

Date: March 22, 2017 [UPDATED 3/23 regarding OFM central services (p.3) and 3/29 for capital budget]

Subject: Senate Ways & Means Chair 2017-19 Biennial Operating and Capital Budget Proposals

Leadership in the Senate Ways & Means Committee released their initial operating budget proposal yesterday in the form of [Proposed Substitute Senate Bill 5048](#). This proposal is the first from a legislative body following the release of the [Governor’s budget proposals](#) in December. This brief has been updated with information regarding the [Senate’s capital budget proposal](#), which was released on 3/28. 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.

SENATE “CHAIR” OPERATING BUDGET PROPOSAL

Unlike the Governor’s budget proposal, the Senate “Chair” proposal does not propose significant new revenue, and therefore would provide far fewer new investments in new and existing programs. As a reminder, the Ways & Means committee will modify its budget proposal in committee before the full Senate hears the bill. The information provided below was composed *before* the initial proposal was amended by the committee and the full Senate.

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 (which is the cost of continuing appropriations from the previous biennium into the new biennium), and the total funding provided in each proposed operating budget. The Senate Chair’s budget represents a \$38 million increase in overall appropriations. Due to some new charges for central services and other unfunded requirements in the budget, however, the net impact is likely to be lower than that amount. As a reminder, the Governor’s operating budget proposal reflected an increase of \$85 million over the carryforward level. **The Senate proposal also maintains current resident undergraduate tuition policy**, which allows for approximately 2.1 percent increases per year.

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 Chair Budget Proposal	346,638	357,045	703,683

*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 and Senate Ways & Means Chair. The line items in the table are described in more detail on the following page.

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

		Gov's "Errata" Proposal	Senate Ways & Means Chair Proposal (3/21)		
		2017-19 Total	FY18	FY19	2017-19 Total
2017-19 Carryforward Level		665,376	333,151	332,225	665,376
Maintenance Level Changes		6,026	2,818	4,606	7,424
	Maintenance & Operations (M&O) *	2,801	558	1,546	2,104
	Tuition Backfill Inflation Adjustment	2,696	1,426	2,198	3,624
	Initiative 1433 Minimum Wage	151	67	91	158
	Archives/Records Management	16	4	6	10
	Audit Services	11	4	7	11
	Legal Services	11	4	1	5
	CTS Central Services	350	145	146	291
	OFM Central Services**	(1,244)	(557)	(557)	(1,114)
	Workers' Compensation Changes	558	279	279	558
	Pension and DRS Rate Changes	676	888	889	1,777
Policy Level Changes		54,443	10,669	20,214	30,883
	Policy Level Central Service Adjustments	178	15	24	39
	Tuition Freeze Backfill	15,500			
	WWAMI Spokane Continuation	5,000	3,000	2,000	5,000
	WWAMI Spokane Expansion	5,000			
	Center for Human Rights	250			
	Special Olympics USA Games	2,000		3,200	3,200
	OFM Central Services**		768	768	1,536
	Maintenance & Operations Fund Shift*		(279)	(773)	(1,052)
	Veterans' Mental Health Services		56	56	112
	Regenerative Medicine Institute		3,000	3,000	6,000
	Resident Undergrad Enrollment		3,456	7,074	10,530
	Tuition Waiver Reduction		(2,588)	(2,588)	(5,176)
Compensation	Public Employee Benefits Rate***	4,558	20	654	674
	Represented Employee Benefits Rate***	1,352	6	194	200
	Employee General Wage Increases****	13,096	3,393	6,786	10,179
	Non-Rep Targeted Pay Increases	2			
	Agreement with WFSE	3,351	Some portion of the funding for "Employee General Wage Increases" (shown above) is intended to support wage increases for represented employees		
	Agreement with Teamsters (Police)	369			
	Agreement with SEIU 925	3,658			
	Agreement with WFSE Police Mgmt	129			
	Department of Retirement Admin Fee		(178)	(178)	(356)
	Indirect Employee Reduction			(3)	(3)
Total 2017-19 Funding:		725,845	346,638	357,045	703,683

* See page 3 for a discussion of the net effect of these maintenance- and policy-level M&O changes.

** OFM Central Service changes are reflected in the budget bill and supplementary materials. See page 3 for a discussion.

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

**** In the Senate Chair budget, this includes funds for represented employees.

Tuition Policy:

The Senate budget assumes the continuation of current tuition policy (2ESSB 5954), which would allow modest resident undergraduate tuition increases of 2.2 percent in FY18 and 2.0 percent in FY19. As a reminder, the Governor’s budget proposal would have frozen resident undergraduate operating fees at the FY17 rate in FY18 and FY19 and provided \$15.5 million to the UW to backfill the difference between the tuition freeze and the increases allowed by current policy.

Maintenance Level Changes:

- **Tuition Backfill Adjustment** – The budget includes an inflationary adjustment to the tuition backfill amount from 2015-17, per the requirements of 2ESSB 5954. The Senate’s total of \$3.6 million over the biennium is higher than the \$2.7 million provided in the Governor’s proposal. *Due to a previous error, the Senate also increased the tuition backfill appropriation in FY17 by \$485,000 as a final change to the 2016 supplemental budget (not included above).*
- **Initiative 1433** – The Senate proposal provides \$158,000 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. The amount in the Senate budget is slightly more than what the Governor’s budget would have provided.

Changes at the Maintenance and Policy Levels:

- **Maintenance & Operations (M&O)** – At the maintenance level, the Senate budget provides \$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, however, the Senate budget proposes a fund shift to reduce the General Fund-State (GFS) appropriation by half and replace it with funding from the UW Building Account. **The net effect is an additional \$1.05 million of state funding in 2017-19.** The Building Account is funded, in part, by building fees charged to UW students and is intended to support deferred maintenance and minor capital repairs. This amount is \$9.3 million less than the total of the UW’s M&O requests.
- **OFM Central Services** – Like the Governor’s budget, the Senate 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](#)). At the policy level, however, the Senate proposes restoring those OFM central service charges. Supplemental budget documents indicate that the UW would be appropriated \$1.5 million GFS for the biennium to cover equivalent GFS charges, for a net-zero GFS impact. However, a significant *additional* amount would be charged from tuition funds, which the UW would have to cover on its own. Preliminary indications are that the UW would be charged a total of \$4.5 million for the biennium, with \$3 million attributed to tuition. **This means, in 2017-19, the UW would have to use \$3 million in student tuition revenue to support OFM instead of the University’s academic mission.**
- **Other Central Services** – Like the Governor’s budget, other central service items (e.g. audit services and workers’ compensation) are adjusted to reflect each agency’s estimated charges from other state agencies performing those functions. In the table above, policy level items are combined into “Policy Level Central Service Adjustments.”

Policy Level Changes:

- **WWAMI Spokane Continuation** – Like the Governor’s budget, the Senate Budget includes \$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. Unlike the Governor’s budget, the Senate budget does **not** include funding to add an additional 20 students per cohort to the WWAMI program.

- **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 budget includes \$3.2 million in one-time funding for FY19.
- **Veterans’ Mental Health Services** – \$112,000 for the biennium (\$56,000 per year) is provided to implement SB 5525, which would require the UW to hire at least one full-time mental health counselor to work with student, faculty, and staff veterans and their families. The estimated cost of one position is \$113,000 per year. The budget assumes the other half of the funding for one position would be covered via “student health services fees.”
- **Regenerative Medicine Institute** – \$6 million for the biennium is given to the UW’s Institute for Stem Cell and Regenerative Medicine for faculty, core support, training programs, pilot grants, and translational bridge awards.
- **Resident Undergraduate Enrollment** – The budget provides \$10.5 million over the biennium (roughly \$3.5 million in FY18 and \$7 million in FY19) to increase resident undergraduate (RUG) enrollment by 250 students in FY18 and by 500 students in FY19. Funding is contingent on the passage of SB 5902, which would require that 70 percent of the new enrollments be students majoring in science, technology, engineering, and mathematics (STEM), and 30 percent of the new enrollments to be in other, non-STEM areas. Based on initial analyses, this state funding is lower than we would expect per student, which would limit the programs into which new students could be added. Note that the UW supports student FTE well over state-budgeted levels.
- **Tuition Waiver Reduction** – A reduction of \$5.2 million over the biennium (\$2.6 million per year) is assumed to be offset by the UW reducing overall tuition waiver activity. This reduction in available waivers could impact need-based aid for resident students who are underserved by the State Need Grant, and students in both professional programs and undergraduate programs.

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 Senate Chair’s budget would provide \$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 Senate budget would also **entirely reject tentative CBAs** reached between the UW and represented employees. As a reminder, the Governor’s budget included \$13 million to partially cover a 2 percent increase in FY18 and two 2 percent increases in FY19.

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 \$889 per employee per month in FY18 and to \$920 per employee per month in FY20. Funding adjustments reflect these new, higher limits on contributions and are presumed to have a net-zero impact.

In addition, the slight changes in funding are proposed as a result of a 1 percent reduction in positions that do not “provide a direct service to the public” as well as to reflect the suspension of an administrative fee charged by the Department of Retirement Systems. We will provide more information after further analysis.

Unfunded Mandates:

Under this budget, the UW would implement the items below “within existing resources,” which essentially means without additional state funding. As such, these items are not included in the table above.

- **Education Loan Information** – The UW would be required to implement SB 5022, which we estimated would cost \$70,000 per year after full implementation in FY20.
- **Financial Literacy Seminars** – The UW would be required to implement SB 5100, which we estimated would cost \$44,500 in FY18 and \$15,000 per year thereafter.
- **Pre-Law Program** – The budget document requires the UW to further develop a pre-law program at UW Tacoma.

Other State Funds (non-GF-S):

1. **Dept. of Environmental and Occupational Health Services (DEOHS)** – The budget **would cut the** Medical Aid Account appropriation to the UW’s DEOHS by \$6.2 million over the biennium. This funding comes from state worker compensation funds and supports training for occupational health professionals and a research pilot program for projects with direct application to the prevention of injuries and illness among Washington state workers.
2. **Marijuana Research Funding** – The budget proposal includes an additional \$20,000 per year from the Dedicated Marijuana Account to support marijuana research at the UW. **This is \$774,000 per year less than what the UW requested in order to fulfill the legislature’s obligations under 2E2SHB 2136 (2015).**
3. **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, both the Senate and Governor’s 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 budget:

- **Provides \$37.6 million to maintain State Need Grant (SNG) service** at 2015-17 levels and to hold low-income students harmless from the resident undergraduate tuition increase allowed by the budget. No additional funding is provided to help serve eligible students who are currently unserved.
- **Makes no changes to SNG eligibility and College Bound Scholarship eligibility**—like the Governor’s budget.
- **Makes a number of other fund shifts and cuts** to existing programs. We are working to assess the effects.

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

SENATE “CHAIR” CAPITAL BUDGET PROPOSAL

The proposed Senate “Chair” capital budget, which was released on March 28th, would appropriate \$80.7 million in new funding from the State Building Construction Account to the University of Washington. Overall, this would be \$2 million more than the Governor’s proposed capital budget. The Senate budget proposal would fund a mix of projects, while the Governor’s proposal was more targeted.

The Senate budget provides funding for all projects in the UW's 2017-19 request, with the exception of the UW Bothell Phase 4 project. That project was funded in the previous biennium for predesign. The Senate would provide \$10 million for seismic improvements to some of the UW's existing buildings (the UW requested \$25 million). The Senate proposal supports the Health Sciences Education T-wing Renovation design at \$10 million and would provide \$15 million for the Population Health Science Building to match a generous grant from the Gates Foundation.

Proposals from the Governor and Senate have the funding needed to complete the Burke Museum project. Both proposed budgets would also appropriate \$70.8 million from the UW Building Account to fund Minor Capital Repair and Preservation. This includes nearly \$45 million to support the preservation and renewal of facilities across all three campuses, such as infrastructure upgrades, building repairs, utilities and site work repair, life safety, and classroom improvements. The other \$25.8 million is earmarked for Preventative Facility Maintenance and Building System Repairs, which shifts resources from the capital budget to provide operating resources for preventative facility maintenance at the UW in Seattle.

Not included in the table below, the Senate budget also proposes \$8 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. The instruments would support researchers in the Center for Advanced Materials and Clean Energy Technology (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".

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 and Senate.

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

For information on the UW's 2017-19 requests for state funding, please see the UW's [operating](#) and [capital](#) submissions.

UW Priority	Requested Projects	2017-2019 Request		Governor's Budget 12/14/16			Senate Budget 3/25/17		
		State Funds	UW Building Account	State Funds	UW Building Account	State Toxics Control Account	State Funds	UW Building Account	State Toxics Control Account
1	Burke Museum	24,200		24,200	-	-	24,200	-	-
2	Minor Capital Repair - Preservation	-	71,400	-	70,800	-	-	70,800	-
3	UW Tacoma Soil Remediation	2,500		-	-	1,000	-	-	1,000
4	UW Major Infrastructure (Seismic Upgrades)	25,000		14,500	-	-	10,000	-	-
5	Population Health Sciences Building	20,000		20,000	-	-	15,000	-	-
6	Health Sciences Education - T-Wing Renovation/Addition	10,000		-	-	-	10,000	-	-
7	College of Engineering Interdisciplinary Ed./Research Center I	1,000		-	-	-	1,000	-	-
8	UW Bothell	3,000		-	-	-	-	-	-
9	UW Tacoma	500		-	-	-	500	-	-
10	Ctr for Advanced Materials and Clean Energy Research Test Beds	10,000		20,000	-	-	10,000	-	-
11	Evans School - Parrington Hall Renovation	10,000	-	-	-	-	10,000	-	-
New 2017-19 proposed appropriations total		106,200	71,400	78,700	70,800	1,000	80,700	70,800	1,000
Reappropriations									
	Burke Museum	10,000	-	130	-	-	10,000	-	-
	Minor Capital Repair - Preservation	-	5,000	-	5,000	-	-	5,000	-
	UW Tacoma Soil Remediation	-	-	-	-	99	-	-	400
	Health Sciences Education - T-Wing Renovation/Addition	150	-	150	-	-	-	-	-
	UW Bothell	120	-	130	-	-	120	-	-
	Ctr for Advanced Materials and Clean Energy Research Test Beds	6,500	-	700	-	-	700	-	-
	Health Sciences Interprofessional Education Classroom	2,000	-	350	-	-	350	-	-
	Computer Science & Engineering Expansion	15,000	13,000	-	13,000	-	15,000	13,425	-
	School of Nursing Simulation Learning Lab	3,000	-	350	-	-	850	-	-
	Subtotal:	36,770	18,000	1,810	18,000	99	27,020	18,425	400
	Grand Total:	142,970	89,400	80,510	88,800	1,099	107,720	89,225	1,400