



# Planning and Budgeting Brief

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Subject: **Initial Senate & House Chair Budgets for 2009-11 Operating Budgets – Not yet out of committee**

## Executive Summary

### The Legislative Problem and Solution

- The state faced a huge gap between revenues and spending *just to maintain current services (\$6 billion next biennium and \$1 billion this biennium)*.
- In order to solve this problem, both the Senate and House used \$3 billion in federal relief. In addition, the Senate cut nearly \$4 billion while the House cut roughly \$3 billion as well as transferred over \$1 billion in funds from other sources into the State General Fund.

### How the UW was Affected in the House & Senate Proposed Chairs' Budgets

- The UW was cut by over \$189 million in the Senate and nearly \$261 million in the House. This compares with a cut by the Governor of \$116 million.
- Unlike the Governor, the Senate and House had federal relief to use in higher education and they did so. The House provided federal relief funding at \$34 million while the Senate provided it at \$25 million. These were both used to cover cuts at the exact same level so they were a “wash” in both budgets.
- The Senate cut enrollments by 1,505, on average, annually. The House did not cut UW enrollments and required current graduation levels for fields in high demand.
- The House proposed a tuition increase of 10% and tuition-setting authority for Educational Outreach and other fee-based programs. The Senate continued the current resident undergraduate cap of a 7% tuition increase. Regarding tuition-setting authority for students other than resident- undergrads: the House budget had no provisions, in contrast to the Governor’s and Senate’s budget. Such authority may occur in the House through SSB 5734, if passed (it is currently in House Rules Committee). This bill provides this authority in statute, rather than the Budget Bill. We would prefer this authority in statute.
- In addition, reductions in health care and social service programs would have a direct impact on Harborview and UWMC in both the Senate and House budgets.

### How the Rest of Higher Education was Affected by the House & Senate Proposed Chairs' Budgets

- Out of all higher education, the UW had the highest percentage cut in the House.
- There was greater equity in the cut within the Senate budget (the range of cuts was lower) and the overall cut was lower in the Senate (average cut in the Senate was 22% versus 26% in the House).
- Community and Technical Colleges took the lowest percentage cut in both the House and Senate Budgets.
- The UW had the highest cut in higher education in the House budget (31%) and the median cut in the Senate (23%).

### How the Rest of State Government was Affected in the House & Senate Proposed Chairs' Budgets

- Overall, the House cut less state funds than the Senate in the Department of Social and Health Services (DSHS) and Public Schools, but more in Higher Education.



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- As in the Senate, the House cut Health Care extensively –Basic Health Plan (BHP) was drastically reduced, General Assistance-Unemployable (GA-U) was cut, hospital reimbursements were cut, etc.
- No additional compensation was allowed for anybody, even teachers and community college staff under I-732 (suspended) in either the Senate or House budgets.
- Fund transfers were a major component of the House budget, unlike the Senate which used transfers from the Capital budget (which is not yet released).



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## Operating Budget Overview

State resources for the University of Washington (UW) total \$645.1 million in the Senate Chair’s proposed operating budget compared to \$573.7 million in the House Chair’s operating budget for the 2009-11 biennium. The Senate budget includes \$189.2 million in reductions to state funds compared to \$260.6 million in reductions in the House budget.

Both budgets use federal stimulus funds to offset state budget reductions. In the Senate budget, reductions are offset by federal stimulus funds totaling \$24.7 million for a “net” reduction of \$164.5 million -- a 20 percent cut from the level provided to maintain current activities and programs. In the House budget, reductions are offset by federal stimulus funds totaling \$34.0 million for a “net” reduction of \$226.6 million -- a 27 percent cut from the level provided to maintain current activities and programs. The House budget provides maximum flexibility in administering the reductions, while the Senate budget distributes the \$164.5 million in reductions as follows:

- \$43.5 million in savings associated with reducing academic and instructional support by 15 percent.
- \$31.5 million in savings associated with reducing other non-instructional services by at least 12 percent (libraries, facility and grounds maintenance, utilities, state-sponsored research, public service, etc.)
- \$89.5 million in savings associated with the reducing student services and instruction.

	State Fund Appropriation	State Reduction	State Reduction After Stimulus
<b>Governor</b>	\$718.2	-\$116.0	-\$116.0
<b>Senate Chair</b>	\$645.1	-\$189.2	-\$164.5
<b>House Chair</b>	\$573.7	-\$260.6	-\$226.6

## Compensation

Both the Senate and House budgets do not include any funding for salary increases for represented or non-represented employees. Health care benefits for non-represented employees are funded at \$748 per month for FY 2010 and \$768 per month in FY 2011 for represented and non-represented employees, representing a departure from the policy of the state supporting 88 percent of health benefit costs. The Governor’s budget funded health care benefits at \$774 per month for FY2010 and \$831 per month for FY2011.

Proposed Health Benefit Rates:

	FY 2010	FY2011
<b>Governor</b>	\$774	\$831
<b>Senate Chair</b>	\$748	\$768
<b>House Chair</b>	\$758	\$793



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## Enrollments

The Senate Chair's budget reduces enrollments at the UW to 37,021 from the 2009 budgeted level of 38,526 -- an average of 1,505 fewer students each year. When compared to the projected enrollment estimates for 2009, up to 2,700 fewer students may be able to access a college education at the UW in the 2009-11 biennium under the Senate proposal. Furthermore, budget proviso language directs the University to continue to maintain 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 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.

The House Chair's budget maintains current enrollment levels in the 2009-11 biennium. Budget language identical to that included in the Governor's budget directs the UW to continue to prepare graduates in the natural resources/conservation, computer science, mathematics, engineering, physical sciences, biological sciences, and health professions/clinical sciences.

## Tuition and Financial Aid

The Senate's budget authorizes tuition increases of 7 percent for resident undergraduate students at the UW in each year of the 2009-11 biennium. Budget documentation included a 7 percent surcharge to bring tuition to 14 percent, however the Senate used federal stimulus funds to "buy-back" the surcharge and keep tuition rate increases at 7 percent. There was no supporting language included within the budget bill authorizing a surcharge so technically this is just another reduction that is backfilled with federal dollars. Tuition rates for graduate and professional students and non-resident undergraduates will be set as determined necessary by the University.

The Senate budget provides an additional \$44.7 million to maintain state student financial aid programs by reflecting the tuition rates assumed in the Senate budget. However, 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 \$3,000 per student per year. Awards provided under the Washington Scholarship program are suspended for students beginning college in academic year 2010-11.

The House's budget authorizes tuition increases of 10% for resident undergraduate students. The House budget bill does not specifically mention tuition rates for graduate and professional students and non-resident undergraduates, however there is legislation in the House that would provide the UW with continued tuition authority for these categories of students (SSB 5734). The House budget provides an additional \$33.9 million to maintain financial aid programs by reflecting higher tuition rates of 10 percent at four-year institutions and 7 percent at the community and technical colleges. To save funds, the House further graduates the state need grant awards for those between 51 percent and 65 percent of median family income (MFI) to the following levels:

- 51% to 55% of MFI = 70 percent of the full grant versus the current grant size of 75 percent of full grant
- 56% to 60% of MFI = 65 percent of the full grant versus the current grant size of 75 percent of full grant
- 61% to 65% of MFI = 60 percent of the full grant versus the current grant size of 75 percent of full grant

## I-960 Fee Increases

The House and Senate 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.



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### Other UW Budget Items

Transfer of UW Building Account Fund Balance to the State General Fund. The House budget transfers \$19.5 million in the UW Building Account to the state general fund. Student building fees provide revenues to the UW Building Account. These funds are typically used to fund capital projects and repairs to existing buildings.

Operations and Maintenance for Renovated Buildings. The Senate and House budget both provide 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. Both budgets provide 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 House budget in the 2009 supplemental budget.

Geoduck Aquaculture Research Funds. The Senate transfers unexpended funds of \$350,000 in the 2009 Supplemental budget to the state general fund. Expenditure levels are reduced by \$750,000 in the 2009-11 biennium to reflect reduced revenues.

### Budget Items In Other Agencies

Graduate Medical Education (Medical Assistance Administration) – The House budget eliminates \$19.6 million in supplemental Graduate Medical Education payments to Harborview Medical Center and the University of Washington Medical Center.

Guaranteed Education Tuition Program Study (Office of the State Actuary) – The Senate budget provides \$175,000 is provided 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 shall be reported to the governor and the legislature by November 15, 2009.

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

Commercial Technology Innovation. The Senate budget provides \$538,000 in state funds to implement provisions of E2SSB 5553 (commercial technology innovation). Under the legislation, CTED will provide a grant to the Washington Technology Center to develop a guide to technology commercialization and other activities related to commercialization of technology.

College of Forest Resources Center for International Trade in Forest Resources(CTED) – Both budgets eliminate \$205,000 in state funding for this purpose from the CTED budget.

Washington Technology Center (CTED). Both budgets reduce pass through funding to the Washington Technology Center by 30 percent or \$1.13 million.

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;



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- Reduction to inpatient and outpatient hospital rates;
- Reduction in the Alien Emergency Medical program;
- Reduction in funding for the Basic Health Plan;
- Reduction in General Assistance-Unemployable (GA-U) Medical;
- Reduction to dental services;
- Rate reduction for pediatric office visits;
- Reduction in Maternity Support Services; and
- 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	Difference (Senate-Gov)	Difference (House-Gov)	
<b>2007-09 Appropriations</b>			\$792,417	\$792,417	\$792,417	\$0	\$0	
<b>Maintenance &amp; Carryforward Level (ML)</b>			833,886	834,370	834,370	484	\$484	
<b>Non-Comp Policy Level Requests:</b>								
1.	Competitive Compensation		0	0	0	0	0	
2.	Collective Bargaining Agreements		0	0	0	0	0	
3.	College of the Environment		0	0	0	0	0	
4.	Increased Access and Degrees in Areas of Critical State Need		0	0	0	0	0	
5.	Recruitment and Admissions		0	0	0	0	0	
6.	Improving the Undergraduate Learning Environment		0	0	0	0	0	
7.	Support for Biomedical Research		0	0	0	0	0	
8.	Health Metrics and Evaluation		0	0	0	0	0	
9.	Technology and Society Research		0	0	0	0	0	
10.	Environmental Research		0	0	0	0	0	
11.	Expand Childcare for the UW Community		0	0	0	0	0	
12.	Campus Safety		0	0	0	0	0	
13.	Support for Teaching Hospitals		0	0	0	0	0	
14.	Support for Clinical Professional Training		0	0	0	0	0	
15.	O&M for the Business School		0	0	0	0	0	
16.	Sound Future Partnership		0	0	0	0	0	
17.	Budget Reduction		(93,599)	0	(226,648)	93,599	(133,049)	
19.	O&M for Renovated Buildings		369	in ML	in ML	(369)	(369)	
20.	Governor Directed Freeze on Hiring & Other		(20,260)	0	0	20,260	20,260	
21.	Governor Directed 1% Reduction		(2,158)	0	0	2,158	2,158	
23.	Academic & Institutional Support Reduction		0	(43,500)	0	(43,500)	0	
24.	Other Non-Instructional Reductions		0	(31,490)	0	(31,490)	0	
25.	Student Services & Instruction Reduction		0	(89,512)	0	(89,512)	0	
26.	Reduction Covered by Tuition Surcharge of 7%		0	(24,730)	0	(24,730)	0	
27.	Fiscal Stabilization Grant		0	0	(33,975)	0	(33,975)	
<b>Total Policy Level</b>			<b>(115,648)</b>	<b>(189,232)</b>	<b>(260,623)</b>	<b>(73,584)</b>	<b>(144,975)</b>	
<b>Percent Reduction from ML</b>			<b>-13.9%</b>	<b>-22.7%</b>	<b>-31.2%</b>			
<i>Percent Reduction from ML WITH Stimulus</i>				-19.7%	-27.2%			
<b>2009-11 TOTAL BUDGET</b>			<b>\$718,238</b>	<b>\$645,138</b>	<b>\$573,747</b>	<b>-\$73,100</b>	<b>-\$144,491</b>	
\$ Change from 2007-09			-\$74,179	-\$147,279	-\$218,670	-\$73,100	-\$144,491	
Percent Change from 2007-09			-9.4%	-18.6%	-27.6%			
<b>FEDERAL STIMULUS FUNDS</b>				<b>\$24,730</b>	<b>\$33,975</b>			
\$ Change from 2007-09				-\$122,549	-\$184,695			
Percent Change from 2007-09				-15.5%	-23.3%			
<b>TUITION REVENUE (Senate=7% for ALL, House=10% for ALL)</b>				<b>\$64,516</b>	<b>\$93,042</b>			
\$ Change from 2007-09				-\$58,033	-\$91,653			
Percent Change from 2007-09				-7.3%	-11.6%			