

Date: April 5, 2011
Subject: 2011-13 (FY12 and FY13) **House Ways and Means Chair Budget**

Budget Process Timeline

The Ways and Means (fiscal) committee in the Washington State House of Representatives released its long-awaited operating and capital budgets yesterday. As a reminder, both the House and the Senate fiscal committees release separate operating budgets following the Governor's December proposal. The legislative budget process begins with House and Senate chair budgets before each corresponding chamber formally adopts a budget after which leadership in both chambers work toward a negotiated budget, known as a conference budget, which is sent to the Governor for her signature if passed. Today's House chair budget is a significant but preliminary step toward a final biennial operating budget.

The House operating budget for 2011-13 also contains an additional minor reduction in funding for the UW in FY11 of \$154,000.

House Capital Budget

The House 2011-2013 Capital Budget proposal provides \$43.9M in new State Building Construction account funds including the Odegaard Undergraduate Learning Center renovation, Minor Capital Repairs, the House of Knowledge, UW Seattle High Voltage Infrastructure Improvements, and design-phase funding for Anderson Hall. Additionally, the budget identifies \$50.4M of new UW Building account funds for Minor Capital Repairs and Preventive Maintenance and Building Repair and pre-design funding for Miller Hall.

House Operating Budget

In total, the House budget **permanently cuts \$204 million of state funds, or 32.2 percent**. These reductions are outlined in more detail on the next page but, in addition to basic general funding level cuts, include a cap on state contribution to UW employee pensions, the now permanent FY2011 cut passed earlier this year, and a one-time cut to account for the revenue the UW is realizing from over-enrollment of students. The **only** additions include tuition increases of **13 percent per year for two years for resident undergraduates**. **Notably, based on the House chair's proposed budget, the share of the UW core education budget provided by tuition revenue would jump to 72 percent in FY13, 22 percent higher than in the current biennium in which the 50 percent mark was first exceeded for the first time in history.**

While the Governor's budget sought to normalize reductions across the four-year institutions and the community and technical colleges, the House chair budget minimizes reductions to the community and technical colleges. The percent cut to the **community and technical colleges before tuition increases is 9.1 percent, compared to the UW's cut amount of 32.2 percent**. When estimated tuition revenue is added to the community and technical college cut, the **effective reduction for that system is 3.5 percent**.

Offsetting tuition increases outlined in the House budget are described in the section below. However, we harbor concerns about the impacts of several of the policy level reductions.

Policy and Funding Issues

The specific fiscal and policy actions taken in the House Chair Budget that result in revenue changes for the UW are detailed below. The House Chair Budget:

1. **Establishes different tuition rate increases** – The House budget assumes different tuition increases for resident undergraduates at the six public baccalaureate institutions and community college system:

UW	WSU	EWU	CWU	TESC	WWU	CTCs
13%	13%	11.5%	11.5%	11.5%	13%	11%

2. **Imposes a Cap on General Fund Support for Higher Education Pensions** - Like the Governor’s budget, the House budget caps the state support of higher education pension plans at 6 percent of salaries. This cap translates into a budget cut for the UW of \$8.3 million a year, or \$16.7 million for the biennium. This reduction is nothing more than a cut, however, the **UW remains committed to funding the University of Washington Retirement Plan at current levels.**
3. **Dictates State Fund Reserves** - The House budget mandates that a certain amount of each institution’s general fund appropriation be held in reserve *each year* until as yet unspecified performance goals laid out by the Governor are achieved. For the UW, that amount is roughly \$3.2 million of our annual general fund appropriation.
4. **STEM Enrollment Increases** - This budget appropriates some funds specifically for 25 additional FTE in high demand areas of study, but, for the UW, this amount is restricted in a bizarre way. The budget specifies that the \$308,000 appropriation may not be used in the College of Arts and Sciences, except when the student FTE is required to take a course in that College. The other institutions are not similarly restricted.
5. **Mandates Across the Board Compensation Reduction**- This policy’s presentation in the budget is extremely complex and we will continue to work out the details and intent of these sections in the budget. **However, we are committed to including the reductions to “compensation” as a general budget cut that does not specifically target the individual salaries of all personnel.** Again, our analysis of these sections remains ongoing. In the meantime, note that the UW’s total “share” of salary “savings” from general fund state is \$24 million for the biennium.
6. **Memorializes Fiscal Year 2011 Special Session Cuts (FY11 cuts carried forward)**- For the UW, this means that our \$11.4 million cut formalized last in December becomes a permanent cut carried in 2011-13 however, UW units already took this reduction in FY11 as a permanent cut; therefore, we would not apply this cut to units in FY12.

These policy changes equate to a total state funding cut of approximately \$204.7 million over the biennium. However, UW units already took the cut labeled “Previous Cut from 2010” as a permanent reduction, so we back this reduction out of our calculation in the table “UW Calculations” below.

STATE ACTIONS (biennial)	UW	UW Calculations to get to FY12
Higher Education Cuts	-\$141,268	-\$204,733 Biennial Cut
Cap Funding for Retirement Plans at 6%	-\$16,683	\$22,772 Units previously cut in FY11
Biennialize Previous Cut from 2010	-\$22,772	-\$181,961 Biennial UW Internal Cut Target
Gov's 3% Salary Cut - GF only	-\$24,010	-\$90,981 FY12 Cut Target
Total Cut for FY12 and FY13	-\$204,733	
Percent Cut before Tuition Increases	-32%	

The House Budget’s Impact on the UW’s Internal FY12 Budget

As presented above, the UW’s state funding would be cut by \$204 million over two years. After accounting for the FY2011 reductions that UW units already permanently cut from their budgets, this translates to a UW budget shortfall of \$90.9 million for FY2012 *before* considering tuition revenue, fixed cost budget increases, and the allocation of Provost’s reinvestment funds. The shortfall would be distributed to Seattle, Bothell and Tacoma as prescribed in previous budget deliberations: Seattle, 88.68 percent; Tacoma, 6.36 percent; Bothell, 4.96 percent.

Seattle	-\$80,682
Bothell	-\$4,513
Tacoma	-\$5,786
FY12 Cut	-\$90,981

The General Operating Fund FY12 budget cut estimate does not take into account expected required cost increases of various required expenses like utilities, property rentals, insurance, etc. For Seattle, the **sum** of the \$80,682 million cut, plus expected fixed cost increases, less likely designated operating fund increases equals a 14.42% cut to the adjusted base budget. Note that this **14.42 percent cut is calculated before the allocation of tuition under Activity Based Budgeting** and the Interim Provost’s conversations with Deans, faculty, and leadership regarding the allocation of the Provost’s reinvestment funds.

Changes to Financial Aid

State Need Grant (SNG) – Funding for SNG was increased to account for proposed resident undergraduate tuition rate increases outlined in the House Budget. However, **22,000 eligible Washington students did not receive a SNG during the 2010-11 academic year** because of funding limitations. From a policy standpoint, the SNG program is **not fully funded until all eligible students receive funding**. While the House chair’s budget keeps the eligibility requirements the same for the next two years, if a similar number of students are eligible for a SNG, the program is likely to again run out of funds before serving all eligible students. Eligibility ranges for the SNG are not altered in this proposal, but a provision allows for grants to be reduced by the amount of any federal Pell Grant increases during the biennium.

Also note that grant amounts for students attending **private nonprofit institutions would be capped at the regional institution grant level**, not the research institution grant level. Additionally, grants for **students attending private for-profit institutions would be suspended in the future**.

State Work Study – The House chair budget does not contain appropriations for the state’s Work Study program. In budget details, it is noted that the program is suspended for the 2011-13 biennium.

Higher Education Coordinating Board (HECB) reductions – This budget would cut the policy, planning, and research functions of the HECB in half.

Specific University of Washington Provisos and Mandates

- The UW’s Geriatric Education Center received state general funds of \$54,000 in FY12 and FY13 to continue their voluntary adult family home certification program.
- The Center for International Trade in Forest Products (CINTRAFOR) received \$50,000 in FY12 and \$52,000 in FY13 to continue forest resources research.
- The UW received \$700,000 for the identification, evaluation, and implementation of evidence-based or promising practices for serving children and youth with mental health disorders.

- The UW would now be required to allot state, tuition, and federal funds when scheduling the expenditure of state funds for the coming fiscal year.
- The UW would be required to report budgeted student FTE levels at the start of every fiscal year. In addition, the UW is required to produce at least 8,657 bachelors degrees each year of the biennium.

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