

Subject: University of Washington and the State Budget Process

Overview

The Washington state legislative process determines:

- The level of appropriations the UW (and other state agencies) will receive from the State General Fund and any other state funding sources.
- The purpose for which the funds are appropriated (salary increases, new enrollment funding, special programs, pension and health benefit adjustments, etc.).
- Tuition policy for resident undergraduate tuition (percent of change we can apply, freezes, etc.). The UW has the authority to set tuition levels for non-resident undergraduate, graduate and professional students.

Washington State Legislative Budget Timeline

Though some variation in the state budget process can occur, by and large, the following timeline is followed:

- **September or October** - The UW submits operating and capital budget requests to the state (note: this brief primarily pertains to the operating budget).
- **December** - The Governor submits recommended budgets to the legislature.
- **January-March or April** - Legislature in regular session. 30-day special sessions may occur.
- **March or April, or after special session(s)** - Legislature passes state budget, Governor approves, and the UW receives budget information.
- **July 1** - State budget becomes effective.

For a comprehensive overview of the legislative process, please see [this page](#).

Key Components of the Legislative Budget Process: Structure, Fund, Key Terms

The legislative cycle is two-years long. Regular sessions begin the second Monday in January of each year. In odd-numbered years, the regular session is scheduled for 105 days and the legislature passes a biennial budget. In even-numbered years, the legislature is in session for 60 days and may pass a supplemental budget to amend the two-year budget. In either case, one or more 30 day legislative sessions can be called by the Governor. For example, the budget passed for the 2013-15 biennium during the 2013 session affected two fiscal years (FY14 and FY15). The next year, in calendar year 2014, the legislature passed a supplemental budget affecting funding for the biennium, but especially FY15. In calendar year 2015, the legislature passed an additional supplemental budget, which affected funding for the last few months of the second year of the biennium. Here are some key terms:

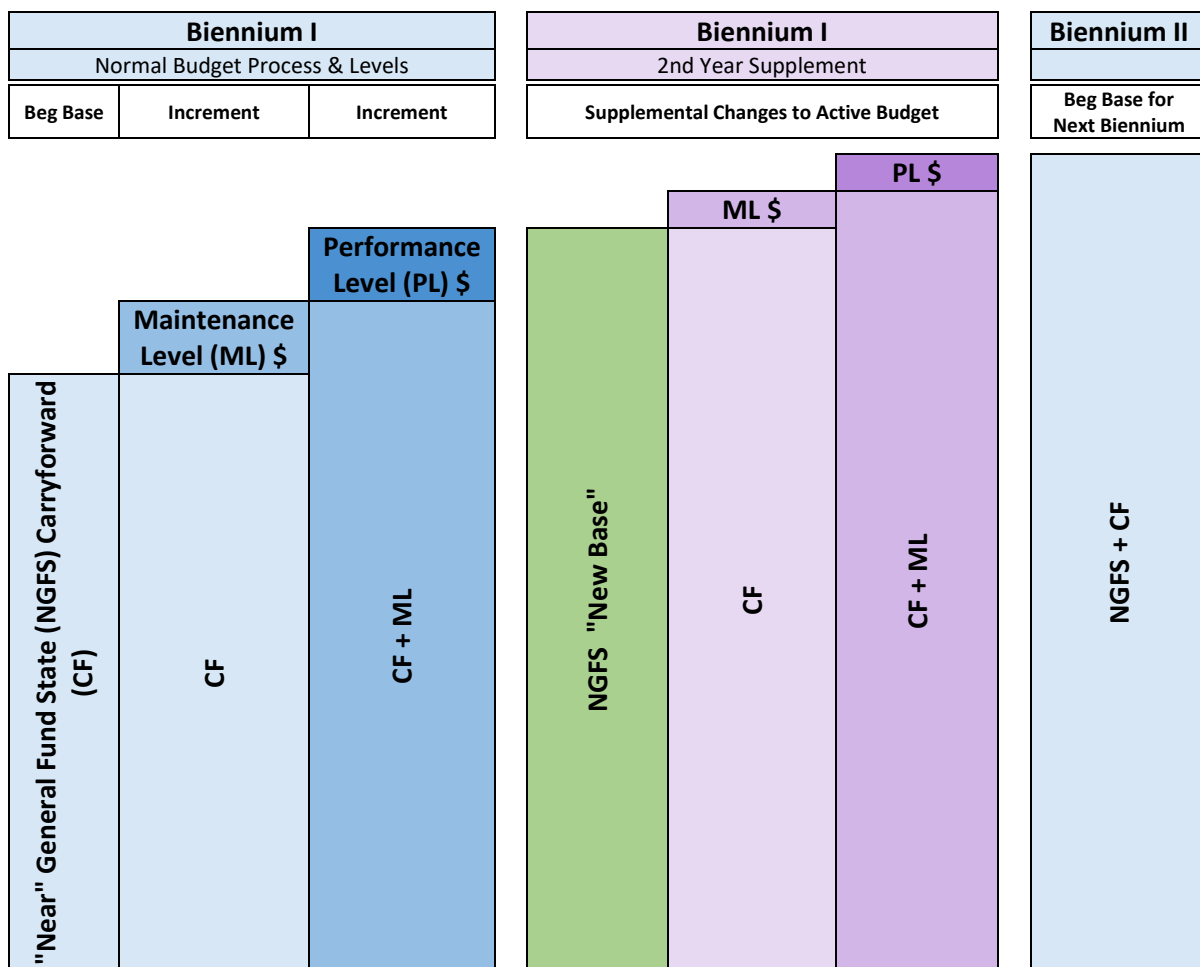
- **Biennium:** Two-year fiscal period. The Washington state biennium runs from July 1 of an odd-numbered year to June 30 of the next odd-numbered year.
- **Budget:** A plan of financial operation embodying an estimate of proposed expenditures for a given period of time or purpose and the proposed means of financing them.
- **Supplemental budget:** A supplemental budget makes changes to the original budget appropriations. These changes are usually technical or minor, but depending on the fiscal climate, can significantly alter proposed expenditures.
- **Expenditure Authority Schedule (EAS):** A listing prepared by the Office of Financial Management (OFM) of all dollar appropriations contained in legislation, along with an assigned code for use in allotment preparation and other accounting requirements.

- **Proviso:** Language in the budget bill that places conditions and limitations on the use of appropriations. Provisos can be funded from any account within the state’s funding sources.

The budget also contains assumptions about automatic funding levels and is primarily an incremental budget, making appropriations from funds above carry-forward and maintenance budget levels.

- **Carry-forward level:** The “biennial” cost of continuing the workload or services already authorized through legislative budget decisions.
- **Maintenance level:** The carry-forward level plus the cost of additional mandatory caseload, enrollment, inflation and other legally unavoidable costs. The UW usually makes requests for maintenance & operations funding (M&O).
- **Policy (Performance) Level:** Maintenance level plus other proposed changes in funding (provisos, other restricted funds, new appropriations, etc.).

The chart below shows the process for building on base funding between biennia. It shows maintenance and performance level incremental changes in the first regular session of the biennium and the second “supplemental” session of the biennium. The example below shows incremental *increases*; however, it is possible that *decreases* can occur.



The legislature makes appropriations from a variety of funds, but the UW typically receives appropriations from the state general fund (General Fund-State, or GF-S) and the Education Legacy Trust (ELT) account for its general university operating resources (GOF). Here are some key terms:

- **Appropriations:** A legal authorization to make expenditures and incur obligations for specific purposes from a specific account over a specific time period. Appropriations typically limit expenditures to a specific amount and purpose within a fiscal year or biennial timeframe. Only the legislature can make appropriations in Washington state.
- **Fund or Account:** A specified amount of money that is segregated for specific purposes in accordance with laws, regulations, or other specific restrictions.
- **Fund 001, General Fund - State:** The fund for all financial resources of the state except those required to be accounted for in another fund. The General Fund is the principal state fund supporting the operation of the University.
- **Fund 08A, Education Legacy Trust (ELT):** This fund is used only for support of the common schools, expanding access to higher education through funding new enrollments and financial aid, and other educational improvement efforts.
- **Near-General Fund:** A term for the combination of GF-S and ELT.

Some [fund groups](#) are relevant for purposes of both the state's and the UW's accounting systems.

Once the legislature passes a final budget, the Governor exercises section veto authority, and the budget is recorded as final. Legislative staff load expenditure authority by fund into WinSum, the OFM budget system. OFM staff produce an expenditure authority schedule, or EAS. The EAS records allowable expenditure limits for appropriated funds, 001, 08A and other provisos. Provisos can be appropriated from Fund 001 or from other funds such as 02R Aquatic Lands Enhancement Account or 09R Economic Development Strategic Reserve Account. The latter are categorized by the UW as "special appropriations." Fund 149 (tuition operating fee revenue) and expenditure authority are also recorded in EAS, even though Fund 149 is not appropriated.

Note: Revenue estimates come from the "Summarized Revenue Report" that the UW submits with the biennial state budget request. The report is a tool that legislative staff have to evaluate our fund projections on a biennial basis.

The Allotment Process

Allotments are defined by OFM as an agency's plan of estimated expenditures, revenues, and related FTE estimates. However, allotments are also meant to be a mechanism by which the state controls its outflow of money by fund to avoid over-expending budgets. According to OFM, allotments represent detailed spending plans that also do the following:

- Conform to the terms, limits, or conditions of legislative appropriations. OFM approves the allotment "packets" submitted by agencies.
- Reflect the priorities of the agency's strategic plan and make progress toward achieving those goals.
- Serve as the agency's best estimate of how their authorized expenditures will be spent and the revenue it will earn each month of the biennium.
- Provide a monthly best estimate of the agency's cash flow.

OFM monitors actual expenditures and revenue against allotments and posts monthly fiscal status reports on the [OFM website](#).

For each appropriated fund in EAS and for Fund 149, the UW is required to submit monthly revenue and expenditure allotments by program code and object codes. Both executive and legislative staff monitor actual spending compared to allotments. Actual spending is reflected in the state's Agency Financial Reporting system (AFRS).

Allotments are amended when expenditure assumptions change significantly and every time a budget is passed, so for every biennial & supplemental budget.