

Date: March 31, 2015

Subject: Senate Chair 2015-17 Operating Budget Proposal

Leadership in the Senate Ways & Means Committee released its operating budget proposal today in the form of [Proposed Substitute Senate Bill 5077](#). The Senate proposal makes significant changes to [Governor Inslee's proposal](#) from December 2014, and differs significantly from the House Appropriations Committee's proposal ([Proposed Substitute House Bill 1106](#)), which was introduced last week.

Please note that our [original brief on the House budget](#) was modified yesterday (March 30, 2015) after House budget writers released additional detail indicating that allocations from Sections 942 and 943 of the proposal were distributed among higher education institutions to fully fund ratified contracts with SEIU 925 and WFSE and to sufficiently fund salary increases for faculty and professional staff at 3 percent in FY16 and 1.8 percent in FY17. Total allocations related to these expenses equal \$18.4 million in FY16 and \$32.5 million in FY17 (with the majority of the funds in FY17 tied to changes in the capital gains tax).

The House operating and capital budgets will be amended and passed out of committee today, March 31, 2015. The Senate operating budget will be heard in committee today and likely amended and passed out of committee tomorrow. The Senate capital budget will be released sometime next week. As a reminder, we have several weeks until legislative session adjourns on Friday, April 24.

Initial Senate Operating Budget Proposal - Overview

The Senate Ways & Means Chair budget appropriates \$38 billion of Near General Fund State for the 2015-17 biennium by assuming cuts and savings in existing programs. Of this amount, *all* of higher education (including financial aid) would receive nearly \$3.5 billion (or 9.2 percent) – a significant increase over the total higher education appropriations in both the Governor and House budgets.

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 House chair budget, the Governor's budget, and the current ending biennial balance.¹

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

General Fund State + Ed Legacy Fund

Budget	FY1	FY2	Total
<i>2013-15 Funding Level</i>	\$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*	\$285,720	\$309,884	\$595,604
Senate Chair Budget Proposal (Before Exec Session)	\$308,767	\$365,630	\$674,397

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

Table 2 shows the total funding that the other public four-year institutions would receive under this budget, compared to the carryforward level, Governor's budget, and initial House chair budget.

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.

Table 2: 2015-17 Operating Budget Proposals - Higher Ed (General Fund State + Ed Legacy Fund in \$1000s)

	Carry Forward Level			Governor's Budget		
	FY16	FY17	Total	FY16	FY17	Total
UW	\$259,960	\$259,002	\$518,962	\$270,947	\$274,109	\$545,056
WSU	\$177,113	\$177,671	\$354,784	\$186,444	\$189,729	\$376,173
CWU	\$41,060	\$41,088	\$82,148	\$43,188	\$43,900	\$87,088
EWU	\$41,035	\$40,980	\$82,015	\$43,469	\$44,111	\$87,580
TESC	\$21,514	\$21,321	\$42,835	\$23,232	\$23,325	\$46,557
WWU	\$51,889	\$51,906	\$103,795	\$55,108	\$56,374	\$111,482
TOTAL	\$592,571	\$591,968	\$1,184,539	\$622,388	\$631,548	\$1,253,936
	House Chair - Before Amendments*			Senate Chair - Before Amendments		
	FY16	FY17	Total	FY16	FY17	Total
UW	\$280,238	\$301,090	\$581,328	\$308,767	\$365,630	\$674,397
WSU	\$186,653	\$195,315	\$381,968	\$201,820	\$235,615	\$437,435
CWU	\$43,539	\$46,415	\$89,954	\$49,026	\$58,000	\$107,026
EWU	\$43,378	\$45,967	\$89,345	\$45,196	\$52,930	\$98,126
TESC	\$22,860	\$23,988	\$46,848	\$26,103	\$28,776	\$54,879
WWU	\$55,058	\$59,218	\$114,276	\$64,153	\$75,005	\$139,158
TOTAL	\$631,726	\$671,993	\$1,303,719	\$695,065	\$815,956	\$1,511,021

*Note: these figures DO NOT include additional allocations from Sec 928, 942 and 943 of the original House budget

As displayed in table 3 below, the Senate budget would (among other things) appropriate funds to backfill resident undergraduate operating fee reductions, provide limited funds for wage increases while rejecting collective bargaining agreements, invest additional funds in WWAMI, and fund degree expansion in STEM fields.

Table 3: Detailed Comparison of 2015-17 Senate & House Chair Budgets (in \$1000s)

	House Chair Budget	Senate Chair 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
Total 2015-17 Carry Forward Funding:	\$ 518,962	\$ 518,962
Total 2015-17 New Funding:	\$ 76,642	\$ 155,435
Recognized Maintenance Needs	\$ 2,155	\$ 2,155
O&M for UW Bothell's Discovery Hall	\$ 1,762	\$ 1,762
College Affordability Program	\$ -	\$ 95,798
Compensation Increase	\$ 36,689	\$ 49,597
UW's portion of General wage increase (Sec 942)	\$ 12,572	\$ -
UW's portion of WFSE funding (Sec 924)	\$ 324	\$ -
UW's portion of SEIU funding (Sec 928)	\$ 1,380	\$ -
Computer Science	\$ 8,000	\$ -
WWAMI Reallocation	\$ 9,360	\$ 2,500
Medical Residencies	\$ 3,000	\$ -
Ungulate Predation	\$ 1,000	\$ -
STEM Enrollment	\$ -	\$ 4,000
Labor Archives	\$ 400	\$ -
Central Service Tech Adj	\$ -	\$ (377)
Total 2015-17 Funding	\$ 595,604	\$ 674,397

Senate Chair Tuition Assumptions

While the House Chair 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) **the Senate budget would reduce the operating fee portion of resident undergraduate tuition.** This budget assumes the provisions of [SSB 5954](#), which would roll back resident undergraduate operating fees from the current level of \$10,740 to \$9,474 in FY16 and to \$7,561 in FY17 (18% and 14% respectively of the state average annual wage).

We believe **the backfill funding provided in the budget falls short by \$1.2 million in FY16 and \$2.8 million in FY17.**

All other tuition categories remain under control of the UW Board of Regents.

Policy Changes Affecting Funding for UW Activities

- 1. STEM Investments** – The Senate budget provides \$2 million per year (\$4 million over the biennium) to increase bachelor's degrees in Science, Technology, Engineering and Math fields. Note that all public four-years have the same proviso, though UW and WSU would receive \$1 million more in total than each of the other four-year institutions.
- 2. WWAMI** – The Senate budget provides \$1.25 million per year for continued operations of the Washington, Wyoming, Alaska, Montana, Idaho (WWAMI) medical school program. This budget would require that WSU continue to offer the UW services and operations in Spokane under the same conditions and limitations that existed before dissolution of the partnership. The bill contains a provision that would prohibit the UW from increasing the number of partner states in the WWAMI program, unless approved by the legislature.
- 3. O&M Funding** – Both House and Senate chair budgets 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 other, prior provisos** – 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. Provisos that did not receive funding:**
 - *Ungulate Predation Study* – Unlike the House budget, this bill does not fund a UW Predator Ecology Lab study.
 - *Climate Impacts Group* – Neither the House nor the Senate Chair budget provide funds for the Climate Impacts Group, unlike the Governor's budget.

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 is \$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 \$15.6 million of LSDF appropriations to the General Fund in FY16. We are not yet sure what impact this could have on the UW.
- 4. Attorney General’s Office (AGO) Funding** – Both House and Senate chair budgets provide funds for the AGO to hire additional attorneys in the UW Division.
- 5. Research on Effect of Marijuana Use – Not Funded** – The budget provides no funding from the Dedicated Marijuana Account for research on the short- and long-term effects of marijuana use, as authorized Initiative 502. Recall that the House budget provided \$1.564 million for the biennium, an increase over the Governor’s \$1.158 million appropriation.

Compensation

Pay Increases

Every budget proposal, thus far, authorizes salary increases for faculty and staff. However, there are significant differences between the House and Senate budgets with regards to compensation. The Senate bill rejects state-funded contracts with classified staff. Instead, the Senate Chair budget would fund wage increases at \$1,000 per employee and require that the University either renegotiate contracts to match this funding level or locally fund the difference in perpetuity. The Senate budget provides funds for faculty and staff wage increases at \$1,000 per employee and allows the UW to deviate from this assumption with local funds. Should the UW provide compensation increases in excess of these amounts, the UW would be required to pay the difference. The budget notes that the legislature intends to *not* increase state base funding during the current or future biennium as a result of these salary increases.

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:

The Senate budget limits employer health care contributions to \$834 in FY16 and \$858 in FY17, which may require the Public Employee Benefits Board to make benefit changes in order to maintain the current 85/15 split of employer/employee costs as required in the Coalition Bargaining Agreement.

In addition, this budget would also **limit eligibility for PEBB coverage** to ONLY those spouse/qualified domestic partners who have no other coverage available through their employer. Currently, there is a spouse surcharge of \$50.

Central Services

Though fewer **central services** were included in agency carryforward and maintenance levels in the House and Senate budgets than were present in the Governor’s budget, the split of incremental costs covered by tuition revenue remains higher than it has been in prior biennia. In other words, of the central, state-provided services to which the UW must contribute funds, more cost increases are loaded into the tuition (net operating fee) fund than have been in the past.

Other Higher Education Budget Impacts

1. **Financial Aid** – The Senate budget presents a complicated array of changes to state-funded financial aid. We will be 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, the State Need Grant program would be cut by \$17 million. An additional reduction of \$75 million would be applied to the State Need Grant program and the College Bound program in conjunction with decreases in the operating fee portion of tuition.
2. **Health Professional Education** – The budget also directs \$3.825 million per year toward the Health Professionals Loan Repayment and Scholarship Program, which the Student Achievement Council must use to target loan repayments toward increasing the number of primary care and adolescent mental health practitioners in rural and underserved communities. Both House and Senate chair proposals include an additional appropriation of \$1.72 million from the Health Professionals Loan Repayment and Scholarship Account.
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. It is not clear whether this cut in general funds would apply to the UW’s appropriation, but based on prior related actions, we believe part of the reduction would be allocated to the UW.

Initial Senate Capital Budget Proposal - Overview

The Senate Capital budget will likely be released next week.