

**Date:** December 20, 2019  
**Subject:** Governor Inslee’s Supplemental Budget Proposals (Making Changes to the 2019-21 Biennial Budget)

Governor Jay Inslee released [supplemental operating and capital budget proposals](#) on December 18. The operating budget includes technical corrections and minor appropriation changes to the enacted [2019-21 biennial budget](#) (fiscal years 2020 and 2021). The Governor’s budget release marks the first step of the 2020 legislative session, which is set to begin on Monday, January 13, 2020. As a reminder, leadership in the House and the Senate will propose their own budgets throughout the short 60-day session as they work toward compromise budgets.

The outcomes of the state supplemental budgets will be incorporated into the UW’s Fiscal Year 2021 (FY21) operating budget, which will be presented to the Board of Regents as an information item in May and as an action item in June.

**OPERATING BUDGET**

Governor Inslee’s operating budget proposal assumes revenue projections in the November revenue forecast from the Economic and Revenue Forecast Council. Subsequent budget proposals by leadership in the Senate and House are likely to be released following the February revenue forecast.

Overall, the Governor’s budget does not make significant changes to the enacted biennial budget. The Governor transferred nearly \$28 million of Near General Fund State (NGF-S) to the Workforce Education Investment Account (WEIA) to ensure that the fund would not go into deficit in the 2019-21 biennium given the forecasted caseload for the Washington College Grant. The most significant adjustments for the UW are a budget-neutral shift of allocations to provide one-time payments to eligible represented employees at the UW, and a significant increase to the amount that the Governor’s Office of Financial Management (OFM) will bill the University for central services charges beginning in FY21.

***UW Appropriations***

Table 1 shows total Near General Fund State (NGF-S) appropriations over the 2019-21 biennium. The assumed carryforward level reflects the cost of continuing the 2017-19 budget into the 2019-21 biennium. The 2019-21 enacted operating budget reflects funding levels approved in the 2019 legislative session; the Governor’s 2020 supplemental budget proposal would make changes to those enacted funding levels.

<b>Table 1: UW State Funding - 2020 Supplemental Operating Budget Proposals</b>			
<b>Near General Fund State (including Pension Funding Stabilization Acct) &amp; Workforce Education Investment Account, (in \$1,000s)</b>			
<b>Budget</b>	<b>FY20</b>	<b>FY21</b>	<b>2019-21 Total</b>
2019-21 Base Funding (2017-19 + Carryforward Level)*	365,776	364,864	730,640
2019-21 Enacted Operating Budget (approved in 2019 session)	397,552	413,760	811,312
Governor’s Proposed 2019-21 Biennial Operating Budget	397,128	422,601	819,729

Table 2, on the next page, shows a line-by-line breakdown of the funding levels and policy changes proposed by the Governor in his proposed supplemental operating budget. Line items in the table are described in more detail below.

Table 2: 2020 Supplemental Operating Budget Proposals Near General Fund State, (including PFSA*) & WEIA** (in \$1,000s)		Governor Proposed		
		FY20	FY21	2019-21 Total
<b>Total Enacted 2019-21 Funding:</b>		397,552	413,760	811,312
<b>Maintenance Level Changes</b>		(174)	(35)	<b>(209)</b>
	Maintenance & Operations (ML+PL)	-	-	-
	Tuition Backfill Inflation Adjustment (College Affordability Program)	-	41	<b>41</b>
	Maintenance Level Central Service Adjustments	(211)	(213)	<b>(424)</b>
	Worker's Compensation	36	37	<b>73</b>
Comp	Statutory Minimum Wage	1	2	<b>3</b>
	Updated PEBB Rate	-	98	<b>98</b>
<b>Policy Level Changes</b>		(2,637)	4,300	<b>1,663</b>
	Policy Level Central Service Adjs. (including OFM Central Services)	-	1,926	<b>1,926</b>
Comp	SEIU 925	-	4,242	<b>4,242</b>
	WFSE	-	2,599	<b>2,599</b>
	SEIU 1199	-	27	<b>27</b>
	Classified Non-Rep	-	95	<b>95</b>
	Balance for One-Time Salary Adjustments	-	222	<b>222</b>
	Total Employee Benefits Changes	-	15	<b>15</b>
	Removal of UW Contingent Wage Increases***	(2,387)	(4,576)	<b>(6,963)</b>
	DECOD - Clinic Funding Transfer	(250)	(250)	<b>(500)</b>
<b>Total Funding*</b>		397,128	422,601	<b>819,729</b>

\* In the 2017-19 Biennium, the state temporarily shifted approximately \$51 million off of the State General Fund and onto the Pension Funding Stabilization Account (PFSA). PFSA amounts are included in these totals.

\*\*In 2019, the legislature passed HB 2158, which appropriated funding from a newly created "Workforce Education Investment Account - State." Totals are included above due to significance, though the account is not considered Near General Fund State.

\*\*\* These amounts were not counted in the budget table for the biennial budget brief. Amounts are shown but not counted here because of the shift in funding to provide one-time increases to represented employees.

**Tuition Policy:**

As expected, the supplemental budget assumes the continuation of current tuition policy (2ESSB 5954), which allows resident undergraduate tuition increases of roughly 2 percent each year, based on a 14-year rolling average of median hourly wage in the state. A small funding increase is provided in FY21 to reflect an inflationary adjustment to backfill amounts to offset previous tuition reductions.

**Compensation:**

- The original 2019-21 compromise budget included an additional \$7.2 million intended to partially fund 1 percent increases in each year for all General Operating Fund (GOF)-paid employees, contingent on the University implementing increases for represented employees. These increases were not financially feasible for the University, and funding was returned to the state. As part of our 2020 supplemental budget request, the University bargained with employee unions (SEIU 925, WFSE, SEIU 1199 R/HH) and agreed to provide one-time payments in FY21 to eligible employees, contingent upon the state redirecting original amounts for that purpose. The Governor’s budget proposal would fulfill that request including classified non-union employees under a certain salary threshold.
- The enacted 2019-21 budget set the employer monthly funding rate caps for insurance benefits at \$939 in FY20 and \$976 in FY21. The Governor’s supplemental budget would increase the FY21 rate to \$980.

Maintenance Level Changes:

**Population Health Maintenance & Operations** – The University requested an additional \$3.84 million for maintenance and operations for the Hans Rosling Center for Population Health. The Governor’s budget **did not** provide any additional funding.

Policy Level Changes:

- **OFM Central Service Charge** – In the 2017-19 biennium, the state began charging the UW and other state agencies to support the budget of the Governor's Office of Financial Management (OFM). The original cost of \$4.5 million per biennium has increased significantly over time. The Governor's supplemental budget proposes increasing those charges by an additional \$5.2 million per year beginning in FY21. Of that amount, the budget **assumes that the UW will use \$3.4 million per year in student tuition revenue to support OFM instead of the University's academic mission.**
- **DECOD funding transfer** – Funding for the Dental Education in Care of Persons with Disabilities program (DECOD) within the School of Dentistry is transferred to the Health Care Authority. In doing so, these funds will be eligible for a federal match that will increase the total funds available for the program. The original appropriation and matching funds will be used for education and clinical training for dental professionals and students who treat people with disabilities.

For information about the operating budget, contact [Jed Bradley](#) or [Jessie Friedmann](#).

**CAPITAL BUDGET**

Governor Inslee’s capital budget proposal would appropriate and fully fund the UW’s request for \$1 million in new state funding for the Magnuson Health Sciences Phase II – Renovation/Replacement. Funding is provided for a predesign to study a multi-phased approach to renovate or replace portions of the Magnuson Health Sciences Center. New space will accommodate the growing demands of education space for the health sciences schools, including space for interdisciplinary innovation and collaboration.

<b>Table 3: 2020 Supplemental Capital Budget Proposals (in \$1,000s)</b>	<b>Final UW 2020 Request</b>	<b>Governor Proposed</b>
<b>Appropriations (Requested Projects)</b>	<b>State Funds</b>	<b>State Funds</b>
Magnuson Health Sciences Phase II- Renovation/Replacement	1,000	1,000

For information about the capital budget, contact [Kelsey Rote](#).