

Date: July 9, 2013

Subject: FINAL Compromise Operating and Capital Budgets for 2013-15 (FY14 and FY15)

Compromise Operating Budget

On June 27, 2013, the Washington State Senate released a striking amendment to 2ESSB 5034, making appropriations and policy adjustments for the upcoming 2013-15 biennium (July 1, 2013 - June 30, 2015). The striking amendment is available in its entirety (as it passed the Legislature) [here](#). In an exciting and gratifying turn of events, higher education received a significant influx of new revenue in order to freeze resident undergraduate tuition rates each year of the biennium. The following brief will cover these and other provisions—including tuition policy, financial aid, and significant UW policy adjustments—in an effort to memorialize the 2013-15 biennial operating budget for future reference.

Despite insufficient revenue, the final compromise budget is widely touted as an “education budget,” and makes significant headway into funding both K12 and higher education sectors. That said, a number of fund transfers and spending controls were employed to do three things: First, mitigate the impacts of the then-projected \$2.3 billion revenue shortfall; second, invest \$1.205 billion in early learning, K12 and higher education; and third, leave \$630 million of projected revenue in reserve accounts.

Most functional areas of government saw increases over ending appropriations from the prior biennium. As noted, education related areas of government saw the most significant increases.

Functional Area of Government	2011-13 Near General Fund (in \$1,000s)	2013-15 Near General Fund (in \$1,000s)	Percent Change
Legislative	\$139,294	\$147,693	6.0%
Judicial	\$222,202	\$237,851	7.0%
Governmental Operations	\$453,876	\$459,114	1.2%
Other Human Services	\$5,912,932	\$6,116,600	3.4%
DSHS	\$5,481,543	\$5,786,677	5.6%
Natural Resources	\$266,777	\$262,680	-1.5%
Transportation	\$70,160	\$69,582	-0.8%
Public Schools	\$13,647,198	\$15,208,877	11.4%
Higher Education	\$2,587,640	\$2,926,482	13.1%
Other Education	\$83,563	\$124,674	49.2%
Special Appropriations	\$2,162,876	\$2,065,974	-4.5%
Total NGF - All State	\$31,028,061	\$33,406,204	

In the end, the UW saw its state appropriation increase significantly year-over-year. In fact, FY14 state appropriations are 21 percent higher than the previous year.

Final, Near General Fund State Appropriations to the University of Washington

Table 1: UW State Funding – Final Compromise Budget (in \$1000s)
General Fund State + Ed Legacy Fund

Budget	Year One	Year Two	Total
2011-13 Funding Level	\$211,952	\$209,465	\$421,417
2013-15 House Proposal (released 6/5/2013)	\$234,322	\$235,004	\$469,326
2013-15 Final Compromise Budget	\$253,896	\$252,199	\$506,015

State funding per student FTE dropped significantly over the past five years, from \$11,270 (FY08) to \$4,820 (FY13); with the appropriation for FY14, state funding per FTE will increase to \$5,670. This represents a **17.6 percent increase in state funding per FTE over FY13**. While a number of adjustments were made to specific policy areas, \$20 million per year of state funding was provided to the UW with the explicit intent to freeze resident undergraduate tuition rates for two years.

Tuition

The final budget assumes **no new, base tuition rate increases for resident undergraduates** at the four-year universities and community and technical colleges for the first year of the biennium. Thus, no new funding is provided for the State Need Grant or State Work Study programs.

The biennial budget reaffirmed Regental authority over all other tuition and fee categories. On July 1, 2013, Regents took action and approved the operating and capital budgets as well as 2013-14 and 2014-15 tuition rates. The budget item is [available](http://opb.washington.edu/sites/default/files/opb/Budget/Final-FY2014_Operating_%26_Capital%20.pdf) on OPB’s web site (opb.washington.edu/sites/default/files/opb/Budget/Final-FY2014_Operating_%26_Capital%20.pdf). Tuition rates are also [available](http://opb.washington.edu/sites/default/files/opb/Budget/Approved_Tuition_Tables_2013-14_%26_2014-15.pdf) on line (opb.washington.edu/sites/default/files/opb/Budget/Approved_Tuition_Tables_2013-14_%26_2014-15.pdf).

Significant Policy Provisions

Funded by State General Fund and Education Legacy

- Clean Energy Institute Proviso** – The final budget appropriates \$3 million per year for creation of a clean energy institute which will focus on energy storage and solar energy research.
- Computer Science and Engineering Proviso** – Providing \$4.45 million per year, this budget supports expansion of computer science and engineering enrollments. By September 1, 2014 and annually thereafter, the UW must submit a report detailing how these funds were spent.
- O&M Funding** – The bill provides \$971,000 per year to cover operation and maintenance (O&M) costs for the UW’s new Molecular Engineering building and \$170,000 per year to cover O&M costs for the UW’s new Dempsey Hall.
- Center for International Trade in Forest Products (CINTRAFOR)** – A \$52,000 per year proviso is provided for the CINTRAFOR in the College of Forest Resources.

Funds other than State General Fund and Education Legacy

- Forestry Program** – The final budget notes that the UW *may* establish a Forestry Program “within existing resources.” In the accompanying budget spreadsheet, \$450,000 in "tuition resources" is set aside for this purpose.

2. **Center on Ocean Acidification** – The bill provides \$910,000 per year for a new Center on Ocean Acidification.
3. **Geoduck Funding**– The final budget also provides \$150,000 per year from the Geoduck Aquaculture Research Account for research on shellfish aquaculture techniques.
4. **Aerospace Initiative Funding** – Lastly, \$1.5 million per year of Economic Development Strategic Reserve Account Funds is provided for the Joint Aerospace Initiative with WSU.
5. **Dental Education in Care of Persons with Disabilities (DECOD)** – We are seeking more information about this program’s funding and will update campus when we are able.

Compensation

The final budget contains language declaring the UW’s collective bargaining agreements (CBA) to be financially feasible. **The compromise budget, in line with other proposals, restores 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). In addition, it does not explicitly extend the current salary freeze for state employees,** which is set to expire on June 30th of this year. Therefore, the ongoing salary freeze is lifted and plans for merit-based salary increases are underway.

Other Higher Education Budget Impacts

1. **Financial Aid** – The final budget maintains current funding levels for the State Need Grant (SNG) and state sponsored work study programs. Current policy dictates that students attending private nonprofit colleges shall receive the research university SNG award or a 3.5 percent increase in their grant over the prior year, or whichever is less. This policy remains in place for the 2013-15 biennium.

The College Bound (CB) scholarship program is also maintained at current levels in the final budget. The plan also includes \$36 million to fully fund the College Bound scholarship program and accommodate enrollment expansion. College Bound students are also guaranteed priority for the SNG. If funds are insufficient to provide SNG for CB students, additional appropriations would be made during the first supplemental budget process of the biennium.
2. **STARS Eliminated** – The final budget eliminates funding for the Entrepreneurs in Residence Program (STARS) at the UW and WSU for a “savings” of \$3.7 million. This is in keeping with all previous budget proposals.
3. **Joint Legislative Audit and Review Committee** – The revised House budget directs the Joint Legislative Audit and Review Committee to conduct an audit of Washington's state research universities (i.e. the UW and WSU). The bill states that the audit’s purpose is to “identify cost and profit centers within, and in partnership with, the research universities.” The committee’s audit must examine the universities’ use of public funds; student fees, especially tuition; and auxiliary enterprises. For the UW, the latter includes the UW Medical Center, the internal lending program, the W fund, and the Center for Commercialization.

Please contact [Sarah Hall](#) with any questions related to the state operating budget.

Compromise Capital Budget

The final Legislative Capital Budget appropriates \$44.4 million in new funding from State Building Construction Account; \$40.9 million for major projects including the renovation of Denny Hall, incremental renovation of Lewis Hall, Magnuson Health Sciences Center Roof Replacement, design for the UW Tacoma Urban Solutions Center , and \$3.5 million for minor capital repair and upgrades for the preservation of building systems.

The compromise Capital Budget also appropriates \$69.8 million from the UW Building Account for minor capital preservation (\$43.2 million), Magnuson Health Sciences Center Roof Replacement (\$.735 million), and Preventative Facility Maintenance and Building System Repairs (\$25.8 million). Finally, the compromise budget appropriates an additional \$130,000 from the UW Building Account to the Office of Financial Management for costs associated with updating Higher Education Preservation Information for UW buildings in the state’s comparable framework capital study.

Table 4: Final Compromise Capital Budget

Priority	Requested Projects Name	Phase	2013-15 Request		Final Legislative Capital Budget		
			State Funds	UW Building Account	State Funds	UW Building Account	UW Bond Authority
1	Minor Capital Repair - Preservation	D/C	64,700	40,000	3,539	43,215	-
2	Minor Capital Repair - Program Renewal	D/C	-	22,000	-	-	-
3	Major Infrastructure - UW Tower Chilled Water System Replacement	D/C	7,500	-	-	-	-
4	Major Infrastructure - MHSC Roofing Replacement Project	D/C	7,000	-	5,794	735	-
5	Major Infrastructure - UW District Energy Resource Center	D	2,200	-	-	-	-
6	Health Sciences Education Phase I - T-Wing Renovation/Addition	PD/D	8,000	-	-	-	-
7	CoE - UW College of Engineering Classroom & Research Renovation	PD/D/C	13,400	-	-	-	-
8	UW Tacoma Classroom Building Renovation - Urban Solutions Center	PD/D	1,900	-	1,900	-	-
9	Health and Life Sciences - Hitchcock West	PD/D	10,500	-	-	-	-
10	CAS - Denny Hall Renovation	C	54,600	-	30,590	-	20,000
11	CAS - Lewis Hall Renovation	C	3,650	-	2,587	-	-
12	UW Libraries Archival Storage - Sand Point Building 5	PD/D	1,000	-	-	-	-
13	Innovation Collaboration Center	PD	350	-	-	-	-
14	CoE - Interdisciplinary Education/Research Center I	PD	350	-	-	-	-
15	UW Tacoma Innovation Partnership Zone Development - Phase 1	PD	500	-	-	-	-
-	Preventive Facility Maintenance and Building System Repairs		-	-	-	25,825	-
Biennial TOTAL:			175,650	62,000	44,410	69,775	20,000
Other Appropriations			2013-15 Request		Final Legislative Capital Budget 06/29/13		
-	Higher Ed Preservation Info (OFM comparable framework)		-	-	-	130	-
-	Sand Point Building 9 (Dept of Commerce to reimburse UW)		-	-	4,000	-	-
Reappropriations			2013-15 Request		Final Legislative Capital Budget		
	Name		State Funds	UW Building Account	State Funds	UW Building Account	State Toxics
	Burke Museum Renovation		3,000	-	3,000	-	-
	High Voltage Infrastructure Improvement Project		220	-	200	-	-
	House of Knowledge Longhouse		2,400	-	2,400	-	-
	Odegaard Undergraduate Learning Center		900	-	900	-	-
	UW Bothell		1,700	12,963	1,700	12,963	-
	UW Minor Capital Repairs		550	2,000	500	2,000	-
	UW Tacoma Campus Development and Soil Remediation		5,000	-	4,300	-	700
	UW Tacoma - Soils Remediation		500	-	-	-	500
Biennial TOTAL:			14,270	14,963	13,000	14,963	1,200

Detailed descriptions of the State- and UW Building Account-funded projects are below:

Denny Hall Renovation (\$50.6 million)

A full renovation and preservation of Denny Hall, the oldest building on the UW Seattle Campus will support multiple undergraduate and graduate programs in the College of Arts & Sciences. This renovation will extend the life of the iconic and historic building. The final State Capital Budget appropriates \$30.590M in State funds and UW bonding authority of \$20M to fund the remainder of design and construction of the renovation.

Lewis Hall (\$2.6 million)

This phased renovation of Lewis Hall targets major infrastructure, life safety, and structural systems in groups over a period of several biennium to extend the useful life of one of the oldest buildings on the UW Seattle Campus. The total project is anticipated to cost approximately \$20M funded over three biennia from the State Building Construction Account. Funding this biennium will be used for roof replacement and upgrades to the building exterior.

UW Tacoma – Urban Solutions Center – Classroom Building Renovation (\$1.9 million)

This project will provide UW Tacoma the capacity necessary to meet its mandate for higher education opportunity in the South Puget Sound Region by renovating the TPS Company Building. Funding this biennium is for design. This project anticipates a total project cost of approximately \$40M, with the balance to be funded in future biennium.

Major Infrastructure -Magnuson Health Sciences Roofing Replacement (\$6.5 million)

Over the years, the UW has expended significant resources to repair multiple leaks in the Magnuson Health Sciences complex. Replacement of portions of the Magnuson Health Sciences Center roof will remedy the water intrusion and extend its useful life. This project will be funded by State and UW Building Account funds.

Minor Preservation (\$46.8 million)

Through a combination of state, building account and local funds, the UW intends to reinvest in the preservation and renewal of facilities across campus. Projects in this category include infrastructure upgrades to support information technology, building repairs, utilities and site work repair, and life safety improvements. Upgrades to UW-IT Network Routing Centers will also be funded as part of this appropriation.

UW Preventative Facility Maintenance (\$25.8 million)

Included in the State Capital Budget is a budget shift from capital to operating resources for UW preventative facility maintenance. The total biennial appropriation in the State Capital Budget from the UW Building Account is \$25.8 million.

Please contact [John Seidelmann](mailto:John.Seidelmann@uw.edu) with any questions related to the state capital budget.