

**Date:** December 20, 2022

**Subject:** Governor Inslee's Proposed 2023-25 Biennial Operating and Capital Budgets

In advance of the upcoming 2023 state legislative session, Governor Inslee released his proposed 2023 supplemental operating, and 2023-25 biennial operating and capital budgets on December 14. Each proposal, as well as state agency details, can be found on the Governor's [Office of Financial Management website](#).

As a reminder, the release of the Governor's budget proposals represents the first step in a lengthy budget process. Lawmakers in the House and the Senate will have the opportunity to release their own budget proposals over the course of the legislative session. In sessions occurring in odd-numbered years (such as the upcoming session), lawmakers are tasked with setting two-year state budgets, which they have an opportunity to amend during short sessions in even-numbered years. The 2023 session is set to begin on January 9, 2023, and will end on or before April 24, 2023, with the option of one or more 30-day special sessions. Once finalized, the biennial operating budget will be incorporated into the UW's Fiscal Year 2024 (FY24) 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 a review of the 2022 supplemental budget, please see the [OPB's brief page](#) on our website. For more information regarding the UW's current requests for state funding, please see our 2023-25 operating and capital submissions on [OPB's State Budget Information page](#).

## OPERATING BUDGETS

At the end of the 2022 legislative session, the economic outlook in Washington state was largely positive. Overall revenue projections released by the Economic and Revenue Forecast Council (ERFC) were greater than anticipated by approximately \$1 billion in the 2021-23 biennium. Because of this, lawmakers approved a 2022 supplemental budget that appropriated significant funding to the UW, including compensation and hospital safety-net support. However, beginning with the [June 2022 Revenue Forecast](#), the ERFC's overall outlook shifted to caution that economic growth, while still positive, was slowing. Fortunately, the [November 2022 Revenue Forecast](#) continued to show increased overall revenue projections in the current and upcoming, 2023-25 biennium.

Based on the November forecast, the Governor's proposed operating budget reflects an increase over the previous biennium. Many of the UW academy requests were funded and UW Medicine would receive a one-time \$100 million appropriation in FY23 through the 2023 supplemental proposal. Subsequent budget proposals by leadership in the Senate and House will be released following the next revenue forecast, which is set to be released in February or March. A summary of the next revenue forecast will be posted to the [OPBlog](#).

### *Direct Impacts to the UW*

Table 1 shows the total funding provided over the 2021-23 biennium (FY22 and FY23), the Governor's proposed 2023 supplemental budget (affecting FY23), the assumed base funding (the cost of continuing appropriations from the previous biennium into the upcoming biennium), and the Governor's biennial operating budget proposal (FY24 and FY25). Overall, the Governor's biennial budget proposal reflects an increase of \$140 million over the base budget.

**Table 1: UW State Funding - 2023 Supplemental and 2023-25 Biennial Operating Budget Proposals**  
Near General Fund State (in \$1,000s)

Budget	FY1	FY2	Total
<b>Current Biennium (affecting FY23)</b>			
2021-23 Base Funding (Biennial Budget + 2022 Supplemental)	434,927	469,852	<b>904,779</b>
Governor's Proposed 2023 Supplemental Budget	434,927	572,209	<b>1,007,136</b>
<b>Upcoming Biennium (FY24 and FY25)</b>			
2023-25 Base Funding (2021-23 Base + Carryforward Level)	446,549	445,282	<b>891,831</b>
Governor's Proposed 2023-25 Biennial Operating Budget	504,635	527,234	<b>1,031,869</b>

Table 2, below, shows a line-by-line breakdown of the funding levels and policy changes proposed in the 2023 supplemental operating budget, amending the current budget for the final months of 2023. Table 3 details the 2023-25 biennial operating budget. Line items are described in more detail in the following pages.

**Table 2: 2023 Supplemental Operating Budget Proposals**  
Near General Fund State (in \$1,000s)

	Governor Proposed		
	FY22	FY23	2021-23 Total
<b>2021-23 Base Funding (2021-23 + 2022 Supplemental)</b>	434,927	469,852	<b>904,779</b>
<b>Maintenance &amp; Policy Level Changes</b>	-	102,357	<b>102,357</b>
Tuition Backfill Inflation Adjustment	-	2,357	<b>2,357</b>
UW Medicine Safety Net	-	100,000	<b>100,000</b>
<b>Total Funding</b>	434,927	572,209	<b>1,007,136</b>

**Table 3: 2023-25 Operating Budget Proposals**  
Near General Fund State (in \$1,000s)

		Governor Proposed		
		FY24	FY25	2023-25 Total
<b>2023-25 Base Funding (2021-23 + CFL)</b>		446,549	445,282	<b>891,831</b>
<b>Maintenance Level Changes</b>		10,805	17,520	<b>28,325</b>
Maintenance & Operations (ML+PL)		3,342	6,997	<b>10,339</b>
Tuition Backfill Inflation Adjustment		3,793	4,877	<b>8,670</b>
Maintenance Level Central Service Adjustments		250	291	<b>541</b>
Worker's Compensation		1,178	1,179	<b>2,357</b>
Updated PEBB Rate		555	2,489	<b>3,044</b>
Ramp-up Funding		1,687	1,687	<b>3,374</b>
<b>Policy Level Changes</b>		47,281	64,432	<b>111,713</b>
Policy Level Central Service Adjustments		3,311	3,099	<b>6,410</b>
Compensation	SEIU 925	1,501	1,840	<b>3,341</b>
	WFSE 1488 & 3488	1,210	1,474	<b>2,684</b>
	Teamster 117 Police	73	162	<b>235</b>
	WFSE Police Management	46	95	<b>141</b>
	Non-Rep General Wage Increases	10,688	18,942	<b>29,630</b>
	Compensation Support	8,840	11,650	<b>20,490</b>
	Total Employee Benefits Changes	423	739	<b>1,162</b>
Preventative Maintenance Fund Shift		12,913	12,913	<b>25,826</b>
Tri-Campus High Demand Enrollments		3,716	6,862	<b>10,578</b>
RIDE Program Expansion		1,991	2,335	<b>4,326</b>
BHTF Physician & Facility Support		2,375	4,183	<b>6,558</b>
Buy Clean, Buy Fair		194	138	<b>332</b>
<b>Total Funding</b>		504,635	527,234	<b>1,031,869</b>

### 2023 Supplemental Budget (proposed changes to the current fiscal year, FY23)

- **UW Medicine Safety Net Support:** \$100 million in additional funding in FY23 for UW Medicine to alleviate significant labor costs and sustain clinical operations as an integral part of the state's safety net.

2023-25 Biennial Budget (proposed budget for the upcoming biennium comprising FY24 and FY25)Tuition Policy

The Governor's budget proposal assumes the continuation of current tuition policy (enacted by [2ESSB 5954](#), 2015), which has allowed resident undergraduate tuition increases of approximately 2.2-2.8 percent each year. Part of that policy requires an inflationary adjustment to tuition backfill amounts provided in previous budgets. The backfill adjustment in the Governor's budget proposals would result in an additional \$2.3 million in the 2023 supplemental budget and \$8.7 million in funding over the 2023-25 biennium.

Compensation and Benefits**Compensation:**

Salary increases for faculty and staff were the University's highest priority requests for the 2023-25 biennial budget.

- For represented staff, the Governor would approve 2023-25 collective bargaining agreements (CBAs) submitted by the University. This includes four new collective bargaining agreements that were determined to need state approval. New agreements were approved but did not include any additional state funding, and therefore are not reflected in the table above.
- For non-represented faculty and staff, the Governor assumed a salary increase of 4 percent in FY24 and 3 percent in FY25. Importantly, the Governor improved the "funding split" between state funding and assumed tuition revenue so that approximately 66 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 2/3 of the cost be covered by the state.
  - It is also 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.
- As part of the funding for salary increases in the budget, two provisions are included for \$1,000 one-time lump sum payments to certain state employees. The first provides a retention payment for individuals continuously employed between July 1, 2022, and July 1, 2023. The second provides an incentive payment to employees who provide proof that they have received an updated COVID-19 booster. **However, the Governor's proposal excludes employees of institutions of higher education** from receiving these benefits.

**Benefits:**

The Governor's budget would update monthly employer contribution caps to \$1,160 per eligible employee in FY24, and \$1,233 in FY25. The current cap is set at \$1,130, so increases of \$30 and \$103, respectively. These benefit assumptions represent significant costs across all UW activities and are passed through to unit budget via benefit load rates.

Maintenance Level Changes

The Governor's budget included funding for all UW budget requests at the maintenance level, including a request for a maintenance and operations (M&O) fund shift. The Governor's proposal funded the M&O shift at the policy level, and so we have summarized that detail in the following subsection.

- **Maintenance & Operations:** \$3.3 million in FY24 and nearly \$7 million in FY25 for maintenance & operations of STEM4 building at UW Bothell, the Interdisciplinary Engineering Building (IEB) at UW Seattle, and the Behavioral Health Teaching Facility (BHTF) at UW Medical Center – Northwest Campus. All three buildings are state funded and will be completed during the 2023-25 biennium. This funding is expected to be ongoing.

- **Ramp-Up Funding:** \$3.4 million beginning in FY24 to continue planned funding ramp-ups of legislation passed during the state's 2021-23 biennial and 2022 supplemental budgets. These are important investments that were intended to ramp up into the 2023-25 biennium including child psychiatry fellowships, psychiatry residencies, DEI training for UW employees and students, the Suicide Safer Homes Task Force, and cannabis research and education. Absent additional state appropriations, these activities would not expand as intended by previous legislatures.

## Policy Level Changes

The Governor's budget included funding for many UW budget requests at the policy level, along with one new item. However, the Governor's proposal **did not include** funding for the University's requests for tri-campus student support services, permanent biennial funding for the UW Medicine safety net, or the Quantum Initiative. These requests, particularly those around student support services and the UW Medicine safety net, addressed critical needs across the UW that have been exacerbated by the COVID-19 pandemic. We will continue to work with lawmakers regarding these priorities. More detail about each request that was included in the Governor's budget is below:

## UW Budget Requests:

- **Maintenance & Operations Fund Shift:** \$25.825 million per biennium. During the 2003-05 and 2005-07 biennial budgets, a total of \$25.825 million in UW operating funds to support M&O was shifted from appropriations in the state operating budget to expenditures from the UW Building Account. Fulfilling this request would enable the UW to make urgent investments in renewal and address our deferred maintenance backlog which totals over \$2 billion.
- **Tri-Campus High Demand Enrollments:** \$3.7 million in FY24 and \$6.9 million in FY25 to offer additional enrollment slots in computer science and engineering disciplines on each campus. **This request was partially funded** as the Governor's budget does not include funding for Engineering student support services or to increase enrollments at the Information School on the Seattle Campus. At the proposed funding level, the Paul G. Allen School of Computer Science and Engineering would receive \$2 million in FY24 and \$4 million in FY25 and beyond, the UW Bothell School of STEM would receive \$862,000 per year in ongoing funding, and the UW Tacoma School of Engineering and Technology would receive \$854,000 in FY24 and \$2 million in FY25 and beyond.
- **RIDE Program Expansion:** \$2 million in FY24 and \$2.3 million in FY25 to expand the capacity and footprint of the Regional Initiatives in Dental Education (RIDE) program at the Spokane Riverpoint campus. This funding is expected to be ongoing.
- **BHTF Physician & Facility Support:** \$2.4 million in FY24 and \$4.2 million in FY25 to support the faculty costs for delivering behavioral health care to patients in long-term civil commitment beds and to teach future mental health professionals at the Behavioral Health Teaching Facility (BHTF). This funding is coded as one-time. In addition, \$34 million was provided in FY24 and FY25 for the Health Care Authority to support cost-based reimbursement for services provided in long-term civil commitment beds at the BHTF.

## New Provisos:

- **Buy Clean, Buy Fair:** \$194,000 in FY24 and \$138,000 in FY25 for UW as an awarding authority in implementing proposed legislation to improve environmental and social outcomes with the production of building materials.
- **Clean Energy Strategy:** \$3 million would be allocated in FY24 to develop a Clean Energy Strategy that will help define the modernization/recapitalization of the existing energy infrastructure and better align UW's sustainability values for the Seattle campus. Funds are provided from the Climate Commitment Account - State, and therefore are not included in the table above.
- **Response to Ocean Acidification:** Existing funding for the Washington Ocean Acidification Center would be shifted from the Aquatic Lands Enhancement Account to the Natural Climate Solutions Account (\$812,000 in FY24 and \$834,000 in FY25). WOAC would receive two additional funding items: \$150,000 per year to maintain existing

monitoring levels, and \$260,000 per year to advance high-priority biological experiments. All funds are provided from the Natural Climate Solutions Account - State, and therefore are not included in the table above.

#### Other Notable Changes:

- **New central services:** The Governor’s budget would add new central services for “each agency’s share of the state data center” and for the Governor’s state-wide policy staff and Office of Equity. Billing authority will include appropriation amounts (\$3.46 million over the biennium), and \$2.5 million in assumed tuition revenue.
- **Office Space Use Reduction:** The Governor proposed a new requirement for state agencies and institutions of higher education with leases expiring in fiscal years 2024 and 2025 to work toward reducing leased office space by a minimum of 20 percent upon lease renewal or when requesting office relocation. This requirement is increased to 30 percent in 2026 and 2027, with a caveat that savings in lease costs may be captured in subsequent budgets.

#### Financial Aid

Table 4 outlines the financial aid provisions for the Washington Student Achievement Council (WSAC). Summaries of those items are included below.

At a high level, the Governor’s budget includes:

- **\$150 million** to fund the Washington Student Loan Program. The program, which was created by [HB 1736](#) in 2022, will provide low interest loans for students.
- **\$16 million** to fund the Good Jobs Challenge Authority. Funds are available through a U.S. Department of Commerce grant to create equity focused, work-based learning programs.
- **\$8 million** to expand the Career and College Pathways grant program to increase postsecondary enrollment rates and close equity gaps.
- **\$5.78 million** to support underserved college students in King County.
- **\$1.54 million** to establish the Office of Career Connect Washington (CCW) as well as \$3.15 million to expand CCW grant programs.
- **\$2 million** to increase the Washington College Grant award available to students attending 4-year private institutions.
- A total of **\$747,000** split between several entities, including the Rural Jobs program and WSAC. More information on these appropriations can be found in the [agency recommendation summary](#).

**Table 4: Financial Aid Funding in Governor’s Budget Proposal**  
(in \$1,000s)

	Governor Proposed
Washington Student Loan Program	150,000
Good Jobs Challenge Authority	16,000
Career and College Pathways Grants	8,000
Direct College Student Support	5,778
Career Connect Washington Program Grant Funding	3,150
Office of Career Connect Washington	2,538
Washington College Grant Increase for Private Institutions	2,003
Other	747
<b>Total Funding:</b>	<b>188,216</b>

For information about the operating budget, contact [Jed Bradley](#) or [Lauren Hatchett](#). For more information about financial aid, please contact [Michael Lantz](#).



## CAPITAL BUDGET

Governor Inslee's proposed 2023-25 capital budget appropriates nearly \$9.2 billion for state construction projects, grant and loan programs for local governments, and to build and improve K-12 schools and facilities for higher education. The proposal focuses on addressing Washington's housing shortage, construction projects on community college and university campuses, healthcare and behavioral health facilities, and investments aimed at achieving positive climate outcomes.

For the UW, the Governor's [proposal](#) would appropriate almost \$121.2 million in new state funding for capital projects, and fund the majority of the UW's capital request for state funding. The proposal includes:

- **\$58 million** for Phase 2 of the T-Wing Renovation at the Magnuson Health Sciences Center.
- **\$28.7 million** in construction funding for Anderson Hall, a part of the UW's original Restore the Core program to revitalize some of our oldest buildings on campus.
- **\$5 million** in design funding for Chemical Sciences Modernization, a multi-phased interdisciplinary project, co-locating research faculty members from Chemistry, Materials Science and Chemical Engineering departments.
- **\$9 million** in design and construction funding for the second phase of wəṭəbʔaltxʷ / Intellectual House.
- **\$13 million** for building renovation at UWMC Northwest Campus for behavioral health improvements.

The proposal also includes the UW's requested amount of **\$93.8 million from the UW Building Account** for Asset Preservation, Infrastructure Renewal, and Major Infrastructure (Seismic Improvements) projects. The availability of Building Account funds increased due to the M&O Fund Shift outlined in the operating budget section above. These funds will support the preservation and renewal of facilities across all three campuses. The proposal also provided **\$7.5 million for the UW Clean Energy Testbeds** as a new state appropriation. This was provided in the 2022 Supplemental budget as an expenditure authority from assumed federal funds, which has been rectified in this proposal. As noted above, \$3 million was provided in the operating budget proposal for the development of a clean energy transformation strategy for Seattle. **The proposal did not fund the UW's request for \$7.7 million for land acquisition at the UW Tacoma campus.**

Please see the table below for a comparison of the UW's capital budget request to the amounts included in the Governor's proposed capital budget. For more information about the capital budget, contact [Charlotte Shannon](#).

**Table 5: 2023-25 Capital Budget Proposals**  
(in \$1,000s)

Appropriations (Requested Projects)	Final 2023-25 UW Request			Governor's Budget 12/14/22		
	State Funds	UW Building Account	State Toxics Control	State Funds	UW Building Account	State Toxics Control
Magnuson Health Sciences T-Wing – Phase 2	58,000			58,000		
Anderson Hall Renovation	28,650			28,650		
Chemical Sciences Modernization	5,000			5,000		
wəṭəbʔaltxʷ (Intellectual House) – Phase 2	9,000			9,000		
UW Tacoma – Land Acquisition	7,700					
UWMC NW Campus - Behavioral Health Renovation	13,000			13,000		
Asset Preservation (Minor & Major)		44,525			44,525	
Infrastructure Renewal		35,000			35,000	
Major Infrastructure (Seismic Improvements)		14,300			14,300	
UW Tacoma - Soil Remediation			2,000			2,000
UW Clean Energy Testbeds				7,500		
<b>Subtotal:</b>	<b>121,350</b>	<b>93,825</b>	<b>2,000</b>	<b>121,150</b>	<b>93,825</b>	<b>2,000</b>