



Planning and Budgeting Brief

Date Prepared: **April 29, 2009**
Subject: **2009-11 Legislative Operating Budget**

Executive Summary

The Legislative Problem and Solution

- The state faced a huge gap between revenues and spending *just to maintain current services* (\$7 billion next biennium and \$2 billion this biennium).
- In order to solve this problem, the budget used \$3 billion in federal relief. In addition, the budget cut over \$3 billion in state spending. Fund transfers, state budget stabilization funds, and other resource and expenditure changes made up the remaining \$3 billion.

How the UW was Affected in the Operating Budget

- The UW was cut by over \$214 million in the final legislative budget. This compares with the \$116 million cut proposed by the Governor.
- The Legislature had more federal relief to use than the Governor. The Legislative budget provided \$25 million of one-time federal relief funding to the UW.
- The budget reduced enrollments by 1,364, on average, annually.
- The budget includes tuition increases of “no more than” 14% each year for resident undergraduates and tuition-setting authority for all other types of students (e.g. graduate and professional students).
- In addition, reductions in health care and social service programs will have a direct negative impact on Harborview and UWMC.

How the Rest of Higher Education was Affected

- Out of all higher education, the UW had the highest percentage cut at 12% (accounting for increased tuition resources).
- Community and Technical Colleges took the lowest percentage cut at 8% (accounting for increased tuition resources).
- The rest of public higher education four-year institutions were cut at 10-11%, accounting for increased tuition resources.

How the Rest of State Government was Affected

- Overall, the final budget agreement between the houses was a compromise, with the Senate prevailing on K12, Higher Education, Long-Term Care, and Corrections, and the House prevailing on other items, namely Early Learning, and Other Human Services.
- The budget cut Health Care extensively –Basic Health Plan (BHP) was drastically reduced, General Assistance-Unemployable (GA-U) was cut, hospital reimbursements were cut, K12 was cut, i.e., *all* areas of the budget saw reductions.
- No additional compensation was allowed for anybody, even teachers and community college staff under I-732 (suspended) in the final budget. This wasn't surprising, as it was a central element of both the House and Senate initial budget proposals.



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Operating Budget Overview

State operating budget resources for the University of Washington (UW) total \$621.1 million in the 2009-11 biennium. The enacted budget includes \$214.2 million in reductions to state funds -- a reduction of 26% compared to the level required to maintain current activities and programs. One-time federal stimulus funds totaling \$24.7 million are used to offset state budget reductions for a "net" reduction of \$189.5 million -- a 23 percent cut from the level required to maintain current activities and programs. Tuition increases of 14% each year are authorized for undergraduate resident students and ESSB 5734 provides the UW Board of Regents with continued authority to set tuition levels for all other tuition categories. Revenues from tuition increases are anticipated to result in an additional \$89.7 million for the UW in the 2009-11 biennium to further offset state reductions resulting in an overall net reduction of 12% from the level required to maintain current activities and programs. The Conference budget distributes the reductions as follows:

- \$43.5 million in reductions to academic and instructional support
- \$31.7 million in reductions to other non-instructional services by at least 12 percent (libraries, facility and grounds maintenance, utilities, state-sponsored research, public service, etc.)
- \$114.2 million in reductions to student services and instruction.

	State Fund Appropriation	State Reduction	State Reduction After Stimulus
Governor	\$718.2	-\$116.0	-\$116.0
Senate Chair	\$645.1	-\$189.2	-\$164.5
House Chair	\$573.7	-\$260.6	-\$226.6
Conference	\$621.1	-\$214.2	-\$189.5

The budget included two additions for the University of Washington:

- \$150,000 to the Ruckelshaus Center to support the Nurse Staffing Steering Committee.
- \$102,000 to the Center for International Trade and Forest Products (CINTRAFOR) in the College of Forestry, which is transferred from the Department of Trade and Economic Development (CTED).

Compensation

The operating budget does not include any funding for salary increases for represented or non-represented employees. Health care benefits are funded at \$745 per month for FY 2010 and \$768 per month in FY 2011. These rates are subject to statutory limitations and collective bargaining agreements. The Public Employees Benefits Board (PEBB) may make adjustments to employee premiums, point of service payments or plan design in order to work within the appropriation.

Enrollments

The operating budget reduces enrollments at the UW to 37,162 from the 2009 budgeted level of 38,526 -- an average of 1,364 fewer students each year. When compared to the projected enrollment estimates for 2009, up to 2,500 fewer students may be able to access a college education at the UW in the 2009-11 biennium. Furthermore, budget proviso language directs the University to continue to maintain and endeavor to increase enrollments at 2008-09 levels in the following high-demand fields: Computer and information sciences; education with specializations in special education, math, or science; mathematics and statistics; engineering and engineering technology; health professions and related



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clinical sciences; and biological and biomedical sciences. Budget language is also included that directs the UW to seek to maintain and to the extent possible increase enrollment opportunities at the branch campuses, and to eliminate and consolidate programs of study for which there is limited student or employer demand or that are not areas of core academic strength for the University.

Tuition and Financial Aid

The operating budget authorizes tuition increases of 14 percent for resident undergraduate students at the UW in each year of the 2009-11 biennium. At least one-seventh of the tuition revenue resulting from the portion of this tuition increase above 7 percent must be used to provide additional financial aid to resident undergraduate students. ESSB 5734 authorizes the University to continue to set tuition rates for graduate and professional students and non-resident undergraduates as determined necessary.

The budget provides an additional net of \$57.8 million to maintain state student financial aid programs by reflecting the tuition rates assumed in the budget, as well as making changes to these programs that reduce costs. For example, the state need grant award levels are reduced, on average, by 2 percent to account for increases in Pell Grant awards under the recently-enacted federal fiscal stimulus legislation. An increase in federal work-study funding also included in the federal fiscal stimulus legislation is used to adjust state subsidies for the state work-study program downward to approximately \$3,100 per student per year. Awards provided under the Washington Scholarship program are reduced to 90% of tuition and fees at public colleges and universities. The budget further graduates the state need grant awards for those between 51 percent and 65 percent of MFI to the following levels:

- 51% to 55% of MFI = 70 percent of the full grant
- 56% to 60% of MFI = 65 percent of the full grant
- 61% to 65% of MFI = 60 percent of the full grant
- 66% to 70% of MFI = 50 percent of the full grant

I-960 Fee Increases

The operating budget provides authorization for fee increases subject to the provisions of Initiative I-960. These include summer quarter tuition, fee-based and self-sustaining degree and certificate programs, services and activity fees, student technology fees, course and lab fees, and other administrative fees.

Other UW Budget Items

Operations and Maintenance for Renovated Buildings. The budget provides increased state operations and maintenance support for additional gross square feet on state-funded buildings already authorized in the previous capital budget. Under this approach, \$442,000 is provided for the University of Washington-Tacoma Assembly Hall.

Shellfish Biotoxin Monitoring. The budget provides additional one-time appropriation authority of \$75,000 each year from the Shellfish Biotoxin Account in the 2009-11 biennium for shellfish biotoxin monitoring by the Olympic Regional Harmful Algal Bloom Program of the Olympic Natural Resource Center. Additional authority of \$50,000 is provided in the 2009 supplemental budget.

Geoduck Aquaculture Research Funds. Funding is maintained for the Geoduck research program.

Center for International Trade in Forest Products (CINTRAFOR). A total of \$102,000 of state funding and commensurate responsibility is transferred from the Department of Community Trade and Economic Development budget (CTED's budget of \$205,000 for this purpose was eliminated).



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Budget Items In Other Agencies

Guaranteed Education Tuition Program Study (Office of the State Actuary). The budget provides \$175,000 to the Office of the State Actuary to conduct an independent assessment of alternatives for assuring the long-term financial solvency of the guaranteed education tuition (GET) program. The review is due by November 15, 2009.

OPEB Valuation for the University of Washington Medical Center (Office of the State Actuary). A total of \$20,000 in funding from the Department of Retirement Systems Expense Account is provided to perform ongoing valuations to assist the UW Medical Center and Harborview Medical Center with OPEB financial reporting.

STARS Program (CTED). The budget reduces funding for the STARS Program by \$200,000. Funds from this program are used to recruit star researchers to higher education institutions.

Washington Technology Center (CTED). The budget reduces pass-through funding to the Washington Technology Center by \$635,000, 11% of their \$5.7 million base budget.

Supplemental Professional Service Payments to UW Medicine (DSHS). The Department of Social and Health Services will seek a Medicaid state plan amendment to create a professional services supplemental payment program, which bridges the shortfall between current fee-for-service Medicaid payments to participating providers and the applicable federal upper payment limit. UW Medical providers would be responsible for providing the local funds required to obtain federal matching funds for this purpose.

Health and Human Services Budget Reductions. Health care and human services face substantial reductions, including major cuts to the basic health plan, state funding for public health services, and reduced service levels for other state-funded health services. Reductions that may have an impact on the UW Medical Center and Harborview Medical Center include the following:

- Continuation of the one percent reduction in managed care rates made in 2009 and no additional increases in managed care premiums this biennium;
- Reduction to inpatient and outpatient hospital rates;
- Reduction in the Alien Emergency Medical program;
- Reduction in funding for the Basic Health Plan;
- Reduction in GAU Medical;
- Reduction to dental services;
- Rate reduction for pediatric office visits;
- Reduction in Maternity Support Services;
- Reductions in public health funding.



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University of Washington 2009-11 Operating Budget Comparisons (Near GFS, Dollars in Thousands)								
			Governor	Senate	House	Conference	Difference (Conf-Senate)	Difference (Conf-House)
2007-09 Appropriations			\$792,417	\$792,417	\$792,417	\$792,417	\$0	\$0
Maintenance & Carryforward Level (ML)			833,886	834,370	834,370	834,370	0	\$0
Non-Comp Policy Level Requests:								
1.	Competitive Compensation		0	0	0	0	0	0
2.	Collective Bargaining Agreements		0	0	0	0	0	0
3.	College of the Environment		0	0	0	0	0	0
4.	Increased Access and Degrees in Areas of Critical State Need		0	0	0	0	0	0
5.	Recruitment and Admissions		0	0	0	0	0	0
6.	Improving the Undergraduate Learning Environment		0	0	0	0	0	0
7.	Support for Biomedical Research		0	0	0	0	0	0
8.	Health Metrics and Evaluation		0	0	0	0	0	0
9.	Technology and Society Research		0	0	0	0	0	0
10.	Environmental Research		0	0	0	0	0	0
11.	Expand Childcare for the UW Community		0	0	0	0	0	0
12.	Campus Safety		0	0	0	0	0	0
13.	Support for Teaching Hospitals		0	0	0	0	0	0
14.	Support for Clinical Professional Training		0	0	0	0	0	0
15.	O&M for the Business School		0	0	0	0	0	0
16.	Sound Future Partnership		0	0	0	0	0	0
17.	Budget Reduction		(93,599)	0	(226,648)		0	226,648
19.	O&M for Renovated Buildings		369	in ML	in ML	in ML	0	0
20.	Ruckelshaus Center - Nurse Staffing		0	0	0	150	150	150
21.	CINTRAFOR		0	0	0	102	102	102
22.	Governor Directed Freeze on Hiring & Other		(20,260)	0	0	0	0	0
23.	Governor Directed 1% Reduction		(2,158)	0	0	0	0	0
24.	Academic & Institutional Support Reduction		0	(43,500)	0	(43,500)	0	(43,500)
25.	Other Non-Instructional Reductions		0	(31,490)	0	(31,723)	(233)	(31,723)
26.	Student Services & Instruction Reduction		0	(89,512)	0	(114,226)	(24,714)	(114,226)
27.	Fiscal Stabilization Grant		0	(24,730)	(33,975)	(24,730)	0	9,245
Total Non-Comp Policy Level			(115,648)	(189,232)	(260,623)	(213,927)	(24,695)	46,696
<i>Percent Reduction from Maintenance Level</i>			<i>-13.9%</i>	<i>-22.7%</i>	<i>-31.2%</i>	<i>-25.6%</i>		
<i>Percent Reduction from Maintenance Level WITH Stimulus</i>			<i>n/a</i>	<i>-19.7%</i>	<i>-27.2%</i>	<i>-22.7%</i>		
<i>Percent Reduction from Maintenance Level WITH Stimulus & Tuition</i>			<i>-6.1%</i>	<i>-9.0%</i>	<i>-16.0%</i>	<i>-11.9%</i>		
Comp Policy Items								
28.	Employee Health Insurance					5,437		
29.	Pensions - Actuarial Method Change					(4,790)		
2009-11 TOTAL BUDGET			\$718,238	\$645,138	\$573,747	\$621,090		
<i>\$ Change from 2007-09</i>			<i>-\$74,179</i>	<i>-\$147,279</i>	<i>-\$218,670</i>	<i>-\$171,327</i>		
<i>Percent Change from 2007-09</i>			<i>-9.4%</i>	<i>-18.6%</i>	<i>-27.6%</i>	<i>-21.6%</i>		
INCREMENTAL TUITION REVENUE			\$65,130	\$89,676	\$93,042	\$89,676		
<i>(Senate=7% for ALL, House=10% for ALL)</i>								