

University of Washington

2018 Supplemental Operating Budget Request





October 9, 2016

David Schumacher, Director
Office of Financial Management, State of Washington
300 Insurance Building
Box 43113
Olympia, Washington 98054-3113

Dear David,

SUBJECT: University of Washington (UW) 2018 Supplemental Operating Budget Request

As requested, we are providing seven copies of the UW's 2018 Supplemental Operating Budget Request for the Office of Financial Management to consider and distribute as needed. We are mindful of the continuing budget challenges facing the state of Washington and, thus, have limited our budget requests to those we consider the most technical and essential:

Maintenance Level

1. **Maintenance & Operations for CSE II:** The new Computer Science & Engineering expansion (CSE II) building will be coming online in December 2019. The building was constructed with support in the state capital budget. This package will provide needed funding for utilities, building maintenance, and custodial services for CSE II, which will protect the significant state and taxpayer investment in the building's construction. If funds are not provided, the UW will be forced to divert funding away from other critical activities, which would diminish our ability to provide instruction and conduct research in this new space.

Performance Level

2. **Restore "Fund Splits" to Protect the UW's Access and Excellence:** We are requesting a modification to the proportion, or "fund split," of new state-related expenses covered by state funding versus assumed new tuition revenue. Current fund splits overestimate the UW's ability to generate new, incremental, tuition revenue. The splits essentially assume that the UW will generate two new dollars of tuition for each new dollar of state funding, which is simply not feasible. Further, new central service charges assumed from tuition require that we divert resources away from the classroom. Without a change, the UW will not be able to meet the compensation assumptions in the state budget and, therefore, our employees will receive lower raises than those given to peers at other state agencies and institutions of higher education. These realities, if unchanged, will erode our ability to recruit and retain quality faculty and staff and will have severe, long-term negative consequences for the UW's academic mission and its students.

An updated "Request for New or Increased Fees" form follows our decision packages. Please also see UW's letter in support of a decision package submitted by Washington State University (WSU) regarding appropriations for the Washington State Academy of Sciences (WSAS), which can be found in their request.

The UW greatly appreciates the opportunity to submit these decision packages, which further our shared goals to promote higher education access and attainment and a prosperous economy. University leadership, faculty, staff, and students recognize the pressure you continue to face during this biennium. However, we believe that the University's funding has never been more important to protect. The UW remains affordable compared to peers and, importantly, more undergraduates than ever continue to apply for limited positions.

We are grateful for the investments that Governor Inslee and Senate and House leadership made in higher education operating support in the 2017-19 biennial budget. These two requests will build on that support to allow the University to stay competitive and continue serving our students, region, and state.

During recent legislative sessions, all branches of government rallied around the shared understanding that higher education is the primary vehicle for transforming our workforce. We look forward to our continued work together, and sincerely appreciate your advocacy efforts on behalf of public higher education.

Sincerely,



Becka Johnson Poppe
Director of Policy, Planning & State Operations
Office of Planning & Budgeting (OPB)

CC: Ana Mari Cauce, President
Gerald Baldasty, Provost and Executive Vice President
Joe Dacca, Director, State Relations
Sarah Norris Hall, Associate Vice Provost, Planning & Budgeting

Recommendation Summary

Agency: **360 University of Washington**

2:04:09PM

10/6/2017

Dollars in Thousands

Annual Average FTEs	General Fund State	Other Funds	Total Funds
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2017-19 Current Biennium Total

Total Carry Forward Level

Percent Change from Current Biennium

Carry Forward plus Workload Changes

Percent Change from Current Biennium

M2 SA M & O for CSE II

1,334

1,334

Total Maintenance Level

Percent Change from Current Biennium

1,334

1,334

PL S1 Restore UW's "Fund Splits"

9,513

(9,513)

Subtotal - Performance Level Changes

0.0

9,513

(9,513)

2017-19 Total Proposed Budget

Percent Change from Current Biennium

10,847

(9,513)

1,334

Recommendation Summary

Agency: 360

2:04:09PM

10/6/2017

Dollars in Thousands

Annual Average FTEs	General Fund State	Other Funds	Total Funds
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M2 SA M & O for CSE II

A total of \$1,334,232 in state support for maintenance and operations (M&O) costs is requested in the 2017-19 biennium for the Computer Science and Engineering Expansion (CSE II), which will be completed by or during the biennium. Funds for CSE II have been provided by the state capital budget. Although the building is being constructed partially with temporary donor funds, ongoing maintenance and operations of the building will require an ongoing investment from the state. This package will provide needed funding for utilities, building maintenance, and custodial services for CSE II, which will protect the significant investment that the state and taxpayers have made in the building's construction. We are also requesting that this M&O funding come solely from the state general fund, not from the UW Building Account, which is a critical source of support for minor capital renewal and preventative maintenance. If funds are not provided, the UW will be forced to divert funding away from other critical activities, which would diminish our ability to provide instruction and conduct research in this new space.

PL S1 Restore UW's "Fund Splits"

The UW is requesting a modification to the proportion, or "fund split," of new state-related expenses that are covered by state funding versus tuition revenue. Specifically, we request that state funding be adjusted to cover 50 percent of state-authorized expenses, and that 50 percent fall to tuition revenue. Currently, state funding covers only one third of these new expenses for the UW. This essentially assumes that the UW can generate two new dollars of tuition revenue for each new dollar of state funding. However, this is simply not feasible because our ability to generate new, incremental tuition revenue is significantly restricted by legislative limits, market forces, and enrollment constraints.

At the current fund split, the UW has to divert limited new tuition revenue away from core needs, like compensation, in order to cover the state's new and rising central service charges. Competitive compensation is the UW's highest priority, as UW faculty and staff are compensated well below their counterparts at peer institutions. Since there is no way for the UW to generate enough new tuition revenue to cover two-thirds of new central service and compensation expenses, the UW had to draw down emergency reserves and divert major resources to support a 2 percent increase for faculty and professional staff in FY18.

Without a fund split revision, the UW will not be able to fulfill the state's two 2-percent compensation assumptions for FY19, and UW faculty and staff will not receive raises commensurate with their state employee peers. This will erode our ability to recruit and retain quality faculty and staff, which will have severe, long-term negative consequences for the UW's academic mission and its students. It will also jeopardize the UW's multi-billion dollar impact on the state's economy.

To protect the UW's academic mission, we are requesting a total of \$9,513,000 in state support for the 2017-19 biennium, which reflects changing our "fund split" for compensation and central service items from 34/66 (state funding/tuition revenue) to 50/50. Nearly all of the funding to cover the cost of this decision package is already available in the state's final budget for the University, it just needs to be redirected.

Maintenance and Operations for CSE II

Agency Recommendation Summary Text:

A total of \$1,334,232 in state support for maintenance and operations (M&O) costs is requested in the 2017-19 biennium for the Computer Science and Engineering Expansion (CSE II), which will be completed by or during the biennium. Funds for CSE II have been provided by the state capital budget. Although the building is being constructed partially with temporary donor funds, ongoing maintenance and operations of the building will require an ongoing investment from the state. This package will provide needed funding for utilities, building maintenance, and custodial services for CSE II, which will protect the significant investment that the state and taxpayers have made in the building's construction. We are also requesting that this M&O funding come solely from the state general fund, not from the UW Building Account, which is a critical source of support for minor capital renewal and preventative maintenance. If funds are not provided, the UW will be forced to divert funding away from other critical activities, which would diminish our ability to provide instruction and conduct research in this new space.

Fiscal Summary:

Operating Expenditures	FY 2018	FY 2019	FY 2020*	FY 2021*
General Fund- State	\$0	\$1,334,232	\$2,300,400	\$2,300,400

*Due to the CSE II building coming online during FY19.

Package Description

The 2017-19 biennial budget (SSB 5883) provided state general funding and UW Building Account appropriations to partially cover maintenance and operations (M&O) for UW buildings coming online this biennium. The UW originally requested \$4,127,000 at the maintenance level for these buildings, which included buildings scheduled to come online in the 2017-19 biennium that were previously funded with bond or cash assistance in the state capital budget. The UW received approximately \$2,300,000 in new appropriations, approximately half of which was appropriated from student tuition dollars in the UW Building Account. According to back-up documents provided by legislative staff, CSE II did not receive a portion of this funding. Therefore, we are returning with a maintenance level request for M&O funding for CSE II.

We are also requesting that this M&O funding come solely from the state general fund, not the UW Building Account, which is primarily funded via student building fee revenue and is a critical fund source for minor capital renewal and preventative maintenance. We continue

to be concerned about proposals to redeploy student tuition funds in the UW Building Account for M&O purposes, because these funds are desperately needed to address the significant deferred maintenance backlog at our campuses. Building Account appropriations keep buildings, utilities, and grounds in safe operating condition for our students, faculty, and staff. Building Account funds also support minor projects necessary to repair and preserve existing buildings and infrastructure. Using these funds for other purposes jeopardizes the long-term integrity of other significant state and taxpayer capital investments across our campuses, and increases long-term costs to the state and the UW.

This package will provide needed funding for utilities, building maintenance, and custodial services for CSE II, which will protect the significant investment that the state and taxpayers have made in the building's construction. If funds are not provided, the UW will be forced to divert funding away from other critical activities, which would diminish our ability to provide instruction and conduct research in this new space.

Building Background

Computer Science and Engineering Expansion (CSE II, project code 30000603)

A total of \$17.5 million in state general funds were provided in the 2015-17 state capital budget to construct the Computer Science and Engineering Expansion (CSE II). These funds are supporting the construction of a new 130,000 gross square foot building to create expansion space for the highly successful UW Computer Science & Engineering program (UW CSE). The program's existing space in the Paul G. Allen Center is overflowing and must expand in order to meet student demand and state workforce needs. As an example, in recent admissions cycles, CSE was able to accommodate only a third of undergraduate applicants due to capacity limitations.

This expansion of space will allow UW CSE to double annual degree production, significantly expand educational offerings to non-majors, and accelerate the high-impact research, entrepreneurship, and collaboration that are hallmarks of its programs. Industry and other donor investments have allowed for the completion of this building, however, these funds are temporary and are not available to fund the ongoing maintenance and operations for this building. In addition, if funds are not provided, the UW will be forced to divert funding away from other critical activities, which would diminish our ability to provide instruction and conduct research in this new space. Therefore, we are requesting that the state fully support these ongoing costs with state general funding.

The new CSE II building has a projected occupancy date of December 5, 2018 (calculated at 7/12 months of FY 2019, or 58 percent). As such, the amount requested for FY 2019 is \$1,334,232, but the ongoing annual need will be \$2,300,400.

Base Budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service.

N/A

Decision Package expenditure, FTE and revenue assumptions, calculations and details:

M&O estimates have several components. The estimates for the utilities, custodial and grounds services, and operations and maintenance support components are based on recent expenditures for similar buildings. However, estimates for the “building and utilities maintenance” component are based on a formula of capital project costs and type of building, as these costs can fluctuate significantly year to year. This formula ensures that the requested level of support will be sufficient to fully maintain and preserve these buildings. If this M&O component were based solely on recent expenditure levels, funds would be insufficient, which would add to the UW’s significant deferred maintenance backlog and, in turn, would increase long-term costs to the state.

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

Adequately funding maintenance and operations for this new space will play a critical role in managing the UW’s maintenance backlog. In addition, support for this building will allow the UW to use its operating funds for their intended, instructional purpose, rather than for facilities support.

As the state has moved away from consistently and fully funding maintenance and operations costs for the buildings it helps construct on our campuses, the long-term effect has been an accumulation of deferred maintenance projects. Funding M&O at adequate levels helps keep buildings in good working condition and helps mitigate the need for more expensive, capital projects resulting from future systems failures.

What are other important connections or impacts related to this proposal?

Impact(s) To:		Identify / Explanation
Regional/County impacts?	Yes	The completion and ongoing maintenance of CSE II will allow for the expansion of degree production in high-demand fields in the Puget Sound region, which will contribute to the UW’s ability to drive economic growth in our state.

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Decision Package: ML SA

Other local gov't impacts?	No	
Tribal gov't impacts?	No	
Other state agency impacts?	No	
Responds to specific task force, report, mandate or exec order?	No	
Does request contain a compensation change?	No	
Does request require a change to a collective bargaining agreement?	No	
Facility/workplace needs or impacts?	Yes	Maintaining adequate teaching and research facilities is critical to the mission of the University and the efficient work of its faculty, staff, and students.
Capital Budget Impacts?	Yes	This building was constructed with bond or cash assistance in the state capital budget.
Is change required to existing statutes, rules or contracts?	No	
Is the request related to or a result of litigation?	No	
Is the request related to Puget Sound recovery?	No	
Identify other important connections		This proposal aligns with both the UW's strategic plan and the Governor's priorities to expand postsecondary access and success, and degrees in high demand STEM areas.

Please provide a detailed discussion of connections/impacts identified above.

This package aligns with the Governor's priorities to expand postsecondary access and success. This package would provide needed funding to maintain and operate a building that will contribute directly to expanding degrees in high demand STEM areas.

The state has provided significant support for the design and construction of CSE II, through its capital budget appropriations, which we deeply appreciate.

Funding ongoing maintenance and operations is essential to University's duty of ensuring student safety and protecting public capital investments. This proposal is also necessary to meet the University's goals to attract and retain outstanding and diverse faculty and students; provide exceptional education; and strengthen interdisciplinary collaborative research, teaching, and learning.

What alternatives were explored by the agency and why was this option chosen?

Because CSE II was constructed partially with state funds, and because other construction funds were temporary, the UW did not consider other options for funding its ongoing maintenance and operations.

What are the consequences of not funding this request?

CSE II represents multiple biennia of investments by the state for the building, but also investments in engineering and computer science degree production. Not funding this request would add to the UW's deferred maintenance backlog and could jeopardize the long-term integrity of these significant state and taxpayer investments—increasing long-term costs to the state and the UW.

How has or can the agency address the issue or need in its current appropriation level?

If state funds are not provided, equivalent institutional operating resources will need to be diverted from core academic activities to support the ongoing maintenance and operations of this building. This would diminish our ability to provide quality instruction and conduct research in this new space.

Other supporting materials:

Please see the Attachment E on the following page for a detailed look at the building's expected occupancy, gross square footage, expected maintenance and operations costs, and other information.

Attachment E (ML)
Maintenance & Operations Costs
For New Facilities Projected to Come On-Line in 2017-19 (Maintenance Level)

Institution: University of Washington

Project Name	Capital Budget Project Code	Total Project Gross Square Feet*	Gross Square Feet		Projected Occupancy Date	Projected Percentage of Year Occupied		Proposed State-Supported Cost Per Square Foot**		Total Cost 2017-19			2019-21	
			Replaced by Project	Renovated in Project		FY 18	FY 19	FY 18	FY 19	FY 18	FY 19	TOTAL BI	FY 20	FY 21
Computer Science & Engineering Expansion (CSE2)	30000603	135,000	0	0	12/05/18	0%	58%	\$16.54	\$17.04	\$0	\$1,334,232	\$1,334,232	\$2,300,400	\$2,300,400
TOTAL										\$0	\$1,334,232	\$1,334,232	\$2,300,400	\$2,300,400

Seattle Campus (Research Building)		Proposed Rate per GSF	
Component		FY 18	FY 19
091 - Utilities		\$3.22	\$3.32
092 - Bldg & Utilities Maintenance		\$11.31	\$11.65
093 - Custodial & Grounds Svcs.		\$1.49	\$1.53
094 - Ops & Maintenance Support		\$0.52	\$0.54
TOTAL		\$16.54	\$17.04

Estimation Basis for Proposed Rate	
Actual cost per GSF during FY15, escalated by 3% per year	
Based on capital project cost and type of building (research or academic)	
Actual cost per GSF during FY15, escalated by 3% per year	
Actual cost per GSF during FY15, escalated by 3% per year	

Restore “Fund Splits” to Protect the UW’s Access and Excellence

Agency Recommendation Summary Text:

The UW is requesting a modification to the proportion, or “fund split,” of new state-related expenses that are covered by state funding versus tuition revenue. Specifically, we request that state funding be adjusted to cover 50 percent of state-authorized expenses, and that 50 percent fall to tuition revenue. Currently, state funding covers only one third of these new expenses for the UW. This essentially assumes that the UW can generate two new dollars of tuition revenue for each new dollar of state funding. However, this is simply not feasible because our ability to generate new, incremental tuition revenue is significantly restricted by legislative limits, market forces, and enrollment constraints.

At the current fund split, the UW has to divert limited new tuition revenue away from core needs, like compensation, in order to cover the state’s new and rising central service charges. Competitive compensation is the UW’s highest priority, as UW faculty and staff are compensated well below their counterparts at peer institutions. Since there is no way for the UW to generate enough new tuition revenue to cover two-thirds of new central service *and* compensation expenses, the UW had to draw down emergency reserves and divert major resources to support a 2 percent increase for faculty and professional staff in FY18.

Without a fund split revision, the UW will not be able to fulfill the state’s two 2-percent compensation assumptions for FY19, and UW faculty and staff will not receive raises commensurate with their state employee peers. This will erode our ability to recruit and retain quality faculty and staff, which will have severe, long-term negative consequences for the UW’s academic mission and its students. It will also jeopardize the UW’s multi-billion dollar impact on the state’s economy.

To protect the UW’s academic mission, we are requesting a total of \$9,513,000 in state support for the 2017-19 biennium, which reflects changing our “fund split” for compensation and central service items from 34/66 (state funding/tuition revenue) to 50/50. Nearly all of the funding to cover the cost of this decision package is already available in the state’s final budget for the University, it just needs to be redirected.

Fiscal Summary:

Operating Expenditures	FY 2018	FY 2019	FY 2020*	FY 2021*
General Fund – State	\$3,190,000	\$6,323,000	\$6,323,000	\$6,323,000
Fund 149	(\$3,190,000)	(\$6,323,000)	(\$6,323,000)	(\$6,323,000)

*Amounts for the 2019-21 biennium will likely be different due to carryforward changes and assumptions on compensation items in the 2017-19 biennial budget, but were left constant per OFM’s guidance.

Package Description

The state's 2015-17 operating budget was the first time that institutions of higher education received compensation appropriations based on calculated ratios, or "fund splits," between state funding and tuition revenue. In the 2015-17 budget, roughly the same fund split was applied to the entire public four-year sector, giving institutions 38 percent of the state funding needed to cover new costs, and leaving 62 percent to be covered by assumed new tuition revenue.

In the 2017-19 budget, however, the fund splits vary by institution. The UW's fund split covers approximately 34 percent of new expenses with state funding, and assumes that new tuition revenue will cover the other 66 percent. Each of the state's other four-year public universities, however, have a fund split that covers approximately 50 percent of new expenses with state funding, with the other 50 percent assumed from new tuition revenue.

See below for a historical look at the use of fund splits:

Biennia	University of Washington	Other Public 4 -Year Institutions
Pre-2005	Compensation: 100% covered by state funding	
2005-07	Compensation: 100% state or no assumptions on tuition. Central services: >75% state.	
2007-09	Compensation: 100% state or no assumptions on tuition. Central services: >75% state.	
2009-11	No incremental funding due to reductions in state funding across the board.	
2011-13		
2013-15		
2015-17	Compensation and central services: 38% state / 62% tuition *	
2017-19	Compensation and central services: 34% state / 66% tuition *	Compensation and central services: 50% state / 50% tuition *

*Splits are approximate as they vary by budget, line item, and by institution. These amounts are pulled from VRS reports, so may not provide a full picture of the assumptions in budgets prior to the recession.

From what we understand, the current fund splits are based on the ratio of total state funding and total assumed tuition revenue in the carryforward level of the budget. Although the state has made strides to reverse recession-era cuts and tuition increases, the changes have been incremental and much more is needed. By basing the fund splits on *total* funding ratios carried forward from prior biennia, rather than *incremental* funding ratios, **the fund splits reflect and, thus, perpetuate recession-era state funding cuts.**

The UW lost roughly half of its state funding during the recession, more than any other institution, and had to significantly increase tuition rates in order to offset the cut. In fact, as shown in the table below, during the two primary biennia of the recession, **the UW received the largest state funding cut of all the public institutions**. This is part of why the UW's fund split is different from the other institutions.

	UW	WSU	Eastern	Central	Evergreen	Western	CTC
2009-11	21.6%	18.7%	21.9%	25.1%	23.4%	25.6%	5.5%
2010 Sup	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%
2011-13	28.3%	20.6%	21.1%	22.8%	17.8%	22.8%	14.9%
Reduction %*:	46.15	38.16	40.97	44.61	39.68	44.98	22.96

*totals do not add because they are cumulative reductions

Through the UW's current fund split, the state is effectively assuming that the UW can generate two new dollars of tuition revenue for each new dollar of state funding. However, this is not feasible. We are simply unable to raise tuition rates or enrollment as much as we did during the recession, due to the following constraints:

- Legislative limits: As is widely known, the legislature has set a cap on resident undergraduate tuition increases. The allowed inflationary adjustments to resident undergraduate tuition can cover some small, inflation-related cost adjustments, but not new central service charges and dire compensation needs.
- Market forces: After years of tuition increases to offset state funding cuts (described above), many of our graduate and professional tuition rates are at or above peer averages. High tuition affects recruitment and makes it more expensive for academic units to employ teaching and research assistants. Thus, we cannot implement significant tuition increases without seeing declines in student demand (and, therefore, student enrollment), as well as academic quality.
- Enrollment constraints: Due to space capacity issues, especially at our Seattle campus, increases in enrollment are not as significant as they were in recent years.

The UW educates larger portions of nonresident and graduate-level students and consequently receives more *total* tuition revenue than the other institutions— which is part of why the UW's fund split is different from other institutions. However, **there is no way for the UW to generate enough new, incremental tuition revenue to cover 66 percent of new compensation and central service expenses.**

According to preliminary calculations, the current 2017-19 budget assumes that the UW can cover at least \$69 million in new state-related compensation and central service costs using new tuition revenue. However, we project to generate only around \$52 million in additional tuition revenue over the biennium. This projection includes all tuition-paying students and assumes:

- Actual tuition rate increases for FY18, which are 2.2 percent for resident and nonresident undergraduates and 0 to 3 percent for most other tuition categories;
- Projected tuition rate increases for FY19, which we estimate to be 2.0 percent for resident and nonresident undergraduates, and an average of 2 to 3 percent for all other tuition categories; and
- Our best current enrollment projections, which are that enrollment will remain relatively flat at Seattle, but will increase at UW Bothell by 4 percent in FY18 and by 3 percent in FY19, and at UW Tacoma by 4 percent in FY18 and by 2 percent in FY19.

As shown below, the difference between incremental revenue assumed in the 2017-19 budget and the UW's projected actual incremental revenue is \$17 million. More explanation for why we are *not* requesting the full \$17 million at this time can be found in the “what alternatives were explored” section, below.

Tuition Assumptions in the 2017-19 Biennial Budget Compared to Actual Projections

Incremental Revenue Assumed in SSB 5883*	Projected Actual Incremental Revenue	Difference
<i>At least \$69 million</i>	\$52 million	(\$17 million)

*Actual incremental revenue assumed is \$97 million. This is a very conservative estimate, which assumes a significant reduction in Fund 149 authority due to CBA adjustments

Unfortunately, new and rising state central service charges require the UW to divert incremental tuition revenue and other resources away from core needs, like compensation. As an example, in order to pay for the new OFM central service charge, the UW will have to redirect \$1.5 million of student tuition revenue away from our core academic mission every year. This charge alone almost completely negates the new incremental tuition revenue that the UW will receive from annual resident undergraduate tuition increases. Other central service adjustments are provided on a similar fund split and will require diverting significant additional funds.

Currently, **UW faculty and staff are compensated well below their counterparts at peer institutions.** As a result, it has become increasingly challenging to recruit and retain high quality faculty and staff who, in turn, provide students with a quality and meaningful education. Please see the “performance outcomes” section, below, for more discussion.

The 2017-19 state budget assumes that non-represented state employees will receive a 2 percent general wage increase in FY18 and two 2-percent increases in FY19. To cover these increases, the UW received \$13 million over the biennium. For comparison, this amount is only slightly more than what other, much smaller institutions of higher education received (due to their more favorable fund splits).

In order to provide a 2 percent increase for faculty and professional staff in FY18, the University drew down emergency reserves and diverted significant funds from other priority items such as compliance, critical infrastructure, and student services. **Without additional state funding the UW will not be able to fulfill the state's compensation assumptions for FY19**, and faculty and staff at the UW will not receive raises commensurate with those provided to state employee peers. This will erode our ability to recruit and retain quality faculty and staff, which will have severe and long-term negative consequences for our students.

Therefore, to protect the UW's academic mission, we are requesting a total of \$9,513,000 in state support for the 2017-19 biennium, which reflects changing our "fund split" for compensation and central service items from 34/66 (state funding/tuition revenue) to 50/50. While this would not provide sufficient resources to cover state compensation assumptions and new central service costs, a 50/50 ratio would:

- Help the University support crucial and equitable compensation adjustments assumed in the budget, which would improve the UW's ability to recruit and retain quality faculty and staff and, in turn, protect our academic mission;
- More accurately reflect the UW's ability to generate additional tuition revenue;
- Reduce the amount of tuition revenue that the UW has to divert from its core academic mission to cover central services;
- Align the UW's share of new costs with the share borne by other public four-year universities; and
- Help reverse state funding cuts that occurred during the recession.

Nearly all of the funding needed to cover this decision package is already available in the state's final budget for the University, it just needs to be redirected. The final budget over-funded two of our collective bargaining agreements (CBAs) by a total of approximately \$9 million for the biennium. We notified OFM of this and volunteered to set aside the \$9 million in reserve status. We propose repurposing that funding to support this request without drawing on significant new funding.

Without a revision to our fund split, we will have to continue redirecting resources and tapping into reserves in order to cover compensation and central service charges. Unfortunately, this is not financially sustainable.

Base Budget and Decision Package expenditure, FTE and revenue assumptions, calculations and details:

The base budget assumed in this package reflects the amounts for central service and compensation items in the currently enacted 2017-19 state operating budget (S SB 5883).

To determine the amount of funding required to meet a 50/50 fund split between state general funding and assumed new tuition revenue, we added the total amounts for state general funding (Fund 001) and tuition revenue (Fund 149) for each central service and compensation item and applied the new fund split. We then calculated the difference between the total funding provided for those items on a 50/50 fund split compared to the total funding provided for those items in the enacted budget. Please see the attached table for details.

As noted above, we assume that state funding levels for collective bargaining agreements will be corrected to the same as the amounts in the Governor’s “errata” budget. The UW is holding approximately \$9 million of its appropriation in reserve status in anticipation of this change. Therefore, **the vast majority of the amount needed to fund this request is already allocated to the UW.**

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

With the UW’s current 34/66 (state funding/ tuition revenue) fund split, the UW does not have sufficient state funding and tuition revenue to cover the state’s central service expenses *and* meet the state’s compensation assumptions for non-represented employees.

Adjusting the UW’s fund split to 50/50 would:

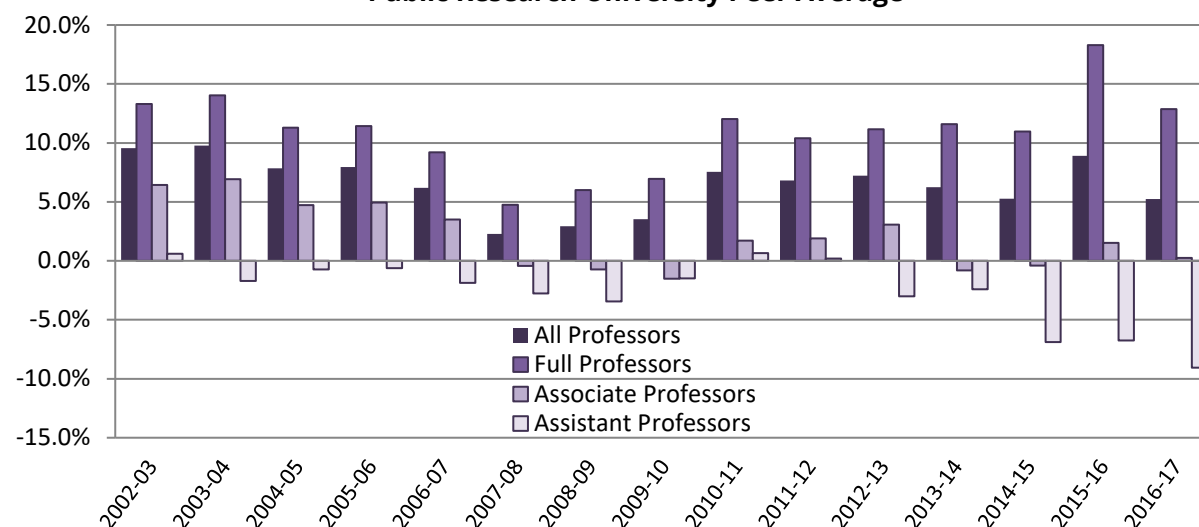
- Reduce the amount of tuition revenue that the UW has to divert from its core academic mission to cover central services, and
- Support critical and equitable compensation adjustments.

Both of these things would make it more feasible for the UW to provide state-authorized increases for non-represented staff in FY19, which would improve the UW’s ability to recruit and retain quality faculty and staff, which (in turn) will protect the UW’s academic mission.

Currently, UW faculty and staff are compensated well below their counterparts at peer institutions. According to our most recent analysis, shown in the table below, the average

UW faculty salary across all ranks would need to grow by approximately 5 percent in order to reach the average faculty salary at our *U.S. News* Top Public Research Institution peers.

Percentage Increase Required for Average UW Seattle Faculty Salaries to Reach U.S. News Top Public Research University Peer Average



For professional staff, the UW's employee-weighted average salary is 4.7 percent below the 50th percentile of the market, and particular job categories—such as information technology staff, facilities engineers, human resources (HR) staff, and others—lag substantially behind the market by as much as 32 percent. The high (and rising) cost of living in the Puget Sound region is also a major complicating factor for both faculty and staff, as it is increasingly expensive to live and commute in the area. As a result, it has become increasingly challenging to recruit and retain high quality faculty and staff who, in turn, provide students with a quality and meaningful education.

Competitive compensation was and continues to be the University's highest priority to maintain educational quality and recruit the best faculty, staff, and students. Therefore, in order to provide a 2 percent increase in FY18, the University drew down emergency reserves and diverted significant funds from other priority items such as compliance, critical infrastructure, and student services. Without additional state funding, the UW will not be able to fulfill the state's compensation assumptions for FY19, and faculty and staff at the UW will not receive raises commensurate with those provided to state employee peers. This will erode our ability to recruit and retain quality faculty and staff, which will in turn erode the UW's academic quality.

While this decision package would support the UW and its academic mission in a myriad of ways, not all of them are easily measurable. A relevant performance metric is the gap by which our average faculty and staff salaries lag behind peer means. This decision package

would improve our ability to compete with peer institutions and close that gap. As noted, closing the salary gap would improve our ability to recruit and retain quality faculty and staff, which (in turn) will protect the UW's academic mission.

What are other important connections or impacts related to this proposal?

Impact(s) To:		Identify / Explanation
Regional/County impacts?	Yes	The UW is the second-largest employer in Seattle, behind Amazon, and a major, anchor employer in Tacoma and Bothell. Our ability to recruit and retain excellent staff is critical to the economic development of our region. The UW's estimated annual economic impact on the state of Washington is at least \$12.5 billion. We also support nearly 80k jobs and produce high-demand degrees that fuel our state's growing economy.
Other local gov't impacts?	No	
Tribal gov't impacts?	No	
Other state agency impacts?	No	
Responds to specific task force, report, mandate or exec order?	No	
Does request contain a compensation change?	Yes	This request will provide more funding for the UW's compensation line items. These amounts will make it more likely that the UW can meet the compensation assumptions in the 2017-19 budget.
Does request require a change to a collective bargaining agreement?	No	
Facility/workplace needs or impacts?	No	
Capital Budget Impacts?	No	
Is change required to existing statutes, rules or contracts?	No	
Is the request related to or a result of litigation?	No	
Is the request related to Puget Sound recovery?	No	
Identify other important connections		This proposal aligns with both the UW's strategic plan and the Governor's Results Washington priority of world-class education.

Please provide a detailed discussion of connections/impacts identified above.

The University's ability to spin out new companies, hire outstanding researchers and staff, and provide students with an excellent education is entirely dependent on its ability to recruit and retain excellent faculty and staff. The University competes for faculty and staff on an international stage, and it is a high priority goal of the UW's administration to bring faculty and staff salaries closer to those of our peer institutions. This will allow us to at least maintain, if not improve, our ability to attract the best students and the external research funding.

UW Strategic Plan:

This proposal is integral to the University's efforts to:

- Attract and retain an outstanding and diverse faculty and staff to enhance educational quality, research strength, and promote leadership.
- Attract a diverse and excellent student body and provide a rich learning experience.
- Recruit, retain, and reward a competitive and skilled workforce.

Governor's Results Washington Priorities:

Compensating our faculty and staff competitively is essential to attracting, retaining, and graduating more students. If we are to achieve and maintain a "world-class education" at the UW, we must invest in world-class faculty and staff that, with students, comprise the University and make it as successful as it is.

Faculty and staff must be compensated in line with peers in order to maintain the University's quality. As the state of Washington's flagship research institution, the UW enrolls and graduates the most students of any state institution and this level of academic and research activity is sustained by its faculty. Faculty are the foundation upon which the future of the University rests. More students apply to the UW every year because our reputation as a world-class research university is growing. This reputation is due to the faculty and students who engage in our research, teach in our classrooms, and serve in our community. It is a reputation worth investing in.

What alternatives were explored by the agency and why was this option chosen?

The UW explored two alternatives to the 50/50 percent fund split requested above:

First, we explored asking for the difference between assumed and actual tuition revenue (\$17 million). As noted above, this calculation will not be accurate due to CBA changes, and

likely under-assumes how much will be attributed to tuition in the final budget. We are not pursuing this approach and asking for \$17 million for several reasons:

- Most notably, funding exceeding \$9.5 million would exceed a 50/50 fund split and would provide the UW with a better proportion of state funding than our state peers, which would not be equitable.
- We recognize that the state is facing significant resource constraints, and that this is a supplemental session year.
- If we were to request the full \$17 million, the amount of additional funding needed would be significantly more than what the UW was appropriated in the biennial budget. Conversely, the funds needed to support a 50/50 fund split are already allocated to the UW in the biennial budget—due to the amount of state general funding we placed in reserve in anticipation of an adjustment to our collective bargaining agreements—and would simply need to be redirected.

Second, we explored requesting a fund split based on incremental changes in budgeted tuition revenue and new state funding over the most recent biennial budget. Due to the College Affordability Act (2 E S SB 5954), the UW received additional state funding and a reduction in assumed tuition revenue. However, even when removing tuition backfill from calculations of new state revenue, we estimated that the UW's fund split would be approximately 58/42 percent state funding/assumed tuition revenue. This would again result in fund splits that are not equitable compared to other institutions, so this option was also not pursued.

Instead, we propose that fund splits should be treated as a policy decision, as with any other legislative decision. Careful consideration should be given to ensure that our public institutions of higher education are adequately funded for compensation and central service adjustments in comparison to other state agencies, and to ensure that incremental tuition revenue assumed in budgets matches what institutions expect in a given biennium.

We fully intend to continue engaging in a conversation with the state and other public institutions to determine the best direction for calculating fund splits to ensure that state policy decisions regarding compensation, collective bargaining, and central services are adequately funded.

What are the consequences of not funding this request?

Without this change, compensation and central service allocations in the 2017-19 budget will be systematically under-funding the University when compared to other state agencies and institutions of higher education. This will result in the University not being able to meet compensation and service assumptions in the budget and will have severe and long-term negative impacts on our students, faculty, and staff.

Not funding this request will result in increased attrition of our most competitive faculty and staff because our salaries will continue to lag behind peer universities. The University of Washington will continue to see faculty and staff recruited away to other institutions of higher education and to the private sector. The loss of faculty and staff will diminish our ability to provide a world-class education in the state of Washington.

Furthermore, new costs for state central services will erode our ability to provide a world-class education by diverting resources away from the classroom.

How has or can the agency addressed the issue or need in its current appropriation level?

Competitive compensation was and continues to be the University's highest priority to maintain educational quality and recruit the best faculty, staff, and students. Therefore, in order to provide a 2 percent increase in FY18, the University drew down emergency reserves and diverted significant funds from other priority items such as compliance, critical infrastructure, and student services.

Without a revision to our fund split, we will have to continue redirecting resources from the UW's core academic activities and tapping into reserves. Unfortunately, this is not a long-term or financially sustainable solution. Without additional state funding the UW will not be able to fulfill the state's compensation assumptions for FY19, and faculty and staff at the UW will not receive raises commensurate with those provided to state employee peers. This will erode our ability to recruit and retain quality faculty and staff, which will in turn erode the UW's academic quality.

Other supporting materials:

Please see the attached fund split calculation.

2017-19 Omnibus Operating Budget

University of Washington

	HE Operating Fees - Non-Appr			General Fund-State+Ed Legacy Trust			FY18 Fund Splits		FY19 Fund Splits		
	FY 2018	FY 2019	2017-19	FY 2018	FY 2019	2017-19	149	001	149	001	
2015-17 Estimated Expenditures	631,777	647,347	1,279,124	292,933	332,343	625,276					
2017-19 Carryforward Level	634,977	644,044	1,279,021	333,151	332,225	665,376	65.6%	34.4%	66.0%	34.0%	
Maintenance Comp Changes:											
6. Pension and DRS Rate Changes	2,597	2,601	5,198	888	889	1,777	74.5%	25.5%	74.5%	25.5%	
Maintenance -- Comp Total	2,597	2,601	5,198	888	889	1,777	74.5%	25.5%	74.5%	25.5%	
Maintenance Central Services Changes:											
7. Archives/Records Management	9	10	19	4	6	10	69.2%	30.8%	62.5%	37.5%	
8. Audit Services	7	15	22	4	7	11	63.6%	36.4%	68.2%	31.8%	
9. Legal Services	9	1	10	4	1	5	69.2%	30.8%	50.0%	50.0%	
10. CTS Central Services	280	283	563	145	146	291	65.9%	34.1%	66.0%	34.0%	
11. OFM Central Services	(1,082)	(1,081)	(2,163)	(557)	(557)	(1,114)	66.0%	34.0%	66.0%	34.0%	
12. Workers Compensation	540	542	1,082	279	279	558	65.9%	34.1%	66.0%	34.0%	
Maintenance -- Central Svcs Total	(237)	(230)	(467)	(121)	(118)	(239)	66.2%	33.8%	66.1%	33.9%	
Policy Other Changes:											
19. Initiative 1433 Minimum Wage	122	166	288	64	87	151	65.6%	34.4%	65.6%	34.4%	
Policy -- Other Total	122	166	288	64	87	151	65.6%	34.4%	65.6%	34.4%	
Policy Comp Changes:											
32. State Public Employee Benefits Rate	973	2,683	3,656	511	1,409	1,920	65.6%	34.4%	65.6%	34.4%	
33. State Represented Emp Benefits Rate	289	798	1,087	152	418	570	65.5%	34.5%	65.6%	34.4%	
34. Non-Rep General Wage Increase	7,033	17,865	24,898	3,699	9,397	13,096	65.5%	34.5%	65.5%	34.5%	
35. Non-Rep Targeted Pay Increases	2	2	4	1	1	2	66.7%	33.3%	66.7%	33.3%	
Policy -- Comp Total	8,297	21,348	29,645	4,363	11,225	15,588	65.5%	34.5%	65.5%	34.5%	
Policy Central Services Changes:											
36. Archives/Records Management	19	25	44	10	13	23	65.5%	34.5%	65.8%	34.2%	
37. Audit Services	5	10	15	3	5	8	62.5%	37.5%	66.7%	33.3%	
38. Legal Services	63	124	187	32	64	96	66.3%	33.7%	66.0%	34.0%	
39. CTS Central Services	8	25	33	6	11	17	57.1%	42.9%	69.4%	30.6%	
40. DES Central Services	39	39	78	20	20	40	66.1%	33.9%	66.1%	33.9%	
41. OFM Central Services	1,508	1,510	3,018	777	777	1,554	66.0%	34.0%	66.0%	34.0%	
Policy -- Central Svcs Total	1,642	1,733	3,375	848	890	1,738	65.9%	34.1%	66.1%	33.9%	
TOTAL -- Comp and Central Services*	12,421	25,618	38,039	6,042	12,973	19,015					

*Excluding CBAs due to other adjustments.

REVISED to 50/50 Fund Split

	HE Operating Fees - Non-Appr			General Fund-State+Ed Legacy Trust			FY18 Fund Splits		FY19 Fund Splits		
	FY 2018	FY 2019	2017-19	FY 2018	FY 2019	2017-19	149	001	149	001	
2015-17 Estimated Expenditures	631,777	647,347	1,279,124	292,933	332,343	625,276					
2017-19 Carryforward Level	634,977	644,044	1,279,021	333,151	332,225	665,376					
Maintenance Comp Changes:											
1,743	1,745	3,488	1,743	1,745	3,488		50.0%	50.0%	50.0%	50.0%	
1,743	1,745	3,488	1,743	1,745	3,488		50.0%	50.0%	50.0%	50.0%	
Maintenance Central Services Changes:											
7	8	15	7	8	15		50.0%	50.0%	50.0%	50.0%	
6	11	17	6	11	17		50.0%	50.0%	50.0%	50.0%	
7	1	8	7	1	8		50.0%	50.0%	50.0%	50.0%	
213	215	427	213	215	427		50.0%	50.0%	50.0%	50.0%	
(820)	(819)	(1,639)	(820)	(819)	(1,639)		50.0%	50.0%	50.0%	50.0%	
410	411	820	410	411	820		50.0%	50.0%	50.0%	50.0%	
(179)	(174)	(353)	(179)	(174)	(353)		50.0%	50.0%	50.0%	50.0%	
Policy Other Changes:											
93	127	220	93	127	220		50.0%	50.0%	50.0%	50.0%	
93	127	220	93	127	220		50.0%	50.0%	50.0%	50.0%	
Policy Comp Changes:											
742	2,046	2,788	742	2,046	2,788		50.0%	50.0%	50.0%	50.0%	
221	608	829	221	608	829		50.0%	50.0%	50.0%	50.0%	
5,366	13,631	18,997	5,366	13,631	18,997		50.0%	50.0%	50.0%	50.0%	
2	2	3	2	2	3		50.0%	50.0%	50.0%	50.0%	
6,330	16,287	22,617	6,330	16,287	22,617		50.0%	50.0%	50.0%	50.0%	
Policy Central Services Changes:											
15	19	34	15	19	34		50.0%	50.0%	50.0%	50.0%	
4	8	12	4	8	12		50.0%	50.0%	50.0%	50.0%	
48	94	142	48	94	142		50.0%	50.0%	50.0%	50.0%	
7	18	25	7	18	25		50.0%	50.0%	50.0%	50.0%	
30	30	59	30	30	59		50.0%	50.0%	50.0%	50.0%	
1,143	1,144	2,286	1,143	1,144	2,286		50.0%	50.0%	50.0%	50.0%	
1,245	1,312	2,557	1,245	1,312	2,557		50.0%	50.0%	50.0%	50.0%	
9,232	19,296	28,527	9,232	19,296	28,527						

HE Operating Fees - Non-Appr			General Fund-State+Ed Legacy Trust		
FY 2018	FY 2019	2017-19	FY 2018	FY 2019	2017-19
(3,190)	(6,323)	(9,512)	3,190	6,323	9,513

Total Difference with New Fund Split:

State of Washington
Request for Fees
2017-19 Biennium

		Page
	Code	Title
AGENCY	360	University of Washington

							Incremental Revenue						
							GF-S		Other Funds				
Agy #	Agency Name	Fee Code	Name of Fee	Is a bill required?	Z-Draft # (or Pending)	New, Increased, Continued?	FY 2018	FY 2019	FY 2018	FY 2019	Tied to Expenditure Change?	Fee Payer Position	Explanation of Change (See instructions)
360	University of Washington	1100	Resident Undergraduate Tuition	No	n/a	Increased	-	-	7,989	14,291	Fee change will help make up the shortfall between current expenditures and current revenue.	This change is initiated by the legislature. Fee payers (resident undergraduates) have not expressed a position.	Our calculations assume tuition rates for resident undergraduates will increase by 2.2% in FY18 and 2% in FY19. Our calculations also assume enrollment will be relatively flat at Seattle, but will increase at UWB by 4% in FY18 and 3% in FY19, and at UWT by 4% in FY18 and 2% in FY19.
360	University of Washington	1200	Tuition for Non-Resident and Graduate Programs	No	n/a	Increased	-	-	11,990	21,330	Fee change will help make up the shortfall between current expenditures and current revenue.	This change is initiated by the UW. Fee payers (non-residents and graduate students) have not expressed a position.	For the nonresident undergraduate tuition category, our calculations reflect a 2.2% increase in FY18, and assume a 2% increase in FY19. For graduate and professional tuition categories, our calculations reflect the approved tuition rates for FY18 (which were generally in the range of 0-3%), and reflect suggested rates for FY19, which range from 0% to 6%, with an average increase of around 2-3%. Our calculations also assume relatively flat enrollment.
360	University of Washington	1300	Summer Quarter Tuition - Resident Undergraduates	No	n/a	Increased	-	-	-1,422	-59	Fee change will help make up the shortfall between current expenditures and current revenue.	Fee payers (summer quarter resident undergraduate students) have not expressed a position.	Our calculations assume a 2.2% tuition increase for FY18 and a 2% increase for FY19. Our calculations also assume no resident undergraduate summer enrollment growth.
360	University of Washington	1310	Summer Quarter Tuition - Non-Residents & Graduate Programs	No	n/a	Increased	-	-	1,808	4,563	Fee change is to support increasing expenditures.	This change is initiated by the UW. Fee payers (summer quarter students) have not expressed a position.	Our calculations reflect the approved tuition rates for FY18 (which were generally in the range of 0-3%), and reflect suggested rates for FY19, which range from 0% to 6%, with an average increase of around 2-3%. Our calculations also assume relatively flat enrollment.
360	University of Washington	2200	Services and Activities Fees	No	n/a	Increased	-	-	418	826	Fee change is to support increasing expenditures.	This change is initiated by the Services & Activities Fee Committees. Student leaders consulted with fee payers, as necessary.	Each campus has a Services and Activities Fee (SAF) Committee that includes undergraduate and graduate students. At this time, a \$6 increase is assumed for Seattle in both FY18 and FY19, with incremental increases of \$327,400 and \$657,800 respectively. For UWB, we assumed a \$6 increase for FY18 and a \$3 increase for FY19, with incremental increases of \$90,500 and \$168,300 respectively. it is assumed that UWT will not increase its S&A fee rates during the 2017-19 biennium, so there is no incremental change for UWT reflected here. The enrollment increases noted for "Resident Undergraduate Tuition" and "Tuition for Non-Resident and Graduate Programs" above are assumed in the incremental revenue calculations.
360	University of Washington	3100	Existing On-Campus Lab, Course , etc. Fees	No	n/a	Increased			30	132	Fee change is to support increasing expenditures.	This change is the sum of many changes initiated by a variety of departments across the UW. Fee payers (students) have not expressed a position.	Rates for lab and course fees are expected to remain stable, and previously-approved fee increases for individualized music instruction have leveled off and are expected to increase by less than 5% for the biennium. In FY17, some course fees shifted from being charged only during the academic year to being charged partially during the summer (in the row below). While the net-effect of the shift was zero, it resulted in a slight total decrease of incremental revenue in FY17 (\$17,000). Also, some projections were adjusted based on FY17 actuals. Therefore, estimates for this item are slightly lower than originally predicted.

							Incremental Revenue						
							GF-S		Other Funds				
Agy #	Agency Name	Fee Code	Name of Fee	Is a bill required?	Z-Draft # (or Pending)	New, Increased, Continued?	FY 2018	FY 2019	FY 2018	FY 2019	Tied to Expenditure Change?	Fee Payer Position	Explanation of Change (See instructions)
360	University of Washington	3100	Existing On-Campus Lab, Course , etc. Fees - Summer Quarter	No	n/a	Increased	-	-	4	14	Fee change is to support increasing expenditures.	This change is the sum of many changes initiated by a variety of departments across the UW. Fee payers (summer quarter students) have not expressed a position.	Rates for summer lab and course fees are expected to remain stable. Very slight increases in incremental revenue are expected for FY18 and FY19. In FY17, some course fees shifted from being charged only during the academic year (in the row above) to being charged partially during the summer. This resulted in a total incremental increase in summer of FY17 of approximately \$120,000. Also, some projections were adjusted based on FY17 actuals. Therefore, estimates for this item are slightly higher than originally predicted.
360	University of Washington	4100	Fee-Based Programs/Degree Fees	No	n/a	Increased	-	-	3,560	7,251	Fee change is to support increasing expenditures.	This change is proposed by the UW. Fee payers (students in fee-based programs) have not expressed a position.	Fee rates and fee increases vary significantly by program, due to differing costs for program delivery. Gross revenue for the fee-based program category is expected to increase by 4% per year over the next biennium. Due to fewer launches of new fee-based program and slower rates of program growth, this rate of increase is lower than in previous years. The current registration fee of \$45 does not cover the associated costs to register fee-based students. The UW may explore increasing the flat registration fee by up to \$10 in FY19 in order to cover associated costs. An increase of \$10 is estimated to result in \$130,685 of additional revenue to cover registration-related expenses.
360	University of Washington	4100	Contract Instructional Offerings (with organizations)	No	n/a	Increased	-	-	75	180	Fee change is to support increasing expenditures.	This change is initiated by the UW. Fee payers (students in fee-based programs) have not expressed a position.	Contract pricing is demand-driven and is based on the scope of each contract. The variation in net revenue from year to year is considerable, as revenue is reported at contract completion and multi-year contracts are not uncommon. The demand from UW colleges, schools and departments for non-traditional curricular options (e.g. offsite activities, weekend programs, etc.) is expected to increase by 20% between FY17 and FY18. The pricing for FY18 (and, thus, the incremental revenue) reflects this increase in demand. An additional increase in demand is expected for FY19.

							Incremental Revenue						
							GF-S		Other Funds				
Agy #	Agency Name	Fee Code	Name of Fee	Is a bill required?	Z-Draft # (or Pending)	New, Increased, Continued?	FY 2018	FY 2019	FY 2018	FY 2019	Tied to Expenditure Change?	Fee Payer Position	Explanation of Change (See instructions)
360	University of Washington	5100	Application Fee, Graduation Application Fee, Transcript Fee	No	n/a	Increased	-	-	653	653	Fee change is to support increasing expenditures.	This change may be initiated by the UW. Fee payers (applicants and graduating students) have not expressed a position.	• Transcript fee: in spring 2015, UW began adding an electronic transcript service. A service expansion for this electronic delivery functionality will soon be available, and will allow UW to link vital forms to the transcript. This additional service requires paying for, maintaining, and updating the technology which permits secure electronic delivery of official academic records. Initially, transcripts had two competing fee structures (at \$9 and \$11). The adjustment to one structure eliminated the dual fee structure and encouraged students to use the online process rather than in-person processing. The new fee structure will fund and support increased and unbudgeted operations (bank fees, postage, supplies, etc.), increased expenses to maintain the technology, and support expansion services. Income from transcript fees for FY July 2014-June 2015 was approximately \$564,000 whereby, FY July 2015-June 2015 was approximately \$556,000. Assuming the same number of transcript requests and realizing only 27% were purchased at the \$9 rate; the new fee structure will generate additional net revenues of approximately \$100,684. • Application fee: we expect to propose an increase to fund necessary activities (recruitment, communications, counseling, application processing, review, recruitment/yield events, financial aid-related services, etc.) associated with significant application volume increases. Assuming a 15% growth in application volume for both domestic and international categories, we estimate receiving approximately 42,550 (+5,550) domestic and 12,650 (+1,650) international applications in 2017. Assuming these volume increases and the resources available to fund the necessary activities specified above, we propose an increase of \$10 to the domestic application fee (to \$80) and an increase of \$10 to the international application fee (to \$90). At these proposed levels, and projected increasing vendor costs and fee waivers, the estimated application volume increases would generate approximate additional net revenues of \$552,000 (\$425,500 from domestic and \$126,500 from international fee sources).
360	University of Washington	5200	Diploma Replacement Fee	No	n/a	Increased	-	-	-	21	Fee change is to support increasing expenditures.	This change may be initiated by the UW. Fee payers (graduating students) have not expressed a position.	There was no increase in the diploma replacement fee in FY18; however, UW may increase the current fee rate from \$20 to \$30 in FY19. This increase is in the preliminary assessment stages and will need to be analyzed to review the changes in the cost of diploma replacement. The University of Washington's Office of the Registrar (OUR) must continue to meet the increasing expectations of students with respect to degree audits, degrees awarded, and official diplomas. In addition to more efficient auditing and degree verification services, students also request that more modern, electronic, and secure access and delivery processes be associated with these services. Vendor costs for these services as well as the numbers of students demanding them are steadily increasing. This fee increase would support the costs of current tools and service levels for students who need a replacement diploma. Additionally, students in professional programs, international students, and students who are seeking employment or educational opportunities outside of the United States are requesting certified diploma copies. This service, though growing in demand, is currently not funded and the budget is charged on overhead fee. An increase of \$10 for the Diploma Replacement Fee for approximately 2,060 diplomas annually = \$20,600. This revenue would support vendor's increased costs, mailing costs, as well as the expanded breadth and scope of the services detailed above.

							Incremental Revenue						
							GF-S		Other Funds				
Agy #	Agency Name	Fee Code	Name of Fee	Is a bill required?	Z-Draft # (or Pending)	New, Increased, Continued?	FY 2018	FY 2019	FY 2018	FY 2019	Tied to Expenditure Change?	Fee Payer Position	Explanation of Change (See instructions)
360	University of Washington	5200	New Student Enrollment and Orientation Fee	No	n/a	Increased	-	-	37	86	Fee change is to support increasing expenditures.	The change is initiated by leaders at each campus, in consultation with students.	The New Student Enrollment and Orientation Fee (NSEOF) is a one-time pre-matriculation fee paid by all new undergraduate students who accept admission to the UW. The NSEOF fee funds programming and staffing to support new student transition and academic success. Fundamental programming supported by the NSEOF includes a majority of services offered by Undergraduate Academic Affairs (First Year Program and Academic Support Programs) on the Seattle Campus; Orientation, Transition Programs on the Bothell Campus; and partial funding for Student Transition Programs on the Tacoma campus. The number of students confirming enrollment is expected to increase by 0% per year at Seattle, by 4% in FY18 and 3% in FY19 at UWB, and by 4% in FY18 and 2% in FY19 at UWT. The NSEOF fee rate is expected to remain at its current level in FY18 at all three campuses; however, in FY19, the fee rate is expected to increase by 3% at UWB but by 0% at UWT and Seattle.
Additional Comments													