

Date: June 01, 2015

Subject: Special Session 2015-17 House "Offer" Operating Budget

Leadership in the House Committee released a new operating budget proposal today in the form of [P2SHB 1106](#) as a counter offer to the new Senate operating budget that was released last week. This budget still differs from the new Senate budget and varies slightly from the engrossed House operating budget, ESHB 1106. These prior proposals are summarized on page 3 of an OPB [budget brief](#) released in March.

House - Revised Operating Budget Proposal - Overview

The second House Chair budget appropriates \$38.5 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 \$3.49 billion (or 9 percent).

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.

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
House " Offer" Budget proposal *	\$285,462	\$305,934	\$591,396

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

Tuition Assumptions

While the new Senate budget would *reduce* the operating fee portion of resident undergraduate tuition which would roll back resident undergraduate operating fees to 14% of the state average annual wage, the new house budget as well as the engrossed house budget, freezes tuition at all higher education institutions at the levels charged in 2012-13.

As displayed in Table 2 below, the House budget would (among other things) appropriate funds to medical residencies and computer science and engineering; reallocate base funding for WWAMI from WSU to the UW; provide funds to freeze resident undergraduate tuition freeze and provide limited funds for wage increases and collective bargaining agreements.

Table 2: Detailed Comparison of 2015-17 Senate "Offer" & House "Offer" Budget Proposal (in \$1000s)

	Senate "Offer" Ways & Means Budget	House "Offer" Budget
Resident Undergraduate Tuition	FY16: Op fee = 14% of WA avg wage FY17: Op fee = 14% of WA avg wage	FY16: 0% increase FY17: 0% increase
Total 2015-17 Carry Forward Funding:	\$ 518,962	\$ 518,962
Total 2015-17 New Funding:	\$ 189,317	\$ 72,434
Recognized Maintenance Needs	\$ 2,155	\$ 2,155
O&M for UW Bothell's Discovery Hall	\$ 1,762	\$ 1,762
College Affordability Program	\$ 107,156	\$ -
Tuition Reduction - Addtl Backfill	\$ 41,917	\$ -
Tuition freeze/State support	\$ -	\$ 34,014
General wage increase	\$ 20,434	\$ 12,572
Agreement with WFSE (Sec 927)	\$ 527	\$ 324
Agreement with SEIU (Sec 925)	\$ 2,243	\$ 1,380
Computer Science	\$ 4,000	\$ 4,250
WWAMI Reallocation	\$ 9,000	\$ 9,360
Medical Residencies	\$ -	\$ 4,900
Ungulate Predation	\$ -	\$ 1,000
Latino Health Center	\$ 500	\$ 500
Climate Impact group	\$ -	\$ 400
Labor Archives	\$ -	\$ 400
PEBB Rate Adjustment (713 -2015B)	\$ -	\$ (583)
Central Service Tech Adj	\$ (377)	\$ -
Total 2015-17 Funding	\$ 708,279	\$ 591,396

Policy Changes Affecting Funding for UW Activities

- 1. Computer Science** – The House budget provides \$1.25 million in 2016 and \$ 3 million in 2017 (\$4.25 million over the biennium) to increase bachelor's degrees awarded in Computer Science.
- 2. WWAMI** – The House budget contains a proviso to transfer \$4.68 million per year from WSU to the UW to maintain WWAMI, this budget contains a requirement to support 60 first year medical students and 60 second year medical students through the WWAMI program in Spokane.
- 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. Labor Archives** – Provides \$200,000 per year to engage with the State Board for Community and Technical Colleges to work on labor archives of Washington State.
- 5. Ungulate Predation Study** – This bill provides \$400,000 in biennial funding to the UW's Predator Ecology Lab to study the how changes in predator population dynamics have impacted the health of Washington's wild ungulate

population. The bill also provides \$600,000 over the biennium to be passed through the UW to another state agency to continue its work preventing livestock depreciation by wolves.

- 6. Climate Impacts Group** – This budget provides \$400,000 over the biennium for climate impact analysis. This funding is no change to the engrossed House budget. Note that there is no funding provided in the Senate budget for this purpose.
- 7. Latino Health Center** – This budget provides \$250,000 per year for the Latino Health Center, which is \$200,000 more over the biennium compared to the House engrossed budget.
- 8. 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).

Funds other than State General Fund

- 1. Ocean Acidification Research** – The Washington Ocean Acidification Center receives \$1.55 million (\$775,000 per year) across the biennium from the State Toxics Control Account to continue operations, collection of data, and ocean acidification forecast modeling. This appropriation is \$150,000 less than the Senate 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. Research on Effect of Marijuana Use** – This budget provides \$1.564 million for two years from the Dedicated Marijuana Account for research on the short- and long-term effects of marijuana use, as authorized Initiative 502. This appropriation is higher than the Senate budget.

Pay Increases

The compensation assumptions remain the same as the engrossed house budget in terms of structure, however the funds provided in this budget differ from other proposals. Refer to Table 2 for a comparison. We believe that the House “offer” budget falls short of covering the tuition freeze and providing funds for GOF-funded position salary increases of 3 percent and 1.8 percent. The shortfall is estimated to be \$4.5 million over the biennium.

This second House Chair budget provides \$12.5 million over the biennium to fund wage increases at 3 percent and 1.8 percent in FY16 and FY17 respectively, for GOF-funded employees. In addition, the second House “offer” provides additional state support of \$6 million over the biennium for additional expenses associated with these salary increases.

The bill indicates that collective bargaining agreements (CBAs) with the Washington Federation of State Employees (WFSE) and Service Employees International Union 925 (SEIU 925) – which include a 3 percent wage increase in FY16 and a 2 percent increase in FY17 – are partially funded.

Benefits:

This House proposal limits employer health care contributions to \$840 in FY16 and \$894 in FY17, both of which represent increases over the FY15 employer health care contribution. However these rates are lower than the engrossed House budget rates, but higher than the Senate budget assumptions (\$831 and \$884).

The appropriations have been reduced in the back of this budget to reflect the reductions in PEBB rates.

Other Higher Education Budget Impacts

1. **Financial Aid** – This most recent House budget makes changes to the House engrossed budget appropriations for financial aid by reducing State Need Grant appropriations by \$2.51 million. This reduction is due to HB 2041, Need Grant Program Scholarships, not passing out of the Legislature. The other change is a \$30 million reduction in the Opportunity Scholarship over the biennium, intended to reflect actual pledges into the account.
2. **Health Professional Education** – Like the House engrossed budget and the Senate “offer,” this budget provides WSAC with \$3.825 million per year from the General Fund to implement the Health Professionals Loan Repayment and Scholarship Program. However, this budget does not include an additional appropriation in the Health Professional Education Account. The program will target loan repayments toward increasing the number of primary care health professionals in rural and underserved communities.
3. **Services & Activities Fees** – The House “offer” budget contains an extension to allow the student services and activities fee to increase beyond the fiscal growth factor.