

Date: December 21, 2021

Subject: Governor Inslee's Supplemental Budget Proposals (making changes to 2021-23 biennial budgets)

Governor Jay Inslee released [supplemental operating and capital budget proposals](#) on December 16. The operating budget includes technical corrections and minor appropriation changes to the enacted [2021-23 biennial budget](#) (fiscal years 2022 and 2023). The Governor's budget release marks the first step of the 2022 legislative session, which is set to begin on Monday, January 10, 2022. As a reminder, leadership in the House and the Senate will propose their own budgets throughout the short 60-day session as they work toward compromise budgets.

The outcomes of the final supplemental operating budget will be incorporated into the UW's Fiscal Year 2023 (FY23) operating budget, which will be presented to the Board of Regents as an information item in May and as an action item in June.

For more information regarding the UW's requests for state funding, please see our 2022 operating and capital submissions on [this page](#).

OPERATING BUDGET

At the onset, the COVID-19 pandemic drastically changed the economic outlook in Washington state. The [June 2020 Revenue Forecast](#), released by the Economic and Revenue Forecast Council (ERFC), forecasted a precipitous economic decline as a result of the full shutdown that spring and early summer. Fortunately, by the end of the 2021 legislative session, the [March 2021 forecast](#) showed a nearly full recovery, and lawmakers approved 2021-23 biennial budgets that did not significantly reduce state appropriations as originally expected. Forecasts have continued to improve, and the most recent [November 2021 forecast](#) increased revenue projections by over \$1 billion in the current biennium.

Based on the November forecast, the Governor's proposed budget reflects a modest increase over the current biennial budget. All of the University's budget requests were funded. Most importantly, authorizations to provide salary increases for non-represented faculty, professional staff, and represented staff in FY23 were included. The Governor also proposed new investments in the University for clean energy research and pre-college programming.

Direct Impacts to the UW

Overall, the Governor's supplemental budget reflects an increase of \$23.3 million over the 2021-23 biennial budget. The increase in funding is largely attributed to additional funding for compensation in FY23. Table 1, below, shows the total funding in the Governor's 2022 supplemental budget compared to the enacted 2021-23 biennial budget.

Table 1: UW State Funding - 2022 Supplemental Operating Budget Proposals
Near General Fund State (in \$1,000s)

Budget	FY1	FY2	Total
<i>Final Compromise 2021-23 Biennial Operating Budget</i>	437,371	446,600	883,971
Governor's Proposed 2022 Supplemental Operating Budget	438,647	468,633	907,280

Table 2, below, shows a line-by-line breakdown of the funding levels and policy changes proposed in the Governor's 2022 supplemental operating budget. Frequently, other state agencies receive state funding amounts and are required to contract with the University. This list of provisos includes only appropriations directly to the University. UW line items are described in more detail in the following pages.

**Table 2: 2022 Supplemental Operating Budget Proposals
Near General Fund State (in \$1,000s)**

		Governor Proposed		
		FY22	FY23	2021-23 Total
2021-23 Biennial Budget (base funding)		437,371	446,600	883,971
Maintenance Level Changes		1,253	3,049	4,302
	Maintenance & Operations (ML+PL)	-	621	621
	Tuition Backfill Inflation Adjustment	1,093	1,202	2,295
	ML Central Service Adjs.	27	21	48
Comp	Worker's Compensation	133	132	265
	Pension & DRS Rate Changes	-	1,073	1,073
Policy Level Changes		23	18,984	19,007
	PL Central Service Adjs.	23	607	630
Comp	SEIU 925	-	944	944
	WFSE	-	904	904
	SEIU 1199	-	17	17
	Non-Rep General Wage Increases	-	9,341	9,341
	Total Employee Benefits Changes	-	116	116
	Computer Science & Engineering Expansion	-	2,000	2,000
	Pharmacy Behavioral Health	-	505	505
	IHME Spokane	-	800	800
	Prepare Future Doctors	-	500	500
	Clean Energy Battery Testbeds	-	3,250	3,250
Total Funding		438,647	468,633	907,280

2022 Supplemental Operating Budget

Tuition Policy

The Governor's budget assumes the continuation of current tuition policy ([2ESSB 5954](#), 2015), which allows for inflationary increases based on a formula that has allowed increases of 2.2 to 2.8 percent per year (for FY22, the allowable increase was 2.8 percent). Part of that policy requires an inflationary adjustment to tuition backfill amounts provided in previous budgets. The Governor's budget would adjust the backfill amount in FY23 by \$2.3 million over the biennium.

Compensation and Benefits

Compensation:

Salary increases for faculty and staff were the University's highest priority requests for the 2022 supplemental budget.

- For represented staff, the Governor would approve the amendments to 2021-23 collective bargaining agreements (CBAs) submitted by the University for the supplemental session, which reflect a 3 percent increase and one-time payments for represented staff in those unions that reached agreements (SEIU 925, WFSE, and SEIU 1199).
- For UW non-represented faculty and staff, the Governor assumed a 3 percent salary increase in FY23. Importantly, the Governor improved the "funding split" between state funding and assumed tuition revenue so that approximately 50 percent of the total cost is provided through state funding. This is an improvement over the current funding split and fulfills the University's request that at least half of the cost be covered by the state.

- It is important to note that compensation funding provided by the state only covers a portion of what is needed to cover the cost of salary increases for faculty and professional staff. These salary increases are paid by the combination of state funding and tuition revenue (our General Operating Fund) only and account for a small fraction of our employee base. Salary increases for all other employees would need to be funded from other sources of revenue.

Benefits:

The Governor's budget would update monthly employer contribution caps to \$936 in FY22 and \$1,130 in FY23 (compared to \$936 and \$1,091 in the biennial budget, so a \$39 increase in FY23). These benefit assumptions can represent significant costs across all UW activities, and we are working to analyze and determine the full impact of this proposal.

Policy Level Changes

The Governor's budget included funding for all UW budget requests, along with two new items. More detail about each is below:

UW Budget Requests:

- **Maintenance & Operations for Milgard Hall at UW Tacoma:** \$621,000 in FY23 to fully fund the University's request in the first year. Funding is expected to ramp up into FY24 and will be ongoing.
- **Computer Science & Engineering Expansion:** An additional \$2 million in FY23 from the Workforce Education Investment Account (WEIA) would expand computer science and engineering enrollments by the degree targets assumed in the 2021-23 biennial budget. This is expected to be ongoing funding.
- **Psychiatry Residencies:** \$505,000 in FY23 for a joint request between the UW School of Pharmacy and Washington State University (WSU) College of Pharmacy to create four new residency positions to address mental and behavioral health across Washington state. This amount would support two residency training positions and 1.0 FTE behavioral health faculty at the UW, and a separate allocation to WSU would create similar positions. This is expected to be ongoing funding.
- **Institute for Health Metrics and Evaluation Spokane:** \$800,000 in FY23 and \$2.76 million total over three years, for an intensive study of community health metrics, disparities, and drivers in rural and Eastern Washington by the Institute for Health Metrics and Evaluation (IHME).

New Provisos:

- **Prepare Future Doctors:** \$500,000 in FY23 to collaborate with the Office of the Superintendent of Public Instruction and state commissions to provide mentoring, preparation, and career awareness for students of color in grades 6+. This is expected to be ongoing funding.
- **Clean Energy Battery Testbeds:** \$3.25 million in FY23 for the UW Clean Energy Institute (CEI) to build a community resource for creating, testing, and validating technologies, while developing the resources and partnerships needed to accelerate a scalable clean energy future. Note that some budget documents indicate a \$3.5 million appropriation, but we confirmed with OFM that \$3.25 million was the intended amount. Funding is expected to be one-time in FY23. See also the capital appropriation for CEI in the Governor's supplemental capital budget proposal.

Other Notable Changes:

- **OFM Central Services:** The Governor's budget would increase charges for OFM Central Services in FY23 by \$1.4 million (\$493,000 in state appropriations and \$918,000 paid by tuition revenue). The 2021-23 budget fixed a previous formula that would have resulted in significant charges to the University (see previous briefs for more information). While this is a much lower amount than previously proposed, it still represents a significant redirection of student tuition revenue, so we have asked OFM for more information.

Financial Aid

Below, Table 3 outlines some of the major financial aid provisions for the Washington Student Achievement Council (WSAC) in the Governor's supplemental budget proposal. At a high-level, the Governor's budget:

- Adjusts appropriations for the Washington College Grant Program (formerly the State Need Grant) to reflect expected caseloads (-\$59 million). This adjustment is based on reductions in enrollment across the state.
- Provides \$16.6 million to close equity gaps through new and existing community-based career and college collaborations.
- Increases the state match for the Opportunity Scholarship Program (\$7.1 million).
- Provides \$3.6 million for health care simulation lab grants for nursing programs, \$1 million each for career launch grants and enrollment advising fellowships, and smaller amounts to extend the Supporting Students Experiencing Homelessness pilot program, expand college access through the 12th Year Campaign program to help students from across the state to learn about and apply for college, and to establish a grant pool to support new and existing career launch programs.

Please note, in the table below, not all funding would be from the State General Fund. Some items would be funded from other sources or through a mix of funds.

Table 3: Financial Aid Funding in the Governor's 2022 Supplemental Operating Budget Proposal (Detail by biennium in \$1000s)	Governor's Proposal
College Grant Caseload Adjustment	-\$59,000
Career and College Pathways Grants	\$16,600
Opportunity Scholarship State Match	\$7,138
Healthcare Simulation Labs	\$3,600
Enrollment Advising Fellowship	\$1,000
Career Launch Grants	\$1,000
College Access Expansion	\$932
WA College Grants-Apprentices	\$850
Homeless College Student Support	\$372

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

CAPITAL BUDGET

Governor Inslee's [2022 supplemental capital budget](#) would add approximately [\\$205.8 million](#) in new state-wide appropriations compared to the 2021-23 capital budget. His capital budget proposal would fully fund the UW's request for \$10 million in new state funding for Major Infrastructure – Seismic Improvements, which will help stabilize buildings and make them less vulnerable to seismic events. This will be used to backfill funding that was reallocated from the UW Building Account during the last legislative session for mission critical repairs to the UW Power Plant. This funding will allow the UW to keep the original timeline for seismic improvements, helping mitigate potential cost increases and addressing key safety issues in a more timely manner.

Governor Inslee's proposal also included \$7.5 million in state funds for the [UW Clean Energy Institute](#) to establish an open-access battery fabrication testbed facility and to enhance imaging and analysis capabilities.

Table 4: 2022 Supp Capital Budget Proposals (in \$1,000s)	Final 2022 Supp UW Request	Governor's Budget 12/16/21
Appropriations (Requested Projects)	State Funds	State Funds
Major Infrastructure (Seismic Improvements)	10,000	10,000
Clean Energy Testbeds		7,500
Subtotal:	10,000	17,500

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