Initiative 1033 and the University

Initiative 1033 limits annual growth of state, city and county general fund revenue to the rate of inflation and population growth. General fund revenues exceeding this limit must be used to reduce the following year’s state, city or county general fund property tax levy. (From OFM’s Fiscal Impact Statement for Initiative 1033).

The Office of Financial Management estimates that Initiative 1033 (I-1033) will reduce general fund – state revenues (identified in the diagram below as “NGF-S”) by $2.7 billion over the next three years and by $5.9 billion* through 2015.

With a $9 billion deficit in the current biennium, the legislature made $5.5 billion in cuts within the 2009-11 budget to state government, as well as one-time solutions, such as federal stimulus dollars. As depicted in Figure One below, Higher Education took 12 percent of the $5.5 billion, or $674 million. The UW withstood nearly a third of the $674 million reduction with cuts of $214 million.

Assuming the same distribution of reductions over the next three fiscal years would mean deeper cuts totaling over $82 million for the UW out of $2.1 billion in total reductions at the state level necessitated by I-1033.
Planning and Budgeting Brief

But the same distribution of cuts is unlikely. Most obviously, K12 public schools are constitutionally protected and further cuts are unlikely. Taking K12 out of the equation and pro-rating the cut across all of the other areas of state government would result in a distribution of cuts that would mean an even higher proportion from higher education – 17 percent as shown in Figure Two.

![Figure Two: 2011-13 Biennial Post-1033 Proportion of $2.1 billion in Estimated Reductions](image)

Of the 17 percent, the UW’s cut is estimated at $114 million through the 2013 fiscal year. This would be in addition to the $214 million in cuts the University has already taken in the current biennium (2009-11).

Using the same methodology as above, cuts for the 2013-15 biennium would range from another $113 million to $156 million for the UW; and $355 million to $492 million for higher education more generally.

The impacts noted here assume no new revenues to assist the state in solving its revenue/expenditure problem. Should the legislature decide to consider new revenues, the level of cut across state government would be mitigated but may be applied disproportionately to specific areas, such as enhancements in K12 and maintaining health care. Further reductions to the University remain likely under any scenario should I-1033 pass.
Table One highlights the overall biennial impacts of I-1033 and estimated impacts to higher education in general and the UW specifically.

<table>
<thead>
<tr>
<th></th>
<th>2011-13 Biennium</th>
<th>2013-15 Biennium</th>
<th>Total Effect through FY15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total General Fund - State Revenue Loss</td>
<td>2,113,000</td>
<td>2,911,000</td>
<td>5,024,000*</td>
</tr>
<tr>
<td>Subsequent Higher Ed Cut (no cut to K12)</td>
<td>357,286</td>
<td>492,103</td>
<td>849,389</td>
</tr>
<tr>
<td>UW – roughly 32% of Higher Ed Reduction</td>
<td>113,547</td>
<td>156,392</td>
<td>269,939</td>
</tr>
</tbody>
</table>

*OFM provides their fiscal impact statement using calendar years, but biennia are composed of fiscal years (two at a time). Calendar years straddle fiscal years (and vice versa). Therefore, in order to normalize biennia from calendar year data, calendar years were adjusted and this represents the difference between a $5.0 billion impact from I-1033 through fiscal year 2015 and a $5.9 billion impact through calendar year 2015.
Planning and Budgeting Brief

For more information, please contact the Office of Planning & Budgeting, 206-543-6277 or budget@uw.edu