

Date: February 25, 2016*

Subject: 2016 Supplemental Budget Proposals (Making Changes to the 2015-17 Biennial Capital and Operating Budgets)

**Brief amended 3/18 to reflect clarification regarding central service charges for the Office of Financial Management.*

Leadership in the House Appropriations Committee and the Senate Ways & Means Committee released their first supplemental operating budget proposals this week, which follow the December release of Governor Jay Inslee’s operating and capital budget [proposals](#). Supplemental capital budgets were also proposed; please find that analysis toward the end of brief.

As a reminder, supplemental budget proposals are intended to capture technical corrections and minor appropriation changes to the current 2015-17 biennial budgets (fiscal years 2016 and 2017). The House chair’s proposal has already passed out of the House Appropriations Committee with some modifications. This brief reflects the current version of the House proposal: [SHB 2376](#). We expect the Senate chair proposal ([S-4871.1/16](#)) to be amended and passed by the Senate Ways & Means Committee within the next few days. Both proposals will then be heard on the floor in their respective chambers where they can be amended further before negotiations toward a compromise budget begin.

Initial Supplemental Operating Budget Proposals – UW Overview

The House and Senate proposals take into consideration the lower revenue projections made in the Economic and Revenue Forecast Council’s [February forecast](#). However, Governor Inslee’s proposal, which was released in December, was based on the slightly more optimistic revenue forecast from November.

Table 1 shows the total funding provided in each of the budget proposals.

Table 1: UW State Funding - Comparisons of 2016 Supplemental Budget Proposals Near General Fund State, detail by fiscal year (in \$1000s)

Budget	FY16	FY17	Total
2015-17 Biennial Budget Total Funding	\$ 291,886	\$ 327,686	\$ 619,572
Governor's Budget	\$ 291,783	\$ 328,793	\$ 620,576
House Chair Budget Proposal	\$ 291,882	\$ 328,894	\$ 620,776
Senate Chair Budget Proposal*	\$ 291,085	\$ 331,827	\$ 622,912

*The proposed Senate funding level is higher largely due to additional tuition backfill funding

The budget released by the leadership in the Senate Ways & Means Committee would provide the most funding overall, largely because it includes additional funding for the resident undergraduate tuition reduction backfill associated with [2ESB 5954](#).

Detailed Comparison of the Budget Proposals

Table 2, below, shows a line-by-line comparison of the current budget proposals from the Governor, House and Senate. The line items in the table are described in more detail below.

Table 2: 2016 Supplemental Budget Proposals (making changes to the 2015-17 Operating Budget) Near General Fund State, detail by biennium (in \$1000s)

	Governor	House	Senate
2015-17 Biennial Budget Total Funding	619,572	619,572	619,572
Supplemental Maintenance Changes	754	904	900
Audit Services	-89	-89	-89
Legal Services	-151	1	-2
CTS Central Services	2	0	-1
Time, Leave, Attendance System	13	13	13
Workers' Compensation Changes	979	979	979
Supplemental Policy Changes	250	300	1,188
MESA STEM Pre-College Program	250	250	
Mental Health Task Force		50	
Alternate Contracts OMWBE			36
Tuition Backfill			3,513
Administrative Efficiencies			-41
Youth Suicide Prevention			97
WWAMI Reduction			-1,201
Telemedicine			36
Total 2015-17 Funding:	620,576	620,776	622,912

Maintenance Level Adjustments:

All budget proposals make minor adjustments to central service charges. The Governor’s proposal rolls back critical investments in funding for the UW Division of the Attorney General’s Office; however, both House and Senate budgets hold harmless the funding level in the original 2015-17 biennial budget.

Policy Level Changes:

- 1. Tuition Backfill** – The Senate budget proposes \$3.513 million in additional funding to “true up” the tuition backfill associated with [2ESB 5954](#), which reduced the operating fee portion of resident undergraduate tuition and promised adequate funding to cover the difference in expected revenue. The Governor and House proposals do not include any additional backfill.
- 2. MESA STEM Pre-College Program** – Both the House and Governor’s budgets propose a \$250,000 increase in ongoing annual funding for the Mathematics, Engineering, and Science Achievement (MESA) program beginning in FY17. MESA currently has a budget of approximately \$1.5 million per year.

3. **Mental Health Task Force** – The House budget would provide \$50,000 over the biennium to fully fund the Mental Health Task Force as a result of [SHB 1138](#).
4. **Alternate Contracts (OMWBE)** – The Senate budget proposes \$36,000 in FY17 for [ESB 6617](#), if passed. That bill would require the UW to provide training and support to help certified Office of Minority & Women’s Business Enterprises (OMWBE) contractors qualify for the UW Critical Care Roster.
5. **Administrative Efficiencies** – To account for expected cost savings resulting from [SSB 6409](#) (if passed), the Senate budget would cut the UW’s general fund appropriation by \$41,000 and assume \$485,000 in expenditure reductions in other, non-appropriated UW funds.
6. **Youth Suicide Prevention** – The Senate budget proposes \$97,000 in FY17 for youth suicide prevention efforts at UW’s Forefront, in line with [2SSB 6243](#) (if passed).
7. **WWAMI Reduction** – The Senate budget would cut the UW’s general fund appropriation for WWAMI by \$1.201 million in FY16. However, there is reason to believe this cut may be reversed in later versions of the Senate budget.
8. **Telemedicine** – The Senate budget would provide \$18,000 per fiscal year to meet the requirements in [SSB 6519](#).

Funds other than State General Fund:

All three proposals include \$100,000 in additional annual expenditure authority for shellfish biotoxin monitoring work by the UW’s Olympia Regional Harmful Algal Bloom Program, beginning in FY17 (Biotoxin Account-State).

A document accompanying the Senate budget reveals that the Senate proposal would convert the accounting and forecasting activities conducted by the Office of Financial Management (OFM) into a central service. Funds from each agency would be withheld by OFM for these activities. The UW would be charged approximately \$2.042 million from tuition operating fee revenue (Fund 149).¹

A significant factor in the budget proposals is an allocation of \$80 million in expected settlement costs related to *Moore et al. v. Health Care Authority*. Under the Governor’s proposal, the UW’s share of the settlement would be \$15.6 million. The House and Senate proposals cover the cost in a slightly different manner. As a result, transfer amounts from local and non-appropriated accounts would be higher under the House and Senate proposals and the UW’s share of the settlement would be \$16.3 million across all fund sources, including self-sustaining and auxiliary funds.

Compensation:

The Senate budget reduced the FY17 monthly employer funding rate for insurance benefit premiums from \$894 to \$882. The Governor and House proposals, however, made no mention of monthly employer funding rates, thus we assume they would leave the FY17 rates intact.

None of the budget proposals modify higher education general wage increases or collective bargaining agreements for UW employees. Thus, we assume the provisions of the ongoing biennial budget remain unaltered.

¹ An additional \$1.252 million in *general fund* charges were mentioned in the previous version of this brief. This cost, however, would be covered by a state general fund appropriation and, thus, would have a net zero fiscal impact on the UW.

Other Higher Education Budget Impacts

We continue to work with the Office of Student Financial Aid to determine how the budget proposals could impact state-funded aid programs at the UW. Each proposal’s financial aid provisions are compared in Table 3. At a high level:

- Both the House and the Senate include \$6 million in FY17 for the Opportunity Expansion Program to provide awards to higher education institutions to increase production of bachelor’s degrees in high demand fields.
- Both the House and the Senate would shift one-time caseload savings from the College Bound (CB) program to the State Need Grant (SNG) in FY16 and FY17. The House budget (as passed out of committee) would shift nearly all of the \$18.5 million in savings from CB to SNG. However, the Senate chair’s initial budget would only shift \$14 million, effectively cutting the SNG by \$4.5 million. This may change in subsequent Senate proposals.

Table 3: Comparison of Financial Aid Funding in 2016 Supplemental Budget Proposals

	Governor	House	Senate
Opportunity Expansion Program		\$6,000,000	\$6,000,000
Shift savings from CB to maintain SNG service levels		Shift of \$18.0 M	Shift of \$14.0 M
Address teacher shortage (E2SHB 2573)		\$2,500,000	
“Free to finish” college pilot program (2SHB 2955) (temp \$)		\$1,000,000	
Expand Health Professionals Loan Repayment program		\$1,000,000	
CTC bachelor degree pilot program (2SHB 2769)		\$50,000	
Study students who are ineligible for CB, but eligible for SNG		✓	
Alternative financial aid application systems*	\$200,000	\$200,000	\$200,000
Expand Aerospace Training Student Loan program	✓	✓	✓
Continue the STEM Alliance	✓		

*from the amounts already provided to WSAC

In addition, as a result of a statewide teacher shortage and funding issues related to the McCleary decision, lawmakers have proposed several policy and funding changes to increase recruitment into the teaching profession. Another big focus has been on mental health, where similar shortages are putting stress on state mental health systems.

Supplemental Capital Budget

Governor Inslee’s 2016 supplemental capital budget proposal offered limited additional capital funding for projects around the state. Higher education institutions, including UW, would not receive any significant additional funds.

The House and Senate Capital Budget Committees released their supplemental capital budget proposals this week. The House proposal provided no significant additional funds for four-year higher education institutions. The Senate proposal would provide small allocations for Western Washington University and Washington State University.

Per usual, budget updates will be provided on OPB’s [website](#) and [blog](#). For information about the operating budget, contact [Jed Bradley](#) or [Becka Johnson Poppe](#). For information about the capital budget, contact [John Seidelmann](#).