

Date: April 10, 2013

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

House Chair Budget - Overview

House Ways & Means Chair Ross Hunter released the [House budget proposal](#) today. This budget appropriates \$34.3 billion of Near General Fund State for the 2013-15 biennium. Of this amount, *all* of higher education, including financial aid, would receive nearly \$3 billion (or 8.4 percent). We are still reviewing the potential impacts of this budget proposal and will provide revisions to this brief as more information becomes available. Once the House chair budget passes the floor (which is expected later this week), leaders of the House and Senate will begin negotiations to reconcile the differences between their respective approaches. It is likely that the UW will not have a clear sense of its actual anticipated state funding level until the end of this month at the earliest.

Table 1A shows the total funding the UW would receive under the 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 - 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	\$9,385	\$9,386	\$18,771
House Chair Budget	\$237,388	\$237,279	\$474,667

Table 1B shows the funding the UW would receive under the Senate engrossed budget (the slightly amended version of the Senate chair budget). Although the House budget provides approximately \$5 million *less* for the UW than the Senate budget, \$10 million of the funds provided by the Senate are available only in the biennium and are not ongoing.

Table 1B: UW State Funding - Senate 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	\$225,580	\$225,491	\$451,071
Maintenance Level	\$2,423	\$2,402	\$4,825
Performance Level without 1-Time Performance Funds	\$6,748	\$6,749	\$13,497
Performance Level with 1-Time Performance Funds	\$11,862	\$11,863	\$23,725
Senate Engrossed Budget without 1-time Performance Funds	\$234,751	\$234,642	\$469,393
Senate Engrossed Budget with 1-Time Performance Funds	\$239,865	\$239,756	\$479,621

¹ The carry forward level is a common baseline for all 2013-15 budget proposals that represents the sum of the carry forward amount and the 2011-13 funding level. Maintenance level funding is the estimated funding required to provide currently authorized services in the ensuing biennium. Performance level funding is the funding for additional services and activities.

In addition, the House assumes that the UW will increase undergraduate resident tuition by 5 percent each year, thus making more revenue available. Table 2 shows the projected combined funding per student FTE enrollment under the Senate budget, with no increase in undergraduate resident tuition, and under the House budget proposal, with a 5 percent increase in undergraduate resident tuition each year.

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

	FY13	FY14	FY15
Senate Proposal, 0%, 0%	\$16,803	\$17,030	\$16,920
House Proposal, 5%,5%	\$16,803	\$17,290	\$17,390

Displaying total state funding and tuition on a per-FTE basis is common practice, but it masks some crucial differences between the House and Senate budgets. In particular, the House Chair budget requires that \$12 million be used to create a Clean Energy Institute (which does not directly support FTE instruction), and a total of \$16.5 million of the appropriation be used to support enrollments in Computer Science and Engineering.

As shown in Table 3, the result is that, once recognized additional operational needs are met and once dedicated funds are removed from the equation, **the UW is left with almost \$10 million less in net new state funding in 2013-15 compared to the previous biennium under the House budget.** Once the potential additional tuition revenue is taken into account, however, the UW fares better under the House budget, even with its spending requirements.

Table 3: Comparison of House and Senate Budget Proposals (in \$1,000s)

Revenue	House Chair	Senate Engrossed w/o 1-Time Funds	
	FY14: 5%, FY15: 5%	FY14: -3%, FY15: 0%	FY14: 0%, FY15: 0%
Undergraduate Resident Tuition Increase			
2011-13 Funding	\$ 421,505	\$ 421,505	\$ 421,505
Total 2013-15 Funding	\$ 474,667	\$ 469,393	\$ 469,393
New Funding	\$ 53,162	\$ 47,888	\$ 47,888
Recognized Carry Forward & Maintenance Needs	\$ 34,391	\$ 34,391	\$ 34,391
Required - Engineering Enrollments	\$ 2,000	\$ -	\$ -
Required - Computer Science & Engineering	\$ 14,491	\$ -	\$ -
Required - Clean Energy Institute	\$ 12,000	\$ -	\$ -
Net New State Funding	\$ (9,720)	\$ 13,497	\$ 13,497
Incremental Revenue from Undergrad Res Tuition Increase	\$ 28,061	\$ (14,022)	\$ -
Total Net Funding Change	\$ 18,341	\$ (525)	\$ 13,497

Moreover, the Senate relies on a draconian 20 percent surcharge on international student tuition to generate this additional funding amount. As mentioned in our previous brief, given that the majority of international students in Washington are enrolled at the University of Washington, this amounts to a tax on UW students. It is expected that the surcharge will lead to a decline in international student enrollments, which could lead to an overall reduction of revenue for the UW.

Table 4 is a comparison of total funding for each institution of higher education under Governor Inslee’s budget priorities, the Senate engrossed budget, and the House chair budget. It also includes the carry-forward level for reference. As shown, under the House budget, each of the state’s six baccalaureate institutions receives an increase in funding relative to Governor Inslee’s proposal, but a decrease relative to the Senate.

Table 4: 2013-15 State Funding Proposals - Higher Education (in \$1000s)

	Carry Forward Level			Governor Inslee’s Budget Priorities		
	FY14	FY15	Total	FY14	FY15	Total
UW	\$225,580	\$225,491	\$451,071	\$232,316	\$232,993	\$465,309
WSU	\$159,735	\$160,343	\$320,078	\$164,974	\$166,404	\$331,378
CWU	\$35,071	\$35,090	\$70,161	\$35,367	\$35,501	\$70,868
EWU	\$36,133	\$36,089	\$72,222	\$36,386	\$36,547	\$72,933
TESC	\$19,189	\$19,047	\$38,236	\$19,255	\$19,190	\$38,445
WWU	\$44,390	\$44,433	\$88,823	\$44,364	\$45,160	\$89,524
TOTAL	\$520,098	\$520,493	\$1,040,591	\$532,662	\$535,795	\$1,068,457
	Senate Engrossed Budget			House Chair Budget		
	FY14	FY15	Total	FY14	FY15	Total
UW	\$239,865	\$239,756	\$479,621	\$237,388	\$237,279	\$474,667
WSU	\$173,084	\$174,767	\$347,851	\$167,102	\$168,760	\$335,862
CWU	\$37,158	\$37,184	\$74,342	\$35,848	\$35,875	\$71,723
EWU	\$38,125	\$38,177	\$76,302	\$36,984	\$37,037	\$74,021
TESC	\$20,854	\$20,486	\$41,340	\$19,673	\$19,465	\$39,138
WWU	\$48,102	\$48,140	\$96,242	\$45,069	\$45,106	\$90,175
TOTAL	\$557,188	\$558,510	\$1,115,698	\$542,064	\$543,522	\$1,085,586

Tuition

The House budget assumes **tuition increases of up to 5 percent per year for resident undergraduate students at the UW, WSU, and WWU** and up to 3 percent per year for resident undergraduate students at all other 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 generally in keeping with those in Governor Inslee’s budget priorities.

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 spring 2013 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.

Policy Changes Affecting Funding for UW Activities

Funded by State General Fund and Education Legacy

- 1. Computer Science and Engineering Proviso** – The House chair budget stipulates 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. Clean Energy Institute Proviso** – In line with Governor Inslee’s plan, the House chair budget allocates \$6 million per year of the UW’s general fund for the creation and staffing of a Clean Energy Institute, which is to focus on energy storage and solar energy. The Senate budget allocated no funds to this purpose.
- 3. College of Engineering Proviso** – Like Governor Inslee’s budget priorities, the House chair budget appropriates \$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.
- 4. 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

- 1. Geoduck Funding Instead of Ocean Acidification** – In contrast to Governor Inslee’s priorities and the Senate Engrossed budget, the House Chair’s budget does *not* fund a center on ocean acidification (for which both the Governor and Senate provided \$1.8 million in funding). Rather, it provides that research on ocean acidification could be combined with research on shellfish aquaculture techniques funded by \$300,000 in state appropriations from the Geoduck Aquaculture Research Account.
- 2. Aerospace Initiative Funding** – The House’s plan includes \$1.5 million per year of Economic Development Strategic Reserve Account Funds for the Joint Aerospace Initiative with WSU—identical to all previous budget proposals.

Compensation

The House chair budget appears to deem the UW’s collective bargaining agreements (CBA) to be financially feasible. However, unlike the budgets of Governor Gregoire’s and the Senate, the House bill does *not* state 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 proposal 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 includes no mention of the current salary freeze for state employees, which is set to expire on June 30 of this year. Given that it is not explicitly mentioned, we assume the freeze will be lifted under the House chair budget. Unlike the Senate Engrossed budget, the House Chair budget makes no change to PEBB eligibility rules for state employees. In addition, unlike both Governor Inslee and the Senate Engrossed budget, there are to be no premium surcharges on smokers.

Other Higher Education Budget Impacts

1. **Financial Aid** – The House budget contains increased funding for the State Need Grant, work study, and College Bound scholarship programs. Approximately \$36 million is provided to increase State Need Grant and work study award amounts in a way that keeps pace with the previously-described tuition increases. In addition, the plan includes \$50 million to fully fund the College Bound scholarship program and accommodate enrollment expansion. College Bound students are also guaranteed priority for State Need Grants. These changes are relatively consistent with Governor Inslee’s proposal; however, the House’s plan includes two new provisions. First, \$5 million is provided for the Opportunity Scholarship program, a public-private partnership. Second, the Student Achievement Council is given \$100,000 to implement HB 1817, known as “The DREAM Act,” if it passes.
2. **STARS Eliminated** – The 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.

K-12 Impacts

The House chair budget directs \$1.3 billion to K-12 in order to meet the requirements of HB 2776, which requires the state to increase its commitment to basic education. This amount is funded by repealing a number of tax exemptions; continuing certain business-and-operation taxes; and extending, but revising, the current tax on beer. Enhancements for K-12 include funds to reduce class sizes; continue phasing in full-day kindergarten; expand student transportation; and increase allocations for materials, supplies, and operating costs.

In closing, we note that one of proposed revenue-raising tax exemption repeals may have a significant impact on the UW: the repeal of the Sales & Use Tax Deferral on High Tech Research & Development. The UW relies on this deferral both to optimize its operational resources and to compete against other research universities whose states do not tax High Tech R&D. We will provide updates as more details become available about this measure and its impact

The House chair budget is an important step in the budget process. As the House and Senate work toward a compromise budget, please continue to monitor the [State Relations](#) and [OPB](#) blogs for updates. 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 (cdiem@uw.edu), Becka Johnson (jbecka@uw.edu), or Nevena Lalic (nlalic@uw.edu).