

Date: March 3, 2012

Subject: Senate Engrossed Supplemental Budget (Making Changes to the FY12 and FY13 State Budget)

Senate Engrossed Budget - Overview

In a rare, surprise move (which has not occurred in the state capitol since 1987), Senate Republicans introduced a striking amendment to the Senate Ways & Means budget on the Senate floor yesterday afternoon and eight hours later, passed their version of the supplemental operating budget with only one amendment adopted. Many amendments were introduced to make changes to the Republican striker, and restore funding to specific areas of state spending, but in the end, only one amendment was carried. While this significant political event has been covered in the [press](#), this brief will compare the engrossed (meaning, adopted as amended) budget to the House budget. The newly engrossed Senate budget does not delay apportionment payments for K12 school districts to the next biennium, while the engrossed House [budget](#) and the first version of the Senate budget did.

Under the newly engrossed Senate proposal, a 3 percent state funding cut is applied to **UW and WSU base budgets in the second year of the biennium (FY13)**. The other institutions and the community and technical colleges received an effective 1 percent base budget cut. As engrossed, the new Senate budget requires us to take around a \$12.2 million state funding reduction.

Recall that under the *original* Senate Ways & Means proposal, **higher education institutions would have received a net zero budget reduction (before the application of provisos). The Governor’s budget would have cut each of the universities by 16 to 17 percent and the House budget included 2 to 3.5 percent budget cuts.**

Note that this budget, which narrowly passed the Senate just after midnight this morning, contains a number of complicated budget changes. These changes are described broadly below until we have an opportunity to refine our understanding of legislative intent in comparison to the budget language.

New Senate Supplemental Budget: Policy Changes Affecting Funding for UW Activities

1. **“Waiver Reductions and Nonresident Tuition Increases”** – While the [budget](#) does not add language to this effect nor reference and modify existing waiver or tuition statute, the supporting budget documents decrease state funds with the intention that we offset budget decreases with tuition revenue increases or waiver reductions. These decreases are entitled “waiver reductions” and “nonresident undergraduate tuition increases.” We believe that what is meant by these changes is that higher education institutions would decrease their waiver commitments (which represent foregone revenue) and therefore generate more net tuition revenue while increasing nonresident undergraduate tuition sufficient to cover the state funding reductions. These changes are not clearly described in budget language or a standalone policy bill, but the changes are offered in budget detail, and presented in the table below.

	FY12	FY13	FY12	FY13
	State	State	Tuition	Tuition
Nonresident UG Tuition	\$ (419)	\$ (1,831)	\$ 419	\$ 1,831
Tuition Waivers		\$ (9,956)		\$ 9,956

While these cuts are troubling, there is no current directive to cut waiver assistance for students. Should this budget pass and no further action requiring us to cut waiver programs is taken, the UW would likely take these reductions as it has taken state funding reductions in the past, and preserve our financial aid programs for students to the best of our ability.

2. **College of the Environment Fund Swap** – The new Senate budget would reduce \$5 million of state general funds for the College of the Environment and backfill the revenue loss with State Toxics Control Account revenue.

3. **College of Engineering Proviso** – The new Senate budget requires that \$3.8 million of state funds in FY13 support College of Engineering enrollments, by converting 425 **existing** student FTEs to Engineering FTEs. This increase is supposed to be covered by our FY13 state budget appropriation, which, as described above, would be \$12 million less than we anticipated. Washington State University’s College of Engineering and the community and technical colleges are also instructed to divert funds for the same purpose.
4. **WSU-UW Aerospace Initiative Funding** – Like previously released budgets, this one includes new revenue (\$1.5 million) from the Economic Development Strategic Reserve Account to create the Center for Aerospace Technology Innovation to advance research in aviation, aerospace, and defense productions.
5. **Ruckelshaus Center** – As requested, our current level of funding (\$90,000) for the Ruckelshaus Center is transferred to WSU.
6. **Reduced Benefits Support** – Both engrossed House and Senate budgets include provisions to reduce the state’s financial support of UW employee health benefits from a maximum of \$850/employee per month to \$800/employee. The employer/employee cost sharing at 85/15 percent remains in place (this cost share is negotiated under the healthcare super coalition collective bargaining agreement). PEBB indicates that better-than-anticipated utilization to date reduces the state’s cost for healthcare for the rest of the biennium, and currently projects that benefits will remain fully funded for the current biennium.
7. **Fees** – This budget bill includes standard language authorizing the UW to establish various fees and requires that a committee on advanced tuition payment be convened to examine the long-term solvency of the Guaranteed Education Tuition (GET) program.

Next Steps – Operating Budget

Both chambers now have engrossed operating budgets, but the House is likely to take up the Senate budget first. The House fiscal committee is scheduled to meet this morning (3/3) but the Senate budget, ESB 5967, is not on the agenda currently. The Senate fiscal committee was scheduled to meet this morning to hear the House budget, but that meeting was cancelled last night. Legislative session is scheduled to end this Thursday, March 8, but this recent shake up will no doubt complicate the last few days of scheduled action.

Debate on the Senate floor yesterday evening was highly emotional and it could take several days before legislators are ready to negotiate differences between the two now very different budget spending plans.

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