

Date: December 20, 2024 **[UPDATED January 24, 2025, for Governor Inslee's Errata budget]**

Subject: Governor Inslee's Proposed 2025-27 Biennial Operating and Capital Budgets

In advance of the upcoming 2025 state legislative session, Governor Inslee released his proposed 2025 supplemental operating, and 2025-27 biennial operating and capital budgets on December 17. Each proposal, as well as state agency details, can be found on the Governor's [Office of Financial Management website](#). Before leaving office, Governor Inslee released technical revisions in the form of an "Errata" budget. These changes are highlighted below.

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 2025 regular session is set to begin on January 13, 2025 and end on April 27, 2025. Once finalized, the biennial operating budget will be incorporated into the UW's Fiscal Year 2026 (FY26) 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 2024 supplemental budget, please see the [FPB's brief page](#) on our website. UW's 2025-27 state operating and capital budget requests can be found on [FPB's State Budget Information page](#).

OPERATING BUDGETS

At the end of the 2024 legislative session, the economic outlook in Washington state was uncertain. The Economic Revenue Forecast Council reported to lawmakers throughout the 2023-25 biennium that revenue collections were continuing to slow, and projections remained relatively flat. The [November 2024 Revenue Forecast](#) showed that revenue projections decreased by \$89 million for the current 2023-25 biennium and by \$181 million for the 2025-27 biennium compared to the previous forecast. Adding further strain to the upcoming 2025-27 biennial budget process, the Governor's Office of Financial Management (OFM) **projected a \$10-12 billion budget deficit** over the next four years.

State law requires that lawmakers approve a balanced budget over a four-year period. Balancing the budget can be achieved through a mix of budget cuts and revenue increases. The Governor's proposed operating budget would rely on new revenue from a proposed Wealth Tax (\$10.3 billion over four years) and Business & Occupation (B&O) Tax increases (\$2.6 billion) to close the significant gap in the four-year budget. In addition, the Governor's budget would make some agency budget reductions and shift surpluses from pension accounts. As a result of budget constraints, many of our UW academy requests would not be funded and the UW would be subject to a small state funding reduction. **In a first sign of his budget approach, Governor-elect Bob Ferguson, who will take office in the first days of session, released a summary of budget priorities.** His approach would institute a 6% reduction to most state agencies, a 3% reduction to 4-year institutions including the UW, and hold harmless funding for K-12 and community and technical colleges. It is unclear whether these reductions would be offset by tuition increases or other state revenues. 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 March. A summary of the next revenue forecast will be posted on our [website](#).

Direct Impacts to the UW

Table 1 shows the total funding provided over the 2023-25 biennium (FY24 and FY25), the Governor's proposed 2025 supplemental budget (affecting FY25), 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 (FY26 and FY27). Amounts are lower than the previous biennium due to the expiration of one-time funding supporting UW hospitals (\$180 million). The Governor's biennial budget proposal reflects an increase of **\$97.6 million** over the base.

**Table 1: UW State Funding - 2025 Supplemental and 2025-27 Biennial Operating Budget Proposals
Near General Fund State (in \$1,000s)**

Budget	FY1	FY2	Total
Current Biennium (affecting FY25)			
2023-25 Base Funding (Biennial Budget + 2024 Supplemental)	585,215	609,922	1,195,137
Governor's 2025 Supplemental Budget	585,215	611,138	1,196,353
Upcoming Biennium (FY26 and FY27)			
2025-27 Base Funding (2023-25 + 2024 Supp + CFL)	514,894	514,042	1,028,936
Governor's 2025-27 Biennial Operating Budget	559,124	567,364	1,126,488

Table 2, below, shows a line-by-line breakdown of the funding levels and policy changes proposed in the 2025 supplemental operating budget, amending the current budget for the final months of FY25. Table 3 details the 2025-27 biennial operating budget. Line items are described in more detail in the following pages.

**Table 2: 2025 Supplemental Operating Budget Proposals
Near General Fund State (in \$1,000s)**

		Governor Proposed		
		FY24	FY25	2023-25 Total
2023-25 Base Funding (2023-25 + 2024 Supplemental)		585,215	609,922	1,195,137
Maintenance & Policy Level Changes		-	1,216	1,216
	Tuition Backfill Inflation Adjustment	-	824	824
	College in the High School Adjustment	-	392	392
Total Funding		585,215	611,138	1,196,353

**Table 3: 2025-27 Operating Budget Proposals
Near General Fund State (in \$1,000s)**

		Governor Proposed		
		FY26	FY27	2025-27 Total
2025-27 Base Funding (2023-25 + 2024 Supp + CFL)		514,894	514,042	1,028,936
Maintenance Level Changes		4,118	3,910	8,028
	Tuition Backfill Inflation Adjustment	2,017	3,238	5,255
	ML Central Service Adjs.	(1,800)	(3,228)	(5,028)
	Worker's Compensation	3,098	3,097	6,195
	College in the High School	392	392	784
	Ramp-up Funding	161	161	322
	Funding Fix: SB 6286	250	250	500
Policy Level Changes		40,112	49,412	89,524
	PL Central Service Adjs.	469	400	869
Compensation	SEIU 925	1,736	2,364	4,100
	WFSE	1,294	1,711	3,005
	Teamsters 117	105	183	288
	WFSE Police Management	58	88	146
	UAW 4121 (ASEs)	-	-	-
	Non-Rep General Wage Increases	11,759	19,258	31,017
	Non-Rep Targeted Pay Increase	11	10	21
	Total Employee Benefits Changes	5,397	6,115	11,512
	BHTF Support (CBHL)	20,000	20,000	40,000
	RED Target Reduction	(717)	(717)	(1,434)
Total Funding		559,124	567,364	1,126,488

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 2.2-3.0 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 \$824,000 in the 2025 supplemental budget, \$2 million in FY26 and \$3.2 million in FY27. As it stands, the allowable increase for 2025-26 will be 3.3 percent.

2025 Supplemental Budget (proposed changes to current fiscal year)

- **College in the High School Adjustment:** \$392,000 was added in FY25 as provided in [2SSB 5048](#), 2023. Funding is intended to provide enrollment and registration in College in the High School courses at no cost for students in grades 9-12 at public high schools. The initial proposed budget for College in the High School was based on projections of the total number of courses administered by an institution. This adjustment aligns funding with the actual number of courses taught by the institution for the academic year immediately prior to the current fiscal year.

2025-27 Biennial Budget (proposed budget for upcoming biennium)

Compensation and Benefits

Compensation:

Salary increases for faculty and staff were the University's highest priority requests for the 2025-27 biennial budget.

- For represented staff, the Governor would approve all 2025-27 collective bargaining agreements (CBAs) submitted by the University, except for UAW 4121 which represents Academic Student Employees (ASE).
 - Approved CBAs resulted in \$7.5 million in funding over the 2025-27 biennium (60% state funded and 40% assumed tuition revenue for state-funded employees)
 - The ASE contract did not require state approval or funding, but it does present significant costs to the University, \$19.5 million in the 2025-27 biennium and \$36.7 million in the 2027-29 biennium. This will result in increased strain on budgets for units that employ ASEs.
- For non-represented faculty and staff, the Governor assumed a salary increase of 3 percent in FY26 and 2 percent in FY27. The UW requested that the state fund 100% of the costs to implement these increases. However, the Governor maintained the current "funding split" between state funding and assumed tuition revenue so that approximately 60% of the total cost is provided through state funding.
 - Compensation funding provided by the state only covers a portion of what is needed to provide salary increases for faculty and professional staff. These salary increases are paid for 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 are funded from other sources of revenue.

Benefits:

The Governor's budget would update monthly employer contribution caps to \$1,315 per eligible employee in FY26 and \$1,355 in FY27. The current cap is set at \$1,170, so this corresponds to increases of \$145 and \$185, respectively. These benefit assumptions represent significant costs across all UW activities and are passed through to unit budgets via benefit load rates.

Maintenance Level Changes

The Governor's budget included funding for some UW budget requests at the maintenance level. The following requests were included at the maintenance level:

- **Ramp-Up Funding:** \$170,000 in FY26 and \$178,000 each year thereafter to continue planned funding ramp-ups of legislation passed during the state's 2023-25 biennial and 2024 supplemental budgets. These are important investments that were intended to ramp up into the 2025-27 biennium, including support for reproductive health

access, the Allen Scholars program, and cannabis research. Absent additional state appropriations, these activities would not expand as intended by previous legislatures.

- **Funding Fix for Senate Bill 6286:** \$250,000 per fiscal year is provided through FY29, as directed by [SB 6268](#), in order for the UW Center for Health Workforce Studies to study workforce shortages in anesthesia care.
- **College in the High School Adjustment:** \$784,000 was added to CHS funding in the 2025-27 biennium as a result of the changes made in the 2025 supplemental budget proposal. OFM and legislative staff will continue to adjust CHS funding annually, and adjustments will be carried forward in each fiscal year thereafter.

Of the UW budget requests at the maintenance level, the Governor's proposal **did not include** a request to shift \$25.8 million per biennium of student building fees from the operating budget back to the capital budget for deferred maintenance, and cover maintenance and operations costs using state general funds. In addition, the proposal **did not include** funding for a request to transition legal support staff within the UW Attorney General's Office (AGO) division from being employees of the UW to employees of the AGO.

Policy Level Changes

UW Budget Requests:

The Governor's budget included funding at the policy level for compensation but would not fund any of the University's other policy level requests for tri-campus student support services, high-demand enrollments (artificial intelligence, computer science and nursing), or the Office of the Washington State Climatologist. We will continue to work with lawmakers regarding these priorities. The Governor's budget included one policy-level item that was a maintenance-level request:

- **Center for Behavioral Health and Learning (CBHL, formerly BHTF):** \$40 million in the 2025-27 biennium to support the costs of delivering behavioral health care to patients in long-term civil commitment beds at the CBHL. This funding was requested to be set as ongoing; however, the Governor's proposal codes this as one-time funding. The state partnered with UW Medicine and has committed to fund the operation of these beds.

Other Notable Changes:

- **Target Reduction:** The Governor's proposal includes a one-time budget reduction that would reduce the University's existing appropriations by just over 0.1%, or \$1.4 million in the 2025-27 biennium.
- **WEIA General Fund Shift:** Due to lack availability of revenue in the Workforce Education Investment Account (WEIA) caused by caseload increases to the Washington College Grant (WCG) and other financial aid programs, the Governor would shift \$4 million of the University's base compensation support from WEIA to the state general fund in the new biennium. This is a revenue-neutral shift so is not included in the table above.
- **Transportation Budget:**
 - **Burke Gilman Transit, Access, Safety and Improvements:** The Governor's transportation budget accelerates funding for this project, shifting \$7.7 million in funding from the 2029-31 biennium to the 2025-27 biennium, funding the project at \$9.4 million in total for the 2025-27 biennium and \$6.6 million for the 2027-29 biennium.
 - **Sidewalk Inventory and Accessibility Mapping Project:** \$2.3 million is shifted from the 2025 supplemental budget to the 2025-27 biennium.

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:

- **\$46.1 million to the Washington College Grant (WCG)** over the biennium to fund the maximum WCG award to students with a family income up to 65 percent of the median family income.
- The Governor's proposal would reduce College Bound Scholarship funding levels by **\$11.1 million** to adjust for the 56-65 percent median family income award levels.
- **\$1 million** to support increasing awards in the Washington Award for Vocational Excellent (WAVE) program.

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

	Governor Proposed
Washington College Grant Eligibility MFI Adjustment	46,102
College Bound MFI Adjustment	(11,059)
WAVE Scholarship	1,000
Other	338
Total Funding:	36,381

For information about the operating budget, contact [Jed Bradley](#) or [Lauren Hatchett](#). For more information about financial aid, please contact [Christine Leibbrand-Lapinsky](#).

CAPITAL BUDGET

Governor Inslee's proposed [2025-27 capital budget](#) appropriates nearly \$9.1 billion for state construction projects, grant and loan programs for local governments, and building and improving K-12 schools and facilities for higher education.

For UW, the proposal appropriates **\$260.4 million** in new state funding for capital projects, supporting several major University priorities. These include:

- **\$124 million** for a new Chemical Science building and renewal for Bagley Hall at UW Seattle to expand lab and teaching space. UW had originally requested \$125 million for this project, but this was reduced by OFM due to updated inflation data.
- **\$3.9 million** for UW Tacoma to permanently fix electrical infrastructure destroyed in a July 2024 car accident.

The Governor's proposal also includes **\$33 million** for two energy renewal projects that are part of UW's [Clean Energy Transformation](#). While the proposal only funds a small portion of the University's \$292.6 million clean energy request, it builds on the \$38.9 million in funding received for related projects last session.

Additionally, the proposal provides UW's requested amount of **\$97.5 million** from the UW Building Account for Asset Preservation, Infrastructure Renewal, and Major Infrastructure (Seismic Improvements) projects as well as **\$2 million** from the Model Toxics Control Account for soil remediation at UW Tacoma. Of the appropriated Building Account funds, UW had originally asked that \$36.5 million go to asset preservation. However, \$4.475 million of that was reallocated to Infrastructure Renewal once it became clear additional funds for maintenance and operations would not be provided in the operating budget (see narrative about the requested M&O fund shift above).

Finally, the proposal includes **\$2.3 million** for soccer practice field upgrades in advance of the 2026 World Cup provided as a grant via the Department of Commerce (not included in the table below). This is in addition to the \$2.58 million provided last session.

Please see the table below for a comparison of the UW's capital budget request to the amounts included in the Governor's proposed 2025-27 capital budget. For more information about the capital budget, contact [Michael Lantz](#).

Table 5: 2025-27 Capital Budget Proposals (in \$1,000s)

Appropriations (Requested Projects)	UW Request				Governor's Budget			
	State Funds	UW Building Account	CCA	State Toxics Control Account	State Funds	UW Building Account	CCA	State Toxics Control Account
Chemical Science & Bagley Hall	125,000				124,000			
UW Tacoma Electrical Repair - Phase 3	3,900				3,900			
Asset Preservation (Minor Works & Major Preservation)		36,500				32,025		
Infrastructure Renewal		50,700				55,175		
Major Infrastructure (Seismic Improvements)		10,300				10,300		
UW Tacoma - Soil Remediation				2,000				2,000
Clean Energy Transformation Sub Projects:								
District Energy Standards/Basis of Design			1,900		1,900			
Micro District - South of Pacific			31,100		31,100			
Chiller Installation			13,500					
Micro District - West Campus			76,400					
Sewer Heat Recovery Site Piping			14,700					
WCUP Heating System Improvements			28,600					
Chilled Water Thermal Energy Storage			73,300					
West Receiving Station Electrical Infrastructure Upgrades			50,100					
Lake Interface Advancement			1,000					
Power Plant Boiler Removal			2,000					
Subtotal:	128,900	97,500	292,600	2,000	160,900	97,500		2,000