

Date: May 25, 2011

Subject: Final Conference Operating and Capital Budgets for 2011-13 (FY12 and FY13)

Conference Operating Budget (subject to final passage)

The final operating budget **permanently cuts \$207 million of state funds, or 32.5 percent from the UW’s state funding base.**

2011-13 (FY12 and FY13) reductions are outlined in more detail below but, in addition to basic general funding level cuts, include a now-permanent FY2011 cut passed earlier this year. The UW also faces a provision to account for salary savings equivalent to 3 percent of our **general fund** salary base and a cut to freeze some retired employee pension cost of living adjustments. Additionally, the final budget **increases omnibus tuition rates for resident undergraduate students by 16 percent in each of the next two years but incorporates language from E2SHB 1795, which gives the UW Board of Regents unfettered tuition setting authority for the next four years.**

Policy and Funding Issues

1. **Establishes tuition rate increases** – While the compromise budget assumes certain tuition rates for resident undergraduate students (below), institutions’ governing boards may set tuition over those levels as provided by [E2SHB 1795](#). UW’s Regents will be reviewing tuition flexibility and financial aid policy at their upcoming June 9, 2011 meeting. Resident undergraduate tuition rates provided in the final compromise budget are used to determine funding levels for the State Need Grant.

	UW	WSU	EWU	CWU	TESC	WWU	CTCs
Final Compromise Budget	16%	16%	11.0%	14.0%	14.0%	16%	12%
Senate Proposal	16%	16%	11.0%	14.0%	14.0%	16%	12%
House Engrossed	13%	13%	11.5%	11.5%	11.5%	13%	11%

2. **Levies \$91 million of “higher education reductions” per year to the UW** – Like the House and Senate engrossed budgets, the final compromise budget reduces college/university funding such that when compensation reductions are included, each institution is cut between 30-34 percent before offsetting tuition revenue is accounted for.
3. **Mandates Across the Board Compensation Reduction-** The final operating budget requires compensation related reductions from all state agencies including higher education institutions. The 3 percent compensation cut is equivalent to 3 percent of our annual general fund appropriation and represents a cut to our base funding level of approximately \$12 million per fiscal year. While the UW is not required to reduce individual salaries by 3 percent across-the-board, the UW will provide data to the Legislature which shows that the UW reduced its general operating fund salary outlay by \$12 million per year.
4. **Provides Funding for Specific UW Projects** – The final budget includes two years of proviso funding for the Washington Park Arboretum (\$287,000 over two years) and the WWAMI Medical Education Program (\$300,000 over two years). The final budget also includes a one-year appropriation of \$88,000 for Embodied Energy and Carbon research and \$104,000 over the biennium for CINTRAFOR.

These policy changes equate to a total state funding cut of approximately \$207 million over the biennium (before tuition revenue).

Our FY12 cut target is slightly moderated since UW units already took part of the reduction that is carried forward in the 2011-13 biennium. **More information about detailed cuts and tuition revenue at the unit level will be distributed to units by the Provost’s Office after the June 9, 2011 meeting.**

Financial Aid and Other Higher Education Provisions

State Need Grant (SNG) – Funding for SNG was increased to account for proposed resident undergraduate tuition rate increases outlined in the previous table. However, **22,000 eligible Washington students did not receive a SNG during the 2010-11 academic year** because of funding limitations. From a policy standpoint, the SNG program is **not fully funded until all eligible students receive funding**. Eligibility ranges for the SNG are not altered in this proposal, but the budget reduces SNG funding slightly to account for expected increases in federal Pell Grants.

Senate Funds State Work Study (SWS) Program – The final budget provides some continued funding for the state’s Work Study program, but the program would only be funded to about two-thirds of its previous funding level. Nonresident students are no longer eligible for SWS.

Higher Education Coordinating Board (HECB) is eliminated and the Council for Higher Education and Office of Student Financial Aid is created – Pursuant to Engrossed Second Substitute Senate Bill 5182 (student financial assistance), the HECB is eliminated and all funds associated with financial aid programs are transferred to a new state agency, the Office of Student Financial Aid. Further, a Council for Higher Education would be created after review from a legislative steering committee. The composition of the Council remains to be seen, but the bill currently requires that the steering committee seek input from higher education stakeholders in the public colleges and universities, including students, faculty and staff, as well as external stakeholders like private/nonprofit institutions, the State Superintendent for Public Instruction and the State Board for Community and Technical Colleges.

Conference Capital Budget (subject to final passage)

Yesterday, House and Senate leadership held a press conference announcing the upcoming release of a 2011-13 state capital budget, funding \$1.1 billion in capital projects and presented in two bills. This morning, on the last day of special session, two capital budgets were released shortly before consideration on the House floor. A [summary](#) of E2SHB 2020 (House bill authorizing bonds) and ESHB 1497 (House bill appropriating other funds, including UW’s building fee fund) is available but note that the Senate has not voted on either bill at the time this brief was released. A summary of capital projects funded by the state and building fee revenue is included below:

2011-2013 Final Compromise Capital Budget		
	UW Building Account	State Building Construction
New Appropriations		
Odegaard Undergraduate Learning Center		\$16,575,000
Preventative Maintenance & Building Repairs	\$25,825,000	
Minor Capital Repairs	\$27,801,000	\$11,186,000
House of Knowledge - Longhouse		\$2,700,000
High Voltage Infrastructure Improvement		\$4,365,000
Anderson Hall Renovation (Design)		\$1,553,000
Total	\$53,626,000	\$36,379,000

For more information, please contact: Sarah Hall at sahall@uw.edu or 206.543.4804