

**Date:** April 03, 2013

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

***Senate Chair Budget - Overview***

Senate Ways & Means Chair Andy Hill released the [Senate budget](#) proposal today. This budget appropriates \$33.1 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 8.7 percent). The Senate chair budget proposal is one of a series of budgets released as part of the biennial budget process; the House is expected to release its budget proposal next week. It is likely that the UW will not have a clear sense of its actual anticipated state funding level until late April 2013.

Prior to this release, three other proposals were released:

- Governor Gregoire’s “current law” balanced budget,
- Governor Gregoire’s “new law” budget, that assumes some new revenue, and
- Governor Inslee’s Budget Priorities.

Table 1 shows the level of funding for the previous biennium, the carry forward/maintenance level, Governor Gregoire’s “New Law” budget, Governor Inslee’s Budget Priorities, and the Senate Chair budget. As shown, the Senate Chair budget provides more funding for the UW than the other proposals. It must be noted, however, that not all of the additional funds in the Senate budget represent new, ongoing state money for the University; almost half is a result of increases in the maintenance level, and an additional 17 percent represents one-time funding.

**Table 1: UW State Funding<sup>1</sup> Scenarios - Senate Chair Budget Comparison (in \$1000s)**

Budget	FY14	FY15	Total
2011-13 Funding Level	\$211,952	\$209,465	\$421,417
Maintenance Level/Carry Forward	\$225,580	\$225,491	\$451,071
Gov. Gregoire's "New Law" Budget	\$228,376	\$229,650	\$458,026
Gov. Inslee’s Budget Priorities	\$232,316	\$232,993	\$465,309
<b>Senate Chair Budget without 1-time Performance Funds</b>	<b>\$234,751</b>	<b>\$234,642</b>	<b>\$469,393</b>
<b>Senate Chair Budget with 1-Time Performance Funds</b>	<b>\$239,865</b>	<b>\$239,756</b>	<b>\$479,621</b>

**Change to Senate chair budget (with 1-Time funds) from:**

2011-13 Funding Level	\$27,913	\$30,291	\$58,204
Maintenance Level/Carry Forward	\$14,285	\$14,265	\$28,550
Gov. Gregoire's "New Law" Budget	\$11,489	\$10,106	\$21,595
Gov. Inslee’s Budget Priorities	\$7,549	\$6,763	\$14,312
Senate Chair Budget without 1-time Performance Funds	\$5,114	\$5,114	\$10,228

Table 2 shows the funding for higher education institutions at the maintenance/carry forward levels and as proposed in Governor Gregoire’s “New Law” budget, Governor Inslee’s budget priorities, and the Senate Chair budget proposal.

<sup>1</sup> State funding as reported in these tables includes state general funds (001) and Education Legacy Funding.

Under the Senate Chair budget, each of the state’s six baccalaureate institutions receives an increase in funding relative to both Governor Gregoire and Governor Inslee’s budgets. These increases also include maintenance level adjustments.

**Table 2: 2013-15 State Funding Proposals - Higher Education (in \$1000s)**

	Maintenance Level/Carry Forward			Governor Gregoire’s "New Law" Budget		
	FY14	FY15	Total	FY14	FY15	Total
<b>UW</b>	\$225,580	\$225,491	\$451,071	\$228,376	\$229,650	\$458,026
<b>WSU</b>	\$159,735	\$160,343	\$320,078	\$162,641	\$164,046	\$326,687
<b>CWU</b>	\$35,071	\$35,090	\$70,161	\$35,617	\$35,842	\$71,459
<b>EWU</b>	\$36,133	\$36,089	\$72,222	\$36,667	\$36,919	\$73,586
<b>TESC</b>	\$19,189	\$19,047	\$38,236	\$19,435	\$19,435	\$38,870
<b>WWU</b>	\$44,390	\$44,433	\$88,823	\$44,650	\$45,603	\$90,253
<b>TOTAL</b>	\$520,098	\$520,493	\$1,040,591	\$527,386	\$531,495	\$1,058,881
	Governor Inslee’s Budget Priorities			Senate Chair Budget		
	FY14	FY15	Total	FY14	FY15	Total
<b>UW</b>	\$232,316	\$232,993	\$465,309	\$239,865	\$239,756	\$479,621
<b>WSU</b>	\$164,974	\$166,404	\$331,378	\$173,084	\$174,767	\$347,851
<b>CWU</b>	\$35,367	\$35,501	\$70,868	\$37,158	\$37,184	\$74,342
<b>EWU</b>	\$36,386	\$36,547	\$72,933	\$38,125	\$38,177	\$76,302
<b>TESC</b>	\$19,255	\$19,190	\$38,445	\$20,854	\$20,486	\$41,340
<b>WWU</b>	\$44,364	\$45,160	\$89,524	\$48,102	\$48,140	\$96,242
<b>TOTAL</b>	\$532,662	\$535,795	\$1,068,457	\$557,188	\$558,510	\$1,115,698

**Tuition**

The Senate Chair budget contains language allowing the Regents to set tuition rates and all other fees in a manner considered reasonable and necessary **for all student categories other than resident undergraduates**. The budget bill assumes no tuition increases for resident undergraduates, meaning that there is no new funding for the State Need Grant. However, UW Regents retain the authority to set tuition rates for resident undergraduates under HB 1795, the Higher Education Opportunity Act.

It is crucial to note that the budget states that **these tuition provisions will be nullified if SB 5883 passes**. SB 5883 would require a **3 percent decrease in resident undergraduate tuition for 2013-14**. This requirement would mean the loss of \$14 million in revenue over the biennium.

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. **Administrative Efficiencies** – The budget bill reduces overall funding to the UW by \$1.6 million per year, reflecting an expectation of additional administrative efficiencies and other actions to lower costs.
2. **Performance-Based Funding** – The bill provides all of higher education with \$50 million in one-time performance-based funding for the biennium. Of that amount, the UW receives \$10.2 million (\$5.1 million per year for FY14 and FY15) to recognize the UW’s performance in statewide goals.
3. **Higher Education Funding** – The bill distributes an additional \$78.2 million in higher education funding, of which the UW would receive \$8.3 million per year.
4. **O&M Funding** – The bill appropriates \$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.
5. **No College of Engineering Proviso** – Although both Governor Gregoire and Governor Inslee’s proposals included \$1 million per year in new state funds for the College of Engineering to continue enrollment growth, the Senate’s proposal contains no such proviso.
6. **International Student Surcharge** - \$59 million of new funding for higher education is expected to come from a 20 percent surcharge on tuition paid by international students which would flow directly to the State General Fund, as proposed in SB 5893. It is estimated that as much as \$48 million – more than 80 percent – of those funds will be paid by UW students, yet UW would only receive a fraction of the revenue. This surcharge is, in effect, a tax on UW students designed to support higher education at all institutions.

### Funds other than State General Fund and Education Legacy

7. **Aerospace Initiative Funding** – The Senate’s plan includes \$1.5 million per year of Economic Development Strategic Reserve Account Funds for the Joint Aerospace Initiative with WSU—identical to both previous budget proposals.
8. **Center on Ocean pH Balance** – The plan also provides \$910,000 per year for a new Center on Ocean pH Balance in response to the Governor’s blue ribbon task force on ocean acidification—other than a small change to the name of the center, this is identical to both previous budget proposals.
9. **Fund Transfer from UW Hospital Account** – The bill transfers \$12.5 million from the UW Hospital Account to the general fund, thus reducing funds used to fund medical training as well as the hospital’s ability to provide the services required by the state.

## *Compensation*

The Senate chair budget deems the UW’s collective bargaining agreements (CBA) to be financially feasible and makes provisions for each CBA submitted to the Governor in October. In addition, 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) is restored.

The proposal 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 Senate Chair budget. The budget also assumes certain savings that impact employee health insurance benefits – in particular, just as in Governor Inslee’s budget, a \$25 per month premium surcharge is imposed on those who use tobacco products. In addition, the Senate Chair budget assumes savings by aligning state employee healthcare eligibility with the federal standard specified in the Affordable Care Act and limiting PEBB healthcare eligibility to those who work 130 hours per month (approximately 75 percent) or more. Those below the federal threshold would utilize the Healthcare Exchange to purchase healthcare. **This is a significant change in policy, and we expect it to become a serious topic of public debate in the weeks to come.**

### *Other Higher Education Budget Impacts*

1. **Financial Aid** – The Senate chair’s budget contains increases for student financial aid primarily related to the incoming enrollment expansion of College Bound students. In addition, College Bound students are guaranteed priority for State Need Grants. Again, the budget does not contain new State Need Grant funding for tuition increases, as it assumes institutions will not increase tuition rates for resident undergraduate students.
2. **STARS Eliminated** – The Senate budget eliminates funding for the Entrepreneurs in Residence Program (STARS) at the UW and WSU for a “savings” of \$3.7 million.
3. **Life Sciences Discovery Fund** – The proposal shifts \$42 million in funding away from the Life Sciences Discovery fund, from which the UW often receives grant funding. While it is not clear what impact this will have on the UW, there is the potential for lost research funding.
4. **STEM Enrollments** – Although both Governor Gregoire and Governor Inslee’s proposals included \$11 million for a competitive funding program for public baccalaureate institutions to expand STEM enrollments, the Senate budget does not include an appropriation for increasing STEM enrollments.

### *K-12 Impacts*

The Senate’s plan directs \$1 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 through a series of “spending controls and savings,” fund transfers, and redirection of capital resources. Enhancements for K-12 include funds to improve student outcomes, continue phasing in full-day kindergarten, enhance teacher and principal evaluations, and support for maintenance, supplies, and operating costs.

**The Senate chair budget is an important step in the budget process.** The House is expected to release its budget next week. We will provide a brief when each is released, and, as each chamber works toward a compromise budget, please continue to monitor the [State Relations](#) and [OPB](#) blogs for updates. We are at least a month away from a final, compromise legislative budget, which the University will use when determining FY14 and FY15 unit level budgets.

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