

Date: April 11, 2012
Subject: 2011-13 Supplemental Budget **COMPROMISE**
Note: **We will issue a final, comprehensive budget brief on the supplemental budgets once the Governor takes possible veto action and signs all budget bills.**

Against seemingly [insurmountable odds](#), both the House and Senate passed compromise operating and capital budgets and reform measures late Tuesday night and into Wednesday morning. While a third [special session was called](#) by the Governor around midnight, both legislative bodies had stayed on the floor with the clear aim to [adjourn](#) Wednesday, April 11, early in the day. Reform measures include a reduction in state pension plan costs (but does not penalize eligible employees for early retirement), a K12 funding bill that sets up a task force to make recommendations to fully fund basic education programs in the future, and a budget policy bill that requires the state to enact balanced budgets in the current and forthcoming biennia.

Supplemental Operating Budget Summary

Apart from any veto action the Governor may take, the final compromise operating budget appropriates a total of \$31.1 billion in near general fund revenue and leaves \$318 million in reserve accounts. The budget enacted nearly \$300 million in new reductions, but **legislative leadership did not include new, significant reductions to higher education institutions**. This was achieved, in part, through small agency service reductions of \$2,732,000. These reductions are applied to central agency services like archives management, attorney general support, and employee benefits reductions (see #11 below for more information) but the expectation is that expenses associated with these activities may decrease as well, offsetting these cuts.

In addition to these minor reductions, the UW is directed to shift part of its FY13 appropriation to new critical initiatives for WWAMI, RIDE, and the College of Engineering. The sum of these shifts (see #1 and #2 below) is \$4,600,000. Additionally, there will be cost increases for activities at the Seattle campus such as utilities, risk management, property rental expenses, etc. OPB will continue to work with student, academic and administrative leaders toward a final cut amount for Regental review May 3, 2012.

The Legislature **preserved current funding levels for the following state-support financial aid programs: State Need Grant, State Work Study, Leadership 1000, and Aerospace Training Scholarship and Loan**. Other UW related actions contained in the bill include:

1. **WWAMI/RIDE Ramp Up Proviso Funding** – A final year of funding for WWAMI and RIDE is made permanent in this budget. However, no additional funding is provided for these activities; provisions for WWAMI (\$610,000) and RIDE (\$190,000) must be made within the UW's existing state appropriation base.
2. **College of Engineering Proviso Funding** – The final budget recognizes the importance of supporting engineering enrollments and requires that the UW redirect \$3,800,000 of existing state funds to support converting 425 existing student FTEs to College of Engineering FTEs. Note that by June 30, 2012, the University must submit a report (updated annually) to the legislature that provides detail on how these funds will be spent.
3. **WSU-UW Aerospace Initiative Funding** – Like all previously released budgets, this version includes new revenue (\$1.5 million) from the Economic Development Strategic Reserve Account to create the Center for Aerospace Technology Innovation to advance research in aviation, aerospace, and defense productions.
4. **Ruckelshaus Center Transfer**– As requested, our current level of funding (\$90,000) for the joint WSU-UW Ruckelshaus Center is transferred to WSU.
5. **Collective Bargaining for Post-Doctoral Researchers** – This budget provides \$25,000 of near general fund state support for expenses associated with bargaining activities pursuant to ESSB 6486.

Other higher education related actions contained in the bill include:

6. **Reduced Benefits Support** – The final budget reduces the state's financial support of UW employee health benefits from a maximum of \$850/employee per month to \$800/employee. The employer/employee cost

sharing at 85/15 percent remains in place (this cost share is negotiated under the healthcare super coalition collective bargaining agreement). PEBB indicates that better-than-anticipated utilization to date reduces the state’s cost for healthcare for the rest of the biennium, and currently projects that benefits will remain fully funded for the current biennium.

7. **Fee Authorization** – This budget bill includes standard language authorizing the UW to establish various fees and requires that a committee on advanced tuition payment be convened to examine the long-term solvency of the Guaranteed Education Tuition (GET) program.
8. **Tuition Waiver Policy Study** – Within existing resources, the UW must conduct a thorough review of its tuition waiver policies and report to the Legislature by December 1, 2012. All higher education institutions are required to participate.
9. **Intercollegiate Athletic Expenditures Limitation** – This budget mandates that no appropriated funds (near general fund state) may be used to support athletic programs.
10. **Cash Awards from Private Donations and Endowments** – After the budget is signed by the Governor and goes into effect, the UW will be able to resume cash and cash equivalent awards **from certain fund sources** to employees (faculty, staff, and student workers). **Additional instructions and guidance will be available to UW units at a later date. Please conform to [current policy](#) until OPB distributes additional information.**
11. **Central Agency Service and Revolving Fund Reductions** – The final budget contains an anticipated set of central agency and revolving fund reductions. The UW receives funds (as part of its state appropriation) to support part of the expense associated with required state agency activities (i.e. attorney general support, benefits support, procurement activities, archives management, etc.). OPB will continue to analyze these reductions as it works with UW departments to build the FY2013 Draft Regents Budget item.

Overall, it appears that the UW’s ending state appropriation is only slightly less than anticipated but additional cuts will be necessary to transfer existing state funds to WWAMI, RIDE, and the College of Engineering.

Supplemental Capital Budget Summary

The supplemental capital budget is enacted in two separate bills – a [bond authorization bill](#) and a “[works](#)” bill, which includes *new* state general obligation bonds for the UW. Changes to the current budget provide new bond authority for Bothell Phase 3 and support for an Innovation Partnership Zone project for UW Tacoma.

1. **Bothell Phase 3** – This project is slated to cost approximately \$62,850,000. The project will receive \$19,887,000 in state obligation bonds to offset the cost. The remainder of the cost will be funded by the UW Seattle and UW Bothell through building fee revenue and the net proceeds from the sale of Wellington Hills property. To meet this obligation, the UW is authorized to issue \$30,000,000 in debt service, which will be paid by UW Bothell’s share of building fee revenue. The remaining \$12,963,000 will be funded by UW Seattle from a one-time allocation of building account revenue and Wellington Hills sales revenue.
2. **Anderson Hall Renovation** – The UW requested that the state stall renovation of Anderson Hall and redirect \$1,553,000 of design support for the project to fund minor capital repair needs on the Seattle campus. The capital budget reduced funding for Anderson Hall, but did not apply the funds to minor capital needs.
3. **Clean Water Innovations** – UW Tacoma will be working with the Department of Commerce and Washington State University – Pierce on a Clean Water Innovations project, for which all agencies received \$3,600,000.
4. **Burke Museum** – In the current biennium, \$3.5 million of state bonds are authorized for design of the Burke Museum renovation.

Other capital budget appropriations and authorizations remain unchanged from the original 2011-13 biennial capital budgets.

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