the employer premiums for state employees not covered by collective bargaining agreements. The Governor proposed that the UW would receive approximately one third of the General Operating Fund (GOF) resources needed to cover a presumed 37.5 percent of the premium for non-represented employees, plus a small amount for low-wage employees. The final proposal matched the Governor’s amount for the premium, but not for low-wage employees.
- **Public Employee Benefit Board (PEBB) Rates** – In the 2017-19 enacted budget, PEBB rates were set at \$913 in FY18 and \$957 in FY19. The Governor and Senate proposals reduced the FY19 limit to \$906, and the House proposal reduced the FY19 limit to \$926. The final budget takes the middle point between those proposals and sets the FY19 limit at \$916, which results in a nearly \$1.1 million reduction in state funding.
- **Other changes** – Workers’ compensation appropriations are adjusted to reflect estimated charges from the Department of Labor & Industries. A one-time change in PERS & TERS contribution amounts would result in a slight increase in state appropriations. Certain employees, under terms of collective bargaining agreements, will be eligible to receive a \$25 gift card after completing a health risk assessment. The final budget includes a small amount of funding to offset employer taxes owed on those amounts.

Other Potential Requirements:

- **Federal Way Higher Education Initiative** – The budget appropriates \$500,000 in FY19 to Highline College to implement the Initiative in partnership with the City of Federal Way and UW Tacoma.
- **Workforce Development and Master Planning in Bothell** – The budget provides \$300,000 in FY19 for Cascadia Community College to convene a task force with UW Bothell and representatives from the Canyon Park biomedical industry cluster to identify biomedical workforce needs and engage in the city of Bothell's master planning process.
- **State Audits** – The budget includes language requiring the University to comply with financial and accountability audits by the Washington state auditor of University finances associated with public-private partnerships, business ventures, affiliations, or joint ventures with a public or private entity, except the U.S. government.

Financial Aid

We continue to work with the Office of Student Financial Aid to analyze the potential effects of the final budget on financial aid programs at the UW. Table 3, below, compares each proposal's financial aid provisions for the Washington Student Achievement Council (WSAC). A few of the major elements are described in more detail:

- The final budget provides \$18.5 million in FY19 to reduce the State Need Grant (SNG) waiting list by one-quarter, which will serve approximately 4,600 additional students statewide. The legislature intends to fully eliminate the waiting list and serve all eligible students in FY22. This assumes additional funding to reduce the waitlist by one-half in FY20 and by three-quarters in FY21. This is more than the Senate had proposed, but less than the House.
- Like the House and Senate proposals, the final budget includes \$4.33 million to meet expected state match requirements for the Washington State Opportunity Scholarship (WSOS). The final budget also expands WSOS to serve students pursuing professional-technical certificates and degrees.
- In addition, the budget directs WSAC to create a medical student loan program and to expand the Passport to College Program to serve additional foster youth and youth who have experienced homelessness.

Table 3: Comparison of Financial Aid Funding in 2018 Supplemental Budget Proposals (Detail by biennium in \$1000s)

	Governor	Senate	House	Final
Opportunity Scholarship State Match	12,800	4,336	4,336	4,336
Student Loan Bill of Rights (E2SSB 6029)		245		245
Foster Homeless Youth Apprentices (2SSB 6274)		559		559
Registered Apprenticeships (ESSB 6486)		130		
Higher Ed. Behavioral Health (SSB 6514)		68		500
College Bound WSOS Adjustment		712	712	712
Consumer Protection Unit (regulation of for-profit institutions)	126	126	126	126
State Need Grant expansion		9,842	25,000	18,500
College Bound Eligibility (3SHB 1512)			62	
Medical Student Loan Program (E2SHB 2143)			363	363
Expanding the Passport to College Program to foster youth (HB 2832)			332	
Educator Workforce Scholarships and Administration (E4SHB 1827)			4,200	
Expand Opportunity Scholarship (HB 1452)	1,000		1,000	500
SNH appropriation pursuant to E3SHB 1488			500	
Regulation of For-Profit Institutions (E2SHB 1439)				444
Student Loan Disbursement (HB 1499)				15
Open Educational Resource Grants (E2SHB 1561)				100

For information about the operating budget, contact [Jed Bradley](#) or [Becka Johnson Poppe](#).

Capital Budget

In January, the legislature passed a 2017-19 capital budget; in February, the Senate and House released supplemental capital proposals, which made modifications to the 2017-19 budget. On Tuesday, March 6, the legislature passed a [final 2018 supplemental capital budget](#), which adds \$1.3 million in state capital funds for the UW (bringing the total to \$84 million) and adds \$3 million from the UW Building Account (bringing the total to \$73.8 million). All of the UW's original capital requests will be at least partially funded by the final supplemental budget, with some of that funding coming from the UW Building Account, instead of the requested state funds. As a reminder, the Building Account is needed for minor capital repairs and preservation, instead of major capital projects and upgrades.

The notable differences between the final 2018 supplemental capital budget, the Senate and House proposals, and the final 2017-19 capital budget are:

- \$600,000 for the College of Engineering Pre-Design from state funds. This was present in both House and Senate proposals, but the House proposed that the funds come from the UW Building Account, rather than state funds.
- An additional \$3 million from the UW Building Account for major infrastructure and seismic upgrades, totaling \$17.5 million. The additional funds were present in both House and Senate proposals.
- An additional \$700,000 to help complete work on the new Burke Museum, bringing the Burke Museum appropriation to \$24.9 million for this biennium. The additional funds were present in the House version, but not the Senate proposal.

Table 4, on the following page, provides a comparison of the final 2017-19 capital budget with the supplemental proposals from the House and Senate and the final 2018 supplemental capital budget.

Not included in Table 4, the final budget includes \$100,000 from state funds for the Buy Clean Washington Study. For this study, the UW's College of Built Environments would analyze existing embodied carbon policy and propose methods to categorize structural materials and report structural material quantities and origins.

Please note, the final supplemental budget still needs to be signed by the Governor, before it is truly final. The Governor will have the option to sign, veto, or partially veto the budget. If changes are made that are relevant to the UW, we will update this brief accordingly.

For information about the capital budget, contact [Kelsey Rote](#) or [Becka Johnson Poppe](#).

Table 4: 2018 Supplemental Capital Budget Proposals (in \$1,000s)

Appropriations (Requested Projects)	Final 2017-19 Capital Budget			Senate 2018 Supplemental Capital Budget Proposal			House 2018 Supplemental Capital Budget Proposal			Final 2018 Supplemental Capital Budget		
	State Funds	UW Building Account	State Toxics Control Acct	State Funds	UW Building Acct	State Toxics Control Acct	State Funds	UW Building Account	State Toxics Control Acct	State Funds	UW Building Account	State Toxics Control Acct
Burke Museum	24,200			24,200			24,900			24,900		
Minor Capital Repair and Preventative Maintenance		56,300			56,300			56,300			56,300	
UW Tacoma Soil Remediation			1,000			1,000			1,000			1,000
UW Major Infrastructure (Seismic Upgrades)		14,500			17,500			17,500			17,500	
Population Health Sciences Building	15,000			15,000			15,000			15,000		
Health Sciences Ed - T- Wing Renovation/Addition	10,000			10,000			10,000			10,000		
College of Eng. Interdiscip. Ed./Research Center I				600				600		600		
UW Bothell	3,000			3,000			3,000			3,000		
UW Tacoma	500			500			500			500		
Ctr for Advanced Materials and Clean Energy Tech	20,000			20,000			20,000			20,000		
Evans School - Parrington Hall Renovation	10,000			10,000			10,000			10,000		
Subtotal:	82,700	70,800	1,000	83,300	73,800	1,000	83,400	74,400	1,000	84,000	73,800	1,000