

VII. STANDING COMMITTEES

A. Academic and Student Affairs Committee

In Joint Session With

B. Finance, Audit and Facilities Committee

Approval of University of Washington 2010 State Supplemental Budget Request

RECOMMENDED ACTION

It is the recommendation of the administration and of the Finance, Audit and Facilities Committee that the Board of Regents approve the 2010 state supplemental budget request described in the body of this item. As this supplemental budget request is discussed with the State Office of Financial Management, the Board of Regents delegates to the President the authority to revise elements of this supplemental budget request in light of future discussions with the Governor's Office or updated information that changes the amount of support requested for a particular item.

Background

Potential items that could be included in the University of Washington's 2010 State Supplemental Budget Request were discussed at the September 2009 Board of Regents meeting. The administration has had ongoing discussions with the Governor's Office and with the other public four-year universities about potential 2010 state supplemental budget items.

Under the instructions that agencies have received, the State Office of Financial Management has asked that supplemental operating budget requests be limited to:

- General Fund-State reductions that equal the General Fund-State dollar targets reflected in Attachment B of OFM's July 1 savings implementation memo.
- Any additional dollars savings to achieve total FTE targets in Attachment A of the July 1 memo from OFM.
- Additional options for efficiencies, reform, administrative savings, or reductions in lesser priority services.
- Critical and emergent costs that cannot be accommodated with savings or efficiencies within the existing budget.
- Non-discretionary changes in legally-mandated caseload or workload.
- Necessary technical corrections to the currently enacted budget.

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In the supplemental budget process, the State Office of Financial Management does not specifically solicit capital budget requests. Instead, agencies are asked to identify technical or financial capital budget issues that need to be addressed in the upcoming legislative session.

The administration is proposing that the University of Washington submit supplemental budget requests that meet one other criterion in addition to those listed by the Office of Financial Management:

- State authorization to issue additional UW building fee funded debt to complete two capital projects in progress.

2010 Supplemental Capital and Operating Budget Request

In the 2010 state supplemental budget, the University is requesting a total of \$422,000 in state operating funds and \$2 million in state capital funds. The University is also requesting legislative authority to use \$3.41 million annually from the UW building account to pay debt service on new debt issued to complete two capital projects that are in progress.

Necessary and Technical Corrections (\$422,000 operating)

- Geoduck Aquaculture Research Program (\$422,000 operating)

SSHB 2220 passed by the legislature in 2007 directed the Washington Sea Grant program to conduct a six-year scientific study to assess possible effects of geoduck aquaculture on the Puget Sound and Strait of Juan de Fuca environments. A final report is due to the legislature in December 2013. The Washington Sea Grant program has been performing the work specified in SSHB 2220 and has funding to carry on this work through Fiscal Year 2010. Additional funding is needed to enable the Washington Sea Grant program to carry on the work specified in SSHB 2220 in FY 2011. The university is requesting \$422,000 in operating funds for Fiscal Year 2011 in order to continue the research work requested by the legislature.

Critical and Emergent Costs (\$2 million capital)

- UW Tacoma Land Acquisition (\$2 million capital)

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The University is requesting \$2 million in capital funds to allow the University to take advantage of opportunities to purchase new parcels of land within the boundaries of the UW Tacoma campus. The University understands that the owners of a number of parcels are ready to sell and funding is needed to secure the property for future development of the campus. A portion of the funding may also be used to remediate contaminated soils.

Authorization to Issue Additional UW Building Fee Funded Debt

- UW Tacoma Phase 3 (approval to use \$513,000 annually from UW building account for debt service)
- Balmer Hall – Business School Phase 2 (approval to use \$2.9 million annually from UW building account for debt service)

UW Tacoma Phase 3

The Legislature was not able to fully fund the UW Tacoma Phase 3 project in the 2009-11 State capital budget. In an effort to support the continued expansion of the UW Tacoma campus, the UW is considering supplementing State capital funds for the UW Tacoma Phase 3 project with a combination of UW Tacoma reserves, debt that would be supported by retail rental revenue, debt that would be supported out of the UW Tacoma operating budget, and debt that would be supported from building fee revenue generated by UW Tacoma students. Legislative approval is required to utilize student building fee dollars for debt service; \$513,000 per year would be used from the UW building account to pay for debt service. If the legislature approves this issuance of building fee supported debt, the administration will present an action item to the Board of Regents that has a full financing plan and the specific project approval for completion of the remainder of the scope of the UW Tacoma Phase 3 project

Completing this project now will take advantage of the excellent construction climate and enable UW Tacoma to address continued FTE growth and expansion of programs. It will also serve to transition the campus facilities to meet the needs of a four year institution.

Balmer Hall – Business School Phase 2

The University is requesting legislative authorization to issue additional UW building fee funded debt necessary to complete the \$42.8 million replacement of Balmer Hall. \$2.9

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million per year would be used from the UW building account for debt service. The state funded design for Balmer Hall has been completed. It is most cost effective to proceed with construction as soon as Paccar Hall is complete in 2010. This funding would also allow the UW to take advantage of the current excellent construction climate.

Policy Requests

- Deregulation to support a new UW Sustainable Business Model

Current state forecasts are predicting further deficits in the State General Fund budget, raising the prospect of further reductions in State General Fund support for the UW. The administration anticipates putting forward a number of proposals in the 2010 supplemental budget session related to providing the university with more management flexibility as well as more autonomy in controlling university resources, while preserving an appropriate level of accountability to the State as a public agency.