

**Date:** March 29, 2017 [UPDATED 4/6/17 and 4/13/17 with capital budget information]

**Subject:** House Leadership 2017-19 Biennial Operating and Capital Budget Proposals

Leadership in the House Appropriations Committee released their initial operating budget proposal on Monday in the form of [Proposed Substitute House Bill 1067](#). House leadership are the last to release a proposal following the release of the [Senate Ways & Means Chair’s proposal](#) last week and the [Governor’s budget proposals](#) in December. Leadership in the House and Senate will now begin negotiations toward a final compromise budget, and we expect several additional budget “offers” before a final agreement is reached. This brief has been updated with information regarding the [House capital budget proposal](#). Per usual, budget updates will be provided on OPB’s [website](#) and [blog](#).

As a reminder, the last day of the regular legislative session is April 23. Unless the House and Senate come to a compromise by that point, the Governor will need to initiate one or more 30-day special sessions to finalize the budget.

**HOUSE APPROPRIATIONS OPERATING BUDGET PROPOSAL**

The House Appropriations budget is similar to Governor Inslee’s budget proposal in that it would freeze tuition for the next two years as well as raise significant new revenue to maintain and expand state programs, including in K-12 and higher education. The House Appropriations committee modified the Chair’s budget proposal on Tuesday evening, with no material changes for the UW. As a reminder, another round of modifications will occur on the House floor.

The House proposal is compared to the Governor’s “errata” budget, and to the Senate budget after it was modified by committee and by the Senate floor. Committee and floor amendments made to the Senate Ways & Means original budget are called out in the tables and text below.

*Direct Impacts to the UW*

Table 1 shows the total funding provided over the 2015-17 biennium (FYs 2016 and 2017), the assumed carryforward level (the cost of continuing appropriations from the previous biennium into the new biennium), and the total funding provided in each proposed operating budget. The House proposal would appropriate nearly \$756 million to the UW over the biennium, which is \$91 million more than the carryforward level. However, due to a compensation error noted below, we believe this will be adjusted to approximately \$731 million, or \$66 million more than the carryforward level.

**Table 1: UW State Funding - Comparison of 2017-19 Operating Budget Proposals Near General Fund State, (in \$1,000s)\***

Budget	FY 1	FY 2	Total
<i>2015-17 Biennial Budget Total Funding</i>	292,933	332,343	625,276
<i>2017-19 Carryforward Level</i>	333,151	332,225	665,376
Governor's "Errata" Budget Proposal	354,010	371,835	725,845
Senate Passed Floor	349,338	359,745	709,083
<b>House Appropriations Budget Proposal</b>	<b>364,401</b>	<b>391,565</b>	<b>755,966</b>

\*See footnotes below Table 2

Table 2, below, shows a line-by-line breakdown of the funding levels and policy changes proposed by the Governor, the Senate (after modifications were made in committee and on the Senate floor), and House Appropriations. The line items in the table are described in more detail on the following page.

**Table 2: 2017-19 Operating Budget Proposals (Near Gen Fund State in \$1,000s)**

	Gov 'Errata' Budget	Senate Floor 3/23	House Appropriations 3/28			
	17-19 Total	17-19 Total	FY18	FY19	17-19 Total	
<b>2017-19 Carryforward Level</b>	<b>665,376</b>	<b>665,376</b>	333,151	332,225	<b>665,376</b>	
<b>Maintenance Level Changes</b>	<b>6,026</b>	<b>7,424</b>	2,815	4,602	<b>7,417</b>	
Maintenance & Operations (M&O)*	<b>2,801</b>	<b>2,104</b>	558	1,546	<b>2,104</b>	
Tuition Backfill Inflation Adjustment	<b>2,696</b>	<b>3,624</b>	1,426	2,198	<b>3,624</b>	
Initiative 1433 Minimum Wage	<b>151</b>	<b>158</b>	64	87	<b>151</b>	
Maintenance Lvl Ctrl Service Adjusts	<b>388</b>	<b>317</b>	157	160	<b>317</b>	
OFM Central Services	<b>(1,244)</b>	<b>(1,114)</b>	(557)	(557)	<b>(1,114)</b>	
Workers' Compensation Changes	<b>558</b>	<b>558</b>	279	279	<b>558</b>	
Pension and DRS Rate Changes	<b>676</b>	<b>1,777</b>	888	889	<b>1,777</b>	
<b>Policy Level Changes</b>	<b>54,443</b>	<b>36,283</b>	28,435	54,738	<b>83,173</b>	
Policy Level Central Service Adjusts.	<b>178</b>	<b>39</b>	110	153	<b>263</b>	
Tuition Freeze Backfill	<b>15,500</b>		5,300	10,200	<b>15,500</b>	
WWAMI Spokane Continuation	<b>5,000</b>	<b>5,000</b>	3,000	2,000	<b>5,000</b>	
WWAMI Spokane Expansion	<b>5,000</b>	<b>5,000</b>				
Center for Human Rights	<b>250</b>		125	125	<b>250</b>	
Special Olympics USA Games	<b>2,000</b>	<b>3,200</b>		1,500	<b>1,500</b>	
OFM Central Services		<b>1,536</b>				
Maintenance & Operations (M&O)*		<b>(1,052)</b>	117	118	<b>235</b>	
Veterans' Mental Health Services		<b>112</b>				
Regenerative Medicine Institute		<b>6,000</b>				
STEM Enrollment**		<b>10,530</b>	3,000	3,000	<b>6,000</b>	
Tuition Waiver Reduction		<b>(5,176)</b>				
UW Tacoma Pre-Law		<b>400</b>				
Suicide Safer Homes (HB 1612)			5	80	<b>85</b>	
Gold Star Families (HB 2009)			70	70	<b>140</b>	
Air Quality Study			125	125	<b>250</b>	
Doorstep Project			500	500	<b>1,000</b>	
RIDE Expansion Bridge			1,181	778	<b>1,959</b>	
Spinal Cord Research			400	400	<b>800</b>	
Study of St. Edward State Park			75		<b>75</b>	
Compensation	Public Employee Benefits Rate***	<b>4,558</b>	<b>674</b>	1,307	2,289	<b>3,596</b>
	Rep Employee Benefits Rate***	<b>1,352</b>	<b>200</b>	338	679	<b>1,017</b>
	Employee Gen Wage Increases****	<b>13,096</b>	<b>10,179</b>	10,732	27,262	<b>37,994</b>
	Non-Rep Targeted Pay Increases	<b>2</b>		1	1	<b>2</b>
	Agreement with WFSE	<b>3,351</b>		988	2,363	<b>3,351</b>
	Agreement with Teamsters (Police)	<b>369</b>		136	233	<b>369</b>
	Agreement with SEIU 925	<b>3,658</b>		881	2,777	<b>3,658</b>
	Agreement with WFSE Police Mgmt	<b>129</b>		44	85	<b>129</b>
	Dept of Retirement Admin Fee		<b>(356)</b>			
	Indirect Employee Reduction		<b>(3)</b>			
<b>Total 2017-19 Funding:</b>	<b>725,845</b>	<b>709,083</b>	364,401	391,565	<b>755,966</b>	

\* At the PL, the Senate proposed shifting M&O costs to the UW Building Account and the House proposed additional funds.

\*\* The House proposes additional enrollments at the Dept. of Computer Science and Engineering at UW in Seattle only.

\*\*\* These adjustments reflect higher limits on employer contributions to benefits, and are presumed to have a net-zero impact.

\*\*\*\* The Governor's budget provided \$38 million in compensation funding (similar to the House) and later revised that to \$13.1 million.

Highlighted cells are adopted amendments to Senate W&M chair proposal in committee and on the floor before passage.

***Tuition Policy:***

Identical to the Governor’s budget, the House budget proposes freezing resident undergraduate operating fees at the FY17 rate in FY18 and FY19, and would provide \$15.5 million to the UW to backfill the difference between the tuition freeze and the increases allowed by current policy. The Senate budget assumes the continuation of current tuition policy (2ESSB 5954, which allows resident undergraduate tuition increases of 2.2 percent in FY18 and 2.0 percent in FY19).

***Maintenance Level Changes:***

- **Tuition Backfill Adjustment** – Like the Senate budget, the House would provide an inflationary adjustment to the tuition backfill from 2015-17, per the requirements of 2ESSB 5954. Both the Senate and House would adjust the tuition backfill for FY17 by \$485,000 as a final change to the 2016 supplemental budget (not included above).
- **Initiative 1433** – The House proposal provides \$151,000 over the biennium to cover the wage increases and sick leave provisions of Initiative 1433, which voters approved to increase the state’s minimum wage to \$13.50 by the year 2020. This amount is the same as the Governor’s budget, but slightly less than the Senate budget.

***Changes at the Maintenance and Policy Levels:***

- **Maintenance & Operations (M&O)** – At the maintenance level, the House and Senate budgets both propose \$2.1 million over the biennium to support M&O for buildings currently under construction that are coming online during the 2017-19 biennium. At the policy level, the Senate budget proposed reducing the General Fund-State (GFS) appropriation by half and replacing it with funding from the UW Building Account (with a net effect of +\$1.05 million in 2017-19). The House would instead provide *additional* M&O funding intended for the Intellectual House, bringing the total to \$2.3 million over the biennium.
- **OFM Central Services** – Like other budget proposals, the House budget includes a maintenance level line item for OFM Central Services, which is presumed to have a nearly net-zero impact. This line item reflects a reduction in the UW’s calculated share of charges from the Office of Financial Management (OFM) for central services, which the Governor vetoed at the very end of the 2016 session (see our [2016 supplemental budget brief](#)). The House Appropriations budget would not reinstate the charges. As a reminder, the Senate proposed restoring those OFM central service charges at the Policy Level (with a net impact of approximately \$3 million over the biennium from tuition revenue).
- **Other Central Services** – Other central service (e.g. audit services and archives/records management) are adjusted to reflect each agency’s estimated charges from other state agencies performing those functions. In the table above, these items are combined at the maintenance and policy levels.

***Policy Level Changes:***

- **WWAMI Spokane Continuation** – Like the Governor and Senate budgets, the House Appropriations budget would appropriate \$5 million for the biennium (\$3 million in FY18, \$2 million in FY19) to allow 20 UW medical students in Spokane to continue to years three and four of their medical education, bringing the cohort size to 60 students per cohort. While this is slightly less than what the UW requested for the biennium, the ongoing appropriation (\$2 million per year) would be sufficient to cover ongoing needs. The Senate Chair budget originally did **not** include funding for an additional 10 students per cohort, which had been included in the Governor’s budget. However, that funding was added as a committee amendment to the Senate budget before it passed the Senate floor. Therefore, the House proposal is the only standing proposal without funding for the ‘WWAMI expansion.’
- **Center for Human Rights** – Similar to the Governor’s budget, the proposal would provide \$250,000 in one-time funding for the Washington Center for Human Rights to coordinate with the schools of law, business, economics, public policy, and international studies.

- **Special Olympics USA Games** – The UW will be a vendor, serving as the main site for the events of the 2018 Special Olympics USA games. To support that work, the House budget includes \$1.5 million in one-time funding for FY19. This amount is lower than the Governor and Senate proposals (\$2 million and \$3.2 million, respectively).
- **STEM Enrollment** – The House Appropriations budget provides \$6 million over the biennium to expand degree production specifically in Computer Science and Engineering. The Senate budget proposed over \$10.5 million for the biennium to increase resident undergraduate (RUG) enrollment by 250 students in FY18 and by 500 students in FY19 (contingent on the passage of SB 5902, which would require 70 percent to be in STEM programs).
- **Tuition Waiver Reduction** – Unlike the Senate proposal, the House Appropriations proposal would not reduce the UW’s appropriations and expect a reduction in tuition waiver activity.
- **Suicide Safer Homes Task Force** – \$85,000 over the biennium to implement House Bill 1612, which would continue the work of the task force and develop a suicide prevention curriculum for dentists and dental students.
- **Gold Star Families** – \$140,000 over the biennium to implement House Bill 2009, which would provide an annual stipend of \$500 for textbooks and course materials for certain military families.
- **Air Quality Study** – \$250,000 over the biennium for the School of Public Health to study the air quality implications of the air traffic at Seattle-Tacoma International Airport and surrounding areas.
- **Doorstep Project** – \$1 million over the biennium to study ways to deliver service to address youth homelessness in the University District in Seattle.
- **RIDE Expansion Bridge** – \$1.96 million over the biennium to add a second year of dental curriculum to the Regional Initiatives in Dental Education (RIDE) program in Spokane (a partnership with Eastern Washington University).
- **Spinal Cord Research** – One-time funding of \$800,000 over the biennium to contract with the Center for Sensorimotor Neural Engineering to advance research in spinal cord injuries.
- **Study of St. Edward State Park** – One-time funding of \$75,000 in FY18 for UW Bothell to produce a strategic plan for a Saint Edward State Park Environmental Education and Research Center.

*Compensation:*

For the 2017-19 biennium, the UW requested \$66 million to support 4 percent per year salary and benefit increases for faculty and professional staff, and submitted a series of collective bargaining agreements (CBAs) for represented employees. **The House Budget would provide nearly \$38 million over the biennium to partially fund three- 2 percent wage increases for faculty and professional staff over the biennium.** The Governor’s original budget provided \$38 million for compensation, but that amount was later revised down to \$13.1 million in the Governor’s “Errata” budget.

Identical to the Governor’s budget, the **House Appropriations proposal would appropriate approximately \$7.5 million to partially fund collective bargaining agreements** reached between the UW and represented employees, which include wage increases and other provisions. As a reminder, the Senate budget would entirely reject tentative CBAs reached between the UW and represented employees. Instead, the Senate budget proposed \$10.2 million for the biennium to partially fund wage increases of \$500 per year per employee for faculty, professional staff, and represented employees.

The budget would appropriate limited funds to cover increases in the state public employee benefits rate, which are the monthly contributions agencies make to employee benefits. Those rates would be increased from \$888 (the current rate) to \$912 per employee per month in FY18 and to \$1,041 per employee per month in FY19. Funding adjustments reflect these new, higher limits on contributions and are presumed to have a net-zero impact. These limits are higher than the Senate proposal but lower than the Governor’s proposal.

*Unfunded Mandates:*

- **Hospital Charity Care Notice** – The UW would be required to implement HB 1359, which requires hospitals to include a statement regarding charity care in billing statements in English and other languages. This would be assumed to be funded by local Hospital Account funding.

Unlike the Senate budget, the House proposal did not include requirements to implement SB 5022 (education loan information) or SB 5100 (financial literacy seminars). The unfunded mandate in the Senate Ways & Means Chair’s budget to further develop a pre-law program at UW Tacoma was later funded at \$400,000 over the biennium due to an amendment on the Senate floor.

*Other State Funds (non-GF-S):*

- **Dept. of Environmental and Occupational Health Services (DEOHS)** – Unlike the Senate budget, the House Appropriations budget does not propose cutting the Medical Aid Account appropriation to the UW’s DEOHS by \$6.2 million over the biennium.
- **Marijuana Research Funding** – The budget proposal includes an additional \$814,000 per year, \$20,000 more than is needed to fully fund the legislature’s obligations under 2E2SHB 2136 (2015). The Senate proposed an additional \$20,000 only and pulled back the funding promised under 2E2SHB 2136.
- **Ocean Acidification Correction** – In 2015-17, the UW received an additional \$200,000 from the Aquatic Lands Enhancement Account for work related to ocean acidification. This funding was originally said to be ongoing, but was later confirmed to be one-time. As a result, all budget proposals removed this funding.

*Financial Aid*

We continue to work with the Office of Student Financial Aid to analyze the budget proposal’s potential effects on financial aid programs at the UW. At a high level, the House Appropriations budget would:

- Appropriate \$49.2 million to decrease the number of unserved, eligible State Need Grant (SNG) students by 25 percent (from 23,500 students to 17,600).
- Provide \$23.5 million to maintain SNG service at 2015-17 levels.
- Change College Bound Scholarship eligibility criteria to students whose family incomes are in the 0-70 percent median family income ranges, rather than 0-65 percent.
- Expand that Opportunity Scholarship program with \$3 million in new state funding.
- Provide \$14.73 million to match private contributions to the Opportunity Scholarship.

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

**HOUSE CAPITAL BUDGET PROPOSAL**

The proposed House capital budget would appropriate \$57.7 million in new state funding for capital projects. This is significantly less funding than the proposed budgets from the Governor and the Senate, and would also **divert important funds from the UW Building Account to fund certain major capital projects.**

Like the other proposals, the House proposal includes the necessary **\$24.2 million to complete the Burke Museum project.** It would also provide \$12.5 million in state funding for The Center for Advanced Materials and Clean Energy Technologies (CAMCET). The House budget proposal also **partially supports the UW’s requests for health sciences buildings:** \$10 million for the Population Health Science Building to match a generous grant from the Gates Foundation and \$5 million for Health Sciences Education T-wing Renovation design. However, both of these amounts are less than what the Governor and Senate had proposed in their budgets.

This proposal is the first to allocate **funding to continue the Bothell Phase 4** project by providing \$3 million for design costs.

The House proposal would also appropriate \$14.5 million for Seismic Improvement to UW’s existing buildings. The funding would begin to meet the \$70 million need for seismic repairs on the Seattle Campus. The is the same amount as the Governor’s proposal and more than the \$10 million proposed by the Senate, however, the House relies on \$11.5 million from the UW Building Account (the other \$3 million is state funding). Funds from the UW Building Account are also provided for the Computer Science and Engineering Expansion (CSE II), which was not part of the UW’s 2017-19 capital budget request. The proposed use of UW Building Account funds for these major projects leaves only **\$53.8 million available for Minor Capital Repair and Preservation, which supports long-overdue maintenance and preservation projects on our campuses.** Neither the Governor nor the Senate proposed diverting UW Building Account funds to support major capital projects.

Like the Senate budget, the House budget also proposes \$10 million in funding from the state building construction account to the Department of Commerce to purchase scientific instruments to accelerate research in advanced materials at the proposed science laboratory infrastructure facility at the Pacific Northwest National Laboratory (not included in the table below). The instruments would support researchers in CAMCET and other energy and materials collaborations with the University of Washington and Washington State University. The Governor also proposed funding this item, but from the “Carbon Pollution Reduction Account.”

*This represents the budget as it passed the House. An earlier version of the House budget appropriated \$11.5 million in UW Building Account funds to CAMCET and provided \$14.5 million in state funds for Seismic Improvements. A subsequent committee amendment shifted the \$11.5 million in UW Building Account funds from CAMCET to Seismic Improvements, with an equal and opposite shift of state funds. Therefore, this change represents a net-zero impact to both funds.*

Please see the following page for a table comparing the UW’s capital budget request to the proposed appropriations in the capital budget proposals from the Governor, Senate, and House.

For information about the capital budget, contact [Alan Nygaard](#).

Requested Projects	UW 2017-19 Request		Governor's Budget 12/14/16			Senate Budget 3/25/17			House Budget 4/5/17		
	State Funds	UW Building Account	State Funds	UW Building Account	State Toxics Control Account	State Funds	UW Building Account	State Toxics Control Account	State Funds	UW Building Account	State Toxics Control Account
Burke Museum	24,200		24,200			24,200			24,200		
Minor Capital Repair - Preservation		71,400		70,800			70,800			53,825	
UW Tacoma Soil Remediation	2,500				1,000			1,000			1,000
UW Major Infrastructure (Seismic Upgrades)	25,000		14,500			10,000			3,000	11,500	
Population Health Sciences Building	20,000		20,000			15,000			10,000		
Health Sciences Education - T-Wing Renovation/Addition	10,000					10,000			5,000		
College of Engineering Interdisciplinary Ed./Research Center I	1,000					1,000					
UW Bothell	3,000								3,000		
UW Tacoma	500					500					
Ctr for Advanced Materials and Clean Energy Technologies	10,000		20,000			10,000			12,500		
Evans School - Parrington Hall Renovation	10,000					10,000					
Computer Science and Engineering Expansion (CSE II)										7,500	
<b>New 2017-19 proposed appropriations total:</b>	<b>106,200</b>	<b>71,400</b>	<b>78,700</b>	<b>70,800</b>	<b>1,000</b>	<b>80,700</b>	<b>70,800</b>	<b>1,000</b>	<b>57,700</b>	<b>72,825</b>	<b>1,000</b>
<b>Reappropriations</b>											
Burke Museum	10,000		130			10,000			10,000		
Minor Capital Repair - Preservation		5,000		5,000			5,000			5,000	
UW Tacoma Soil Remediation					99			400			400
Health Sciences Education - T-Wing Renovation/Addition	150		150						150		
UW Bothell	120		130			120			120		
Ctr for Advanced Materials and Clean Energy Technologies	6,500		700			700			3,270		
Health Sciences Interprofessional Education Classroom	2,000		350			350			350		
Computer Science & Engineering Expansion (CSE II)	15,000	13,000		13,000		15,000	13,425		10,895	15,000	
School of Nursing Simulation Lab	3,000		350			850			850		
<b>Subtotal:</b>	<b>36,770</b>	<b>18,000</b>	<b>1,810</b>	<b>18,000</b>	<b>99</b>	<b>27,020</b>	<b>18,425</b>	<b>400</b>	<b>25,635</b>	<b>20,000</b>	<b>400</b>
<b>GRAND TOTAL:</b>	<b>142,970</b>	<b>89,400</b>	<b>80,510</b>	<b>88,800</b>	<b>1,099</b>	<b>107,720</b>	<b>89,225</b>	<b>1,400</b>	<b>83,335</b>	<b>92,825</b>	<b>1,400</b>