

Date: May 28, 2015

Subject: Special Session 2015-17 Senate Chair Operating Budget “Offer”

Leadership in the Senate Ways & Means Committee released a new operating budget proposal today in the form of [Senate Bill 6050](#). The Senate proposal makes significant changes to the engrossed Senate operating budget, ESSB 5077, and continues to differ from the engrossed House operating budget, ESHB 1106. These prior proposals are summarized on page 3 of an OPB [budget brief](#) released in early April.

Though the 2015 Legislature is scheduled to adjourn today, no compromise operating or capital budget exists. Thus, a second special session will be required.

Senate “Offer” – Revised Operating Budget Proposal - Overview

The second Senate Ways & Means Chair budget appropriates \$37.9 billion of Near General Fund State and Opportunity Pathways funding for the 2015-17 biennium by assuming revenue recently projected by a new forecast, as well as cuts and savings in existing programs. Of this amount, *all* of higher education (including financial aid) would receive nearly \$3.6 billion (or 9.2 percent) – a significant increase over the total higher education appropriations in both the Governor and House budgets, due in large part, to the backfill associated with lowering tuition rates.

Table 1 shows the total funding the UW would receive under this budget proposal (subject to amendments and action on the floor) compared to the Senate engrossed budget, the House engrossed budget, the Governor’s budget, and the current ending biennial balance.¹ As described below under the “Tuition Assumptions,” the Senate “Offer” appropriation *includes* the tuition backfill funds appropriated to the Washington Student Achievement Council (WSAC) for the UW.

Table 1: UW State Funding - Comparisons of Budget Proposals (in \$1000s)

General Fund State + Ed Legacy Fund

Budget	FY1	FY2	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

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

Tuition Assumptions

While the House engrossed budget and the Governor’s budget would freeze resident undergraduate tuition rates at all public higher education institutions (holding rates at the 2012-13 level) **this Senate budget would reduce the operating fee portion of resident undergraduate tuition**. This budget assumes the provisions of [ESSB 5954](#), which would roll back resident undergraduate operating fees to 14% of the state average annual wage.

¹ The Carryforward level is calculated by OFM, reviewed by each agency and widely considered the “base budget” from which changes are made to agency funding in the upcoming biennium.

The Senate budget provides funding directly to the UW to help backfill the forgone tuition revenue. In addition, the State Need Grant (SNG) and College Bound Scholarship (CBS) savings that would result from the tuition reductions are now transferred from WSAC to the individual institutions. However, we believe **the backfill funding still falls short by \$3.7 million over the biennium.**

As displayed in Table 2 below, the Senate budget would (among other things) appropriate funds to mostly backfill resident undergraduate operating fee reductions, provide limited funds for wage increases and collective bargaining agreements, invest additional funds in WWAMI, and fund degree expansion in Computer Science.

Table 2: Detailed Comparison of 2015-17 Senate Ways & Means, Senate Floor & House Floor Budgets (in \$1000s)

	House Floor Budget	Senate Floor Budget	Senate "Offer" Ways & Means Budget
Resident Undergraduate Tuition	FY16: 0% increase FY17: 0% increase	FY16: Op fee = 18% of WA avg wage FY17: Op fee = 14% of WA avg wage	FY16: Op fee = 14% of WA avg wage FY17: Op fee = 14% of WA avg wage
Total 2015-17 Carry Forward Funding:	\$ 518,962	\$ 518,962	\$ 518,962
Total 2015-17 New Funding:	\$ 76,523	\$ 155,435	\$ 189,317
Recognized Maintenance Needs	\$ 2,155	\$ 2,155	\$ 2,155
O&M for UW Bothell's Discovery Hall	\$ 1,762	\$ 1,762	\$ 1,762
College Affordability Program	\$ -	\$ 95,798	\$ 107,156
Tuition Reduction - Addtl Backfill			\$ 41,917
Compensation Increase	\$ 36,689	\$ 49,597	\$ 20,434
Agreement with WFSE (Sec 927)	\$ -	\$ -	\$ 527
Agreement with SEIU (Sec 925)	\$ -	\$ -	\$ 2,243
UW's portion of General wage increase (Sec 942)	\$ 12,572	\$ -	\$ -
UW's portion of WFSE funding (Sec 943)	\$ 324	\$ -	\$ -
UW's portion of SEIU funding (Sec 928)	\$ 1,380	\$ -	\$ -
Computer Science	\$ 4,250	\$ -	\$ 4,000
WWAMI Reallocation	\$ 9,360	\$ 2,500	\$ 9,000
Medical Residencies	\$ 4,900	\$ -	\$ -
Ungulate Predation	\$ 1,000	\$ -	\$ -
STEM Enrollment	\$ -	\$ 4,000	\$ -
Latino Health Center	\$ 300	\$ -	\$ 500
Climate Impact group	\$ 400	\$ -	\$ -
Labor Archives	\$ 400	\$ -	\$ -
PEBB Rate Adjustment (Sec 720)	\$ 1,031	\$ -	\$ -
Central Service Tech Adj	\$ -	\$ (377)	\$ (377)
Total 2015-17 Funding	\$ 595,485	\$ 674,397	\$ 708,279

Policy Changes Affecting Funding for UW Activities

- 1. Computer Science** – The Senate budget provides \$2 million per year (\$4 million over the biennium) to increase bachelor's degrees awarded in Computer Science.
- 2. WWAMI** – The Senate budget provides \$9 million over the biennium for continued operations of the Washington, Wyoming, Alaska, Montana, Idaho (WWAMI) medical school program. The bill requires that the state cost per student per year not exceed \$45,000 in Spokane. The budget bill would prohibit the UW from increasing the number of partner universities in WWAMI without legislative approval. Additionally, the budget states that by January 1, 2016, the State Auditor must conduct a three-pronged audit of WWAMI to determine: (1) the cost per student by fund source at WWAMI Spokane; (2) the cost per student at non-Washington partner states and whether any Washington state funds or resident tuition revenue is used to subsidize students at those partner states; and (3) the planned cost per student by fund source for the WSU medical school.

3. **O&M Funding** – Both House and Senate budgets thus far provide \$1.762 million over the biennium to cover some of the expected operation and maintenance (O&M) costs for UW Bothell’s Discovery Hall, which is only slightly higher than the Governor’s allocation (\$1.556 million over the biennium).
4. **Olympic Natural Resources Center (ONRC)** – This budget allows the UW to use local funds to implement an innovation institute at the ONRC and accredit a four-year undergraduate forestry program with the Society of American Foresters.
5. **Continuation of the CINTRAFOR proviso** – 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).
6. **Latino Health Center** – This Senate budget provides \$250,000 per year for the Latino Health Center, which was funded in the House engrossed budget at \$150,000 per year.
7. **Provisos that did not receive funding:**
 - *Ungulate Predation Study*
 - *Climate Impacts Group*

Funds other than State General Fund

1. **Ocean Acidification Research** – The Washington Ocean Acidification Center would receive \$1.7 million (\$850,000 per year) across the biennium from the State Toxics Control Account to continue operations, collection of data, and ocean acidification forecast modeling. This appropriation remains \$150,000 higher than the House budget.
2. **Continuation of Aerospace Initiative Funding** – 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.
3. **Life Sciences Discovery Fund (LSDF)** – This budget transfers \$22.9 million of LSDF appropriations to the General Fund in FY16 (\$7.3 million higher than the engrossed Senate budget).
4. **Research on Effect of Marijuana Use** – Unlike prior budget proposals out of the Senate, this version now provides \$412,000 from the Dedicated Marijuana Account for research on the short- and long-term effects of marijuana use, as authorized Initiative 502.

Compensation

Pay Increases

Though every budget thus far authorized compensation increases, the mechanism that each chamber took to increase compensation differed significantly. This budget proposal comes closer to the House proposal in terms of structure, though it differs in funds provided, as displayed above in Table 2.

This second Senate Chair budget would partially fund wage increases at 3 percent and 1.8 percent in FY16 and FY17 respectively, for GOF-funded employees for a total of \$20.4 million over the biennium. The UW estimates that in addition, the Senate chair budget now provides limited funds for the UW’s contracts with SEIU 925 and WFSE, or \$2.7 million over the biennium. We believe this funding level falls short of what is needed to fund GOF-budgeted positions, but we are working to determine the extent of the shortfall.

As a reminder, the House budget provides funds for classified staff contracts, faculty salary increases and staff salary increases at the bargained rate or, in the case of faculty and staff, at 3 percent in FY16 and 1.8 percent in FY17. The Governor's budget allowed for these same compensation increases, but covered only 30 percent of the estimated costs with state funding and assumed the remaining 70 percent would come from tuition funds.

Benefits:

This Senate proposal limits employer health care contributions to \$831 in FY16 and \$884 in FY17, both of which represent increases over the FY15 employer health care contribution. In addition, this budget increases the per month surcharge tobacco use surcharge from \$25/month to \$50/month.

Other Higher Education Budget Impacts

1. **Financial Aid** – The Senate budget presents a complicated array of changes to state-funded financial aid. We are working with the Office of Student Financial Aid to determine how this budget would impact state-funded aid programs at the UW. At a high level, as mentioned, the SNG and CBS savings that would result from the tuition reductions assumed in the budget are now transferred from WSAC to the individual institutions. Like the Governor's budget and the previous Senate proposals, this budget intends to fully fund CBS enrollments by requiring complete, centralized prioritization of CBS students for SNG awards. WSCA would be required to reserve and manage a central pool of funds to cover all CBS students who are projected to need SNG assistance. The proposal does not provide funding for the Passport To College program and private institutions participating in SNG and CBS appear to be held harmless with regards to the public institution tuition reductions.
2. **Health Professional Education** – Like the House proposal and the previous Senate proposal, this 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.
3. **LEAN Management Strategies and Efficiency Savings** – This budget contains a proviso to reduce general fund spending by \$22.6 million in the FY16 and \$26 million in FY17 to recapture funds associated with implementing LEAN strategies in state agencies. These are not reflected in the UW's budget detail, though we believe the reduction will not be applied to the UW.