

Date: March 30, 2015

Subject: House Chair Operating and Capital Budgets

This brief has been revised since its original release on Friday, March 27 and now reflects additional compensation funding information released from House budget writers on Monday, March 30.

This morning, House budget writers released additional detail indicating that allocations from two sections of the [Proposed Substitute House Bill 1106](#), Sections 942 and 943, were distributed among higher education institutions to fully fund ratified contracts with SEIU 925 and WFSE and sufficiently fund salary increases for faculty and professional staff at 3% in FY16 and 1.8% 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).

ORIGINAL BRIEF

Initial House Operating Budget Proposal - Overview

Leadership in the House Appropriations Committee released their first operating budget proposal today, making significant changes to the operating budget bill introduced by [Governor Inslee in December 2014](#). This budget appropriates \$38.9 billion of Near General Fund State for the 2015-17 biennium by assuming cuts and savings in existing programs, new revenue from new taxes and closed tax loop holes, and funding from reserves. Of this amount, *all* of higher education (including financial aid) would receive nearly \$3.48 billion (or 8.9 percent) a slight increase over the total higher education appropriations in the Governor’s budget. We are still reviewing the potential impacts of this budget proposal and will provide revisions to this brief as more information becomes available. **The Senate will release its version of an operating budget, along with capital budgets, in the coming weeks. Both chambers will then work towards a compromise budget before the 2015 legislative session adjourns on Friday, April 24, 2015.**

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 Governor’s budget proposal, the carryforward level 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
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 (Before Exec Session)	\$280,238	\$301,090	\$581,328

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 shows the total funding that the various institutions of higher education would receive under this budget, compared to the Governor’s budget and the carryforward level.

Table 2: 2015-17 State Funding Proposals - Higher Education (in \$1000s)

General Fund State + Ed Legacy Fund

	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 - Not Yet Released		
	FY16	FY17	Total	FY16	FY17	Total
UW	\$280,238	\$301,090	\$581,328	TBD	TBD	TBD
WSU	\$186,653	\$195,315	\$381,968	TBD	TBD	TBD
CWU	\$43,539	\$46,415	\$89,954	TBD	TBD	TBD
EWU	\$43,378	\$45,967	\$89,345	TBD	TBD	TBD
TESC	\$22,860	\$23,988	\$46,848	TBD	TBD	TBD
WWU	\$55,058	\$59,218	\$114,276	TBD	TBD	TBD
TOTAL	\$631,726	\$671,993	\$1,303,719	\$0	\$0	\$0

Although the House chair budget provides the UW with \$81 million more in near general funds for 2015-17 than the UW received in 2013-15, the call on these funds is significant, some of it tied directly to changes in the capital gains tax.

House Chair Tuition Assumptions

Both the House Chair budget and the Governor’s budget **freeze resident undergraduate tuition rates** at all public higher education institutions at the levels charged in 2014-15. However, as the UW did not increase undergraduate resident tuition rates during the 2013-15 biennium, the budget essentially holds rates at the 2012-13 level. All other tuition categories remain under control of the UW Board of Regents.

This bill assumes the provisions of [Substitute House Bill 1696](#) prevail. This bill would revert resident undergraduate tuition setting authority back to the Legislature permanently. Though this bill strikes much of the underlying statute dealing with tuition setting authority, this bill would require the UW to maintain the statutory requirement to divert 5 percent of operating fees back to need-based aid.

As displayed in table 3 below, the House chair 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; and provide funds to freeze resident undergraduate tuition rates and to pay, in part, for compensation increases.

Table 3: 2015-17 House Chair Budget - Specific Adjustments (in \$1000s)

General Fund State + Ed Legacy Fund

Undergraduate Resident Tuition Increase	FY16: 0%, FY17: 0%		
	General Fund	Ed. Leg. Trust	Total
Total Carry Forward 2015-17 Funding	\$504,964	\$13,998	\$518,962
New Funding:			
Recognized Maintenance Needs	\$2,155		\$2,155
Comp Inc/Freeze tuition support	\$12,940	\$23,749	\$36,689
WWAMI Reallocation	\$9,360		\$9,360
O&M for UW Bothell's Discovery Hall	\$1,762		\$1,762
Ungulate Predation Study	\$1,000		\$1,000
Medical Residencies		\$3,000	\$3,000
Computer Science		\$8,000	\$8,000
Labor Archives	\$400	\$0	\$400
Total Near General State Funding	\$532,181	\$48,747	\$581,328

Policy Changes Affecting Funding for UW Activities

- 1. Computer Science and Engineering (CSE)** – The House budget provides \$8 million in FY17 to support CSE enrollment and degree growth – this is double what the Governor’s budget provided for this purpose. Please note, these funds are not available in FY16 as they are tied to changes in the capital gains tax collections.. In both budgets, the UW will be held to current reporting requirements regarding Engineering enrollment growth; however the House budget adds that we would be required to track the enrollments and degrees of students supported directly with these funds.
- 2. Family Medical Residency Network** – This budget would provide \$3 million in FY17 – which is also tied to changes in the capital gains tax – to fund additional medical residencies in Washington State.
- 3. WWAMI** – This budget contains a proviso to transfer \$4.68 million from WSU to the UW to maintain WWAMI. However, this budget also contains a requirement to grow first and second-year enrollments by 20 students.
- 4. O&M Funding** – The bill provides \$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).
- 5. Labor Archives** – The bill provides \$200,000 per year to engage with the State Board for Community and Technical Colleges to work on labor archives of Washington State.
- 6. 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 depredation by wolves.
- 7. Climate Impacts Group** – Unlike the Governor’s budget proposal – which provided \$1 million over the biennium to support the UW Climate Impacts Group – the House budget does **not** provide funding for this purpose.

- 8. 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).

Funds other than State General Fund

- 1. Ocean Acidification Research** – The Washington Ocean Acidification Center receives \$1.55 million across the biennium from the Aquatic Lands Enhancement Account to continue operations, collection of data, and ocean acidification forecast modeling.
- 2. Research on Effect of Marijuana Use** – The budget provides \$1.564 million for the biennium (an increase over the Governor’s \$1.158 million appropriation) from the Dedicated Marijuana Account for research on the short- and long-term effects of marijuana use, as authorized Initiative 502.
- 3. 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.

Compensation

Pay Increases

Both the House Chair budget and the Governor’s budget authorize salary increases for all staff and faculty. What differentiates the two proposals is that the House budget seeks to provide funds for classified staff contracts, faculty salary increases and staff salary increases at a currently unknown level. As a reminder, the Governor’s budget funded all compensation increases at 30 percent of the estimated cost from state funds, with the remaining 70 percent coming from tuition funds.

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 funded in the appropriations bill. However, sections 942 and 943 in the back of the budget contain funds for higher education wage increases, however, the amount of funding is unknown.

Finally, the tuition backfill appropriation of \$12.9 million in FY16 is intended to pay for faculty and staff increases; but, in FY17, this appropriation of \$23.7 million is tied to capital gains tax collections.

Central Services

Though fewer [central services](#) were included in agency carryforward and maintenance levels in the House budget 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 fund (the net operating fee fund) than have been in the past.

Other Higher Education Budget Impacts

1. **Financial Aid** – The House chair budget contains at least \$50 million more funds for State Need Grant and State Work Study than the Governor’s budget. This budget would also fund Substitute House Bill 2041 at \$1.255 million per year to create a state need grant performance-based scholarship pilot project. The budget states that CB students will be given priority for the SNG program “for which they are eligible with a goal of 100 percent coordination.” The bill also contains a new declaration, “If an institution is unable to identify all college bound scholarship students at the time of initial state aid packaging, the institution should reserve state need grant funding sufficient to cover the projected enrollments of college bound scholarship students.”
2. **Health Professional Education** – The budget 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.

Initial House Capital Budget Proposal - Overview

The proposed House capital budget would appropriate \$41.156 million in new funding from the State Building Construction Account. This is significantly less than the Governor’s proposed budget of \$86.2 million, with less funding for the CSE Expansion (\$6.033 million of the \$40 million requested) and no funding to support the completion of the phased renovation of Lewis Hall. It does however propose a greater amount of funding for the Burke Museum (\$26 million), but is still less than the Burke’s requested \$46 million.

The budget also supports Health Sciences Education: MHSC T-wing Renovation predesign (\$623,000), Nursing Simulation Lab (\$4 million), Interprofessional Education (IPE) Classroom (\$3 million). It also would appropriate \$1 million to fund ongoing UW Tacoma Soil Remediation.

The House budget also includes an appropriation for UW Bothell - Phase 4 - Academic STEM (\$500,000). The appropriation is provided solely for predesign, and is subject to the condition that the building be delivered using design-build contracting method, with a guarantee for energy, operations, and maintenance performance.

The House capital budget does not fund the Center for Advanced Materials and Clean Energy Technologies, and Clean Energy Research Test Beds as initiated in the Governor’s budget. Also not included in proposed budget is funding for the Life Sciences Building, UW Tacoma - Urban Solutions Center - Classroom Building Renovation (construction).

The proposed budget would appropriate \$69 million from the UW Building Account to fund Minor Capital Repair - Preservation (\$43.2 million) to support the preservation and renewal of facilities across all three campuses. Projects in this category include infrastructure upgrades, building repairs, utilities and site work repair, life safety, and classroom improvements. Preventative Facility Maintenance and Building System Repairs (\$25.8 million) shifts resources from the capital budget to provide operating resources for UW preventative facility maintenance on the UW Seattle campus.

There is also a provision to renew and extend funding from UW Building Acct to support the development of OFM’s Higher Ed Preservation Information System which aims to equalize the facility condition assessment by higher education institutions.

Table 4, below, compares the House capital budget proposal to the Governor’s budget.

Table 4: The House 2015-17 Capital Budget Compared to UW Requests and Governor's Budget (in \$1,000s)

Requested Projects	2015-17 Request		Governor's Budget 12/18/2014			House Budget Proposal 3/27/2015		
	State Funds	UW Building Account	State Funds	UW Building Account	State Toxics Control Account	State Funds	UW Building Account	State Toxics Control Account
Minor Capital Repair - Preservation	57,800	69,000	-	43,175	-	-	43,175	-
Health Sciences Education Phase I - T Wing Renovation/Addition	8,000		623	-	-	623	-	-
CoE - Computer Science & Engineering Expansion	40,000		40,000	-	-	6,033	-	-
CAS - Life Sciences Building I	40,000		-	-	-	-	-	-
UW Tacoma - Urban Solutions Center - Classroom Building Renovation	18,000		-	-	-	-	-	-
SON - Nursing Simulation Learning Lab	4,000		4,000	-	-	4,000	-	-
Health Sciences Interprofessional Education Classroom Phase I	3,000		3,000	-	-	3,000	-	-
UW Tacoma Campus Development and Soil Remediation	5,000		-	-	1,000	1,000	-	-
CAS - Lewis Hall Renovation	16,000		16,000	-	-	-	-	-
UW Bothell - Phase 4 - Academic STEM	500		-	-	-	500	-	-
Burke Museum	46,200	-	16,000	-	-	26,000	-	-
CoE - Center for Advanced Materials and Clean Energy Technologies	-	-	6,578	-	-	-	-	-
Subtotal:	238,500	69,000	86,201	43,175	1,000	41,156	43,175	-
Other New Appropriations								
Preventative Facility Maintenance and Building System Repairs	-	-	-	25,825	-	-	25,825	-
Higher Education Preservation Information	-	-	-	-	-	-	116	-
Clean Energy Research Test Beds	-	-	12,000	-	-	-	-	-
Subtotal:	-	-	12,000	25,825	-	-	25,941	-
Reappropriations								
Denny Hall Renovation	27,590	-	27,590	-	-	27,300	-	-
Minor Capital Repair - Preservation	-	4,200	-	-	-	-	4,200	-
Higher Education Preservation Information	-	-	-	-	-	-	116	-
UW Tacoma - Urban Solutions Center - Classroom Building Renovation	500	-	500	-	-	500	-	-
CAS - Lewis Hall Renovation	200	-	200	-	-	150	-	-
Burke Museum	650	-	650	-	-	650	-	-
Subtotal:	28,940	4,200	28,940	-	-	28,600	4,316	-
Total:	267,440	73,200	127,141	69,000	1,000	69,756	73,432	-