

Date: December 18, 2023 *(updated January 30, 2024)*
Subject: Governor Inslee's Proposed 2024 Supplemental Operating and Capital Budgets

In advance of the upcoming 2024 state legislative session, Governor Inslee released his proposed 2024 supplemental operating and capital budgets on December 13. Each proposal, including 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 even-numbered years (such as the upcoming session), lawmakers are tasked with amending the two-year budget set in the 2023 legislative session and are primarily focusing on the second fiscal year (FY25). The 2024 session is set to begin on January 8, 2024, and end on March 7, 2024. Once finalized, the operating budget will be incorporated into the UW's Fiscal Year 2025 (FY25) 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 2023-25 biennial budgets, please see the [OPB's briefs page](#) on our website. For more information regarding the UW's current requests for state funding, please see our 2024 supplemental operating and capital submissions on [OPB's State Budget Information page](#).

OPERATING BUDGET

At the end of the 2023 legislative session, the economic outlook in Washington state was forecasted to be positive. Overall revenue projections released by the Economic and Revenue Forecast Council (ERFC) have continued to improve, though growth continues to slow. The most recent forecast in November projected a \$191 million increase in revenue for the 2023-25 biennium. Total revenue for the biennium is now projected to reach \$66.88 billion, a 3.3 percent increase over the previous 2021-23 biennium.

Based on the November forecast, the Governor's proposed operating budget reflects a slight increase over the underlying biennial budget. Many of the UW academy requests were funded and UW Medicine would receive a one-time \$50 million appropriation in FY25. 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. A summary of the next revenue forecast will be posted to the [OPBlog](#).

Direct Impacts to the UW

Overall, the Governor's supplemental budget reflects an increase of \$79 million over the 2023-25 biennial budget. The increase in funding is largely attributed to additional funding for UW Medicine. Table 1, below, shows the total funding in the Governor's 2024 supplemental budget compared to the enacted 2023-25 biennial budget.

Table 1: UW State Funding - 2024 Supplemental Operating Budget Proposals
Near General Fund State (in \$1,000s)

Budget	FY1	FY2	Total
<i>Enacted 2023-25 Biennial Operating Budget</i>	583,064	520,505	1,103,569
Governor's Proposed 2024 Supplemental Budget	585,011	597,561	1,182,572

Table 2, below, details the 2024 supplemental operating budget. While we frequently see other state agencies receive funding that stipulates that funds must be contracted with the University, this list of provisos includes only appropriations directly to the University. Line items are described in more detail on the following pages.

**Table 2: 2024 Supplemental Operating Budget Proposals
Near General Fund State (in \$1,000s)**

	Governor Proposed		
	FY24	FY25	2023-25 Total
2023-25 Biennial Budget (base funding)	583,064	520,505	1,103,569
Maintenance Level Changes	1,554	2,608	4,162
Maintenance & Operations (ML+PL)	-	153	153
Tuition Backfill Inflation Adjustment	526	687	1,213
ML Central Service Adjs.	49	2	51
Worker's Compensation	1,529	1,527	3,056
Alternative Jet Fuels	-	239	239
College in the High School	(550)	-	(550)
Policy Level Changes	393	74,448	74,841
PL Central Service Adjs.	383	1,051	1,434
Total Employee Benefits Changes	10	(438)	(428)
UW Hospital Support	-	50,000	50,000
School of Dentistry RIDE Expansion	-	2,505	2,505
Allen School Scholars	-	330	330
Legal Service Shift (AGO)	(902)	(936)	(1,838)
BHTF Support	-	20,000	20,000
Semiconductor Teaching Lab	-	1,000	1,000
Total Funding	585,011	597,561	1,182,572

Tuition Policy

The Governor's budget continues current tuition policy (enacted by [2ESSB 5954](#), 2015), which has allowed resident undergraduate tuition increases of between 2.2-3.0 percent each year. The allowable increase for the 2024-25 academic year will be 3.0 percent. Part of the state's tuition policy requires an inflationary adjustment to tuition backfill amounts provided in previous budgets. The backfill adjustments in the Governor's budget and would result in an additional \$2.3 million in the 2024 supplemental budget.

Compensation and Benefits

Compensation:

Salary increases for faculty and staff were the University's highest priority requests for the 2023-25 biennial budget. Collective bargaining agreements for UW represented staff were approved by the state during the 2023 session. For

FY25, the state budget assumes 3 percent salary increases for non-represented faculty and staff. The Governor's budget does not make any compensation changes to the underlying budget.

Benefits:

Monthly employer contribution caps for employee benefits in the Governor's budget would be unchanged for FY24 (\$1,145) but would be updated to \$1,158 in FY25 (the FY25 cap in the biennial budget is \$1,191, so a \$33 reduction). Benefit assumptions represent significant costs across all UW activities and are passed through to unit cost centers via benefit load rates. The Governor's benefits rates also assume that state employee vision plan hardware benefits would increase to \$200 every two years.

Maintenance Level Changes

The UW submitted two budget requests at the maintenance level including maintenance and operations for UW Medicine – Northwest Behavioral Health Teaching Facility, and funding for legislation that passed during the previous legislative session but was not funded in the 2023-25 operating budget. We have summarized each maintenance level requests below.

- **Maintenance & Operations for the UWMC-NW Behavioral Health Renovation:** The University requested \$153,000 in FY25, which is half of the ongoing cost in future fiscal years. The project is expected to reach substantial completion by January 2025 and construction was a state-funded legislative priority in conjunction with the Behavioral Health Teaching Facility. The Governor's budget would fully fund the University's request including the full ongoing amount of approximately \$315,000 per year.
- **Funding for SB 5447, Alternative Jet Fuels Reporting:** The University requested \$239,000 in FY25 and \$144,000 ongoing. The Legislature passed SB 5447 during the 2023 session, which directed the UW Department of Environmental and Occupational Health Sciences (DEOHS) to calculate and report on jet fuel emissions around SeaTac International Airport. The Legislature provided funding to every state agency involved with this work, except for the UW. Without funding, it is not feasible for DEOHS to complete the study. The Governor's budget would fully fund the University's request for FY25 and future fiscal years.

Policy Level Changes

The Governor's budget includes funding for all UW budget requests at the policy level. The Governor's budget also addressed a shift of legal support staff for the UW Division of the Attorney General's Office (AGO). While this was not an official request submitted by the UW in September, a joint request was later submitted in coordination with the AGO. All of these requests would address critical needs across the UW. More detail about each is below:

UW Budget Requests:

- **UW Medicine Safety Net and Medical Training Support:** The University requested up to \$100 million in FY25 to support critical safety net care, medical training, and other services at UW Medical Center and Harborview Medical Center. UW Medicine received one-time funding during the 2023 legislative session for FY23 and FY24 and is making progress in addressing challenges like reimbursement rates and complex discharge patients. However, UW Medicine

needs additional state support for FY25 to address increasing labor costs and prevent significant and harmful service reductions. The Governor's budget would provide \$50 million in FY25 (one-time funding).

- **Dentistry RIDE Expansion:** The University requested \$2.5 million in FY25 and each year thereafter, in collaboration with Eastern Washington University (EWU), to expand the capacity and footprint of the Regional Initiatives in Dental Education (RIDE) program in Spokane. The request will double the cohort and add a second year to the program in Spokane, which will enhance Spokane's function as a regional campus and hub for professional education. The Governor's budget provided would fulfill the request with ongoing funding.
- **Paul G. Allen School of Computer Science & Engineering Startup Program:** The University requested \$330,000 in FY25 and \$455,000 ongoing for the Startup program (now Allen Scholars), which supports and prepares students with high potential and academic need to succeed in the CSE BS program. The state provided \$455,000 in FY23 then one-time funding of \$125,000/year for the current biennium (FY24 and FY25) in the 2023 session (we requested \$455,000 ongoing). This would bridge the gap in FY25 and make the funding permanent. The Governor's budget would fulfill the request with \$330,000 in FY25 and an ongoing amount of \$455,000 in future fiscal years.
- **UW Division of the AGO Staffing Shift:** If implemented, this would shift approximately 10 FTE legal support staff to the AGO from the UW. The cost of the shift would be built into the central service model for AGO billing authority, and a portion of state funding would be allocated to the UW. The Governor's budget chose to make this shift at the policy level and moved costs to a fund-split in the central service model. In addition to this shift, the budget reduced state general funding in a separate step, which in effect removed state funding for positions that were not state-funded. **We flagged the issue for the Governor's budget staff and the Governor's January budget update corrected the error and removed the \$1.8 million reduction.**

Additional Provisos in the Governor's Budget:

- **Behavioral Health Teaching Facility (BHTF) Support (\$20 million):** \$12 million from the state general fund (GF-S) and \$8 million from the Workforce Education Investment Account (WEIA) are provided in FY25 to support the UW BHTF, which will operate 75 long-term beds. A report is due by June 30, 2025. This is coded as one-time funding, however we understand that the intent is for the annual report to serve as a basis for continued state reimbursement.
- **Semiconductor Teaching Lab:** \$1 million in FY25 is provided to assist the institution with creating a semiconductor teaching lab. This is coded as one-time funding.
- **Thriving Communities:** \$263,000 in FY25 is provided for the institution to hire two grant writers to offer technical assistance to tribal and community groups in the [Thriving Communities Technical Assistance Program](#). This is funded from the Climate Commitment Account and therefore not reflected in the table above. Funding is coded as ongoing.

OTHER NOTABLE CHANGES

- **College in the High School:** The 2023-25 biennial operating budget provided \$1.64 million in each FY24 and FY25 for College in the High School courses as provided in [Second Substitute Senate Bill 5048](#). The Governor's proposed budget would reduce FY24 funding by \$550,000, a roughly 40 percent reduction from the original proviso. We are

working with campus partners to understand the calculations that were used and the impact this reduction would have on our programs.

- **Central services:** The Governor’s budget assumes significant increases in billing authority for other state agencies to charge the University for programs or services, which receive only partial state funding. We are working with OFM to get more information about the following major changes:
 - Workers compensation central services would increase by \$3.7 million per year starting in FY24, with \$1.5 million per year funded.
 - OFM central services would increase by \$1.5 million per year starting in FY25, with \$624,000 funded.
- **Cannabis Revenue Distributions:** The Governor’s budget reduced appropriations from the Dedicated Cannabis Account by \$26,000 in FY24 and \$39,000 in FY25 pursuant to [Chapter 169 Laws of 2022 \(E2SSB 5796\)](#) and the November 2023 revenue forecast.

FINANCIAL AID

Table 3, below, outlines the Governor’s financial aid provisions for the Washington Student Achievement Council (WSAC).

Table 3: Financial Aid Funding in 2024 Supplemental Budget Proposal (in \$1,000s)	Governor Proposed
College Grant Eligibility	1,000
WAVE Scholarship	500
WA College Grant Eligibility-SNAP	239
Total Funding	1,739

The Governor’s budget includes:

- **\$1 million** to expand the eligibility timeframes for the Washington College Grant, College Bound Scholars, and Passport to Careers to align with the timeframe of federal Pell Grants. This enables students to remain eligible for the state grants for 18 full-time academic quarters or six years.
- **\$500,000** to fund the Washington Award for Vocational Excellence program which recognizes high school seniors, and community & technical college students for exemplary performance in career and technical education programs.
- **\$239,000** to expand outreach to low-income prospective students to increase access to state colleges and universities. Prospective students would be notified of their eligibility for the Washington College Grant when enrolled in Supplemental Nutrition Assistance Program (SNAP).

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

CAPITAL BUDGET

Governor Inslee's 2024 [supplemental capital budget](#) proposal would add \$43.9 million in new appropriations compared to the current 2023-25 capital budget. **The proposal would fully fund UW's request for \$5 million for initial design and planning work for a new Chemical Sciences Building and renewal projects for Bagley Hall.**

The Governor's proposal would also provide \$38.9 million from the [Climate Commitment Act](#) (CCA) for energy renewal projects at UW's three campuses, as well as at the UW Medical Center-Montlake and Northwest campuses. These investments will help reduce maintenance costs and service interruptions, and further enhance UW's Clean Energy Strategy and compliance with state climate initiatives. Support for the following projects was requested by UW and funded in the Governor's budget via the CCA:

- **\$14 million** for the installation of piping to expand distribution of centralized cooling water at UW Seattle.
- **\$8.4 million** for the replacement of gas fired boilers and associated infrastructure at UW Tacoma.
- **\$8 million** for the replacement of HVAC equipment at UW Medical Center-Montlake.
- **\$6.5 million** for the replacement of gas boilers and upgrades to the central plant at UW Bothell.
- **\$2 million** to support a predesign/feasibility study for a central utility plant at UW Medical Center-Northwest.

UW's request for an additional \$10 million from the CCA to support the [Clean Energy Institute](#) was not funded.

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

Table 4: 2024 Supplemental Capital Budget Proposals (in \$1,000s)

Appropriations (Requested Projects)	2024 UW Supplemental Request			Governor Proposed		
	State Bonds	UW Building Account	Climate Commitment Account	State Bonds	UW Building Account	Climate Commitment Account
Chemical Sciences Building and Bagley Hall	5,000	-	-	5,000	-	-
UW Seattle - Centralized Chilled Water Capacity	-	-	14,000	-	-	14,000
Clean Energy Institute (Located in CAMCET)	-	-	10,000	-	-	-
UW Tacoma - Replacement of Gas Boilers with Electric Boilers/Heat Pumps	-	-	8,400	-	-	8,400
UWMC - Montlake Campus HVAC Systems Renewal	-	-	8,000	-	-	8,000
UW Bothell - Central Plant Improvements & Boiler Replacements	-	-	6,500	-	-	6,500
UWMC - NW Campus Central Utility Plant Planning	-	-	2,000	-	-	2,000
Total Funding	5,000	0	48,900	5,000	0	38,900