

Date: July 1, 2015

Subject: Final Compromise Budgets – 2015-17 State Operating and Capital Budgets

Leadership in both the House and Senate released and passed a compromise operating budget Monday evening in the form of [Engrossed Substitute SB 6052](#). In addition to this proposal, the legislature passed [Second Engrossed Substitute SB 5954](#), which describes the tuition assumptions and restrictions used in the compromise budget. Further, the legislature released and adopted a compromise capital budget last night in the form of [Second Engrossed HB 1115](#).

These policy and funding changes will be incorporated into a comprehensive operating and capital budget item for Regental consideration and action on July 9, 2015.

Final Operating Budget - Overview

The compromise budget appropriates \$38.2 billion of Near General Fund State¹ and Opportunity Pathways funding for the 2015-17 biennium by assuming the additional revenue recently projected by the Economic and Revenue Forecast Council, account transfers, revenue from closing certain tax exemptions, as well as cuts and savings in existing programs. Of this amount, *all* of higher education (including financial aid) would receive nearly \$3.5 billion (or 9.2 percent).

Table 1 shows the total funding the UW will receive under the conference budget (subject to action on the floor and gubernatorial veto action) compared to previous 2015-17 budget proposals.

Table 1: UW State Funding – Comparisons of 2015-17 Budget Proposals (in \$1000s)
Near General Fund State

Budget	FY 1	FY 2	Total
2013-15 Funding Level	\$ 254,062	\$ 246,471	\$ 500,533
Carry Forward Level	\$ 259,960	\$ 259,002	\$ 518,962
Governor's Budget	\$ 270,947	\$ 274,109	\$ 545,056
House Chair Budget Proposal*	\$ 285,473	\$ 311,162	\$ 596,635
Senate Chair Budget Proposal	\$ 308,767	\$ 365,630	\$ 674,397
House Floor Budget Proposal*	\$ 287,073	\$ 308,412	\$ 595,485
Senate Floor Budget Proposal	\$ 308,767	\$ 365,630	\$ 674,397
Senate "Offer" Ways & Means Budget Proposal	\$ 353,283	\$ 354,997	\$ 708,279
House " Offer" Budget Proposal *	\$ 285,462	\$ 305,934	\$ 591,396
Revised House Budget Proposal (2PSHB 1106 & HB 2269)	\$ 292,212	\$ 305,983	\$ 598,195
Revised Senate (PSSB 6052) Proposal*	\$ 337,092	\$ 339,399	\$ 676,490
Proposed Operating Budget Compromise	\$ 291,886	\$ 327,686	\$ 619,572

*Note that these figures include additional allocations from Sec 612, Sec 942, 943,928 and 720 of the original House budget.

As displayed in Table 2 below, the compromise budget will (among other things) appropriate funds to support medical residencies, to increase computer science enrollments, to continue operations of the UW's WWAMI program in Spokane, to (at least partially) backfill a reduction in resident undergraduate tuition, and to provide limited funds for general wage increases and collective bargaining agreements.

¹ "Near General Fund State" = funding from the state general fund + funding from the Education Legacy Trust Account.

Table 2: UW State Funding in Compromise Budget - Detail by Fiscal Year (in \$1000s)
Near General Fund State

		Proposed Compromise Operating Budget		
		FY16	FY17	Total
Total 2015-17 Carry Forward Funding:		\$ 259,960	\$ 259,002	\$ 518,962
Total 2015-17 New Funding:		\$ 31,926	\$ 68,684	\$ 100,610
Recognized Maintenance Needs		\$ 1,066	\$ 1,089	\$ 2,155
O&M for UW Bothell's Discovery Hall		\$ 881	\$ 881	\$ 1,762
Recognized Policy-Level Needs		\$ 112	\$ 89	\$ 201
College Affordability Program (2ESSB 5954)		\$ 10,018	\$ 34,053	\$ 44,071
Computer Science		\$ 2,000	\$ 4,000	\$ 6,000
WWAMI Medical Education		\$ 3,600	\$ 5,400	\$ 9,000
Medicine Residency Network		\$ 4,000	\$ 4,000	\$ 8,000
Latino Health Center		\$ 250	\$ 250	\$ 500
Climate Impact Group		\$ 200	\$ 200	\$ 400
Labor Archives		\$ 200	\$ 200	\$ 400
Compensation	State Support for Compensation	\$ 5,014	\$ 9,414	\$ 14,428
	General Wage Increase	\$ 4,827	\$ 7,745	\$ 12,572
	WFSE Compensation Increase	\$ 125	\$ 199	\$ 324
	SEIU Compensation Increase	\$ 530	\$ 850	\$ 1,380
	Public Employee Benefit Rate Adjustment	\$ (516)	\$ 181	\$ (335)
	Represented Employee Benefit Rate Adj.	\$ (381)	\$ 133	\$ (248)
Total 2015-17 Funding		\$ 291,886	\$ 327,686	\$ 619,572

Tuition Assumptions

The compromise budget assumes the provisions of the 2ESSB 5954, which (once passed) **will reduce the operating fee portion of resident undergraduate tuition at all public higher education institutions**. In 2015-16, resident undergraduate operating fees at all public institutions are to be 5 percent below the 2014-15 rates. In 2016-17, resident undergraduate operating fees at the state universities (the UW and WSU) are to be 15 percent below the 2014-15 rates; at the regional universities, they are to be 20 percent below the 2014-15 rates; and at the community and technical colleges, they are to be held at 5 percent of the 2014-15 rates.

Provisos in the Conference Budget

The final conference budget provides funds for the following University programs:

Near State General Fund Provisos

- **O&M Funding** – \$1.762 million over the biennium (\$881,000 per year) to cover some of the expected operation and maintenance (O&M) costs for UW Bothell's Discovery Hall.
- **Computer Science** – \$6 million over the biennium to increase bachelor's degrees awarded in Computer Science.

- **WWAMI** – \$9 million over the biennium to continue operations of the UW WWAMI program in Spokane. In addition, the State Auditor is required to conduct an audit of the WWAMI program, focusing on cost per student.
- **Family Practice Medicine Residency Network** –\$8 million in biennial funding (\$4 million per year) to fund additional medical residencies in Washington state.
- **Latino Health Center** – \$500,000 over the biennium (\$250,000 per year) for the Latino Health Center.
- **Climate Impacts Group** – \$400,000 over the biennium (\$200,000 per year) for the Climate Impacts Group in the College of the Environment to conduct climate analysis.
- **Labor Archives** – \$400,000 for the biennium (\$200,000 per year) to engage with the State Board for Community and Technical Colleges to work on Washington’s labor archives.
- **Continuation of state funds for CINTRAFOR** – Proviso language and funding is included to ensure the UW continues its current expenditure authority for activities regarding the Center for International Trade in Forest Products in the University of Forest Resources (CINTRAFOR).
- **Agreements with the Departments of Corrections and Social and Health Services** – The UW must determine the feasibility of establishing agreements with above noted agencies to provide discount pricing on Hepatitis C medications. This work requires a report due January 1, 2016 and agreements to be in place by July 1, 2016.

Funds other than Near State General Fund

- **Ocean Acidification Research** –\$1.55 million across the biennium (\$775,000 per year) in State Toxics Control Account funding for the Washington Ocean Acidification Center to continue operations, collection of data and ocean acidification forecast modeling.
- **Continuation of Aerospace Initiative Funding** – Like all previous proposals, proviso language is included to ensure the UW continues its current expenditure authority for activities regarding the Joint Center for Aerospace Innovation Technology with WSU.
- **Research and Education on Effect of Marijuana Use** – \$414,000 for the biennium (\$207,000 per year) from the Dedicated Marijuana Account for research on the short- and long-term effects of marijuana use, as authorized by Initiative 502. In addition to this amount, \$40,000 is provided for the UW’s Alcohol and Drug Abuse Institute to create a website to educate the public on the health and safety risks posed by marijuana use.
- **Pension Study** – The budget bill directs the UW’s Center for Education Data and Research to examine correlations between pension participation and teacher quality and mobility “to the extent federal or private funding is available for this purpose.” No state funding is provided.

Compensation Assumptions

Following previous budget proposals, this budget assumes compensation increases of 3 percent in FY16 and 1.8 percent in FY17. In total, state support of \$27 million is provided over the biennium for higher education general wage increases.

The bill indicates that collective bargaining agreements (CBAs) with the Washington Federation of State Employees (WFSE) and Service Employees International Union 925 (SEIU 925) – which include a 3 percent wage increase in FY16 and a 2 percent increase in FY17 – are partially funded.

Like the previous House proposal, the compromise budget offer limits employer health care contributions to \$840 per month in FY16 and to \$894 per month in FY17 – both of which represent increases over the FY15 employer health care contribution limit of \$662 per month.

Other Higher Education Budget Impacts

Financial aid – We continue to work with the Office of Student Financial Aid to determine how this budget will impact state-funded aid programs at the UW. However, at a high level:

- Funding for the State Need Grant (SNG) and the College Bound Scholarship (CBS) programs are reduced in tandem with the decrease in resident undergraduate operating fees.
- Private institutions participating in SNG and CBS are held harmless regarding the public sector tuition reductions. In other words, private sector SNG awards will be the same amount as in 2014-15.
- The budget intends to fully fund CBS enrollments by requiring that CBS students be given priority for SNG awards. The Washington Student Achievement Council (WSAC) will provide guidance to institutions to maximize the number of CBS students receiving SNG awards “with a goal of 100 percent coordination.” Institutions will be required to reserve sufficient SNG funding to cover the projected CBS enrollments. This is preferable to other proposals in which WSAC was required to reserve a central pool of funds for this purpose; however, it will still necessitate significant institutional administrative coordination to meet the 100 percent requirement.
- SNG eligibility requirements remain unaltered; however, awards shall no longer be adjusted for Pell grant increases that “exceed projected increases in the non-instructional costs of attendance.” Pell grant recipients will benefit from this as they could now receive a Pell grant increase *and* retain their full SNG award.
- Lastly, \$41 million is provided for the Opportunity Scholarship program to fund state match requirements in FY16 as well as the match requirements expected for FY17.

Health Professional Education – Like the previous house proposals and the latest Senate “offer,” the compromise budget provides WSAC with \$3.825 million per year from the General Fund, and an additional \$1.72 million from the Health Professionals Loan Repayment and Scholarship Account, to implement the Health Professionals Loan Repayment and Scholarship Program. The program will target loan repayments toward increasing the number of primary care health professionals in rural and underserved communities.

Services & Activities Fees – The budget contains an extension to allow the student services and activities fee to increase beyond the fiscal growth factor in the 2015-17 biennium. 2ESSB 5954 contains somewhat contradictory language about this fee, but we assume that the budget language prevails.

Final Capital Budget

The final Legislative Capital Budget appropriates \$76.3 million in new funding from State Building Construction Account for major projects. This includes appropriations for the Computer Science & Engineering Expansion (\$17.5 million²), Burke Museum (\$26 million), UW Tacoma Urban Solutions Center (\$16 million), and predesign funds for UW Bothell - Phase 4 - Academic STEM (\$500,000). Funding for Health Sciences related projects include MHSC T-wing Renovation

² \$17.5 million in state funding in addition to \$15 million repurposed from internal funds.

predesign (\$623,000), Nursing Simulation Learning Lab (\$4 million), and Interprofessional Education (IPE) Classroom (\$2.71 million). The budget also appropriates \$9 million for the Center for Advanced Materials and Clean Energy Research Test Beds.

Funding was not appropriated for two UW requested projects: Life Sciences Building and Lewis Hall Renovation.

The final budget appropriates \$28.175 million from the UW Building Account to fund Minor Capital Repair - Preservation to support the preservation and renewal of facilities across all three campuses. Projects in this category include infrastructure upgrades, building repairs, utilities and site work repair, life safety, and classroom improvements. Preventative Facility Maintenance and Building System Repairs (\$25.8 million) shifts resources from the capital budget to provide operating resources for UW preventative facility maintenance on the UW Seattle campus.

The final budget also appropriates \$1 million to fund ongoing UW Tacoma Soil Remediation.

The legislation maintains a provision of funding of \$116,000 from the UW Building Account to support the development of OFM's Higher Ed Preservation Information System which aims to equalize the facility condition assessment by higher education institutions.

Please contact [John Seidelmann](#) with any questions related to the state capital budget.