

VII. STANDING COMMITTEE

B. Finance, Audit and Facilities Committee

Proposed Fiscal Year 2010 Operations and Capital Budgets and Tuition 2009-2010

RECOMMENDED ACTION

It is the recommendation of the administration that the Board of Regents, pursuant to its authority under RCW 28B.20.130, the Bylaws of the Board of Regents, and Board of Regents Standing Order No. 1, approve the Fiscal Year 2010 operating and capital budgets for the University of Washington that are presented in the following text and tables. In this action item, the Board of Regents, in its sole and independent discretion:

- Adopts the Fiscal Year 2010 operating budget;
- Establishes tuition rates for all tuition categories for the 2009-10 academic year;
- Changes selected fees for Fiscal Year 2010;
- Under existing delegated authorities, authorizes the administration to revise other academic fees for the 2009-10 academic year; the fee increases approved under this authority must be consistent with the limitations specified in the “Proposed 2009-11 Fee Increases Requiring Legislative Authorization” document that is included in Appendix 3; the Board of Regents has determined that fee increases that are consistent with these limitations are reasonable and necessary; and
- Adopts the Fiscal Year 2010 capital budget.

Financial Context for the Proposed FY 2010 Operating and Capital Budgets

The FY 2010 budget proposal that is being presented to the Board of Regents is divided into four areas:

- The three parts of the Operating Budget:
 - the Core Education Budget;
 - the Restricted Programs Budget;
 - the Academic Enhancement/Support Budget; and
- The Capital Budget.

The FY 2010 proposed operating budget is summarized in Table 1; the FY 2010 proposed capital budget is presented in Table 5. The financial context for FY 2010 is different for the Core Education, Restricted Programs, Academic Enhancement/Support, and Capital Budgets.

Core Education Budget Financial Context. The financial context for the FY 2010 Core Education Budget is primarily shaped by a number of actions that occurred in the recently completed session of the Washington State legislature. First, the UW's State General Fund allocation for FY 2010 reflects a reduction of just under \$95 million per year in state support compared to the originally adopted level of state support for FY 2009. Second, because of the magnitude of that reduction in state support for FY 2010, the legislature authorized the UW to increase undergraduate resident tuition by 14% for FY 2010. Third, the legislature extended the Board of Regents authority to set tuition for the undergraduate non-resident, graduate and professional tuition categories for another four years – through fiscal year 2013.

Restricted Operating Budget Financial Context. One of the few bright spots in the FY 2010 budget is the grant-related part of this budget. Direct expenditures on grants and contracts are projected to increase in FY 2010. The UW had been having a good year on grant and contract awards during FY 2009 even before the federal stimulus program provided a substantial increase to both the NSF and NIH research budgets. As a result, both the direct expenditures on grants and contracts and the associated indirect cost recovery are predicted to have increases in FY 2010.

Expenditures from gift and endowment budgets are predicted to decrease substantially in FY 2010. This decrease is a direct result of the change in endowment payout methodology that the Board of Regents has adopted in response to the projected returns for the Consolidated Endowment Fund during FY 2009 and over the next few years.

State restricted funds (small appropriations from the Accident Fund and the Medical Aid Fund that support certain public health-related activities as well as a small state appropriation for bio-toxin monitoring) change slightly in FY 2010 based on legislative actions.

Academic Enhancement/Support Budget Financial Context. Most of the University's Academic Enhancement/Support functions have been impacted by state and local economic conditions. Many of these functions have had to adjust their operations in both the current fiscal year and for Fiscal Year 2010. One example would be the decision that Intercollegiate Athletics has made to eliminate the men's and women's swimming programs in FY 2010. While they are having to make adjustments, the University's Academic Enhancement/Support functions have a stable outlook for FY 2010. The University's large auxiliary business enterprises (UW Medical Center, Educational Outreach, Housing and Food Services, Intercollegiate Athletics, and Parking and Transportation Services) are all financially stable and slow growth is expected in FY 2010.

Capital Budget Financial Context. The proposed UW Capital Budget for FY 2010 provides funding for a number of capital projects. For state-supported capital projects, the proposed budget reflects actions taken by the legislature in the 2009-11 state capital budget. Unfortunately, in the 2009-11 state capital budget, significantly less funding was provided for UW projects than in recent state capital budgets. The proposed UW Capital Budget for FY 2010 also includes funding for a number of capital projects that are supported by non-state funds from enterprise units, donors, indirect cost recovery, student building fee and local bonds.

Approach to FY 2010 Budget Decisions

Due to the economic circumstances that the UW faces in FY 2010, the primary focus of budget decisions is how to absorb budget reductions in a manner that is consistent with our vision and core values and that minimizes the impacts on students. The FY 2010 annual budget development process was guided by the university's vision statement and core values below:

The University of Washington educates a diverse student body to become responsible global citizens and future leaders through a challenging learning environment informed by cutting-edge scholarship.

Discovery is at the heart of our university.

We discover timely solutions to the world's most complex problems and enrich the lives of people throughout our community, the state of Washington, the nation, and the world.

The core values are:

Integrity ~ Diversity ~ Excellence ~ Collaboration ~ Innovation ~ Respect

The President and Provost described the principles that they wanted Deans, Vice Presidents, Vice Provosts and Chancellors to utilize in identifying potential budget reductions for FY 2010 in their 1/22/2009 letter to campus leaders:

As units begin to develop business plans that articulate the impact of budget reductions, it is important that we individually and collectively remain true to our vision: *Discovery is at the heart of our University*. Our shared values of *integrity, diversity, excellence, collaboration, innovation, and respect* must guide our decisions.

Keeping our vision and values in mind, we have developed the following principles, in consultation with the Board of Deans and Chancellors (BODC), the Senate Committee on Planning and Budgeting (SCPB), and the President's Cabinet, that will guide our difficult budget decisions. As a premier public research university, we must:

- Do our best to ensure access to excellence for new and continuing students.
- Promote and enable cutting-edge research and scholarship.
- Ensure that decisions that impact other programs and units are made in consultation with the impacted unit.
- Explore administrative efficiencies to allow larger cuts in these activities to preserve research and instruction.

- Use vacant positions and non-salary expenditures to achieve budget reductions and preserve existing faculty and staff. Filled tenure and tenure-track positions should not be reduced.
- Continue to invest very strategically to take advantage of opportunities that will position the UW as a world leader when the economy rebounds.

Campus units were asked to submit business plans by mid-February that were developed with consideration of these principles and that discussed how the unit would respond to an 8%, 10% or 12% reduction in central support. The business plans that were submitted to the provost were posted on the Office of Planning and Budgeting web site.

In March and April, the provost met with all Deans, Vice Presidents, Vice Provosts and Chancellors to discuss the business plans that they had prepared. After the completion of these meetings and the end of the legislative session, the Provost and President made decisions on how budget cuts that would be required to balance the FY 2010 budget would be distributed to colleges, schools, administrative units and to the UW Bothell and UW Tacoma campuses. The size and distribution of these cuts is discussed in more detail in the following section.

FY 2010 Core Education Budget Discussion

The proposed FY 2010 Core Education Budget is presented in Table 2; proposed temporary investments from fund balance are shown in Table 3. Proposed tuition increases for the 2009-10 academic year are presented in Appendix 2.

Changes in Revenues

The changes in revenues supporting the FY 2010 Core Education Budget are summarized below:

Revenue Source	FY 2009 Adopted	FY 2010 Proposed	Change
State General Fund	401,707,000	320,627,000	(81,080,000)
Tuition Operating Fee	295,500,000	330,558,000	35,058,000
Designated Operating Fund	57,215,000	55,502,000	(1,713,000)
Subtotal: Ongoing Core Ed Revenues	754,422,000	706,687,000	(47,735,000)
Use of Fund Balance for Temp Exp	3,000,000	11,000,000	8,000,000
TOTAL REVENUES	757,422,000	717,687,000	(39,735,000)

Comments on Changes in Revenues

Budgeted ongoing revenues in the proposed FY 2010 Core Education Budget are \$47,735,000 (6.3%) lower than budgeted revenues that supported this budget in FY 2009. State General Fund revenues (which in this presentation also include Education Legacy Trust Account and General Fund-Federal Stimulus appropriations) decrease by \$81,080,000 and Designated Operating Fund revenues decrease by \$1,713,000. These decreases in ongoing revenues are partially offset by an increase in tuition operating fee revenue. In the proposed FY 2010 budget, \$11,000,000 in fund balance is used for temporary expenditures. These proposed changes in revenues for FY 2010 are discussed below.

State General Fund. State General Fund revenue for FY 2010 reflects actions taken by the state legislature when it adopted the 2009-11 state operating budget. State General Fund support for FY 2010 decreased by \$81,080,000 compared to the level of support in adopted FY 2009 budget.

Note: cross-referencing numbers between the state biennial budget and the UW budget is a complicated endeavor. The actual State General Fund budget cut for FY 2010 (after factoring out federal stimulus funds) for the UW in the 2009-11 State Operating Budget was \$94,724,000. The change in State General Fund in the table above is a lower figure than that because the State budget also provided additional State support to the UW in FY 2010 – primarily a large allocation to restore a temporary reduction in benefits expenses that was implemented for FY 2009, but some other smaller allocations as well.

Tuition Operating Fee. The proposed FY 2010 Core Education Budget assumes that the proposed tuition increases for the 2009-10 academic year shown in Appendix 2 are adopted. Appendix 2 shows the proposed tuition change for all tuition categories for the 2009-10

academic year; for informational purposes, both the percentage increase and the dollar increase recommended for each tuition category are shown. Appendix 2 also shows how the proposed tuition and fees for the university would compare to the projected 2009-10 academic year tuition and fee rates for the Higher Education Coordinating Board 24 Comparison Group.

In the 2009-11 state operating budget bill, the legislature limited the amount that undergraduate resident tuition could be increased for the 2009-10 academic year to a 14% increase. In the 2009 legislative session, the legislature passed Substitute Senate Bill 5734 which grants the Board of Regents authority to set tuition for the undergraduate non-resident, and for all graduate and professional tuition categories for the 2009-10 academic year through the 2012-13 academic year.

For the 2009-10 academic year, the administration is recommending that:

Undergraduate resident tuition be increased by 14% (an increase of \$875);

Undergraduate non-resident tuition be increased by 5% (an increase of \$1,133);

Both resident and non-resident tuition for Graduate Tier 1 be increased by 7%;

The tuition differential between Graduate Tier II and Graduate Tier I remain at \$500 (for both the resident and non-resident categories);

The tuition differential between Graduate Tier III and Graduate Tier II remain at \$500 (for both the resident and non-resident categories);

Both resident and non-resident tuition for Pharm.D., Medicine and Dentistry be increased by 10 percent;

Both resident and non-resident tuition for Law be increased by 14 percent;

Both the resident and the non-resident tuition for incoming students in Public Affairs Master categories be increased by 10% (this is a program that has a cohort-based tuition model; as a result, there is no tuition increase for continuing students);

At UW Seattle, both resident and the non-resident tuition for the Master of Nursing/Doctor of Nursing Practice category increase by 14%;

The tuition for the Master of Nursing programs at UW Bothell and UW Tacoma continue to be set at the Graduate Tier 2 level;

At UW Seattle, both resident and non-resident tuition for incoming students in the Business Administration Master category increase by 10% (this is a program that has a cohort-based tuition model; as a result, there is no tuition increase for continuing students);

At UW Bothell, both resident and non-resident tuition for incoming students in the Business Administration Master category increase by 7% (this is a program that has a cohort-based tuition model; as a result, there is no tuition increase for continuing students);

At UW Tacoma, both resident and non-resident tuition for the Business Administration Master category increase by 7%;

A new tuition category be established for selected Master degree programs in the College of Built Environments (Master degree programs in Architecture, Landscape Architecture and Urban Planning would be in this new category);

A new tuition category be established for the Master of Library and Information Science degree program;

Tuition charges for post-baccalaureate and non-matriculated students be adjusted consistent with the policy that has been used for tuition for these students since these tuition categories were established. Under this policy, post-baccalaureate and non-matriculated students taking undergraduate courses pay at the resident or non-resident undergraduate tuition rate established for that academic year; post-baccalaureate and non-matriculated students taking one or more graduate courses pay at the resident or non-resident Graduate Tier III tuition rate established for that academic year;

Master and Ph.D. students in the College of Engineering (both resident and non-resident) be charged at the Graduate Tier 3 rate; these students are currently charged at the Graduate Tier 1 rate;

Master of Science and Ph.D. students in the School of Nursing (both resident and non-resident) be charged at the Graduate Tier 3 rate; these students are currently charged at the Graduate Tier 1 rate.

Designated Operating Fund. The Designated Operating Fund revenues that support the Core Education Budget are shown in the table below:

Revenue Source	FY 2009 Adopted	FY 2010 Proposed	Change
Summer Quarter Tuition	27,270,000	29,997,000	2,727,000
Investment Income	20,000,000	15,000,000	(5,000,000)
Miscellaneous Fees	4,800,000	5,595,000	795,000
UWB & UWT Admin Overhead	4,490,000	4,255,000	(235,000)
Administrative Allowances	655,000	655,000	0
TOTAL REVENUES	57,215,000	55,502,000	(1,713,000)

Summer Quarter tuition revenue is projected to increase by \$2,727,000 for FY 2010 due to increased tuition rates. The investment income revenue estimate for FY 2010 is decreased by \$5,000,000 over the FY 2009 level. We expect that because of continued uncertainty and

volatility in the financial markets, investment income in FY 2010 will be somewhat below historical levels. Overhead revenue from the UW/Bothell and UW/Tacoma campuses is projected to decrease by \$235,000. This overhead calculation is based on the size of the core education budget at the UW Bothell and UW Tacoma campuses – and as these budgets are decreasing due to budget cuts, the overhead assessment that each campus pays decreases slightly in FY 2010. The expected revenue from administrative allowances related to certain financial aid programs is not anticipated to increase for FY 2010.

The “miscellaneous fees” category is projected to increase by \$795,000 due to increases in three fees:

A proposed increase for the undergraduate application fee from \$50 to \$60 for US students and from \$50 to \$75 dollars for international students;

A proposed increase for the graduate application fee from \$50 to \$65; and

A proposed increase for the transcript fee from \$4 to \$9.

At the proposed levels, all three of these fees are below the average of peer institutions.

Use of Fund Balance. The proposed FY 2010 budget uses \$11 million of fund balance: \$1 million in support for the Chief Investment Office Pilot Project (the final year of a five-year commitment) and \$10 million that will be used to bridge the impact of budget reductions on our academic mission.

FY 2010 Core Education Budget Allocations

The new allocations in the FY 2010 Core Education Budget are summarized below:

<u>Core Education Budget</u>	<u>FY 2010 Proposed</u>
<u>UW Seattle Budget Reductions:</u>	
FY 2009 Reductions - Academic Units	(2,775,000)
FY 2009 Reductions - Administrative Units	(2,713,000)
FY 2010 Reductions - Academic Units	(35,922,000)
FY 2010 Reductions - Administrative Units	(26,187,000)
FY 2010 Reductions - Eliminate Equipment Allocation	(4,000,000)
<hr/> Subtotal for UW Seattle Budget Reductions	<hr/> (71,597,000)
<u>UW Bothell Budget Reductions</u>	
FY 2009 Reductions	(822,000)
FY 2010 Reductions	(3,117,000)
<hr/> Subtotal for UW Bothell Budget Reductions	<hr/> (3,939,000)
<u>UW Tacoma Budget Reductions</u>	
FY 2009 Reductions	(1,057,000)
FY 2010 Reductions	(3,994,000)
<hr/> Subtotal for UW Tacoma Budget Reductions	<hr/> (5,051,000)
 TOTAL BUDGET REDUCTIONS	 (80,587,000)
<u>Compensation Adjustments</u>	
Restoration of temporary benefit reduction of FY2009	17,356,000
Other Benefit Budget Adjustments	582,000
TA/RA Salary Increase (2.5%)	664,000
Faculty Promotions	650,000
<hr/> Subtotal	<hr/> 19,252,000
<u>Other Adjustments</u>	
Required Cost Increases/Adjustments	10,409,000
Legislative Actions	3,893,000
<hr/>	<hr/> 14,302,000
 <u>Use of Fund Balance</u>	 11,000,000

Comments on FY 2010 Core Education Budget Allocations

The incremental FY 2010 Core Education Budget changes are listed in the table above and are discussed in more detail below. The base budget against which these changes are applied is the Regents adopted budget for FY 2009. Because of this, in the budget reductions sections below, both budget reductions that were implemented in FY 2009 after the Board of Regents adopted the budget and budget reductions that will need to be implemented in FY 2010 are shown.

UW Seattle Budget Reductions. The total budget reduction for the UW Seattle campus is \$71,597,000. Of this amount, \$5,488,000 has already been implemented in FY 2009. In FY 2009, academic units budgets were cut by 0.75% and administrative unit budgets were cut by 1.5%; the total FY 2009 cut for academic units, including UW Medical Center and Harborview Medical Center was \$2,775,000 and for administrative units was \$2,713,000.

In FY 2010, budget cuts range from 9% to 14% for academic units. The specific budget cut levels are as follows:

9.0% cut: College of Arts and Sciences;

9.5% cut: Business School, College of Engineering, School of Medicine, Medical Affairs, School of Public Health, and the academic support allocation that is provided to UW Medical Center and Harborview Medical Center;

10% cut: School of Dentistry, School of Nursing, and School of Pharmacy;

11% cut: College of Built Environments, College of Education, College of the Environment, College of Forest Resources, College of Ocean and Fisheries Sciences, School of Social Work, and Undergraduate Academic Affairs;

12% cut: Educational Outreach, Evans School of Public Affairs, Information School and Law School;

14% cut: Graduate School.

As is discussed in one of the sections that follows, in FY 2010 the administration is proposing that for academic units the budget cuts listed above be partially offset for one year through an allocation from fund balance. With this one year allocation, the effective budget cut rate for academic units for FY 2010 range from 5% - 9%.

In FY 2010, the budget cuts range from 8% to 16% for administrative units. The specific budget cut levels are as follows:

8% cut: Office of Research;

10% cut: UW Technology;

11% cut: University Advancement;

12% cut: University Libraries, Student Life, and Minority Affairs;

15% cut: Health Sciences Administration and Office of Technology Transfer;

16% cut: Attorney General's Office, External Affairs, Human Resources, Planning and Budgeting, President's Office, Provost's Office, Office of Information Management, and Finance and Facilities.

In addition to the budget cuts discussed above, the \$4,000,000 equipment allocation that has been distributed annually to colleges, schools and administrative units is eliminated.

UW Bothell Budget Reductions. The total budget reduction for the UW Bothell campus is \$3,939,000. Of this amount, \$822,000 was implemented in FY 2009 and \$3,117,000 will be implemented in FY 2010. The Chancellor's Office is conducting a process at the UW Bothell campus to determine how these cuts will be distributed between academic and administrative functions.

UW Tacoma Budget Reductions. The total budget reduction for the UW Tacoma campus is \$5,051,000. Of this amount, \$1,057,000 was implemented in FY 2009 and \$3,994,000 will be implemented in FY 2010. The Chancellor's Office is conducting a process at the UW Tacoma campus to determine how these cuts will be distributed between academic and administrative functions.

Compensation Adjustments. The large change in this category, an increase of \$17,356,000, is a restoration of a temporary reduction in benefits costs that the legislature implemented in the FY 2009 budget. As the governor and the legislature constructed the FY 2010 budget, funding to restore this temporary reduction was provided in FY 2010.

Only two pay increase allocations are made in this proposed budget. First, \$650,000 is provided for faculty promotions. Secondly, the University has a contractual commitment to provide teaching and research assistants a 2.5% pay increase in FY 2010.

Other Adjustments. This category includes \$14,302,000 in adjustments in the FY 2010 budget. Of that total, \$3,893,000 is associated with specific legislative budget allocations and \$10,409,000 is associated with changes in various institutional budgets. Details of the specific allocations for both of these subcategories are provided in Appendix 1 and are discussed below.

There were a number of specific budget actions that the State legislature took in the 2009-11 state operating budget. These actions are: an allocation of \$2,175,000 of additional support for the School of Medicine's WWAMI program and the School of Dentistry's RIDE program in Spokane; an allocation of \$218,000 for operations and maintenance costs for the Assembly Hall Building at UW Tacoma; an allocation of \$150,000 to the Ruckelshaus Center for work with the Nurse Staffing Committee; an allocation of \$50,000 to the Center for International Trade in Forest Products.

In addition to the allocations specified in the previous paragraph, the 2009-11 state budget required that a portion of the revenue associated with undergraduate resident tuition increases greater than 7% be set aside for additional financial aid for undergraduate resident students. The proposed tuition increase for undergraduate resident students in this budget proposal is 14% - and under the legislative language, this would require that \$1.3 million be set aside for additional financial aid for undergraduate resident students.

FY 2010 changes for various institutional budgets are shown in Appendix 1. "Institutional" budgets include cost changes for utilities, property rentals, risk management, debt service and other institutional budgets. In FY 2010, \$2,860,000 is provided for increased utility costs, \$971,000 is provided for increased risk management/insurance costs, \$347,000 is provided for increased debt service costs and \$1,400,000 is provided for UW Tower operations costs. The allocation of FY 2010 tuition increase revenue to the UW Bothell campus (\$1,531,000) and the UW Tacoma campus (\$1,962,000) is also reflected in this category.

Use of Fund Balance for Temporary Expenditures. The proposed budget for FY 2010 includes a temporary allocation of \$11,000,000 of fund balance to support two activities, shown in Table 3. A number of years ago, the Board of Regents made a commitment to provide \$1,000,000 per year for five years to support the Chief Investment Office Pilot Project; FY 2010 is the final year of that five-year commitment.

As part of the FY 2010 budget, the President and Provost are proposing that \$10 million in fund balance be used to bridge the impact of budget reductions on our academic mission. This one-time allocation will be differentially allocated across academic units based on a weighted calculation of the student credit hours taught at the lower division, upper division and graduate level. Deans will be directed to utilize this temporary allocation to fund teaching assistants, lecturers, and other academic positions that would have otherwise been eliminated in FY 2010. This one-time allocation will give academic units some additional time to transition to a lower permanent funding level.

Increases in Financial Aid Allocations for FY 2010

The level of financial aid that the university can offer to students is an important component of its ability to attract a diverse and excellent student body. The proposed FY 2010 Core Education Budget increases financial aid allocations for both undergraduate and graduate/professional students by providing both additional financial aid grants and additional tuition waivers. The total amount of financial aid provided from these two sources and the incremental increase in the FY 2010 budget are shown in the table below:

Increases in Financial Aid Allocations for FY 2010

(Based on the Application of Current Financial Aid Policy and the Tuition Increases in the Proposed FY 2010 Budget)

	FY 2009 Adopted	FY 2010 Proposed	Difference
Undergraduate Merit/Need Waivers	\$8,136,000	\$9,039,600	\$903,600
<u>Undergraduate Financial Aid Grants</u>	<u>\$8,300,600</u>	<u>\$9,090,200</u>	<u>\$789,600</u>
Subtotal: Undergraduate Merit/Need Waivers & Grants	\$16,436,600	\$18,129,800	\$1,693,200
Graduate Merit/Need Waivers	\$3,917,000	\$4,352,400	\$435,400
<u>Graduate Financial Aid Grants</u>	<u>\$3,557,400</u>	<u>\$3,895,800</u>	<u>\$338,400</u>
Subtotal: Graduate Merit/Need Waivers & Grants	\$7,474,400	\$8,248,200	\$773,800
TA/RA Tuition Waivers	\$49,760,000	\$53,204,000	\$3,444,000
<u>Other Tuition Waivers</u>	<u>\$12,414,000</u>	<u>\$13,531,000</u>	<u>\$1,117,000</u>
Subtotal: Teaching/Research & Other Tuition Waivers	\$62,174,000	\$66,735,000	\$4,561,000
Total All Waivers	\$86,085,000	\$93,113,000	\$7,028,000

The UW's current financial aid policy of utilizing 3.5 percent of tuition operating fee collections for financial aid grants and providing merit/need tuition waivers equal to 4 percent of tuition costs will provide \$1,693,200 in additional financial aid resources to needy undergraduate resident students in the 2009-10 academic year.

The 14 percent increase in the undergraduate resident tuition for the 2009-10 academic year will generate \$2,200,000 in additional unfunded need for undergraduate students in the 2009-10 academic year. The Regents have adopted a policy of meeting at least 55 percent of this additional need through financial aid grants and tuition waivers. To meet this policy goal next year given a 14 percent increase in undergraduate resident tuition, \$1,210,000 in additional grant and tuition waiver financial aid has to be made available to undergraduate resident students next year. The increase of \$1,693,200 in financial aid grants and tuition waivers available for undergraduate students in FY 2010 exceeds the commitment made by the Regents by \$483,200. Note that these figures do not include an additional \$1,300,000 in financial aid grants that will be provided to needy undergraduate resident students as a result of the legislative requirement to utilize a portion of the tuition revenue generated by the undergraduate resident tuition increase for financial aid grants.

Given the proposed tuition levels for the 2009-10 academic year, graduate appointees qualifying for the non-resident tuition differential waiver and for the operating fee tuition waiver will have \$3,444,000 in additional tuition waiver benefits in FY 2010. In addition, the UW's current financial aid policy of utilizing 3.5 percent of tuition operating fee collections for financial aid grants and providing merit/need tuition waivers equal to 4 percent of tuition will make \$773,800 of additional financial aid available to graduate and professional students in the 2009-10 academic year.

FY 2010 Restricted Operating Budget Discussion

The proposed FY 2010 Restricted Programs Budget is presented in Table 4.

Changes in Revenues

The changes in revenues supporting the FY 2010 Restricted Programs Budget are summarized below:

<u>Revenue Source</u>	<u>FY 2009 Adopted</u>	<u>FY 2010 Proposed</u>	<u>Change</u>
Grant and Contract Direct Costs	832,402,000	898,994,000	66,592,000
Grant and Contract Indirect Costs	203,000,000	211,000,000	8,000,000
Gifts	130,485,000	84,815,000	(45,670,000)
State Restricted Funds	6,742,000	6,855,000	113,000
TOTAL REVENUES	1,172,629,000	1,201,664,000	29,035,000

Comments on Changes in Revenues

Budgeted revenues in the proposed FY 2010 Restricted Programs Budget increase by \$29,035,000 over the FY 2009 budgeted level: grant and contract direct cost increases by \$66,592,000; grant and contract indirect cost increases by \$8,000,000; gift and endowment revenue is projected to decrease by \$45,670,000; and State Restricted Funds increase by \$113,000. These proposed changes in revenues are discussed below.

Grant and Contract Direct Cost. Direct costs for grants and contracts are projected to increase by 8 percent in FY 2010 – an increase of \$66,592,000 over the current fiscal year. Even prior to seeing the effects of any federal stimulus related grants, grant and contract awards in FY 2009 were up substantially.

Grant and Contract Indirect Cost. As direct costs for grants and contracts are projected to be slightly higher in FY 2010 than in FY 2009, and as new indirect cost rates are still phasing in, grant and contract indirect cost recovery is expected to increase by \$8,000,000 - an increase of 4 percent over the budgeted level for FY 2009.

Gifts. Revenues to gift and endowment spending accounts are projected to decrease by \$45,670,000 in FY 2010. This decrease is a direct result of the change in endowment payout methodology that the Board of Regents has adopted in response to the projected returns for the Consolidated Endowment Fund during FY 2009 and over the next few years.

State Restricted Funds. The School of Public Health receives a small amount of appropriated state funding from the Accident Account and the Medical Aid Account for specific activities performed by the Department of Environmental Health. In addition, there is a small appropriation from the Biotoxin Account that is part of this category. Changes in revenues for

FY 2010 (an increase of \$113,000 over FY 2009) for these State Restricted Funds simply reflect changes in state appropriations.

FY 2010 Restricted Programs Budget Allocations

The discussion in this section is limited to how the administration proposes to allocate additional indirect cost recovery resources that are anticipated in FY 2010. Expenditures for grant and contract direct cost, almost all gifts, and state restricted funds budgets can only be used for the purposes specified by the granting agency, donor or legislature. Thus, annual expenditures for these areas are assumed to be equal to budgeted levels. The university does have discretion over how indirect cost recovery revenues are allocated.

The new allocations in FY 2010 supported by indirect cost recovery resources are summarized below.

<u>Restricted Budget - Indirect Cost Recovery</u>	<u>FY 2010 Proposed</u>
 <u>Compensation Adjustments</u>	
Restoration of temporary benefit reduction of FY2009	1,083,000
 <u>Investments in Research Excellence</u>	
Research Cost Recovery Allocation Change	3,558,000
Dedicated Indirect Cost Recovery Changes	2,000,000
Subtotal	5,558,000
 <u>Required Cost Increases/Adjustments</u>	 1,659,000

Comments on FY 2010 Indirect Cost Recovery Budget Allocations

Compensation Adjustments. The change in this category, an increase of \$1,083,000, is a restoration of a temporary reduction in benefits costs that the legislature implemented in the FY 2009 budget.

Investments in Research Excellence. By policy, the university allocates the portion of indirect cost recovery revenues that is associated with college/school grant administration back to the colleges/schools based on their actual grant activity in the prior fiscal year. This allocation is called the “research cost recovery” allocation and it is increased by \$3,558,000 in FY 2010 in order to get the budgeted level equal to the actual research cost recovery allocation for FY 2009.

Annual adjustments to certain budgets that are dedicated to specific purposes, such as paying for the operations and maintenance costs of particular buildings (South Lake Union buildings, Harborview Research and Training, other Harborview research space, etc.), are also included in this category. As research activity at the South Lake Union 2 building has been ramping up, the allocation of revenue to support operations and maintenance of that building has been increased.

Required Cost Increases. The indirect cost recovery budget picks up a share of estimated cost increases for utilities, risk management and for other critical institutional investments approved by the President and Provost – these allocations are shown in Appendix 1.

FY 2010 Academic Enhancement/Support Budget Discussion

There are four areas included in the Academic Enhancement/Support Budget: UW Medical Center, auxiliary enterprises, auxiliary educational activities, and institutional overhead activities that support the other functions. Auxiliary enterprises include: Housing and Food Services, Intercollegiate Athletics, Parking, internal service units (Stores, Motor Pool, Publication Services, etc.), Student Government, Recreational Sports, and miscellaneous other activities. Auxiliary educational activities include: continuing education, conferences, the medical resident program, the WWAMI Program in the School of Medicine, and miscellaneous activities. The University charges institutional overhead to all of these activities to recover the cost of central services utilized by these academic enhancement/support activities.

The projected changes in revenue for academic enhancement/support activity are shown in the table below:

Revenue Source	FY 2009 Adopted	FY 2010 Proposed	Change
UW Medical Center	637,798,000	663,310,000	25,512,000
Auxiliary Enterprises	317,112,000	329,796,000	12,684,000
Auxiliary Educational Activities	190,161,000	197,767,000	7,606,000
Institutional Overhead	15,268,000	15,768,000	500,000
TOTAL REVENUES	1,160,339,000	1,206,641,000	46,302,000

Based on financial results over the last few years, inflationary increases in revenues have been projected for FY 2010 for UW Medical Center, auxiliary enterprise, and auxiliary educational activities. The projected increase in institutional overhead revenue is based on both actual collections in the current fiscal year and projected revenue increases for those units that pay institutional overhead.

With the exception of institutional overhead resources, the Academic Enhancement/Support Budget resources can only be spent for specified purposes and annual expenditures are assumed to be equal to budgeted levels.

Initiative 960 Tuition and Fee Increase Process

Initiative 960 was passed by the voters of the State of Washington in November 2007. Under Initiative 960, all state agency fee increases (including tuition) must receive legislative approval prior to implementation. The state legislature has chosen to utilize a two-step process for approving fee increases. First, as part of the normal legislative budget process, state agencies submit information about expected increases for various categories of fees that have been defined by the State Office of Financial Management and the state legislature. In July 2008 as part of their approval of the University of Washington's 2009-11 state operating and capital budget request, the Board of Regents approved a framework that set limits on increases for various academic fee categories for Fiscal Year 2010. The "Proposed 2009-11 Fee Increases Requiring Legislative Authorization" document that the University of Washington submitted to the state legislature during the 2009 legislative session is shown in Appendix 3.

The legislative approval for fee increases is included in Section 603 of the 2009-11 state biennial operating budget. The language in this section sets a specific increase level for undergraduate resident tuition. For all other fee increase categories, the Board of Regents is authorized to increase fees "by amounts judged reasonable and necessary by the governing board." For many fees (tuition rates for the state-subsidized academic program, services and activities fees, etc.), the Board of Regents specifically approves fee increases. For fee increases that are implemented under authority that the Board of Regents has delegated to the president and provost, the Board of Regents determines (as part of their action in adopting the Fiscal Year 2010 UW budget) that fee increases that are consistent with the limitations specified in Appendix 3 are reasonable and necessary.

Fiscal Year 2010 Capital Budget Discussion

The proposed FY 2010 Capital Budget is presented in Table 5 and includes approval of \$65,500,000 in state capital funding appropriated in the 2009 legislative session. The FY 2010 Capital Budget also includes \$501,976,013 in non-state funds from the UW building account, indirect cost recovery, enterprise unit funds, unrestricted operating funds, UW local bonds, and federal grants, for a total of \$567,476,013 in capital funds for FY 2010 from both state and non-state sources. There is only one numerical change in the capital budget numbers compared to those that were in the May Regents Information Item. The budget for the Molecular Engineering building was adjusted by \$10,400,000 to account for the likely receipt of a National Institute of Standards and Technology grant in support of construction of the building, and decreased by \$54,000 as a result of a technical adjustment to the figures.

Note that in the display of the capital budget, dollar amounts are shown in the year in which the commitment to proceed with a project is made.

In the revenue section of Table 5, debt-funded projects are shown by funding category (i.e. the funding source for debt service). For the debt-funded projects, the payment source for debt service is shown in the table below:

Project Name	Debt Payment Source	Debt Funds
Molecular Engineering Building Phase I – C	Building Fee and Indirect Cost Recovery	73,500,000
Student Housing - New Residence Hall Ph I	Student Housing Fees	158,300,000
HUB Renovation and Expansion	Student Activities Fee	124,964,000
Hall Health Remodel	Student Activities Fee	9,700,000
Ethnic Cultural Center Expansion	Student Activities Fee	14,550,000
		381,014,000

State Funding for Major Projects

State funding of \$34 million was appropriated for a portion of UW Tacoma Phase 3 (the renovation of the Joy Building), \$5 million for the design phase for UW Bothell Phase 3, and predesign funding for two Seattle campus projects - \$200,000 for the Anderson Hall renovation and \$300,000 for the House of Knowledge Longhouse. Taken together, these allocations of state funding for major projects total \$39,500,000. In the state capital budgeting framework, a “major” project is one with a total cost of \$5,000,000 or more.

Note that as is listed in the initial paragraph of this section, the total state capital funding appropriated for the UW in the 2009 legislative session is \$65,500,000. In addition to the \$39,500,000 in state funding that was appropriated for major projects, \$26,000,000 in state funding was appropriated to support “minor works” projects – these are a variety of smaller building renovation and renewal projects (roof replacements, elevator replacements, electrical transformer upgrades, minor reconfigurations of space, etc.).

Program and Infrastructure Investments

The Molecular Engineering Building construction will be funded from \$73,500,000 of UW revenue bonds. The Legislature authorized the repayment of debt service for \$53.5 million from the UW building account and debt service for the remaining \$20 million will be paid from indirect cost recovery.

Funding of \$8 million for the Safe Campus Fire Alarm Replacement project was appropriated from the UW building account.

Federal Funds

Federal grants for major projects totaling \$68.4 million will be requested this summer. They include \$10.4 million for Molecular Engineering Building, \$15 million for Primate Center facilities improvements, \$15 million for animal facilities in the HSC, \$15 million for the renovation of J-Wing for Microbiology, \$6 million for the Guthrie Hall renovation for Psychology and \$7 million for necessary improvements to biosafety level three laboratories in the health sciences.

Major Projects for Seattle Campus Students

The first phase of the Student Housing project will construct new residence halls in the west campus for an estimated cost of \$158,300,000. The debt for this housing will be repaid from student housing revenue and central university funds.

Three projects are proposed to be funded from debt to be repaid from increases in student fees - the HUB renovation and expansion, the Hall Health remodel and the Ethnic Cultural Center Expansion.

Minor Works

In addition to the major projects described above, in FY 2010, \$34,175,000 is appropriated for facilities preservation, safety and utilities improvements, and \$5,000,000 for facilities modernization. An estimated \$13,037,000 of non-local funds is provided for facilities modernization.

**Table 1
University of Washington Fiscal Year 2010 Proposed Operating Budget**

Budget Category	FY 2009 Adopted	FY 2010 Proposed
CORE EDUCATION BUDGET		
Core Education Budget		
Revenues		
State General Fund	401,707,000	320,627,000
Tuition Operating Fee	295,500,000	330,558,000
Designated Operating Fund	57,215,000	55,502,000
Subtotal: Ongoing Core Education Revenues	754,422,000	706,687,000
 Use of Fund Balance for Temporary Expenditures	 3,000,000	 11,000,000
Total Revenues	757,422,000	717,687,000
 Expenditures		
Ongoing Core Education Expenditures	754,422,000	706,687,000
One-time/temporary Expenditures	3,000,000	11,000,000
Total Expenditures	757,422,000	717,687,000
RESTRICTED OPERATING BUDGET		
Revenues		
Grant and Contract Direct Costs	832,402,000	898,994,000
Grant and Contract Indirect Costs	203,000,000	211,000,000
Gifts	130,485,000	84,815,000
State Restricted Funds	6,742,000	6,855,000
Total Revenues	1,172,629,000	1,201,664,000
 Expenditures	 1,172,629,000	 1,201,664,000
ACADEMIC ENHANCEMENT/SUPPORT BUDGET		
Revenues		
UW Medical Center	637,798,000	663,310,000
Auxiliary Enterprises	317,112,000	329,796,000
Auxiliary Educational Activities	190,161,000	197,767,000
Institutional Overhead	15,268,000	15,768,000
Total Revenues	1,160,339,000	1,206,641,000
 Expenditures	 1,160,339,000	 1,206,641,000
TOTAL OPERATING BUDGET		
 Revenues	 3,090,390,000	 3,125,992,000
 Expenditures	 3,090,390,000	 3,125,992,000

Table 2
Proposed Budget
Core Education Operating Budget for Fiscal Year 2010

	FY 2009 Adopted	FY 2010 Proposed	Comment
<u>REVENUES</u>			
State General Fund	401,707,000	320,627,000	
Tuition Operating Fee	295,500,000	330,558,000	
Designated Operating Fund	57,215,000	55,502,000	
Subtotal: Ongoing Core Ed Revenues	754,422,000	706,687,000	
Use of Fund Balance for Temporary Expenditures	3,000,000	11,000,000	
TOTAL REVENUES	757,422,000	717,687,000	
<u>EXPENDITURES</u>			
<u>Adjusted Base Budget</u>	757,422,000	753,720,000	
<u>UW Seattle Budget Reductions:</u>			
FY2009 Reductions - Academic Units		(2,775,000)	
FY 2009 Reductions - Administrative Units		(2,713,000)	
FY 2010 Reductions - Academic Units		(35,922,000)	
FY 2010 Reductions - Administrative Units		(26,187,000)	
FY 2010 Reductions - Eliminate Equipment Allocation		(4,000,000)	
Subtotal for UW Seattle Budget Reductions		(71,597,000)	
<u>UW Bothell Budget Reductions</u>			
FY 2009 Reductions		(822,000)	
FY 2010 Reductions		(3,117,000)	
Subtotal for UW Bothell Budget Reductions		(3,939,000)	
<u>UW Tacoma Budget Reductions</u>			
FY 2009 Reductions		(1,057,000)	
FY 2010 Reductions		(3,994,000)	
Subtotal for UW Tacoma Budget Reductions		(5,051,000)	
TOTAL BUDGET REDUCTIONS		(80,587,000)	
<u>Compensation Adjustments</u>			
Restoration of temporary benefit reduction of FY2009		17,356,000	
Other Benefit Budget Adjustments		582,000	
TA/RA Salary Increase (2.5%)		664,000	
Faculty Promotions		650,000	
Subtotal		19,252,000	
<u>Other Adjustments</u>			
Required Cost Increases/Adjustments		10,409,000	<i>See Appendix 1</i>
Legislative Actions		3,893,000	<i>See Appendix 1</i>
Subtotal		14,302,000	
SUBTOTAL: CORE EDUCATION EXPENDITURES		706,687,000	
<u>Use of Fund Balance</u>		11,000,000	<i>See Table 3</i>
TOTAL EXPENDITURES		717,687,000	

Table 3
Core Education Budget
Proposed Temporary Investments from Fund Balance for Fiscal Year 2010

Temporary Investments	FY 2010 Proposed	Comments
Chief Investment Office Pilot Project	1,000,000	<i>Final year of five-year commitment</i>
One-time Funding for Academic Programs	10,000,000	<i>Bridge funding for FY2010 reduction</i>
TOTAL EXPENDITURES	11,000,000	

Table 4
Proposed Budget
Restricted Programs Budget for Fiscal Year 2010

	FY 2009 Adopted	FY 2010 Proposed	Comments
<u>REVENUES</u>			
Grant and Contract Direct Cost	832,402,000	898,994,000	
Grant and Contract Indirect Cost	203,000,000	211,000,000	
Gifts	130,485,000	84,815,000	
State Restricted Funds	6,742,000	6,855,000	
TOTAL REVENUES	1,172,629,000	1,201,664,000	
<u>EXPENDITURES</u>			
Grant and Contract Direct Cost	832,402,000	898,994,000	
Gifts	130,485,000	84,815,000	
State Restricted Funds	6,742,000	6,855,000	
Subtotal	969,629,000	990,664,000	
<u>Indirect Cost Recovery:</u>			
<u>Adjusted Base ICR Budget</u>	203,000,000	202,700,000	
<u>Compensation Adjustments</u>			
Restoration of temporary benefit reduction of FY2009		1,083,000	
<u>Investments in Research Excellence</u>			
Research Cost Recovery Allocation Change		3,558,000	<i>See Appendix 1</i>
Dedicated Indirect Cost Recovery Changes		2,000,000	<i>See Appendix 1</i>
Subtotal		5,558,000	
<u>Required Cost Increases/Adjustments</u>		1,659,000	<i>See Appendix 1</i>
TOTAL INDIRECT COST RECOVERY BUDGET		211,000,000	
TOTAL EXPENDITURES		1,201,664,000	

**Table 5
Proposed Capital Budget for Fiscal Year 2010**

FY 2010 Capital Budget Proposal	FY 2010 Proposed	FY 2011 Planned
REVENUE		
<u>Funding for FY 2009 Projects</u>		
Projects Approved in FY 2009	356,836,123	
Substantially Completed Projects	21,238,000	
Previously Approved Continuing Projects	335,598,123	
<u>Funding for FY 2010 and 2011 Projects</u>		
State Funds	65,500,000	
Non-State Funds		
UW Building Account - Local Funds	34,087,500	12,912,500
Indirect Cost Recovery - Local Funds	10,000,000	10,000,000
Enterprise Unit Funds	5,437,513	
Transfer from Unrestricted Local Funds	3,037,000	3,037,000
UW Debt (Internal Lending Program)	381,014,000	
Projects Funded by Student Housing Fees	158,300,000	
Projects Funded by Student Activity Fee	149,214,000	
Projects Funded by Student Building Fee	53,500,000	
Projects Funded by Indirect Cost Recovery	20,000,000	
Federal Grants	68,400,000	
Subtotal, Non-State Funds	501,976,013	25,949,500
Total, New Funds	567,476,013	
TOTAL REVENUE	903,074,136	25,949,500
EXPENDITURE COMMITMENTS		
Previously Approved Continuing Projects	335,598,123	
<u>Proposed FY 2010 Projects</u>		
Major Projects		
Anderson Hall - P/D	200,000	
House of Knowledge Longhouse - P/D	300,000	
Molecular Engineering Building Phase I - C (ICR)	83,900,000	
Safe Campus	8,000,000	
Tacoma Phase 3 - C	34,000,000	
Bothell Phase 3 - P	5,000,000	
Animal Facilities Improvements (ICR)	30,000,000	
MHSc Center J-1/J-2 Microbiology Renovation	15,000,000	
Guthrie Hall Renovation	6,000,000	
BSL-3 Labs Renovation	7,000,000	
Student Housing - New Residence Hall Ph I (Housing)	158,300,000	
HUB Renovation and Expansion (SAF)	128,300,000	
Hall Health Remodel (SAF)	10,851,513	
Ethnic Cultural Center Expansion (SAF)	15,500,000	
Subtotal, Major Projects	502,351,513	
Minor Projects		
Minor Works - Facility Preservation	34,175,000	
Minor Works - Program	18,037,000	13,037,000
Subtotal, Minor Projects	52,212,000	13,037,000
Preventative Facility Maintenance and Building System Repairs	12,912,500	12,912,500
Total, New Projects for FY 10 and FY 11	567,476,013	25,949,500
TOTAL EXPENDITURE COMMITMENTS	903,074,136	25,949,500

P - Planning, D-Design, C-Construction

Appendix 1
REQUIRED COST INCREASES/ADJUSTMENTS

Item	FY 2010 Change	FY 2010 Amount to Core Educ.	FY 2010 Amount to ICR
<u>Institutional Budgets</u>			
Utilities:			
Electricity	446,000	352,000	94,000
Natural gas	2,838,000	2,436,000	402,000
Water/sewer	76,000	60,000	16,000
Solid waste	15,000	12,000	3,000
Subtotal utilities:	3,375,000	2,860,000	515,000
Other institutional budgets:			
Property rentals-general	222,000	175,000	47,000
Prop. rental-Sand Point central	302,000	239,000	63,000
Prop. rental-Sand Point unassigned	(250,000)	(198,000)	(52,000)
Friday Harbor Labs	175,000	139,000	36,000
ESCO Loan Payments	275,000	275,000	0
Institutional overhead offset	(500,000)	(500,000)	0
Risk management	971,000	971,000	0
Investment Management Fees	155,000	155,000	0
RV Thompson Ship Time	210,000	210,000	0
Transportation subsidy	150,000	118,000	32,000
Revolving fund budget adjustments	140,000	140,000	0
Disabled Student Services	104,000	104,000	0
Subtotal other institutional budgets:	1,954,000	1,828,000	126,000
<u>Debt Service</u>			
Animal facilities upgrades debt service	609,000	0	609,000
Benjamin Hall & Foege Building debt service	428,000	0	428,000
Physics/Astronomy Building	(36,000)	(36,000)	0
Foege Building	(164,000)	0	(164,000)
Oceanography & Fishery Sciences Building	(13,000)	0	(13,000)
Harborview Research & Training Building	(5,000)	0	(5,000)
UNISYS Mainframe Financing	29,000	29,000	0
HEC Ed Pavillion seismic	48,000	48,000	0
J-wing Floors 1&2 Renovation	593,000	0	593,000
Energy Efficiency Project - 4545 15 Ave NE	388,000	306,000	82,000
Subtotal Debt Service	1,877,000	347,000	1,530,000
<u>UW Tower</u>			
UW Tower Operations (Additional UW Funding)	1,500,000	1,400,000	100,000
Subtotal UW Tower	1,500,000	1,400,000	100,000

Appendix 1 (Continued)
REQUIRED COST INCREASES/ADJUSTMENTS

Item	FY 2010 Change	FY 2010 Amount to Core Educ.	FY 2010 Amount to ICR
<u>Other Issues</u>			
Benjamin Hall O&M payment	288,000	0	288,000
WWAMI offset (assuming 10% tuition incr)	200,000	200,000	0
Reduce ICR Transfer to Capital	(900,000)	0	(900,000)
Summer quarter cost increase	181,000	181,000	0
UW Bothell - FY10 Tuition Increase Allocation	1,531,000	1,531,000	0
UW Tacoma - FY10 Tuition Increase Allocation	1,962,000	1,962,000	0
UW Bothell - FY10 Summer Qtr Tuition Increase Allocation	45,000	45,000	0
UW Tacoma - FY10 Summer Qtr Tuition Increase Allocation	55,000	55,000	0
Subtotal Other Issues	3,362,000	3,974,000	(612,000)
Subtotal Required Cost Increases	12,068,000	10,409,000	1,659,000
<u>Research Cost Recovery Policy Allocation</u>			
RCR adjustment to FY09 actual	3,558,000	0	3,558,000
FY10 RCR change	0	0	0
Subtotal Policy Application	3,558,000	0	3,558,000
<u>Dedicated Indirect Cost Recovery Dollars</u>			
South Lake Union 2	2,000,000	0	2,000,000
Subtotal Dedicated Indirect Cost Recovery	2,000,000	0	2,000,000
Subtotal Required Cost Increases	5,558,000	0	5,558,000
<u>Legislative Actions</u>			
WWAMI / Ride (Incremental Funding)	2,175,000	2,175,000	0
UW Tacoma Assembly Bldg O&M	218,000	218,000	0
Ruckelshaus Center-Nurse Staffing Committee	150,000	150,000	0
CINTRAFOR	50,000	50,000	0
Additional Financial Aid for UG Residents	1,300,000	1,300,000	0
Subtotal Legislative Actions	3,893,000	3,893,000	0
TOTAL REQUIRED COST INCREASES/ADJUSTMENTS	21,519,000	14,302,000	7,217,000

Appendix 2
University of Washington
2009-10 Proposed Tuition and Mandatory Fees

Tuition Category	University of Washington						HECB 24 Comparison Group Projection		
	2008-09 Tuition	Proposed Tuition	2009-10 Proposed Tuition and Fees Dollar Increase	Percent Increase	Estimated Fees	Proposed Tuition & Fees	2008-09 Peer Tuition & Fees	2009-10 Peer Tuition & Fees	2009-10 Peer Percent Increase
Undergraduate									
Undergraduate Resident	6,250	7,125	875	14%	552	7,677	8,665	9,117	5.22%
Undergraduate Nonresident	22,667	23,800	1,133	5%	552	24,352	23,137	24,284	4.96%
Graduate									
Graduate Tier I Resident	9,495	10,160	665	7%	552	10,712	10,043	10,568	5.23%
Graduate Tier I Nonresident	21,967	23,500	1,533	7%	552	24,052	21,302	21,977	3.17%
Graduate Tier II Resident	9,995	10,660	665	7%	552	11,212			
Graduate Tier II Nonresident	22,467	24,000	1,533	7%	552	24,552			
Graduate Tier III Resident	10,495	11,160	665	6%	552	11,712			
Graduate Tier III Nonresident	22,967	24,500	1,533	7%	552	25,052			
Master of Library and Information Science Resident	10,495	11,540	1,045	10%	552	12,092			
Master of Library and Information Science Nonresident	22,967	25,260	2,293	10%	552	25,812			
Master of Public Affairs Resident (<i>incoming</i>)	11,000	12,100	1,100	10%	552	12,652			
Master of Public Affairs Master (<i>incoming</i>)	22,500	24,750	2,250	10%	552	25,302			
Master of Public Affairs Resident (<i>continuing</i>)		11,000				11,000			
Master of Public Affairs Nonresident (<i>continuing</i>)		22,500				22,500			
Master of Architecture, Master of Landscape Architecture, Master of Urban Planning Resident		12,130				12,130			
Master of Architecture, Master of Landscape Architecture, Master of Urban Planning Nonresident		26,540				26,540			
Doctor of Pharmacy Resident	14,202	15,620	1,418	10%	552	16,172	16,376	17,512	6.94%
Doctor of Pharmacy Nonresident	28,111	30,920	2,809	10%	552	31,472	30,157	31,673	5.03%
Law JD Resident	19,033	21,700	2,667	14%	552	22,252	20,990	22,261	6.06%
Law JD Nonresident	28,257	32,210	3,953	14%	552	32,762	33,597	35,144	4.60%
Medicine Resident	18,570	20,430	1,860	10%	552	20,982	26,243	27,567	5.05%
Medicine Nonresident	44,975	49,470	4,495	10%	552	50,022	43,381	44,661	2.95%
Dentistry Resident	18,570	20,430	1,860	10%	552	20,982	27,084	28,591	5.56%
Dentistry Nonresident	44,975	49,470	4,495	10%	552	50,022	46,702	48,227	3.27%
Master of Nursing and Doctor of Nursing Practice									
UW Seattle									
Master of Nursing/Doctor of Nursing Practice Resident	13,380	15,250	1,870	14%	552	15,802			
Master of Nursing/Doctor of Nursing Practice Nonresident	26,485	30,190	3,705	14%	552	30,742			
UW Bothell/UW Tacoma									
Master of Nursing Resident	9,995	10,660	665	7%	480	11,140			
Master of Nursing Nonresident	22,467	24,000	1,533	7%	480	24,480			

Appendix 2
University of Washington
2009-10 Proposed Tuition and Mandatory Fees

Tuition Category	University of Washington						HECB 24 Comparison Group Projection		
	2008-09 Tuition	Proposed Tuition	2009-10 Proposed Tuition and Fees		Proposed Tuition & Fees	2008-09 Peer Tuition & Fees	2009-10 Peer Tuition & Fees	2009-10 Peer Percent Increase	
			Dollar Increase	Percent Increase	Estimated Fees				
Business Administration Master Degrees									
UW Seattle									
Master of Business Administration Resident (<i>incoming</i>)	21,230	23,350	2,120	10%	552	23,902	20,528	21,740	5.90%
Master of Business Administration Nonresident (<i>incoming</i>)	31,900	35,090	3,190	10%	552	35,642	30,626	32,229	5.23%
Master of Business Administration Resident (<i>continuing</i>)		21,230				21,230			
Master of Business Administration Nonresident (<i>continuing</i>)		31,900				31,900			
UW Bothell									
Master of Business Administration Resident (<i>incoming</i>)	18,587	19,890	1,303	7%	423	20,313			
Master of Business Administration Nonresident (<i>incoming</i>)	24,717	26,450	1,733	7%	423	26,873			
Master of Business Administration Resident (<i>continuing</i>)		18,587				18,587			
Master of Business Administration Nonresident (<i>continuing</i>)		24,717				24,717			
UW Tacoma									
Master of Business Administration Resident	14,750	15,780	1,030	7%	480	16,260			
Master of Business Administration Nonresident	26,818	28,700	1,882	7%	480	29,180			
Post-baccalaureate and Non-matriculated									
Post- baccalaureate Resident									
taking only undergraduate courses	6,250	7,125	875	14%	552	7,677			
taking one or more graduate courses	10,368	11,160	792	8%	552	11,712			
Post- baccalaureate Nonresident									
taking only undergraduate courses	23,099	23,800	701	3%	552	24,352			
taking one or more graduate courses	23,017	24,500	1,483	6%	552	25,052			
Non-matriculated Resident									
taking only undergraduate courses	6,250	7,125	875	14%	552	7,677			
taking one or more graduate courses	10,368	11,160	792	8%	552	11,712			
Non-matriculated Nonresident									
taking only undergraduate courses	23,099	23,800	701	3%	552	24,352			
taking one or more graduate courses	23,017	24,500	1,483	6%	552	25,052			

NOTES:

HECB 24 Comparison refers to the 2008-09 UW - HECB 24 Tuition Comparison prepared by the Office of Planning and Budgeting
Public Affairs Master was a new cohort tuition model in 2008-09; 2009-10 will be the first year of the "continuing" tuition rate
Tuition is not increased in the second year of cohort programs (Business Administration, Public Affairs)
2009-10 HECB 24 projections are based on five-year trend estimates

Appendix 3
University of Washington
2009-10 Proposed Fee Increases Requiring Legislative Authorization

[A]	[B]	[C] [D] [E] Current Year (FY 09)			[F] [G] [H] FY 10			[I] [J] [K] FY 11			[L]
Specific Fee	Purpose	# Payers	Rate	Total Revenue	Proposed Rate	Percent Increase	Additional Revenue	Proposed Rate	Percent Increase	Additional Revenue	Explanatory Comments
Course & Lab Fees (under \$100)	Covers the costs for course fees or lab fees associated with a specific course.	15,200+	\$5 - \$100	\$2,502,116	up to \$110	up to 10%	\$250,212	up to \$121	up to 10%	\$275,233	These fees cover the costs of course materials and lab fees associated with a specific course and are \$100 or less. There are numerous fees included within this category and small increases may result in a large percentage increase. It is unknown at this time how much costs associated with these fees will increase so a 10% average increase was estimated. 75% of the courses with course fees charge \$100 or less.
Course & Lab Fees (over \$100)	Covers the costs for course fees or lab fees associated with a specific course.	800+	\$101-\$675		\$110 - \$743	up to 10%		\$121 - \$817	up to 10%		These fees cover the costs of course materials and lab fees associated with a specific course and are over \$100. There are numerous fees included within this category and small increases may result in a large percentage increase. It is unknown at this time how much costs associated with these fees will increase so a 10% average increase was estimated. 15% of the courses with course fees charge over \$100.
Services & Activities Fee	Funds student activities and programs such as ASUW & GPSS Activities, Student Publications, Student Loan Fund, Hall Health Primary Care Center, recreational sports programs, childcare, student legal services, Ethnic Cultural Center, Student Union facilities and UW CARES.	47,400	up to \$108/qtr	\$15,258,839	up to \$116/qtr	up to 7%	\$1,068,119	up to \$124/qtr	up to 7%	\$1,142,887	The Student Services and Activities Fee Committee determines/makes recommendations on the expenditures of these fees.
Technology Fee	Funds technology resources for general student use.	47,400	up to \$41/qtr	\$3,953,384	up to \$44/qtr	up to 7%	\$276,737	up to \$47/qtr	up to 7%	\$296,108	The Student Technology Fee Committee determines/makes recommendations on the expenditures of these fees.
Other Administrative/Academic Fees	Covers the costs of miscellaneous administrative/academic activities.	n/a	\$25-\$2,000	\$4,800,000	\$25-\$2,200	up to 10%	\$480,000	\$25-\$2,420	up to 10%	\$528,000	Fees are increased as needed to cover cost increases. There are numerous miscellaneous fees in this category and small increases in these fees may result in a large percentage increase. Since cost increases are unknown at this time, a 10% average increase was assumed for this category.
Fee-Based Degrees, Fee-Based Non-Credit, Fee-Based Credit, etc (with individual students)	Fees cover the cost of operating various fee-based educational offerings.	n/a	\$5-\$17,820	\$48,150,168	up to \$19,067	8%	\$3,961,759	up to \$19,500	4%	\$2,076,038	At this time, the level of fee increases needed to cover costs is unknown. The current estimated average fee increase is in the 4-5% range with great variation from that in some programs for three main reasons: 1) those having fees restructured in response to cost analysis indicating less than full cost recovery, 2) programs being restructured to cover additional program elements, and 3) fees that are pass-through from commercial vendors (e.g., international student health insurance). Gross revenue for the fee-based program category is expected to increase from 4-8% over the next biennium exceeding rate increases because of growth in the number of fee-based programs. While revenues will increase on average by 8 percent in FY2010, it is estimated that individual fees may increase by up to 38 percent. In FY2011, revenues will increase by about 4 percent and it is estimated that individual fees may increase by up to 35%. If fees can't increase to cover costs, these programs will be eliminated.

Appendix 3
University of Washington
2009-10 Proposed Fee Increases Requiring Legislative Authorization

[A]	[B]	[C] [D] [E] [F] [G] [H] [I] [J] [K]		[L]							
Specific Fee	Purpose	Current Year (FY 09)		FY 10		FY 11		Explanatory Comments			
		# Payers	Rate	Proposed Rate	Percent Increase	Proposed Rate	Percent Increase				
Contract Instructional Offerings (with organizations)	Fees cover the cost of operating various fee-based contract educational offerings, both international and domestic.	n/a	\$4,100-\$440,800	\$1,305,000	up to \$650,560	11%	\$143,550	up to \$800,000	11%	\$157,905	This category includes contracts for educational offerings with organizations ranging from school districts to international universities. Contracts may be for more than one student and may span multiple years. As an example, the contract for \$440,800 is with Waseda University in Japan for academic offerings for 29 participants. At this time, the level of fee increases needed to cover costs is unknown. The current estimated average fee increase is in the 20% range with significant variation from that in some programs. Underlying factors for fee changes fall into three main categories: 1) programs having fees restructured in response to cost analysis indicating less than full cost recovery, 2) programs being restructured to cover additional program elements and enrollments, and 3) fees that are pass-through from commercial vendors (e.g., international student health insurance). Gross revenue for the contract instructional offerings category is expected to increase over 20% over the next biennium largely due to growth in enrollments in these programs. While gross revenues will increase on average by 11 percent in FY2010, it is estimated that individual fees may increase by up to 70 percent. In FY2011, gross revenues will increase by about 11 percent and it is estimated that individual fees may increase by up to 45%. If fees can't increase to cover costs, these programs will be constrained, decreasing potential new revenue into the state from many international clients.
Student Facilities Renovation Fee	New fee to cover debt service associated with the renovation of the HUB, Hall Health, and the Ethnic Cultural Center.	42,113	n/a	n/a	n/a	n/a	n/a	up to \$102/quarter	n/a	\$4,000,000	The Student Facilities Renovation Fee is a new services and activities fee which will go into effect Spring 2011 (March 2011). The fee will be used to pay approximately \$154.3 million in debt service related to the renovation of three buildings on the Seattle campus and will be charged only to students enrolled at the Seattle campus. This is a student generated fee proposal and was approved by the Services and Activity Fee Committee. The fee will generate \$4.0 million in revenue in FY11, and \$10 million a year thereafter. Estimates of the fee level and revenue are preliminary and may change as further information is gathered on the project. Without legislative approval of this fee, the University will be unable to issue debt for these projects.
Summer Quarter (residents)	Tuition charges for undergraduate residents enrolled in Summer Quarter.	12,929	\$2,083	\$10,713,798	up to \$2,375	up to 14%	\$749,966	up to \$2,708	up to 14%	\$802,463	Costs of programs offered during summer quarter are covered by summer quarter tuition. Summer quarter tuition is typically tied to tuition charged in the trailing spring quarter. An increase of 14 percent is being assumed as a placeholder. Without a fee increase, there will be reduced program offerings during the summer.
Summer Quarter (non-residents and graduate programs)	Tuition charges for undergraduate non-residents and graduate students enrolled in Summer Quarter.	4,138	up to \$14,992	\$16,906,667	up to \$17,240	up to 15%	\$2,536,000	up to \$19,826	up to 15%	\$2,916,400	Costs of programs offered during summer quarter are covered by summer quarter tuition. Without a fee increase, there will be reduced program offerings during the summer.

Guidelines

Columns [A] & [B] Please identify the fee and its purpose reasonably specific terms. Group fees into meaningful categories (e.g. special lab & course fees, extension courses), but please do not use broad general categories such as "other mandatory fees". If a particular fee or group of fees is proposed for a particularly large percentage increase (e.g. more than 5% per year), please break it into a separate category. Tuition and building fees do not need to be included on this form, nor do fees which your AAG confirms are primarily commercial in nature (e.g. parking, dorms, dining, etc.)

Column [C] Please provide the approximate number of persons who will pay the fee this year.

Column [D] When several different fees are included within a category, please provide a payer-weighted average, rather than a range, and describe the range in column [L].

Column [E] Please identify the approximate amount of revenue expected to be generated by the fee this year.

Columns [F], [G], [I], & [J] Please identify the weighted average amount and percentage by which the fee or group of fees is proposed to increase each year. Again, please do not use ranges. If a particular fee or set of fees is proposed for a particularly large (e.g. more than 10%) increase, please identify the estimated amount of additional revenue that is expected to be generated by the proposed fee increase.

Column [H] Please use this space to identify the maximum annual percentage by which fees in this category are expected to increase each year, and to explain the reason or need for any unusually large percentage increases.



FY 2010 Proposed Budget and UW Peer Comparisons

June, 2009

An overview of the core components of the UW budget.



- ❖ Capital Budget
- ❖ Operating Budget
 - *Core Education Budget* (State General Fund, Tuition Operating Fee, and Designated Operating Fund)
 - *Restricted Operating Budget* (Grant and Contract Direct Costs, Grant and Contract Indirect Costs, Gifts and State Restricted Funds)
 - *Academic Enhancement/Support Budget* (UW Medical Center, Auxiliary Enterprises, Auxiliary Educational Activities, Institutional Overhead)

State support for the capital budget was reduced by nearly 55%.



- ❖ The legislature provided \$65.5 million in capital funding for the 2009-11 biennium, compared to \$146.9 in the previous biennium. Funded projects include:
 - \$34 million for the renovation of the Joy Building at Tacoma and \$5 million for the design of UW Bothell Phase 3.
 - \$500,000 in pre-design funding for the renovation of Anderson Hall and the House of Knowledge Longhouse project.
 - Facilities preservation, safety and utilities improvements, and modernization.
- ❖ \$492 million in non-state funds (e.g. UW building account, ICR, enterprise funds, bonds, and federal stimulus grants) will be used to fund major projects and activities including:
 - Construction of a molecular engineering building at UW Seattle
 - Safe campus fire alarm replacement
 - Primate Center facilities and bio-safety level three laboratory improvements
 - Renovations of J-Wing for microbiology and Guthrie Hall for psychology
 - New resident halls on west campus and Hall Health remodel
 - HUB renovation and expansion and Ethnic Cultural Center Expansion

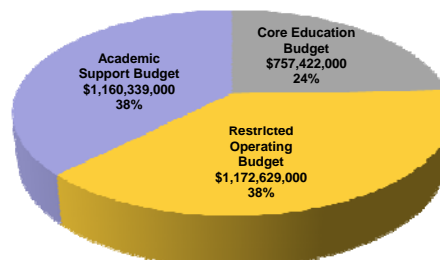
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Composition of the UW Operating Budget, as adopted for FY 2009.



- ❖ The FY 2009 UW operating budget adopted by the Board of Regents approved \$3.1 billion for annual operating expenditures. Note that if Harborview medical center was included in these figures, the total would be \$3.7 billion.

Total Expenditures, FY 2009



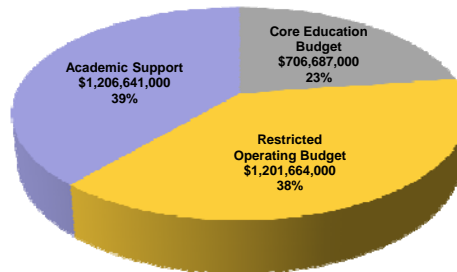
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The proposed UW operating budget for FY 2010, compared to FY 2009.



- ❖ A net reduction of 6.3 percent for the Core Education Budget (**Note: does not include one-time \$11 million use of fund balance in 2010**).
- ❖ An increase of 2.5 percent in the Restricted Operating Budget
- ❖ An increase of 4.0 percent in the Academic Support Budget

Total Expenditures, FY 2010



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Resources for the UW will be reduced significantly in 2010.



- ❖ Reduction in the State General Fund allocation almost \$95 million for FY 2010.*
- ❖ Provision of one-time federal stimulus money.
- ❖ Authorization of 14 percent tuition increase for resident undergraduates.
- ❖ Re-authorization of authority to set all other tuition categories.
- ❖ Declining Gifts and Endowment payouts.
- ❖ Material increases in grants and contract awards.
- ❖ Slow growth for Academic Enhancement and Support functions.

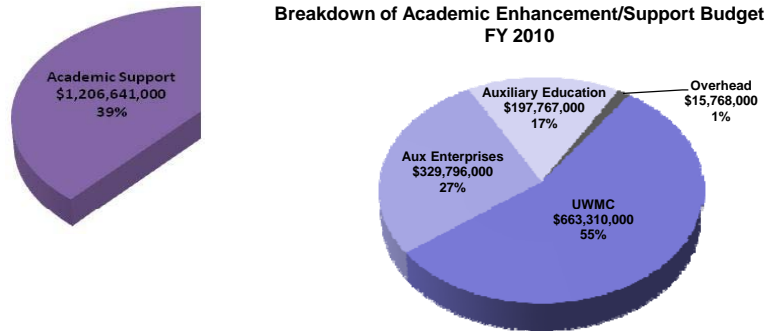
* Note that cross referencing numbers between the state biennial budget and the UW budget is complicated. For the purpose of this presentation we are looking at incremental budget changes compared to the originally adopted UW budget for FY 2009.

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The UW Academic Support budget has a stable outlook for FY 2010.

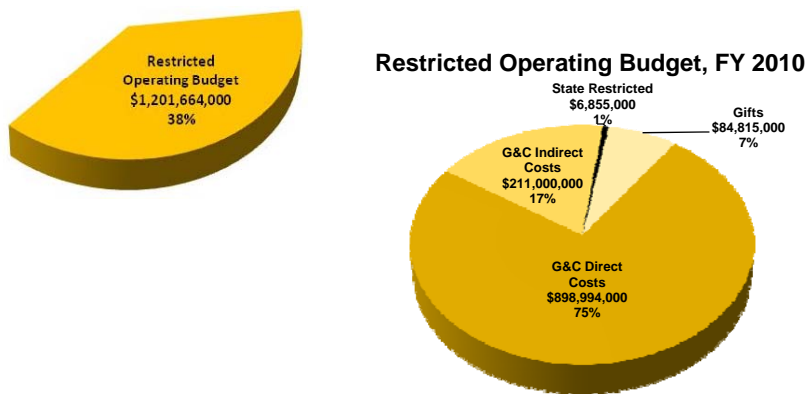


- ❖ Slow growth is expected through FY 2010 for the UW's large auxiliary business enterprises, including the UW Medical Center, Educational Outreach, Housing and Food Services, Intercollegiate Athletics, and Parking and Transportation Services.



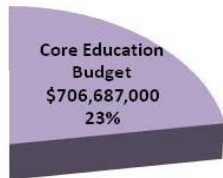
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The UW Restricted Operating budget will experience modest growth in 2010.

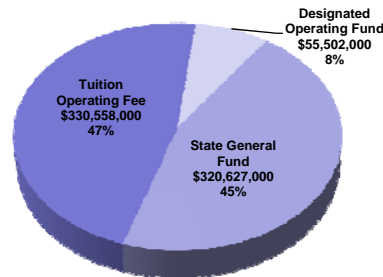


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The UW Core Education budget revenues will decline 6.3% in FY 2010.



Breakdown of Core Education Budget, FY 2010



Note: does not include one-time \$11 million use of fund balance in 2010

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How will core education budget reductions affect the UW's relative position amongst peers?



The UW compares its overall funding per FTE (the sum of state appropriations and tuition & fee revenue per FTE student) to three peer groups:

- ❖ OFM Peer Group:
 - The **AVERAGE** is established as the UW comparison point for this group.
- ❖ HECB Peer Institutions:
 - The **75th PERCENTILE** is established as the UW comparison point for this group.
- ❖ Global Challenge Peers:
 - The **60th PERCENTILE** is established as the UW comparison point for this group.

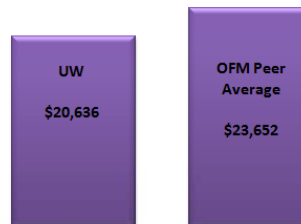
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OFM Peer Group: The Office of Financial Management created a list of eight peers over 20 years ago.



- *University of Arizona*
- *University of California, Berkeley*
- *University of California, Los Angeles*
- *University of Illinois, Urbana/Champaign*
- *University of Iowa*
- *University of Michigan, Ann Arbor*
- *University of North Carolina, Chapel Hill*
- *University of Oregon with Oregon Health Sciences Center*

2007-08 Funding per FTE
UW and OFM Peer Average



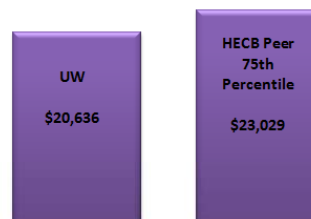
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HECB Peers: The Higher Education Coordinating Board created a list of 24 peer institutions several years later.



- *Cornell University, Contract Colleges*
- *Michigan State University*
- *Ohio State University*
- *Texas A&M University, College Station*
- *University of Arizona*
- *University of California, Davis*
- *University of California, Irvine*
- *University of California, Los Angeles*
- *University of California, San Diego*
- *University of Cincinnati*
- *University of Florida*
- *University of Hawaii*
- *University of Illinois, Chicago*
- *University of Iowa*
- *University of Kentucky*
- *University of Michigan, Ann Arbor*
- *University of Minnesota, Twin Cities*
- *University of Missouri, Columbia*
- *University of New Mexico*
- *University of North Carolina, Chapel Hill*
- *University of Pittsburgh*
- *University of Virginia*
- *University of Wisconsin, Madison*
- *University of Utah*

2007-08 Funding per FTE
UW and HECB Peer 75th Percentile



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Global Challenge Peers: Legislation in 2007 established group of state flagships with medical schools.



California

- o University of California, Davis
- o University of California, Irvine
- o University of California, Los Angeles
- o University of California, San Diego

Colorado

- o University of Colorado, Boulder
- o University of Colorado, Denver with Health Sciences

Connecticut

- o University of Connecticut with School of Medicine and Dentistry

Maryland

- o University of Maryland at College Park and at Baltimore

Massachusetts

- o University of Massachusetts at Amherst and at Worcester

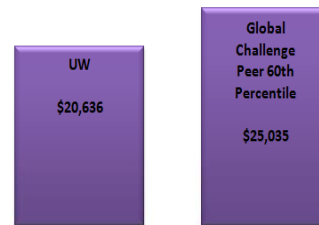
New Jersey

- o Rutgers University with University of Medicine and Dentistry of New Jersey

Virginia

- o University of Virginia

2007-08 Funding per FTE
UW and Global Challenge Peer 60th Percentile

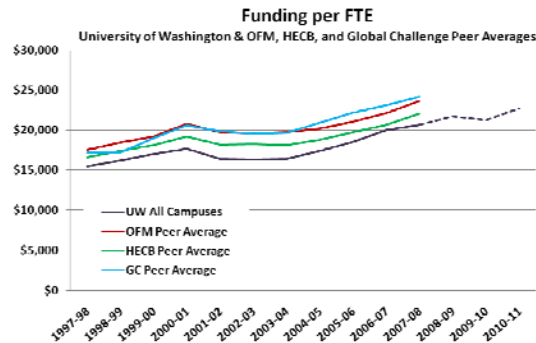


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The UW is currently behind the established per student funding targets for all three peer groups.

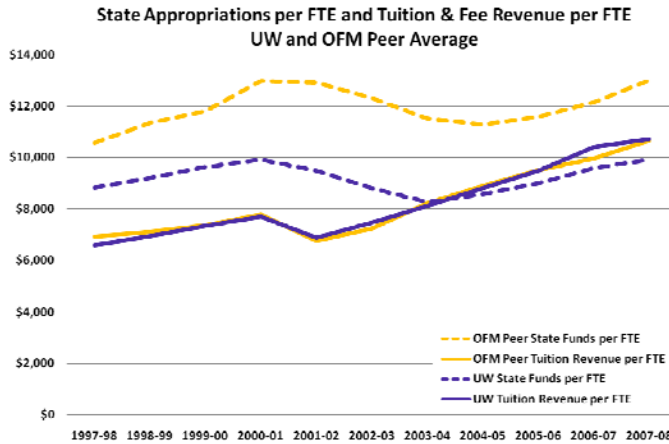


- ❖ The UW has not only consistently lagged behind the specific targets set for each peer group, but also behind the AVERAGE funding per FTE student in each of the groups.



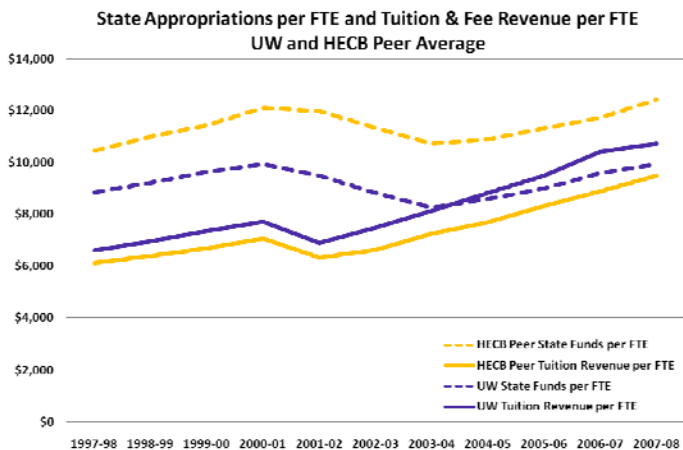
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UW tuition revenue per FTE closely mirrors the OFM peer average, while state support is widely disparate.



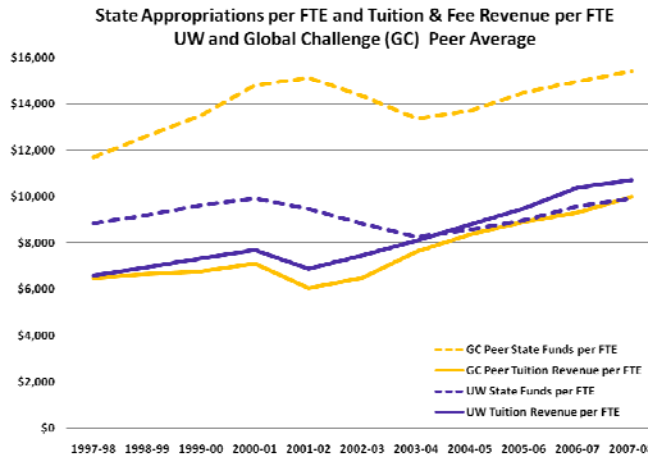
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Lower levels of state support also drive the difference between the UW and average funding for HECB peers.



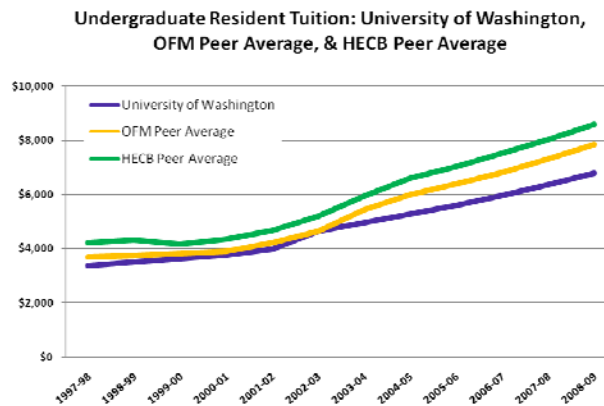
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With little variation, the average funding per FTE amongst GC peers shows the same pattern.



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The gap between UW undergraduate resident tuition and average peer tuition has increased over time.

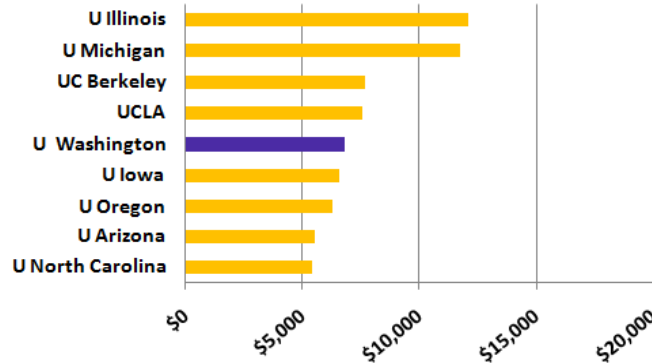


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Undergraduate Resident tuition at the UW has room to grow while maintaining relative affordability.



2008-09 Undergraduate Resident Tuition & Fees
University of Washington and OFM Peers

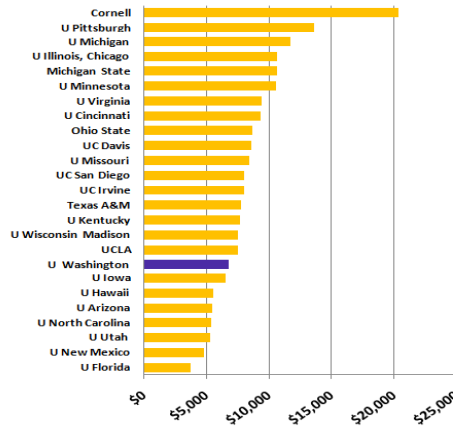


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Undergraduate resident tuition at the UW is below the HECB peer median.



2008-09 Undergraduate Resident Tuition & Fees
University of Washington and HECB Peers

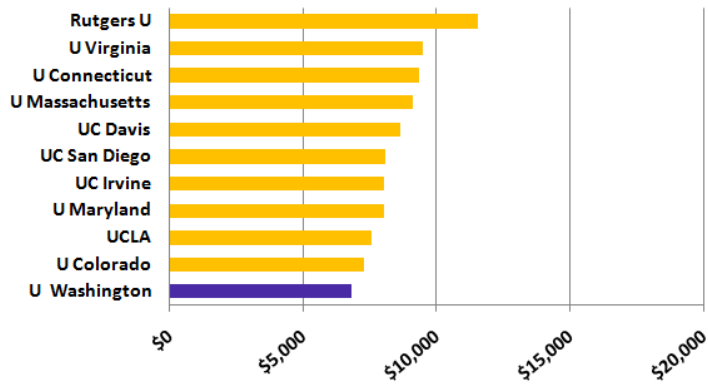


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The UW has maintained the lowest undergraduate tuition rate of all global challenge peers.



2008-09 Undergraduate Resident Tuition & Fees
University of Washington and Global Challenge Peers



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