

VII. STANDING COMMITTEES**A. Academic and Student Affairs Committee**

In Joint Session with

B. Finance, Audit and Facilities Committee**University of Washington 2011-13 State Operating and Capital Budget Requests****RECOMMENDED ACTION:**

It is the recommendation of the Administration, the Academic and Student Affairs Committee, and the Finance, Audit and Facilities Committee that the Board of Regents approve the 2011-13 capital and operating budget requests to the state as they are presented in the following text and tables. In this action item, the Board of Regents:

- Approves the 2011-13 state operating budget request;
- Approves the 2011-13 state capital budget request;
- Endorses the general framework for certain policy initiatives that the UW may seek during the 2011 legislative session;
- Approves estimated fee increases and two potential new fees that the UW must submit to the Office of Financial Management as part of Initiative 960 requirements; and
- Authorizes the UW administration to further develop the descriptions of selected 2011-13 budget requests and to prepare and submit other supporting materials that are required by the Office of Financial Management.

Attachment

2011-13 Operating and Capital Budget Requests

2011-13 OPERATING AND CAPITAL BUDGET REQUESTS

2011-13 State Operating and Capital Budget Requests

Previous Discussion of the 2011-13 State Operating and Capital Budget Requests

The University of Washington 2011-13 state operating and capital budget requests were presented as an information item to a joint session of the Academic and Student Affairs Committee and the Finance, Audit and Facilities Committee at the June 2010 meeting of the Board of Regents.

Financial Context for the Proposed 2011-13 Operating and Capital Budgets

State Fiscal Outlook for 2011-13

In the 2009-11 biennial budget, Washington State faced a budget deficit of approximately \$9 billion, a major portion of which was resolved with state funding reductions. Since FY 2009, the University of Washington has sustained cuts to its state general fund base budget of \$132,066,000 (or 33 percent). Despite significant reductions across numerous state agencies and the tax increases that accompanied the 2010 supplemental budget, the outlook for the 2011-13 biennial budget cycle remains grim.

The Office of Financial Management's (OFM) outlook for the state general fund currently assumes another \$2.6 billion deficit for the 2011-13 biennium. This outlook anticipates increased demand for essential state services, the need to replace one-time federal stimulus funding, increased commitment of state funding for constitutionally mandated (and voter-approved) performance measures in the K-12 sector, and cost of living increases for teachers, which are required by a voter initiative passed in 2000. Mandatory, escalating operating costs compounded by the anticipated general fund deficit also mean that state bond capacity will be constrained.

These and other pressures indicate that state support for new budget initiatives is expected to be negligible. Thus, state agencies have been instructed to include only constitutionally mandated or emergency funding requests in their 2011-13 operating and capital state budget requests.

Components of the 2011-13 Budget Submission

The UW is required to submit a variety of materials to satisfy OFM budget submission requirements. UW administration must prepare a multitude of reports on topics which include tuition waivers, enrollments, maintenance and operations costs, student debt and information related to Initiative-960 (I-960). While we are not able to submit a full complement of state performance level budget requests with the required components of the operating budget, the UW will submit two operating budget requests and a list of potential capital requests.

2011-13 Operating Budget Request

As required by OFM, the proposed UW budget requests are listed in proposed priority order. For the 2011-13 state operating budget request, the administration does not intend to present to the Board the actual text that will be submitted to OFM for each request.

With the approval of the Board of Regents, the University of Washington is requesting state operating funds for two critical proposals in the 2011-13 state operating budget.

I. Compensation Adjustments

Competitive compensation for faculty, professional staff, classified staff, and teaching/research assistants is critical to the UW's ongoing success. Due to the severity of the state budget situation, there have been no general salary increases in either Fiscal Year 2010 or Fiscal Year 2011 for any UW employee. The administration recognizes that the state's financial picture for the 2011-13 biennium is difficult. Even with this sobering financial forecast for the state, the administration believes that it is important to request funding that would provide modest salary increases for faculty, professional staff, classified staff, and teaching/research assistants.

While salaries have stagnated across all state agencies, UW faculty salaries would have to grow \$6,800 on average to achieve the 60th percentile of Global Challenge State (GCS) peers. Flat compensation has an immediate effect at the UW. Recruiting and retaining the most talented faculty is difficult during faculty wage freezes. UW faculty leverage federal and private investment dollars to initial state investment at a three to one ratio; investing in our most influential resource is imperative.

Given that state revenues appear to be significantly constrained in the coming biennium, the UW administration suggests that a two percent increase annually in salary and corresponding benefit adjustments be requested to begin to address the declining parity of UW faculty salaries compared to tier one research institutions in the GCS peer group, while recognizing that the state has limited resources to adjust compensation.

Likewise, professional staff sustained flat compensation for several years. The elimination of filled and vacant positions over the past three years, in concert with increasing workload pressure from over-enrollment, have combined to increase workload pressures across the academy. Professional staff members continue to bear expanding job responsibilities with less administrative support. The UW administration suggests that a two percent annual increase in salary and corresponding benefit adjustments be requested for professional staff.

Classified staff compensation adjustments will be made as a result of contract negotiations between the various UW bargaining units and the university administration. The negotiated agreements will be approved by the Board of Regents in September.

Teaching and research assistants will have no pay increase in Fiscal Year 2011. As for faculty and professional staff, the administration will request annual two percent increases in pay for Fiscal Year 2012 and 2013.

II. Funding for Current Enrollment Levels

The Legislature budgeted enrollments for each year of the biennium well below actual anticipated enrollments. When enrollments are budgeted by the legislature, full-time equivalent (FTE) students are combined from Seattle, Bothell and Tacoma and undergraduate and graduate FTEs are aggregated.

Enrollment	FY09	FY10	FY11
Actual/Estimated Average Annual FTEs	39,729	40,943	41,517*
Legislature Budgeted	38,526	36,546	37,162
Difference	1,203	4,397	4,355

*FY11 average annual FTEs is an estimate based on UW admission plans.

In the adopted 2009-11 state budget, the state authorized enrollment levels for FY 2010 and FY 2011 for the UW were reduced because of the budget cuts that were implemented as part of that budget. Because of record demand for undergraduate, graduate and professional programs, the UW decided to at least temporarily use its FY 2009 state authorized enrollment level as its “target” enrollment figure – and in the current fiscal year, the UW is substantially overenrolled relative to that number.

Should any new state resources be available in 2011-13, the UW administration may seek funding that would allow the UW to continue to serve the number of students that the state specified as the UW’s enrollment level for FY 2009. In effect, this action would restore budget cuts made in the last two legislative sessions and allow the UW to maintain access at current levels.

Enrollment Support for Areas of Critical State Need

The UW will seek resources for enrollment support in areas of critical state need. “Areas of critical state need” has been defined by the UW as including degrees in “life, natural, environmental and health sciences, engineering, computer and information systems and sciences, education and teacher preparation, and mathematics, applied mathematics and statistics.” Supporting enrollments in areas of critical state need is more costly than other academic areas. The UW received additional state funding for “high demand” enrollments in both years of the 2007-09 biennium.

III. Other Potential Requests

The administration is still evaluating whether it may want to submit one or two other budget requests for support for high priority issues at the UW where some state investment might leverage support from other funding sources. One possibility is to ask for some state funding to support the operation of facilities that support biomedical, science or engineering research.

I-960 Process

As required by the voter-approved Initiative 960, all state agency fee increases (including tuition) must receive legislative approval prior to implementation. OFM has asked agencies to include any fees expected to be initiated or increased during the 2011-13 biennium to be justified as part of the 2011-13 budget submittal. For the UW, this includes all categories of tuition and related fees not yet adopted by the Board of Regents for the 2011-12 and 2012-13 academic years, in addition to a variety of other student and course fees.

The table below shows the categories of fees and the increases that the UW submitted for approval by the legislature for the UW when the law originally passed and estimates of the increases the administration anticipates submitting to the Office of Financial Management for 2011-13. For most programs, the actual increases will be less than the maximum percent projected in the table below.

Possible Increases to Existing Fees

Source (Fee)	FY 2011	Projected FY 2012	Projected FY 2013
Tuition-Undergraduate Resident	Up to 7%	Up to 7%	Up to 7%
Tuition Categories Other than Undergraduate-Resident	Up to 15%	Up to 15%	Up to 15%
Course, Application, Special Program, and Other Miscellaneous Academic/Administrative Fees	Up to 10%	Up to 10%	Up to 10%
Services and Activities Fees-All Students	Up to 7%	Up to 7%	Up to 7%
Technology Fees-All Students	Up to 7%	Up to 7%	Up to 7%
Fee-Based Degree Programs	Up to 20%	Up to 20%	Up to 20%
Fee-Based Credit Certificate Programs	Up to 20%	Up to 20%	Up to 20%
Fee-Based Non-Credit Certificate Programs	Up to 20%	Up to 20%	Up to 20%
Fee-Based Credit Courses	Up to 20%	Up to 20%	Up to 20%
Fee-Based Non-Credit Courses	Up to 20%	Up to 20%	Up to 20%
Fee-Based Special Contract Programs	Up to 20%	Up to 20%	Up to 20%
Summer Quarter Tuition - Resident Undergraduates	Up to 7%	Up to 7%	Up to 7%
Summer Quarter Tuition - Non-Resident Undergraduates and Graduates	Up to 15%	Up to 15%	Up to 15%

*Fee-based programs do not receive any state support.

Proposed New Fees

Two new fees may be implemented to support the UW's U-Pass program. Transportation Services staff briefed the Board of Regents about the new fees that are under consideration at the June 2010 Board of Regents meeting. The possible new fees to support the UW's U-Pass program are:

- 1) **A student transportation fee of up to \$75/quarter.** The student transportation fee would be a fee that UW students impose on themselves to provide support for the U-Pass program. The proposed fee would first be approved by the Student Services and Activities Fee Committee and then would be brought to the Board of Regents for final approval.

- 2) **A UW Transportation Demand Management Surcharge.** Parking fees at the UW currently fund both costs associated with parking and part of the cost of the U-Pass program. Under a proposal currently under consideration, the structure of parking charges at the UW would be changed to have a base parking charge and a UW Transportation Demand Management Surcharge on that base parking charge. The Transportation Demand Management Surcharge may be up to 100% of the base parking charge. It is important to note that while the proposed Transportation Demand Management Surcharge is a new fee, when implemented it would not result in a net increase in parking costs – the combination of the base parking charge and the Transportation Demand Management Surcharge is a re-structuring of current parking charges that will not result in an increase in parking charges to consumers.

Background for the Capital Budget Request

State Capital Funding in the Current Biennium

In the 2009-11 biennium, the UW received \$114 million (compared to \$146.9 million in the 2007-09 biennium) in state capital funds, and experienced a reduction in state support in the second year of the biennium in particular. Funding for Tacoma Phase 3, Savery Hall, Denny Hall and Lewis Hall Renovation Projects was reduced in the second year.

OFM and Higher Education Coordinating Board Capital Prioritization Process

In the 2008 supplemental legislative session, the legislature passed Engrossed Substitute House Bill 3329 which created a new capital prioritization process for public baccalaureate institutions. Major projects that have not been funded for design are required to go through the scoring process. In the 2010 supplemental legislative session, Senate Bill 6355 passed, which directs the Higher Education Coordinating Board to rank major capital projects at four-year institutions in a single list by priority order and submit the list to OFM for consideration.

2011-13 State Capital Budget Request

UW administration is requesting a total of \$240.1 million in state capital funds in the 2011-13 state budget and authority to spend \$47 million out of the UW Building Account (for a total of \$287,095,000). A summary of the UW's 2011-13 capital budget request (in priority order) is shown in the table below and brief project descriptions follow on the next page:

Project Name	2011-13	
	State Funds	UW Building Account
Minor Capital Repair - Infrastructure and Program Allocations	66,000,000	47,000,000
Denny Hall Renovation	54,615,000	-
House of Knowledge (New Academic Building)	2,700,000	-
Odegaard Undergraduate Learning Center - Phase 1 (Renovation)	19,500,000	-
UW Bothell Phase 3 (New Academic Building)	62,850,000	-
UW Tacoma Land Acquisition/Remediation	5,000,000	-
Anderson Hall Renovation	2,300,000	-
Lewis Hall Renovation	23,130,000	-
Miller Hall Renovation	4,000,000	-
Biennial TOTALS	\$240,095,000	\$47,000,000

Minor Capital Repairs, \$113,000,000. This request is split into \$66 million of state funds and \$47 million of UW Building Account funds for minor capital repair projects including building renewal, utility and energy conservation projects, upgrades to the communications data network, and critical educational facilities program improvements.

Denny Hall Renovation, \$54,615,000. After a delay of one biennium due to state funding constraints, Denny Hall is scheduled for construction in the 2011-13 biennium. Denny Hall must be strengthened to better resist earthquakes; the project scope includes the replacement of the electrical, lighting, mechanical, communications systems to bring the building into compliance with current building codes, and LEED Silver certification.

House of Knowledge, \$2,700,000. The UW is requesting state funds for the House of Knowledge, with the balance of the project to be funded from non-state sources.

Odegaard Undergraduate Learning Center- Phase 1, \$19,500,000. This request is for design and construction of Phase I renovation of Odegaard to reinvigorate student learning spaces, increase access to technology and support undergraduate education.

UW Bothell Phase 3, \$62,850,000. The UW is requesting state funds for the construction phase of UW Bothell Phase 3, a new academic building and associated site work to accommodate enrollment growth.

UW Tacoma Land Acquisition/Remediation, \$5,000,000. This request is for the acquisition of properties as well as for funds to address remediation requirements within the 46 acre footprint of the UW Tacoma campus. This appropriation would allow the UW to proceed with procuring individuals parcels of land as they become available; in total, six acres of individual parcels are not yet acquired.

Anderson Hall Renovation, \$2,300,000. Anderson Hall has not had a major upgrade in over 40 years; this request is for the design phase of its renovation. The renovation will address outdated building systems such as the heating/ventilation, electrical, lighting, and plumbing, as well as addressing the needs to upgrade seismic, life safety, access and building code issues.

Lewis Hall Renovation, \$23,130,000. This request is for the construction phase of Lewis Hall, which is listed on the Washington Heritage Register. The exterior and interior of Lewis Hall are in dire need of a complete renovation and upgrade. The project will update all major building systems utilizing sustainability goals to LEED Silver certification as well as address important seismic, life safety, accessibility and current building code requirements.

Miller Hall Renovation, \$4,000,000. Miller Hall is home to the College of Education and has not had a major upgrade in over 46 years; this request is for a combined predesign/design phase of its renovation. The project will address major building issues including the exterior shell, heating/ventilation system, plumbing, electrical, fire protection, access issues and computing infrastructure.

2011-13 Policy Level Requests

The UW administration is evaluating several policy requests for the coming legislative session with the goal of putting the university on a more stable and predictable funding path.

I. Provide a Sustainable Operating Funding Model for the University

- A. The UW administration would prioritize full funding of the State Need Grant above all other policy initiatives. The number of Washington students who qualify for a grant but will not receive one has grown from 5,000 to 15,000 in one year. Unmet need at the UW alone is expected to grow substantially in the coming year.
- B. The UW administration would like to continue a conversation with state lawmakers to develop a sustainable funding model for the university that could include granting greater flexibility to set tuition and fees for resident undergraduate tuition to the UW Board of Regents.
- C. The UW's tuition setting authority for all nonresident and resident graduate tuition fee categories will sunset at the end of the 2012-13 academic year. Thus, the administration would like to engage in discussion with state lawmakers to grant permanent tuition setting authority to the UW Board of Regents for these categories.

II. Provide a Sustainable Capital Funding Model for the University

UW administration would like to continue prior discussions with state lawmakers on developing a sustainable funding model for capital projects that could provide the UW with greater ability to locally manage its Metro Tract and student building fee revenues.

III. Other Efficiency/Cost Saving Initiatives

UW administration seeks Regental consent to pursue legislative initiatives that would produce efficiencies or cost savings in purchasing, capital project contracting, etc.