

Date: February 21, 2018 **[UPDATED February 27, 2018 to reflect changes in committee and on the floor]**

Subject: Senate and House Leadership 2018 Supplemental Budget Proposals (Making Changes to the 2017-19 Biennial Budgets)

On Monday, leadership in the Senate released their 2018 supplemental [operating](#) and [capital](#) budget proposals. On Tuesday and Wednesday, leadership in the House followed with the release of their 2018 supplemental [operating](#) and [capital](#) budget proposals. The supplemental proposals include technical corrections and minor appropriation changes to the recently approved [2017-19 biennial capital budget](#), as well as the [2017-19 biennial operating budget](#), which was approved last June. They also build off Governor Jay Inslee's [proposals](#), which he released in December.

As a reminder, now that the House and the Senate have offered competing proposals, lawmakers will work toward negotiating and passing compromise budgets by the scheduled end of session, on March 8, 2018.

Operating Budget

Lawmakers were pleasantly surprised by the [February Revenue Forecast](#), which increased the projected revenue for this biennium by \$647 million. Proposals from the Senate and the House reflect this reality, both offering some form of tax relief given the unexpected additional revenue.

Like the Governor's proposal, proposals from the Senate and the House would add new funds to K-12 education, but would not significantly change appropriations for higher education institutions. Most significant changes in appropriation amounts are due to funding shifts required by the 2017-19 budget, or technical changes to that budget. Notable items directed at the UW include additional funding for computer science enrollments (in all three budgets), and a temporary fixes to compensation and central service allocations (in the Senate and House proposals).

Direct Impacts to the UW

Table 1 shows total Near-General Fund-State (NGF-S) appropriations provided over the 2017-19 biennium. The assumed carryforward level reflects the cost of continuing the 2015-17 budget into the 2017-19 biennium. The 2017-19 enacted operating budget reflects funding levels approved in the 2017 legislative session. Proposals from the Governor, Senate, and House would make changes to those enacted funding levels.

Table 1: UW State Funding - 2018 Supplemental Operating Budget Proposals
Near General Fund State (including Pension Funding Stabilization Acct*), (in \$1,000s)

Budget	FY 1	FY 2	Total
2017-19 Carryforward Level (base budget)	333,151	332,225	665,376
2017-19 Enacted Operating Budget (approved in 2017 session)	351,726	368,847	720,573
Governor's 2018 Supplemental	349,034	364,658	713,692
Senate Passed Floor 2018 Supplemental	351,061	370,074	721,135
House Passed Floor 2018 Supplemental	352,506	370,374	722,880

*See footnotes below Table 2

Table 2, on the next page, shows a line-by-line breakdown of the funding levels and policy changes proposed by the these supplemental budget proposals. Line items in the table are described in more detail in the following pages.

Table 2: 2018 Supplemental Operating Budget Proposals
Near General Fund State (in \$1,000s)

		Governor's Proposed	Senate Passed Floor			House Passed Floor		
		2017-19 Total	FY18	FY19	2017-19 Total	FY18	FY19	2017-19 Total
Total Enacted 2017-19 Funding:		720,573	351,726	368,847	720,573	351,726	368,847	720,573
Maintenance Level Changes		(61,127)	(29,298)	(34,518)	(63,816)	(29,298)	(35,210)	(64,508)
Maintenance & Operations for CSE		979	-	1,003	1,003	-	1,003	1,003
Tuition Backfill Inflation Adjustment		(38)	226	424	650	226	424	650
Maintenance Level Ctrl Service Adjs		16	9	10	19	9	10	19
WA Academy of Sciences Shift to WSU		(74)	-	(74)	(74)	-	(74)	(74)
Pension Fund Shift to Agencies*		(51,068)	(25,615)	(25,453)	(51,068)	(25,615)	(25,453)	(51,068)
Compensation	Workers' Compensation Changes	(390)	(195)	(195)	(390)	(195)	(195)	(390)
	Error Correction - SEIU**	(6,048)	(2,038)	(6,424)	(8,462)	(2,038)	(6,424)	(8,462)
	Error Correction - WFSE**	(3,284)	(1,686)	(3,810)	(5,496)	(1,686)	(3,810)	(5,496)
	Updated PEBB Rate	(1,352)	-	-	-	-	(822)	(822)
	Wellness \$25 Gift Card	2	1	1	2	1	1	2
	Paid Family Leave Employer Premium	130	-	-	-	-	130	130
Policy Level Changes		3,178	3,018	10,292	13,310	4,463	11,284	15,747
Policy Level Central Service Adjs		135	18	29	47	2	25	27
Computer Science Enrollments		3,000	-	3,000	3,000	-	3,000	3,000
Native American Curriculum (SB 5028)		-	-	128	128	-	-	-
MESA First Nations Toppenish		-	-	135	135	-	-	-
Ext. Comm. Healthcare Outcomes Proj.		-	-	1,000	1,000	-	-	-
Olympic Peninsula Forest Collab.		-	-	-	-	-	77	77
Gold Star Families(HB2009)		-	-	-	-	-	85	85
Center for Ed Strategy (UW Tacoma)		-	-	-	-	-	250	250
Psychiatry Integrated Care Training		-	-	-	-	-	1,000	1,000
WA Parcel and Forestland Database		-	-	-	-	38	152	190
UW WS Predator/Prey Study		-	-	-	-	-	172	172
UW Tacoma Pre-Law Pipeline		-	-	-	-	-	200	200
Comp	PERS & TRS Plan1 Benefit Increase	39	-	-	-	-	-	-
	Family Leave-Low Wage Employees	4	-	-	-	-	-	-
	Compensation Funding Adjustment	-	3,000	6,000	9,000	3,190	6,323	9,513
	Fund Split Correction - SEIU	-	-	-	-	581	-	581
	Fund Split Correction - WFSE	-	-	-	-	652	-	652
Total 2017-19 Funding:		662,624	325,446	344,621	670,067	326,891	344,921	671,812
Total 2017-19 Funding Including PFSA*		713,692	351,061	370,074	721,135	352,506	370,374	722,880

* This is a net-zero change in state funding. All budgets provide an equal amount of funding from the Pension Funding Stabilization Account (PFSA). See discussion under "Maintenance Level Changes" below.

** These collective bargaining agreements were over-funded in the enacted 2017-19 budget. See discussion in "Compensation."

Tuition Policy:

The 2017-19 compromise budget assumed the continuation of current tuition policy (2ESSB 5954), which will allow resident undergraduate tuition increases of approximately 2.0 percent in FY19 and each year thereafter. Part of that policy requires an inflationary adjustment to tuition backfill amounts provided in previous budgets. In the Senate and House proposals, this backfill adjustment results in an additional \$650k over the biennium.

Maintenance Level Changes:

- **Maintenance & Operations for the Bill & Melinda Gates Center for Computer Science & Engineering (formerly CSE II)** – The Senate and House budgets would add just over \$1 million starting in FY19 to operate the building, which will be online in December 2018. The ongoing funding amount in FY20 and beyond will be approximately \$1.7 million per year. These amounts are slightly higher than the Governor’s proposal, but lower than the UW’s request.
- **Washington State Academy of Sciences (WSAS)** – Currently, the UW and Washington State University (WSU) receive appropriations for WSAS. To improve administrative efficiency, WSU requested, and the UW supported, moving the UW’s portion of the funding to WSU beginning in FY19. All three proposals would make that change.
- **Pension Funding Shift** – The 2017-19 enacted budget included a funding shift between General Fund-State (Fund 001) and the Pension Funding Stabilization Account (Fund 489). The Governor’s Office of Financial Management has said that this would have a net-zero effect on the UW’s (and other agencies’) overall state funding. Because the Pension Funding Stabilization Account is not considered “Near General Fund-State,” it appears as a significant reduction above, without the offsetting increase. However, all three proposals include equivalent funds from the Pension Funding Stabilization Account to offset the General Fund cut, which is reflected in the final total.
- **“Error Corrections” for SEIU and WFSE** – These collective bargaining agreements were over-funded in the 2017-19 budget due to a state calculation error. The UW held these amounts (\$9.3 million over the biennium) in reserve in anticipation of a correction. All three proposals would all pull back the \$9.3 million; however, the Senate and House proposals would also apply a “fund split” to the remaining appropriation, which results in a further reduction of \$4.65 million. Therefore, the total adjustment in the House and Senate proposals is \$13.95 million.

Policy Level Changes:

- **Computer Science Enrollments** – The Senate and House would provide \$3 million per year, starting in FY19, to complete a goal of doubling the number of computer science degrees from 300 to 600 annually, which is the same as the Governor’s proposal. In all cases, funding would be allocated from the Education Legacy Trust Account (ELT), which is considered Near-General Fund- State and is included in the table above.
- **Shellfish Aquaculture Study** – All three budgets provide \$200,000 per year for three years to the Washington Sea Grant to complete a study to identify management practices to optimize the value of shellfish farms for shellfish production and as habitat for other species. This funding is provided from the Geoduck Aquaculture Research Account and, therefore, is not included in the table above.
- **Specific to the Senate proposal:**
 - **Native American Curriculum (SB 5028)** – \$128,000 in FY19 (one-time) to implement SB 5028, which requires integrating Native American Curriculum, developed by the Office of the Superintendent of Public Instruction, into existing history and government course requirements.
 - **Healthy Energy Workers Task Force (SB 6343)** – \$491,000 per year to implement SB 6343, which requires the UW to provide administrative support to the task force. Amounts are provided from the Medical Aid and Accident Accounts, so are not included in the table above.
 - **MESA First Nations Toppenish** – \$135,000 in FY19 (one-time) to the Mathematics Engineering Science Achievement (MESA) program in Toppenish in the Yakima Valley.
 - **Extension for Community Healthcare Outcomes Project (ECHO)** – \$1 million per year (ongoing). This item was added as an amendment in the Senate Ways & Means committee.

- **Specific to the House proposal:**

- **Olympic Peninsula Forest Collaborative** – \$77,000 per year (ongoing) “for the School of Environmental and Forest Sciences to pilot a program with the Olympic Peninsula Forest Collaborative.”
- **Gold Star Family Stipends (HB 2009)** – \$85,000 per year (ongoing) to provide \$500 textbook stipends for certain veterans who receive tuition waivers.
- **Center for Education Strategy (UW Tacoma)** – \$250,000 per year (ongoing) to create and implement the center at UW Tacoma, in collaboration with an advisory board.
- **Psychiatry Integrated Care Training** – \$1 million per year (ongoing) for the UW’s Psychiatry Integrated Care Training Program.
- **WA Parcel and Forestland Database** – \$38,000 in FY18 and \$152,000 in FY19 (no ongoing funding) to update the Washington Parcel and Forestland Database.
- **Predator/prey study** – \$172,000 per year “to conduct a three-year analysis of wolf use and density in the South Cascades, as well as the impact of wolf recolonization on the predator-prey dynamics of species previously inhabiting the area.”
- **UW Tacoma Pre-Law Pipeline** – \$200,000 in FY19 for the Pipeline and Social Justice Program. This was added as an amendment on the House Floor.

Compensation:

- **Compensation Funding Adjustment** – Both the Senate and House proposals included one-time allocations to temporarily increase the amount of state funding, and thereby temporarily reduce the amount of tuition revenue, that supports compensation and central service costs. The UW had requested a permanent “fund split” fix that would provide more ongoing state funding to cover these ongoing expenses. It is unknown how the UW could cover the ongoing costs once the proposed temporary state funds expire. The Senate budget would provide a temporary \$9 million shift from tuition to state funding (\$3 million in FY18 and \$6 million in FY19). The House budget would provide a similar one-time allocation of \$9.51 million (\$3.19 million in FY18 and \$6.32 million in FY19). The Senate budget, however, would also fund a study by the Washington State Institute for Public Policy on higher education funding models, including looking at fund splits between state funding and tuition and requiring conversations with the Governor’s Office of Financial Management and higher education institutions.
- **“Fund Split Corrections” for WFSE and SEIU** – The House proposal would provide a one-time allocation of \$1.23 million in FY18 to temporarily offset the effect of the “Error Corrections” for SEIU and WFSE, described above. However, again, this is a temporary appropriation for ongoing expenses and it is unknown how the UW could cover these ongoing costs once the proposed temporary state funds expire.
- **Paid Family Leave: Employer Premium and Low-Wage Employees (maintenance and policy levels)** – In the 2017 session, the state passed a paid family and medical leave program (Chapter 5, Laws of 2017, 3rd Special Session). Beginning January 1, 2019, the state will be responsible for the payment of the employer premiums for state employees not covered by collective bargaining agreements. The Governor proposed that the UW would receive approximately one third of the General Operating Fund (GOF) resources needed to cover the cost of the law, plus a small amount for low-wage employees. The Senate proposal does not yet include funding for this item. The House proposal matches the Governor’s amount for the premium, but not low-wage employees.
- **Public Employee Benefit Board (PEBB) Rates** – In the 2017-19 enacted budget, PEBB rates (monthly limits on employer contributions to employee benefits) were set at \$913 in FY18 and \$957 in FY19. The Governor and Senate would adjust the FY19 rates to \$906, but only the Governor’s budget reduced the UW’s appropriation (by \$1.3 million) to reflect the presumed reduction in benefit expenses. In the House proposal, FY19 rates would be reduced to \$926 per eligible employee. The House budget change results in an \$822,000 reduction in state funding in FY19.
- **Other changes** – Workers’ compensation appropriations would be adjusted in all budgets to reflect estimated charges from the Department of Labor & Industries. A one-time change in PERS & TERS contribution amounts would

result in a slight increase in state appropriations (Governor's budget only). Certain employees, under terms of collective bargaining agreements, will be eligible to receive a \$25 gift card after completing a health risk assessment. All three budget proposals include a small amount of funding to offset employer taxes owed on those amounts.

Other Potential Requirements: The Senate budget (p. 311) would require that "Any public-private partnership, business venture, affiliation, or joint venture with a public or private entity, except the government of the United States, for which the University of Washington partners or participates to provide services to the general public is subject to financial and accountability audits by the Washington state auditor." We are working with partners at the UW to assess the potential impact of this proposed language. This language was not present in the House proposal.

Financial Aid

We continue to work with the Office of Student Financial Aid to analyze the potential effects of these budget proposals on financial aid programs at the UW. Table 3, below, compares the proposals' financial aid provisions. A few of the major elements are described in more detail:

- The Senate included \$9.8 million "to increase the number of students served annually" by the State Need Grant (SNG) The House included \$25 million to reduce the SNG waiting list "by one-third in FY 2019, serving approximately 6,200 additional students. As part of the outlook, additional funding is assumed in the 2019-21 biennium to reduce the waiting list by two-thirds in FY 2020 and fully eliminate the SNG waiting list in FY 2021."
- Both the House and the Senate included \$4.33 million to meet expected state match requirements for the Washington State Opportunity Scholarship (WSOS).
- Both the House and Senate included \$712,000 to allow students who receive both the College Bound Scholarship (CBS) and WSOS to receive their full CBS award *and* the privately funded portion of their WSOS award. Previously, the entire value of the WSOS award was deducted from the CBS award.

Table 3: Comparison of Financial Aid Funding in 2018 Supplemental Budget Proposals (Detail by biennium in \$1000s)

	Governor	Senate	House
Opportunity Scholarship State Match	12,800	4,336	4,336
Student Loan Bill of Rights (2SSB 6029)		245	
Foster Homeless Youth Apprentices (2SSB 6274)		559	
Registered Apprenticeships (ESSB 6486)		130	
Higher Ed. Behavioral Health (SSB 6514)		68	
College Bound WSOS Adjustment*		712	712
Consumer Protection Unit (regulation of for-profits)	126	126	126
State Need Grant expansion		9,842	25,000
College Bound Eligibility (3SHB 1512)			62
Medical Student Loan Program (E2SHB 2143)			363
Expanding the Passport to College Program to foster youth (HB 2832)			332
Educator Workforce Scholarships and Administration (E4SHB 1827)			4,200
Expand Opportunity Scholarship (HB 1452) **	1,000		1,000
SNH appropriation pursuant to E3SHB 1488			500

* From WA Opportunity Pathways Account

** In the Gov's budget, this was not attached to a specific bill

For information about the operating budget, contact [Jed Bradley](#) or [Becka Johnson Poppe](#).

Capital Budget

In January, the legislature passed a 2017-19 capital budget. This week, the Senate and House released supplemental capital budgets, which propose to modify existing items in that budget or add additional items during the current biennium. The [Senate's proposed 2018 supplemental capital budget](#) would modify the 2017-19 budget up to a total of \$83.3 million in new state funds to the University of Washington, along with \$73.8 million in appropriations from the UW Building Account. The [House's proposed 2018 supplemental capital budget](#) would modify the current budget up to a total of \$83.4 million in new state funds, along with \$74.4 million in appropriations from the UW Building Account. Almost all of the UW's original capital requests would be at least partially funded by both proposals, with some of that funding coming from the UW Building Account instead of the requested state funds. The Building Account is meant for minor capital repairs and preservation, instead of major capital projects and upgrades.

The notable differences between the Senate and House budgets and the final 2017-19 capital budget are:

- \$600,000 for the College of Engineering Pre-Design. In the Senate proposal, these funds would come from the state; however, in the House proposal, these funds would come from the UW Building Account.
- An additional \$3 million in both the Senate and House budgets from the UW Building Account for major infrastructure and seismic upgrades, totaling \$17.5 million.
- An additional \$700,000 in the House budget to help complete work on the new Burke Museum, bringing the Burke Museum appropriation to \$24.9 million for this biennium.

Table 4, on the following page, provides a comparison of the final 2017-19 capital budget with the supplemental proposals from the House and Senate.

Not included in Table 4, the House budget proposes \$100,000 from state funds for the Buy Clean Washington Study. For this study, the UW's College of Built Environments would analyze existing embodied carbon policy and propose methods to categorize structural materials and report structural material quantities and origins. The budget also requires the Department of Enterprise Services (DES) to coordinate with capital projects, including a project at UW Bothell, to ensure that certain information is submitted by the successful bidder and the awarding authority (the UW). There is no funding for this additional requirement.

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

* Agencies were asked to submit 2018 supplemental requests that closely mirrored the final legislative proposal.

Table 4: 2018 Supplemental Capital Budget Proposals (in \$1,000s)

Appropriations (Requested Projects)	Final 2017-19 Capital Budget			Senate 2018 Supplemental Capital Budget Proposal			House 2018 Supplemental Capital Budget Proposal		
	State Funds	UW Building Account	State Toxics Control Account	State Funds	UW Building Account	State Toxics Control Account	State Funds	UW Building Account	State Toxics Control Account
Burke Museum	24,200			24,200			24,900		
Minor Capital Repair and Preventative Maintenance		56,300			56,300			56,300	
UW Tacoma Soil Remediation			1,000			1,000			1,000
UW Major Infrastructure (Seismic Upgrades)		14,500			17,500			17,500	
Population Health Sciences Building	15,000			15,000			15,000		
Health Sciences Education - T-Wing Renovation/Addition	10,000			10,000			10,000		
College of Engineering Interdisciplinary Ed./Research Ctr I				600				600	
UW Bothell	3,000			3,000			3,000		
UW Tacoma	500			500			500		
Ctr for Advanced Materials and Clean Energy Technologies	20,000			20,000			20,000		
Evans School - Parrington Hall Renovation	10,000			10,000			10,000		
Subtotal:	82,700	70,800	1,000	83,300	73,800	1,000	83,400	74,400	1,000