

University of Washington Budget – Frequently Asked Questions

What is the University of Washington budget?

The University of Washington (UW) operating budget reflects the financial plan that supports the University's teaching, research, public service, and clinical care missions. The operating budget includes resources from a variety of sources, such as state appropriations, tuition, grants and contracts, gifts, auxiliary (self-sustaining unit) revenues, and clinical operations. The University's [FY26 budget](#) totals nearly \$11B, half of which is attributed to UW Medicine. In fact, **nearly 2/3 of the UW's total budget is a combination of the School of Medicine and UW Medicine.**

How does UW categorize its financial resources?

UW generally categorizes resources by fund source, including state appropriations, tuition and fees, grants and contracts, gifts and endowments, auxiliary enterprises (such as housing and dining and intercollegiate athletics), self-sustaining programs, and clinical revenues. Each category has different rules and intended uses.

What are state appropriations and how are they used?

State appropriations are funds provided by the Washington State Legislature. They primarily support instructional activities, student services, and core operations. These funds are subject to state law and oversight and cannot be used interchangeably with other resources. State appropriations are approximately 6% of the University's overall budget but are one of the primary resources supporting our academic and support units. In addition to base funding for salaries and benefits, some state funds are provided for a specific purpose in the state's budget (called provisos).

How is tuition revenue used?

Tuition revenue supports instruction, academic support, advising, and other student-related services. While tuition revenue is more flexible than revenue from state appropriations, it does not fully cover the cost of education and has been used to supplement declining state support. In fact, when the state authorizes salary increases for state-funded employees, they provide a portion of the cost and assume the rest will be covered by incremental tuition revenue (we call this the "fund split"). At the same time, the state has capped resident undergraduate tuition increases since 2015 (see [RCW 28B.15.057](#)), which has made it even more challenging for the University to afford salary increases for state-funded employees given that is our largest tuition category.

What are core operating resources?

Core operating resources are comprised of state appropriations, tuition and fee revenue, indirect cost recovery from grants and contracts, summer quarter, and other smaller sources of revenue. Core resources are the primary source of revenue supporting academic and academic support units at the University. Salaries and benefits make up over three-quarters of total core operating expenses, so any changes to available resources (e.g., driven by state funding reductions or enrollment changes) directly impact people working at the University.

What are grants and contracts?

Grants and contracts are externally funded awards, often from federal agencies, foundations, or industry partners. They are typically restricted to specific research, training, or public service purposes and cannot be redirected to general operations. A portion of grant revenue, known as indirect cost recovery, supports the overhead expenses associated with grants and contracts such as facilities, utilities, IT, and fiscal administration.

What are gifts and endowments?

Gifts and endowments are philanthropic contributions from donors. Gifts to the UW are almost always restricted to a specific purpose such as scholarships, faculty support, or programs aligned with donor intent. 99% of endowments are restricted.

How are budgets developed at UW?

The UW is highly decentralized. We use a collaborative budget development process involving academic and administrative units. Budgets are informed by enrollment projections, state funding levels, strategic priorities, and financial sustainability considerations and are built in shared templates and software that ensure consistency across units. Because we are decentralized, we have a truly “bottoms-up” budget model where Deans and VPs are responsible for setting balanced budgets and are responsible for engagement with faculty, staff, and students in their units. For example, each academic unit has an Elected Faculty Council and student advisory bodies that consult on the budget. In recent years, University leadership has been more engaged in setting expectations for shared governance and input on budget decisions within units.

Once unit-level budget information is collated into a University-wide budget, leadership in Finance, Planning & Budgeting present the consolidated budget to advisory groups to the Provost and President including the Faculty Senate Committee on Planning & Budgeting (SCPB), Provost’s Advisory Committee for Students (PACS)/Tri-campus Advisory Board for Students (TABS), Board of Deans and Chancellors (BODC) and ultimately present preliminary and proposed budgets to the Board of Regents in May and June of each year.

At a high level, the University’s enterprise budget is a view of overall resource allocations and activities, but the vast majority of UW resources are generated and managed by individual units, the sum of which are reflected in the enterprise budget.

What is UW’s role as a state agency?

As a state agency, the UW operates within the State of Washington’s biennial budget framework. Specifically, in odd years, the legislature sets the budget for the following two fiscal years (FYs). For example, in 2025, the legislature set the budget for FY26 and FY27. In even years, the legislature adjusts the biennial budget they set in the prior year based on updated caseloads and revenue. The state budget approves some University contracts with unionized employees, authorizes salary increases for faculty and non-represented staff, and sets requirements for benefits expenses that present significant cost to the entire University like monthly employer contributions to health care. Importantly, because state appropriations are only 6% of the University’s budget, the University must cover all salary and benefit

increases for non-state funded employees with other sources of revenue (e.g., in our hospitals, self-sustaining units, research, etc.).

The University submits operating and capital budget requests to the Governor and Legislature each year and must comply with various state laws, policies, and reporting requirements.

What is Activity-Based Budgeting (ABB)?

ABB distributes core revenues from instructional and research activities to units responsible for generating the activity. First, taxes on different types of revenue are held centrally to fund central administrative operations, strategic investments in student and faculty experience, and critical compliance efforts—shared expenses that would otherwise have no direct source of funds. The UW fully implemented the ABB model at the beginning of the 2013 fiscal year. FY26 ABB distributions to academic units, administrative units, and UW Bothell and Tacoma can be found [here](#).

What is the difference between operating and capital budgets?

The operating budget supports day-to-day activities such as salaries, instruction, and utilities. The capital budget supports major construction, renovation, and infrastructure projects. The state approves operating and capital budgets, both of which contain appropriations to the University. The University's operating and capital budgets include state appropriation amounts but also reflect other sources of revenue that support university operations and capital expenditures.

How does UW compare to other public universities?

Like other public research universities, UW relies on a mix of state support, tuition, and external funding. Over time, state funding per student has declined nationally, increasing reliance on tuition and other revenue sources. At the UW specifically, the state's contribution covered 82% of the combination of state funding and tuition in 1991. Today, only 40% is covered by the state. This is made even more challenging by the state's caps on resident undergraduate tuition mentioned above. Compared to other public research institutions (AAU), the UW is below the median in both state funding per student FTE and tuition rates, which means our total resource base supporting instruction is lower than most of our peers. See the [FY26 operating budget](#) for more information.

What is UW's operating budget allocated to support?

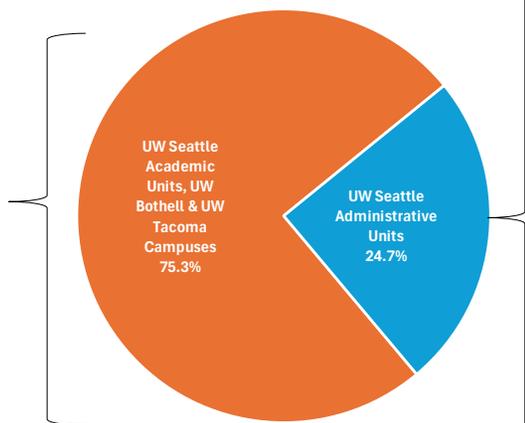
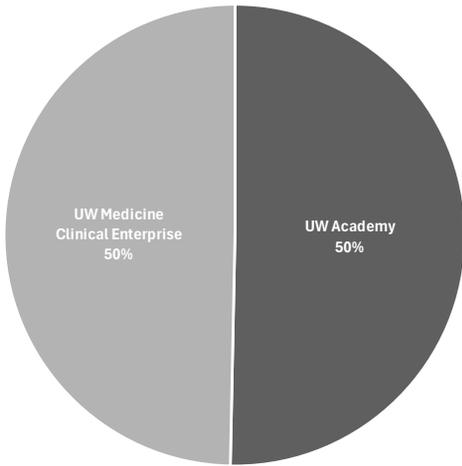
UW's budget is first and foremost designed to support execution of our mission as a Washington state agency and institution of public higher education with a major healthcare system. Of the University's expenditure budget, the vast majority goes to pay employee salaries and benefits.

The UW's budget is split approximately 50%/50% between the UW Medicine clinical enterprise and the Academy. The Academy includes the School of Medicine, which is the single largest component of the Academy's operating budget by a wide margin, comprised of nearly 40% of the total Academy budget.

Within the Academy, roughly 71% of the *total* budgeted expenditures are attributed to UW Seattle Academic Units, UW Bothell and UW Tacoma and nearly 79% of budgeted *compensation and benefit* expenditures are associated with UW Seattle Academic Units, UW Bothell and UW Tacoma.

Distribution of Total Expenditure Budget (FY26)

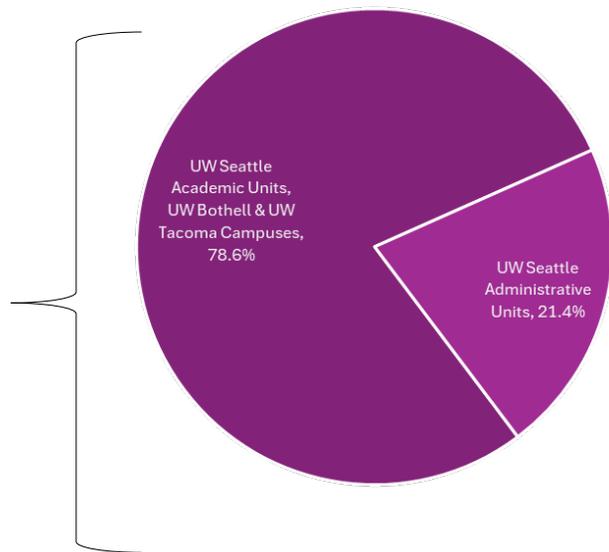
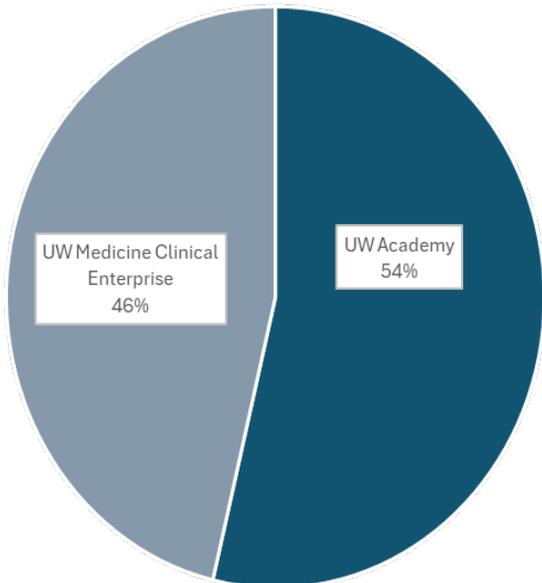
All Resources



Unit	% of Administrative Unit	% of Executive Office
Facilities	18.8%	
Student Life	15.1%	
Intercollegiate Athletics	11.7%	
UW Information Technology	9.6%	
Vice Provost of Research	7.0%	
Executive Office	6.8%	20.9%
Advancement	5.5%	13.4%
Compliance and Risk Services	3.8%	11.3%
Finance, Planning & Budgeting	3.6%	10.7%
Libraries	3.4%	10.0%
Human Resources	3.3%	9.6%
Minority Affairs	2.3%	6.8%
Graduate School	2.2%	3.7%
Continuum College	2.0%	3.5%
Undergraduate Academic Affairs	1.2%	3.4%
CoMotion	1.0%	2.4%
Campus Community Safety	1.0%	2.3%
Global Affairs	0.9%	0.6%
Attorney General Office	0.4%	0.5%
External Affairs	0.3%	0.5%
		20.9%
		13.4%
		11.3%
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		3.5%
		3.4%
		2.4%
		2.3%
		0.6%
		0.5%
		0.5%
		0.2%

Distribution of Compensation & Benefit Expenditure Budget (FY26)

All Resources



Unit	% of Administrative Unit	% of Executive Office
Facilities	16.0%	
Student Life	11.9%	
UW Information Technology	10.6%	
Intercollegiate Athletics	9.1%	
Advancement	9.0%	
Executive Office	7.4%	20.0%
Vice Provost of Research	6.6%	18.8%
Human Resources	6.0%	15.4%
Finance, Planning & Budgeting	5.8%	11.7%
Libraries	3.9%	9.3%
Continuum College	3.2%	5.6%
Graduate School	1.9%	5.0%
Undergraduate Academic Affairs	1.8%	4.8%
Minority Affairs	1.8%	4.1%
Campus Community Safety	1.7%	2.4%
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Isn't UW's money all in "one big pot"?

No. UW, like our public R1 peers (public doctoral degree-granting institutions with "very high" research activity) operates with a variety of funding sources which each carry their own unique uses rooted in policy, legal restriction or practical use. UW's complex mix of funds often must be accounted for and managed discreetly following US GAAP (generally accepted accounting principles) and GASB (governmental accounting standards) requirements.

Common misconceptions include the belief that all funds are interchangeable, that tuition and state funding fully cover instructional costs, or that research funding can be used to address general budget shortfalls. Other misconceptions include the belief that budgets are primarily controlled by the central administration, when in reality the UW is highly decentralized. In fact, ABB only distributes budgetary resources to schools, colleges and administrative units at the Dean, Vice Provost (i.e. Research, etc) or Vice President (i.e. IT, HR, etc) level. Approaches to deploying resources at the local unit level are overseen by the Dean, Vice Provost or Vice President, with support from a local finance administrator and in consultation with the UW's shared governance framework.

What is the difference between "restricted" and "unrestricted" funds and why can't the UW allocate funds freely between functions?

Unrestricted funds are financial resources that may be used at the institution's discretion to support general operations and strategic priorities. These funds are typically used to cover core expenses such as faculty and staff salaries, utilities, maintenance, academic support, and administrative functions. Common sources include tuition and fees, state appropriations that are not earmarked for a specific purpose, and unrestricted gifts. Because they are flexible, unrestricted funds are critical for maintaining day-to-day operations and responding to changing enrollment, economic conditions, or institutional needs.

In contrast, restricted funds are resources that must be used only for specific purposes defined by an external party, such as a donor, granting agency, or government program. Restricted funds include research grants, donor-restricted scholarships, capital project funding, and endowments designated for programs or positions. These restrictions are legally or contractually binding and require separate tracking and reporting. While restricted funds support important mission-driven activities, they generally cannot be redirected to cover operating shortfalls or general expenses, even when overall institutional resources appear substantial.

The UW has billions of dollars in net position, why does administration not provide these resources to schools and colleges to stave off budget reductions?

A large share of UW's net position is tied up in capital assets (land, buildings, equipment) or permanently restricted endowments that legally cannot be spent. Much of the remainder is restricted by donors, grantors, or legislation. Resources subject to external restrictions cannot be used for general operations, rather can be spent only on the specified purpose (e.g., scholarships, research grants, construction projects).

FY2025 audited financials indicate \$1.99B of unrestricted net position, which is the combination of unit level net position across the campuses, schools, colleges and hospitals and clinics. In Fiscal Year 2025 UW Medicine unrestricted net position made up \$959M of the total \$1,999M unrestricted net position.

It is a finite figure that is not intended to serve as a mechanism for resolving structural imbalances in the institution's operations. Further, it does not consist of a pot of flexible cash available for immediate deployment. It includes items such as:

- Unit-level operating reserves, internal designations (ex. faculty startup funds), local school, college or campus strategic accumulations for programmatic or capital investment
- Institutional reserves set aside for capital renewal, student aid, or long-term strategic initiatives
- Non-cash items like receivables and unrealized gains on unrestricted operating investments
- Non-cash fluctuations in the actuarial valuation of large long-term liabilities

As public universities are intended to operate in perpetuity, a fiduciary responsibility exists to ensure intergenerational equity and long-term solvency. Solving a structural challenge (core and auxiliary revenue/expense imbalance) with finite resources (net position) will create cascading long-term damage and require compounding and more disruptive corrective action to address the structural challenge.

What are common misconceptions about unrestricted net position?

Changes in unrestricted net position are influenced by factors that are often outside the University's direct control, including:

- State funding levels and tuition policy
- Enrollment trends
- Healthcare reimbursement and costs
- Investment market performance
- Accounting changes related to pensions and benefits

As a result, year-to-year changes should be interpreted **in context**, not as simple indicators of surplus or shortage. Maintaining an appropriate level of unrestricted net position is a **best practice** that helps the University continue operations during uncertain times and sustain the University's creditworthiness.

Strong credit ratings reduce the interest rates paid by the University, which directly influence the proportion of the operating budget dedicated to pay interest on long term debt.

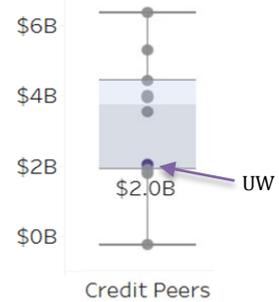
Common misconceptions include:

- That unrestricted net position is "extra cash" or a surplus available for immediate spending
- That large balances in one area (e.g., medicine or auxiliaries) can be freely used to support other functions.
- That unrestricted net position can permanently offset structural budget gaps
- The notion that unrestricted equates to unplanned. In fact, many resources accounted for within unrestricted net position are strategically encumbered across the University for planned future events. Such examples include equity contributions to capital projects or the awarding and spend down of faculty start up funds.

How does the UW’s unrestricted net position compare to other institutions?

Compared to the University’s credit peers, or institutions that look “financially similar” to the UW’s structure and operating profile, are not part of a larger system, have large healthcare operations and possess high quality credit ratings (Aa/Aaa), the University lags behind the group in unrestricted net position. UW’s financial position relative credit peers directly informs credit ratings and drives borrowing cost. Recently, the UW was downgraded from Aaa to Aa+ by Moodys as a result of lagging financial indicators relative to credit peers.

FY2025 Unrestricted Net Position



How does UW ensure transparency and accountability?

UW publishes [budget materials](#), [financial reports](#), and [audit results](#) on public-facing websites. The University also engages community members through governance processes at all levels and complies with state and federal reporting requirements about finances, enrollments, student debt, and other areas.