

Date: July 5, 2017 [UPDATED July 25, 2017 with capital budget information]

Subject: Final Compromise Budgets – 2017-19 State Operating Budget and Capital “Reappropriations” Budget

Leadership in the House and Senate released a 2017-19 compromise state operating budget on June 30, 2017 in the form of [Substitute Senate Bill 5883](#). The Governor signed the budget less than an hour before midnight, narrowly avoiding a partial state government shutdown. Lawmakers also passed a “reappropriations” capital budget in the form of [Senate Bill 5965](#), which allows certain previously authorized projects to continue into the new biennium. Despite negotiations, lawmakers [adjourned on July 20, 2017](#) without passing a compromise 2017-19 capital budget, which would have made new capital appropriations.

These policy and funding changes were incorporated into a Fiscal Year 2018 (FY18) University of Washington operating budget, which was approved by the Board of Regents on July 13, 2017.

Compromise Operating Budget

The final compromise budget represents a middle ground between budget proposals released by the Governor, House and Senate earlier this session. The budget maintains current tuition policy, allowing for a 2.2 percent increase in resident undergraduate (RUG) tuition in FY18. Lawmakers made significant investments to maintain and expand state programs, especially in K-12 education. As a reminder, this budget cycle largely focused on meeting the state’s K-12 funding obligations, due to the state Supreme Court’s ruling in *McCleary v. State of Washington*. Investments directed at the UW include funding for employee compensation, medical education, STEM enrollments, and several research initiatives across academic disciplines.

Direct Impacts to the UW

Table 1 shows the total state general fund (GF-S) appropriations provided over the 2015-17 biennium (FY16 and FY17), 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 final compromise budget appropriates \$720.6 million to the UW for the 2017-19 biennium, which is \$55 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	349,383	359,745	709,128
House Chair Budget Proposal	364,401	391,565	755,966
Proposed Operating Budget Compromise*	351,726	368,847	720,573

*See footnotes below Table 2

Table 2, on the next page, shows a line-by-line breakdown of the funding levels and policy changes proposed by the Senate, House, and the final compromise budget. The line items in the table are described in more detail in the following pages.

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

	Senate	House	Proposed Legislative Compromise			
	2017-19 Total	2017-19 Total	FY18	FY19	2017-19 Total	
2017-19 Carryforward Level	665,376	665,376	333,151	332,225	665,376	
Maintenance Level Changes	7,424	7,417	2,815	4,602	7,417	
Maintenance & Operations (M&O)*	2,104	2,104	558	1,546	2,104	
Tuition Backfill Inflation Adjustment	3,624	3,624	1,426	2,198	3,624	
Initiative 1433 Minimum Wage	158	151	64	87	151	
Maintenance Lvl Ctrl Service Adjusts.	317	317	157	160	317	
OFM Central Services**	(1,114)	(1,114)	(557)	(557)	(1,114)	
Workers' Compensation Changes	558	558	279	279	558	
Pension and DRS Rate Changes	1,777	1,777	888	889	1,777	
Policy Level Changes	36,328	83,173	15,760	32,020	47,780	
Policy Level Central Service Adjusts.	39	263	71	113	184	
Tuition Freeze Backfill		15,500				
WWAMI Spokane Continuation	5,000	5,000	3,000	2,000	5,000	
WWAMI Spokane Expansion	5,000					
Center for Human Rights		250				
Special Olympics USA Games	3,200	1,500		3,200	3,200	
OFM Central Services**	1,536		777	777	1,554	
Maintenance & Operations (M&O)*	(1,052)	235	(162)	(655)	(817)	
Veterans' Mental Health Services	112					
Regenerative Medicine Institute	6,000		2,250	2,250	4,500	
STEM Enrollment***	10,530	6,000	1,000	1,000	2,000	
Tuition Waiver Reduction	(5,176)		(1,294)	(1,294)	(2,588)	
UW Tacoma Pre-Law	400					
Military Degree Partnership Study	45		45		45	
Suicide Safer Homes Task Force (HB 1612)		85	5	80	85	
Gold Star Families (HB 2009)		140				
Air Quality Study		250	125	125	250	
Doorstep Project		1,000	500	500	1,000	
RIDE Expansion Bridge		1,959				
Spinal Cord Research		800	400	400	800	
Study of St. Edward State Park		75				
Volk Study			140		140	
Compensation	Public Employee Benefits Rate****	674	3,596	511	1,409	1,920
	Represented Employee Benefits Rate****	200	1,017	152	418	570
	Employee General Wage Increases	10,179	37,994	3,699	9,397	13,096
	Non-Rep Targeted Pay Increases		2	1	1	2
	Agreement with WFSE		3,351	2,022	4,613	6,635
	Agreement with Teamsters (Police)		369	136	233	369
	Agreement with SEIU 925		3,658	2,338	7,368	9,706
	Agreement with WFSE Police Mgmt		129	44	85	129
	Department of Retirement Admin Fee	(356)				
	Indirect Employee Reduction	(3)				
Total 2017-19 Funding:	709,128	755,966	351,726	368,847	720,573	

* Funding is provided at the ML and PL. At the PL, the final budget shifts \$1.05 million in M&O costs to the UW Building Account. See below.

** OFM Central Service changes are discussed in detail below.

*** Would fund approximately 60 new enrollments in STEM fields. The House previously proposed enrollments in computer science & engineering only.

**** These adjustments reflect higher limits on employer contributions to benefits.

Tuition Policy:

The compromise 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.** This aligns with the Senate’s budget proposal. The Governor and House proposed a two-year tuition freeze for the biennium.

Maintenance Level Changes:

- **Tuition Backfill Adjustment** – Per the requirements of 2ESSB 5954, the final compromise provides an inflationary adjustment to the tuition backfill from 2015-17. The tuition backfill for FY17 is adjusted by \$485,000 as a final change to the 2017 supplemental budget (not included in the table above).
- **Initiative 1433** – The compromise budget 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.

Changes at the Maintenance and Policy Levels:

- **Maintenance & Operations (M&O)** – At the maintenance level, the compromise budget proposes \$2.1 million over the biennium to support M&O for buildings that are currently under construction and are coming online during the 2017-19 biennium. Similar to the previous Senate budget, the compromise budget reduces that funding by half at the policy level (-\$1.05 million) and replaces it with funds from the UW Building Account. However, additional M&O funding is provided for the Intellectual House (\$235,000 over the biennium), also at the policy level. As a result, total M&O funding at the maintenance and policy level is approximately \$1.29 million, with an additional assumed use of UW Building Account funds of \$1.05 million.
- **OFM Central Services** – The 2016 supplemental budget proposed a central service charge to all state agencies for the functions of the Governor’s Office of Financial Management (OFM), but that change was in large part vetoed by the Governor (see our [2016 supplemental budget brief](#)). The maintenance level line item above reflects a reduction in the UW’s calculated share of OFM charges because of that veto. This compromise budget restores OFM central service charges and, this time, there was no Governor veto. The UW will be charged a total of \$4.5 million for the biennium and will be appropriated just over \$1.5 million in GF-S for the biennium to cover equivalent charges (for a net-zero GF-S impact). However, the remainder of \$3 million will need to be covered by the UW and is attributed to tuition funds. This means that in 2017-19, **the UW will have to use \$3 million in student tuition revenue to support OFM instead of the University’s academic mission.**
- **Other Central Services** – Other central services (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** – The compromise budget appropriates \$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) will be sufficient to cover ongoing needs. Previously, the Governor and Senate proposed additional funding to expand the number of students in the WWAMI program. This additional “expansion” funding was not present in the final budget.
- **Special Olympics USA Games** – The UW will be a vendor of the 2018 Special Olympics USA games, serving as the main site for the events. To support that work, the compromise budget includes \$3.2 million in one-time funding for FY19.

- **Regenerative Medicine Institute** – \$4.5 million for the biennium is provided to the UW’s Institute for Stem Cell and Regenerative Medicine for faculty, core support, training programs, pilot grants, and translational bridge awards.
- **STEM Enrollment** – The compromise budget allocates \$2 million over the biennium to increase resident undergraduate STEM enrollment by approximately 60 students. The House budget proposed \$6 million to expand degree production in Computer Science & Engineering at Seattle. The Senate budget proposed over \$10.5 million to increase resident undergraduate enrollment in STEM and non-STEM degrees broadly across the UW.
- **Tuition Waiver Reduction** – The budget reduces the UW’s state funding allocation by \$2.59 million over the biennium, which is assumed to be offset by the UW reducing overall tuition waiver activity for graduate students, excluding veteran-related waivers. The state does not provide funding to cover tuition waivers provided by the UW, so this was simply a cut to the UW’s GF-S appropriation.
- **Military Degree Partnership Study** – \$45,000 is provided in FY18 to examine possible graduate level degree programs for military officers to be offered in partnership with the U.S. Army’s Command and General Staff College.
- **Suicide Safer Homes Task Force** – \$85,000 over the biennium to implement House Bill 1612, which continues the work of the task force and adds development of a suicide prevention curriculum for dentists and dental students.
- **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 on the 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.
- **Spinal Cord Research** – One-time funding of \$800,000 over the biennium is provided to contract with the Center for Sensorimotor Neural Engineering to advance research in spinal cord injuries.
- **Volk Study** – One-time funding of \$140,000 is provided in FY18 for the UW School of Law to conduct a study on the impact of the Washington State Supreme Court decision in *Volk v. Demeerleer* regarding mental health care services.
- **Previously funded provisos** – The compromise budget does not provide funding for certain provisos that were funded in previous proposals. These include the Regional Initiatives in Dental Education (RIDE program), the Center for Human Rights, Veterans’ Mental Health Services, Pre-Law at UW Tacoma, Gold Star Families (HB 2009), or the study of St. Edward State Park.

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 compromise budget provides nearly \$13.1 million over the biennium to partially fund three 2 percent wage increases for faculty and professional staff over the biennium**—one 2 percent increase in FY18, and two 2 percent increases in FY19. Please note that the funds provided only cover approximately one third of the total funds needed to implement such increases.

The compromise budget approves and funds collective bargaining agreements reached between the UW and represented employees, which include wage increases and other provisions. As a reminder, the Senate budget would have entirely rejected tentative CBAs reached between the UW and represented employees. The budget compromise included the passage of [SB 5969](#), which aims to increase legislative input in state employee bargaining.

The compromise budget appropriates limited funds to cover increases in state public employee benefits rates, which are the monthly contributions agencies make to employee benefits. Those rates are increased from \$888 (the current rate) to \$913 per employee per month in FY18 and to \$957 per employee per month in FY19. Funding adjustments reflect these new, higher limits on contributions. These limits are higher than the Senate proposal but lower than the Governor’s proposal.

Unfunded Mandates:

- **Education Loan Information** – The UW is required to implement SB 5022, which we estimated will cost approximately \$70,000 per year after full implementation in FY20.
- **Financial Literacy Seminars** – The UW is required to implement SB 5100, which we estimated will cost approximately \$44,500 in FY18 and \$15,000 per year thereafter.

Other State Funds (non-GF-S):

- **Department of Environmental and Occupational Health Sciences (DEOHS)** – Unlike the Senate budget, the final compromise budget does not cut the Medical Aid Account appropriation to the UW’s DEOHS by \$6.2 million over the biennium.
- **Marijuana Research Funding** – The budget 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).
- **Ocean Acidification Correction** – The final budget removes a \$200,000 one-time appropriation that was made from the Aquatic Lands Enhancement Account to the UW in 2015-17 for work related to studying the effects of ocean acidification on certain commercial and managed species. This funding was originally said to be ongoing, but was later confirmed to be one-time.

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 compromise budget:

- Appropriates nearly \$12 million to decrease the number of unserved, eligible State Need Grant (SNG) students by approximately 875 annually (out of 23,500 eligible but unserved) and also increases award amounts for students attending private non-profit four-year institutions.
- Provides nearly \$38 million to maintain SNG service levels in light of resident undergraduate tuition increases.
- Allocates \$14.7 million to match private contributions to the Opportunity Scholarship.

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

Capital Budget

Despite negotiations, lawmakers adjourned on July 20, 2017 without passing a 2017-19 capital budget, which would have made new appropriations for capital projects. It is unknown if, or when, the legislature will reconvene to pass a compromise capital budget. We expect it may not be until the next legislative session, which begins in January. We are currently assessing how the lack of a capital budget will affect UW staff positions and operations funded by capital budget accounts.

Before the end of the biennium, however, lawmakers approved a [partial 2017-19 capital budget](#) to “reappropriate” unspent funding from the 2015-17 biennium, which will allow some activities to continue as planned.

The table below compares the UW’s requested reappropriations (from December) with the amounts provided in capital budget proposals from the Senate and House. Please note that these amounts were adjusted as the legislative session progressed, so the numbers in the compromise reappropriations budget reflect the needed funding for these projects at this time.

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

Requested Projects	UW 2017-19 Request		Senate Budget 3/25/17			House Budget 4/5/17			Compromise "Reappropriations" Budget		
	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
Reappropriations											
Burke Museum	10,000		10,000			10,000					
Minor Capital Repair - Preservation		5,000		5,000			5,000			5,000	
UW Tacoma Soil Remediation					400			400			150
Health Sciences Education - T-Wing Renovation/Addition	150					150			205		
UW Bothell	120		120			120			130		
Ctr for Advanced Materials and Clean Energy Technologies	6,500		700			3,270			700		
Health Sciences Interprofessional Education Classroom	2,000		350			350			350		
Computer Science & Engineering Expansion (CSE II)	15,000	13,000	15,000	13,425		10,895	15,000		2,000	15,000	
School of Nursing Simulation Lab	3,000		850			850			1,200		
Subtotal:	36,770	18,000	27,020	18,425	400	25,635	20,000	400	4,585	20,000	150