

Date: June 5, 2013

Subject: Revised House Ways & Means Chair Budget for 2013-15 (FY14 and FY15)

Revised House Chair Budget - Overview

House Ways & Means Chair Ross Hunter released a revised [House budget proposal](#) today. The proposal represents Democrats’ updated negotiating position as budget discussions intensify in the last few weeks of the current biennium. We expect the revised House chair budget to pass the floor later this week, after which leaders of both parties and chambers will continue their budget negotiations. **It is likely that the UW will not have a clear sense of its actual anticipated state funding level until the end of June.**

Unlike the previous House budget proposal which appropriated \$34.3 billion of Near General Fund State for the 2013-15 biennium, this budget only appropriates \$33.5 billion. Of the latter amount, *all* of higher education, including financial aid, would receive nearly \$3 billion (or 8.5 percent). We are still reviewing the potential impacts of this budget proposal and will provide revisions to this brief as more information becomes available.

Table 1A shows the total funding the UW would receive under the revised House chair budget, divided into three standard categories: the carry forward level, the maintenance level and the performance level.¹

Table 1A: UW State Funding – Revised House Chair Budget (in \$1000s)
General Fund State + Ed Legacy Fund

Budget	FY14	FY15	Total
<i>2011-13 Funding Level</i>	\$211,952	\$209,465	\$421,417
Carry Forward Level	\$225,580	\$225,491	\$451,071
Maintenance Level	\$2,423	\$2,402	\$4,825
Performance Level	\$6,319	\$7,111	\$13,430
House Chair Budget	\$234,322	\$235,004	\$469,326

Table 1B shows the funding the UW would receive under the House engrossed budget (the slightly amended version of the House chair budget that came out at the beginning of April).

Table 1B: UW State Funding – House Engrossed Budget (in \$1000s)
General Fund State + Ed Legacy Fund

Budget	FY14	FY15	Total
<i>2011-13 Funding Level</i>	\$211,952	\$209,465	\$421,417
Carry Forward Level	\$225,580	\$225,491	\$451,071
Maintenance Level	\$2,423	\$2,402	\$4,825
Performance Level	\$9,385	\$9,386	\$18,771
House Chair Budget	\$237,388	\$237,279	\$474,667

¹ The common baseline for all the 2013-15 budget proposals is the 2011-13 funding level plus the carry forward level. The carry-forward level reflects the biennialized cost of decisions already recognized in legislative appropriations. The maintenance level represents the cost of mandatory caseload, enrollment, inflation, and other legally unavoidable costs not contemplated in the current budget. Performance level funding includes funding for any activities beyond the carry forward and maintenance levels.

The revised House budget provides approximately \$5 million less for the UW than the previous House budget. In addition, the revised House budget assumes tuition increases of only 3 percent per year for resident undergraduates, compared to 5 percent per year in the House engrossed budget. Thus, even less revenue is available. Table 2 shows the projected combined funding per student FTE enrollment under the House engrossed budget (5 percent increases per year) and under the revised House proposal (3 percent increases per year).

Table 2: Projected Funding per FTE (State Funding + Tuition) by Budget and Undergraduate Resident Tuition Increase

	FY13	FY14	FY15
House Engrossed Budget, 5%,5%	\$16,803	\$17,290	\$17,390
Revised House Budget, 3%, 3%	\$16,803	\$17,140	\$17,170

Displaying total state funding and tuition on a per-FTE basis is common practice, but it masks some crucial differences between the budgets. In particular, the House engrossed budget required that \$12 million be used to create a Clean Energy Institute (which does not directly support FTE instruction), and the revised House budget devotes \$9 million toward this purpose. In addition, both House budgets dictate that \$16.5 million of the appropriation be used to support enrollments in Computer Science and Engineering. As a result, a simple comparison of funding per FTE can mask the fact that some funds are already spoken for and therefore cannot be considered new funding available for instruction.

Table 3 is a comparison of total funding for each institution of higher education under the the House engrossed budget and the revised House budget. It also includes the carry-forward level for reference. As shown, under the revised House chair budget, each of the state’s six baccalaureate institutions receives a decrease in funding relative to the House engrossed budget.

Table 3: 2013-15 State Funding Proposals - Higher Education (in \$1000s)

	Carry Forward Level			House Chair Budget			House Chair Budget - Revised		
	FY14	FY15	Total	FY14	FY15	Total	FY14	FY15	Total
UW	\$225,580	\$225,491	\$451,071	\$237,388	\$237,279	\$474,667	\$234,322	\$235,004	\$469,326
WSU	\$159,735	\$160,343	\$320,078	\$167,102	\$168,760	\$335,862	\$165,414	\$167,498	\$332,912
CWU	\$35,071	\$35,090	\$70,161	\$35,848	\$35,875	\$71,723	\$35,760	\$35,872	\$71,632
EWU	\$36,133	\$36,089	\$72,222	\$36,984	\$37,037	\$74,021	\$36,766	\$36,930	\$73,696
TESC	\$19,189	\$19,047	\$38,236	\$19,673	\$19,465	\$39,138	\$19,696	\$19,476	\$39,172
WWU	\$44,390	\$44,433	\$88,823	\$45,069	\$45,106	\$90,175	\$44,825	\$44,989	\$89,814
TOTAL	\$520,098	\$520,493	\$1,040,591	\$542,064	\$543,522	\$1,085,586	\$536,783	\$539,769	\$1,076,552

Tuition

The House budget assumes tuition increases of up to 3 percent per year for resident undergraduate students at all the four-year universities and community and technical colleges. Additional funding for the State Need Grant and State Work Study programs is provided to increase award levels along with tuition. These tuition provisions are lower than those in the House engrossed budget, but higher than the provisions in the Senate budget.

The House recognizes that the UW still has another year of tuition setting authority under HB 1795, the Higher Education Opportunity Act; if Regents choose higher tuition increases than those specified in the budget proposal, the UW would be responsible for providing increased financial aid to bridge the gap. Tuition rates for the 2013-14 academic year will be established in late June or early July by the UW Board of Regents, in consultation with the President, Provost, Board of Deans, Provost Advisory Committee for Students, and Faculty Senate Committee on Planning and Budgeting **after a final State budget is enacted.**

New Policy Changes Relative to the House Engrossed Budget

Funded by State General Fund and Education Legacy

1. **Clean Energy Institute Proviso** – Unlike the previous House budget, which allocated \$12 million (\$6 million per year) of the UW's general fund for the creation and staffing of a Clean Energy Institute, the revised House budget only directs \$9 million (\$4.5 million per year) to that purpose.

Funds other than State General Fund and Education Legacy

2. **Forestry Program** – The revised House budget states that the UW shall establish a Forestry Program “within existing resources.” In the accompanying budget spreadsheet, \$450,000 in "tuition resources" is set aside for this purpose.
3. **Center on Ocean Acidification** – Identical to the budgets of Governor Inslee and the Senate, the House now provides \$1.82 million (\$910,000 per year) for a new Center on Ocean Acidification.

Policy Changes Identical to the House Engrossed Budget

Funded by State General Fund and Education Legacy

1. **Computer Science and Engineering Proviso** – Both House budgets stipulate that \$14.5 million of the \$20.8 million in Education Legacy Trust funding appropriated to the UW for the biennium must be reserved for the expansion of computer science and engineering enrollments.
2. **College of Engineering Proviso** – Like the prior House budget, the revised budget appropriates \$2 million (\$1 million per year) in new state funds for the College of Engineering to support an increase in the number of engineering graduates by 425 students. This initiative was initially “funded” through a redirect of UW State appropriations last year. The Senate budget does not provide these funds.
3. **O&M Funding** – The bill provides \$971,000 per year to cover operation and maintenance (O&M) costs for the UW's new Molecular Engineering building and \$170,000 per year to cover O&M costs for the UW's new Dempsey Hall, in parallel to the Senate proposal.

Funds other than State General Fund and Education Legacy

4. **Geoduck Funding**– The revised House budget provides \$300,000 from the Geoduck Aquaculture Research Account for research on shellfish aquaculture techniques, just like the previous House budget.
5. **Aerospace Initiative Funding** – Like all previous budgets, the revised House budget includes \$3 million (\$1.5 million per year) of Economic Development Strategic Reserve Account Funds for the Joint Aerospace Initiative with WSU.

Compensation

Like the House engrossed budget, the revised House chair budget appears to deem the UW's collective bargaining agreements (CBA) to be financially feasible. However, unlike the Governor and Senate budgets, neither House budget states that appropriations for higher education are "sufficient to implement" 2013-15 CBAs at institutions of higher education. It is not yet clear what impact this may have on the UW and its funding, but we will provide more information as it becomes available.

The revised House budget, in line with other proposals, restores the 3 percent salary cut imposed on state agencies in the last biennium (for the UW, this was a temporary reduction of \$12 million per year). In addition, it does not explicitly extend the current salary freeze for state employees, which is set to expire on June 30 of this year. Therefore, we assume the freeze will be lifted under the revised House budget. The revised House budget makes no change to PEBB eligibility rules for state employees and does not apply a premium surcharges on smokers. However, like the House engrossed budget, funding for state employee health insurance is reduced from \$800/month per employee to \$782/month in FY14 and \$791/month in FY15.

Other Higher Education Budget Impacts

1. **Financial Aid** – The revised House budget contains increased funding for the State Need Grant (SNG), work study, and College Bound scholarship programs. Approximately \$29 million is provided to increase SNG and work study award amounts in a way that keeps pace with the 3 percent tuition increases. The plan also includes \$39 million to fully fund the College Bound scholarship program and accommodate enrollment expansion. College Bound students are also guaranteed priority for the SNG. These changes are relatively consistent with the House engrossed budget; however, the new budget does *not* include \$5 million that was originally provided for the Opportunity Scholarship program or the \$100,000 that was set aside for implementation of HB 1817, "The DREAM Act," if it passed.
2. **STARS Eliminated** – The revised House budget eliminates funding for the Entrepreneurs in Residence Program (STARS) at the UW and WSU for a "savings" of \$3.7 million. This is in keeping with all previous budget proposals.
3. **Joint Legislative Audit and Review Committee** – The revised House budget directs the Joint Legislative Audit and Review Committee to conduct an audit of Washington's state research universities (i.e. the UW and WSU). The bill states that the audit's purpose is to "identify cost and profit centers within, and in partnership with, the research universities." The committee's audit must examine the universities' use of public funds; student fees, especially tuition; and auxiliary enterprises. For the UW, the latter includes the UW Medical Center, the internal lending program, the W fund, and the Center for Commercialization.

As the House and Senate work toward a compromise budget, please continue to monitor the [State Relations](#) and [OPB](#) blogs for updates. Even though the end of the biennium is fast approaching, we are still far away from a final, compromise legislative budget, which the University will use when determining FY14 and FY15 unit level budgets.

For more information about the operating budget, please contact: [Carol Diem](#), [Becka Johnson](#), or [Nevena Lalic](#).