

**Date:** March 17, 2014

**Subject:** Supplemental Budget Overview

Leadership in both the House and Senate fiscal committees released, signed and then passed a conference operating budget last Thursday, March 13, 2014, subject to gubernatorial section veto authority. The budget appropriated new funds to K12, made caseload adjustments and important policy changes to health services, and appropriated some new funding to higher education. As a reminder, many of these changes will be contemplated in the draft FY 2015 Regents Budget, slated for presentation to the Board of Regents on Thursday, May 8, 2014.

**Supplemental Operating Budget**

In summary, the conference budget reduced funding for employee health insurance expenses, provided permanent funds for the UW’s Institute for Protein Design, made higher-than-expected reductions for Lean-related savings, funded College Bound at record levels, and provided \$400,000 in one-time funds for a UW Tacoma law school planning process.

**Comparison of the Final 2014 Supplemental Operating Budget and the House and Senate Budget Proposals**

	SENATE BUDGET (SSB 6002)	HOUSE BUDGET (HB 2185)	CONFERENCE BUDGET
<b>Changes Affecting the UW's State Budget</b>			
Employee health insurance agency offsets <sup>1</sup>	(\$4,358,000)	(\$7,626,000)	(\$7,335,000)
Institute for Protein Design	(Temp) \$1,000,000	\$1,000,000	\$1,000,000
Lean related agency reductions	(\$996,000)	(\$996,000)	(\$1,200,000) <sup>2</sup>
Burke Hands-On Curriculum		\$150,000	
Incremental increases in workers compensation	Not funded	\$730,000	Not funded
UW Tacoma Law School planning process	(Temp) \$400,000		(Temp) \$400,000
<b>Financial Aid Provisions</b>			
Provides the Washington Student Achievement Council with funding for a tuition and financial aid study		✓	
Funds alternative financial aid application system for undocumented students		✓	✓
Funds College Bound for summer quarter and increased caseload	✓	✓	✓
Assumes HB 2651 and HB 2336 pass, providing operating funds to ERDC		✓	

<sup>1</sup> Although the Conference budget cuts state funding by \$7.3 million, it also reduces the amount employers can spend on benefits per employee per month to \$662, which essentially offsets the cut.

<sup>2</sup> The \$1,200,000 figure is an estimate until OFM sends additional instructions.

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*Significant Funding Adjustments*

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**Employee Health Insurance Agency Offsets**

The final budget decreases agency contributions for employee health benefits in FY15. As shown in the table, the budget decreases related funds by \$7.3 million. Though the reduction will appear as a cut in state funding to the UW year-over-year, it is offset with fewer expenses. In other words, this cut is balanced by lower per employee spending “limits” on benefits.

**Institute for Protein Design**

In October 2013, the UW requested funding to support the core lab expenses of its Institute for Protein Design. Every budget proposal would have funded the Institute, but the conference budget provides \$1 million on a permanent basis.

**Lean Related Agency Reductions**

The UW’s estimated share of a now larger Lean agency budget cut target is approximately \$1,200,000. The Office of Financial Management will release additional information with updated agency targets in the next few weeks.

**UW Tacoma Law School Planning Process**

Funded temporary at \$400,000, the UW Tacoma would engage in a planning process to examine the feasibility of starting a law school or offering law degrees on its campus.

**College Bound**

Two critical funding adjustments were made to Washington’s College Bound program. The first was to provide funding for College Bound students to receive grants during summer quarter/semester; the second was to provide additional funds for current eligible students in the system.

**Life Sciences Discovery Fund (LSDF)**

The conference budget funds current projects with LSDF grants, but all other funds were either transferred or eliminated. In other words, the conference budget would eliminate LSDF after current contracts have ended.

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*Significant Policy Adjustments*

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**Audit of State Funds 148 (designated local and operating, educational outreach, tech fee) and 149 (net operating fee revenue)**

Within an amount not to exceed \$300,000, the State Auditor must hire an independent auditor to review three biennia’s worth of revenue, expenditure and transfer data in Funds 149 and 148. The audit is due January 1, 2015 and must include a review of data from all public baccalaureates and two community and technical colleges. The process will also require that institutions furnish policies around reserves, or fund balance.

### Tuition Rates

Tuition rates for resident undergraduate students will remain capped at current levels for FY15 (the 2014-15 academic year).

### University Center at North Puget Sound

The conference budget made no funding or enrollment adjustments to the underlying bill language regarding the University Center at North Puget Sound. As a reminder, funding for UW Bothell, Western Washington University, Central Washington University and community/technical college students studying at this center was shifted to Washington State University in a previous iteration of the budget. The institutions involved will work on a compromise over the interim before next session.

## Supplemental Capital Budgets

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Though the House and Senate each proposed supplemental changes to the 2013-15 capital budgets, there were no *final, conference* supplemental capital budgets passed by the 2014 Legislature. Thus, the ongoing biennial capital budgets are not altered. For information about the 2013-15 biennial capital budgets, please review pages four through five of our [comprehensive brief](#) from July 2013.

## Noteworthy Bill Activity

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OPB will release a thorough summary of passed bills once the Governor has taken final action. However, several bills of high priority to the UW passed the Legislature last week and are worth mentioning. Note that unless specified, these bills are still subject to gubernatorial action:

1. **[SB 5318](#): Removing the one-year waiting period for veterans or active members of the military for purposes of eligibility for resident tuition.** This bill would allow veterans and their dependents to receive resident tuition rates upon enrollment, rather than requiring that they wait one year to apply for resident tuition.
2. **[SB 5969](#): Providing for awarding academic credit for military training.** This bill would require that each public baccalaureate institution adopt policies to award credit for military courses or programs, and submit those policies to the Prior Learning Assessment Workgroup. In addition, these policies would be furnished to each enrolled student who listed military service in their admission application.
3. **[HB 1669](#): Concerning self-supporting, fee-based programs at four-year institutions.** This bill would require that institutions seeking to transition programs from state-supported to fee-based (where students pay the full cost of instruction in the form of a fee) follow a number of steps before implementing the change.
4. **[HB 2613](#): Creating efficiencies for institutions of higher education.** This bill makes two important changes to current policy. First, it allows institutions of higher education to compensate employees on a biweekly basis (currently, employees are paid on a twice-monthly basis) and, second, it adjusts the threshold on predesign requirements for capital projects from \$5 to \$10 million. The bill also adjusts the statutory requirements of a higher education audit and changes the financial aid reporting requirements associated with tuition setting authority.