

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

*in Joint Session with*

**B. Finance, Audit and Facilities Committee****University of Washington 2013-15 State Operating and Capital Budget Requests****INFORMATION**

This item is intended to reiterate previously communicated information about the 2013-15 capital and operating budget requests submitted to the Office of Financial Management as well as begin discussions with the Board of Regents about various legislative ideas that are in development.

This item contains information covering:

1. Technical operating budget requests to the Office of Financial Management;
2. Capital budget request to the Office of Financial Management; and,
3. Possible fee increases for the upcoming biennium (as required by Initiative I-960).

***Attachments***

1. 2013-15 State Operating and Capital Budget Requests
2. 2013-15 Operating Budget Request
3. 2013-15 State Capital Budget Request

# **2013-15 State Operating and Capital Budget Requests**

## **Previous Discussion of the 2013-15 State Operating and Capital Budget Requests**

The University of Washington's 2013-15 state operating and capital budget requests were covered in brief 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 2012 meeting of the Board of Regents. In addition, President Young sent correspondence about the submission to Regents in September 2012.

## **Financial Context for the Proposed 2013-15 Operating and Capital Budgets**

### ***State Fiscal Outlook for 2013-15***

Washington's Legislature has reconciled two biennia of multi-billion dollar deficits. Since FY 2009, the University of Washington has sustained cuts to its state general fund base budget of nearly 50 percent, when comparing budgeted state appropriations in FY09 (\$402 million) to FY13 (\$209 million).

The Office of Financial Management's (OFM) outlook for the state general fund currently assumes another \$1.3 billion deficit for the biennium. This outlook anticipates increased demand for essential state services, repayment of temporary 3 percent across-the-board salary reductions, increased commitment of state funding for K-12 (including levy equalization and a down payment on the McLeary Supreme Court decision), and debt service payments.

These and other pressures indicate that state support for new budget initiatives is expected to be negligible. Thus, OFM instructed state agencies to include only constitutionally mandated or emergency funding requests in their 2013-15 operating and capital state budget requests. OFM and the current Governor have committed any possible additional revenue above current forecasted levels to K12. We also know that current collections of sales tax revenue are running at projected levels; but, for the coming two fiscal years, required expenditures will far outweigh potential revenues and create a \$1 billion deficit out the gate. We hope to maintain our current level of funding as a best case scenario and have little hope that additional state resources will come our way.

### ***Components of the 2013-15 Budget Submission***

To satisfy OFM budget submission requirements, the UW is required to submit a variety of materials including reports on 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 asked for a series of technical operating budget requests and a list of potential capital requests.

## **ATTACHMENT 1**

## 2013-15 Operating Budget Request

As required by OFM, proposed UW budget requests are listed in priority order. The 2013-15 state operating budget submission was primarily technical in nature, and does not represent the full complement of possible initiatives that the UW Board of Regents and UW administration may pursue during the 2013 Legislative Session. At the December meeting of the Board of Regents, the administration will present an updated summary of our proposed legislative platform.

### Compensation Flexibility and State Support for Raises

The cornerstone of our request was a cover letter from the UW to OFM imploring the state to release the UW from its ongoing salary freeze and highlighting our estimated range of expenses associated with a 2 to 5 percent salary increase for UW personnel. This estimate was plainly stated as a critical element to maintain excellence at the University and while we could only provide a range of estimated expenses, we noted that irrespective of what the final costs are, these expenses should be covered by the state.

We will work with the Legislature throughout session to articulate the need and responsibility of the state in supporting UW salary increases. **For information, the following cost projections for a 2 percent and 5 percent salary increase on general operating fund (GOF) supported compensation is presented below but note, these increase levels are for illustrative purposes only and future projections may differ. In addition, the final, negotiated increase amount will depend on numerous variables and public administrative and academic processes.**

2% Increase			
Employee Type	FY14	FY15	13-15 Biennium
<i>Faculty</i> <sup>1</sup>	6,399	6,552	19,350
<i>Professional</i>	2,596	2,648	7,840
<i>Classified</i>	1,214	1,238	3,666
<i>Other</i>	222	226	670
<i>Total</i>	10,431	10,664	31,526
5% Increase			
<i>Faculty</i>	14,434	15,156	44,024
<i>Professional</i>	6,491	6,815	19,797
<i>Classified</i>	3,035	3,187	9,257
<i>Other</i>	555	583	1,693
<i>Total</i>	24,515	25,741	74,771

Without the ability to provide sensible pay increases to meritorious faculty and staff next fiscal year, it will be tremendously difficult to preserve our long tradition of academic program excellence and to maintain our competitive success in preparing the workforce of the future.

Other, more minor, requests were included in the budget.

**1. Shellfish Biotoxin Monitoring – Increased Expenditure Authority (\$90,000).**

Note that the UW is also requesting \$50,000 of increased expenditure authority at the maintenance level for FY2013. In addition, \$90,000 of increased spending authority is requested in the 2013-15 biennium for shellfish biotoxin monitoring by the Olympic Regional Harmful Algal Bloom (ORHAB) Program of the Olympic Natural Resources Center. The ORHAB program expenditures will exceed the current appropriation by \$90,000 in the 2013-2015 biennium. Therefore, the UW is requesting one-time increased spending authority above the appropriated level as a means of accessing the balance from past biennia to cover these expenditures. These increased expenditures are the result of increased costs associated with monitoring activities including travel, supplies for detection kits, and increases in staff costs.

**2. Molecular Engineering Operations & Maintenance Support (\$2.5 million).**

A total of \$2.5 million in state support is requested in the 2013-15 biennium for operations and maintenance costs for the Molecular Engineering Building, for which the UW has acquired full use. The Molecular Engineering Building will accommodate the growth occurring in this emerging field. The project includes research lab space as well as ultra-sensitive ground contact lab space, each with support space. Phase 1 of this project includes the completion of approximately 90,000 gross square feet (GSF).

**3. Foster School of Business “Balmer Hall” Operations & Maintenance Support (\$1.4 million).**

A total of \$1.4 million in state support is requested in the 2013-15 biennium for operations and maintenance costs for the second phase of the Foster School of Business "Balmer Hall" renovation. The expanded and modern space will accommodate the growth occurring in the School of Business. The project includes student interview rooms, undergraduate program offices, graduate program offices, meeting rooms, and student support services.

**4. University of Washington School of Medicine South Lake Union 3.1 Operations & Maintenance Support (\$4.9 million).**

A total of \$4,977,035 in state support is requested in the 2013-15 biennium for operations and maintenance costs for UW Medicine at South Lake Union Phase 3.1, for which UW Medicine will complete construction in February of 2013. Phase 3.1 of South Lake Union development will accommodate significant growth in UW Medicine research by providing 156,000 gross square feet of laboratory and research space above grade and 192,000 gross square feet below grade for underground parking and loading facilities. Given significant growth in UW Medicine awards, National Institutes of Health (NIH) funding, and significant grant activity, there is no surplus research space on campus and given the full occupancy of the prior two phases of this work, Phase 3.1 is expected to be fully occupied immediately upon completion.

**5. Restore Operations & Maintenance Fund Shift (\$25.8 million).**

The UW is requesting \$25.8 million in the 2013-15 biennium to restore operations and maintenance (O&M) funding that was shifted from the operating budget to the capital budget.

## Initiative 960 and Initiative 1053 “Fee Approval” Process

As required by the voter-approved Initiatives 960 and 1053, all state agency fee increases (including tuition) must receive legislative approval. OFM asked that agencies include and justify as part of the budget submittal, any fees expected to be initiated or increased during the 2013-15 biennium. For the UW, this includes all categories of tuition and related fees not yet adopted by the Board of Regents for the 2013-14 and 2014-15 academic years, in addition to a variety of other student and course fees.

The table below shows the categories of fees and possible increases that the UW submitted for information purposes. It also shows estimates of the increases the administration anticipates for 2013-15. For most programs, the actual increases will **be less than the maximum percent projected in the table below. The tuition increases noted below are based on prior statutory limits and do not represent any current or future decision on the part of the Board of Regents or UW leadership.**

In addition, the administration has no knowledge of new, across-the-board fees, though throughout the coming academic years, new fees may be imposed on students by their own vote with approval from the Board of Regents.

### *Possible Increases to Existing Fees*

Name of Fee	Statutory Change Required?	New or Increased?	Estimated FY14 Increase	Estimated FY15 Increase
Resident Undergraduate Tuition	No	Increased	7%	7%
Tuition for non-resident and graduate programs	No	Increased	7%	7%
Existing on-campus lab, course , etc. fees	No	Increased	10%	10%
Existing on-campus lab, course , etc. fees - summer quarter	No	Increased	10%	10%
Summer Quarter Tuition - Resident Undergraduates	No	Increased	7%	7%
Summer Quarter Tuition - Non-Residents and Graduate Programs	No	Increased	7%	7%
Services and Activities Fees	No	Increased	2%	2%
Fee-Based Programs/Degree Fees	No	Increased	28%	20%
Contract Instructional Offerings (with organizations)	No	Increased	20%	20%

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

# 2013-15 State Capital Budget Request

## Background for the Capital Budget Request

### *State Capital Funding in the Current Biennium*

In fiscal years 2012 and 2013 (2011-13 biennium) the state budgeted \$62.6 million in state building construction funds compared to \$114 million in 2009-11 and \$146.9 million in 2007-09. State bonding capacity is severely limited and, consequently, the state's use of the UW Building Account to fund new projects, at the expense of funding minor repairs and preventative maintenance, is growing.

### *Capital Prioritization Process*

In 2008, the Legislature passed House Bill 3329, creating a capital prioritization process for public baccalaureate institutions. From that point forward, any major project without design funding has been required to go through a significant scoring process, managed by OFM. In 2012, the Legislature passed House Bill 2483, which directs the Washington Student Achievement Council to submit recommendations on operating budget priorities in support of the ten-year statewide master plan. However, the bill relieved the Council of any recommendation or prioritization duties related to capital budget

## Requested Projects

As discussed during review of the One Capital Plan in June 2012, UW administration is requesting a total of \$175.7 million in state capital funds in the 2013-15 state budget and authority to spend \$62 million out of the UW Building Account (for a total of \$237.6 million). A summary of the UW's capital budget request (in priority order and shown in thousands) is below and brief project descriptions follow on the next page:

Priority	Requested Projects			2013-15	
	Name	Type	Phase	State Funds	UW Building Account
1	Minor Capital Repair - Preservation	Repair	D/C	64,700	40,000
2	Minor Capital Repair - Program Renewal	Teaching	D/C	-	22,000
3	Major Infrastructure - UW Tower Chilled Water System Replacement	Infrastructure	D/C	7,500	-
4	Major Infrastructure - MHSC Roofing Replacement Project	Infrastructure	D/C	7,000	-
5	Major Infrastructure - UW District Energy Resource Center	Infrastructure	D	2,200	-
6	Health Sciences Education Phase I - T-Wing Renovation/Addition	Teaching	PD/D	8,000	-
7	CoE - UW College of Engineering Classroom & Research Renovation	Teaching/Research	PD/D/C	13,400	-
8	UW Tacoma Classroom Building Renovation - Urban Solutions Center	Teaching	PD/D	1,900	-
9	Health and Life Sciences - Hitchcock West	Research	PD/D	10,500	-
10	CAS - Denny Hall Renovation	Teaching	C	54,600	-
11	CAS - Lewis Hall Renovation	Teaching	C	3,650	-
12	UW Libraries Archival Storage - Sand Point Building 5	Teaching	PD/D	1,000	-
13	Innovation Collaboration Center	Research	PD	350	-
14	CoE - Interdisciplinary Education/Research Center I	Teaching/Research	PD	350	-
15	UW Tacoma Innovation Partnership Zone Development - Phase 1	Teaching	PD	500	-
<b>Biennial TOTAL:</b>				<b>175,650</b>	<b>62,000</b>

**1. *Minor Capital Repairs – Preservation (\$104,700,000).***

This request is split into \$64.7 million of state funds and \$40 million of UW Building Account funds for the repair and renewal of buildings, utility and electrical systems, and roads and pathways, and for the improvement of data and communications infrastructure and fire and life safety systems.

**2. *Minor Capital Repairs – Program (\$22,000,000).***

Requested only of UW Building Account, funds would go toward classroom and class laboratory renovations at the Seattle campus, classroom and facility upgrades to accommodate increased student enrollment at both UW Bothell and Tacoma, and sustainability efforts at UW Tacoma.

**3. *UW Tower Chilled Water System Replacement (\$7,500,000).***

The current chiller system servicing the UW Tower and surrounding UW-occupied buildings is over 40 years old, energy inefficient, and well beyond its useful life. This project will significantly improve the resilience and reliability of UW campus space utilization.

**4. *Magnuson Health Sciences Center Roofing Replacement (\$7,000,000).***

Despite expensive repair attempts, multiple leaks throughout the expansive, 5,700,000 square foot building continue to accelerate the roof's deterioration. A permanent and comprehensive remedy is needed to avoid disrupting academic activities, potential health problems, and continued maintenance expenses.

**5. *UW District Energy Resource Center (\$2,200,000).***

To improve the reliability and efficiency of UW's existing district energy system and to plan for thermal district energy system growth, the UW is proposing a UW District Energy Resource Center. The Center will supplement the existing UW District Energy system by expanding central process cooling and uninterruptable electrical power that service key research and educational activities.

**6. *Health Sciences Education Phase I – T Wing (\$8,000,000).***

This request for predesign/design funding is the first of four phases in a long-range T wing renovation plan. The plan emerged during development of the UW Board of Health Sciences Dean Precinct Plan as a means to ensure continued success of UW's medical, nursing, pharmacy, dentistry, public health and social work academic programs. The renovation/addition will include flexible learning labs, meeting spaces, immersive learning centers (including multiple simulation-based learning environments), classroom improvements, and digital and/or other library facilities.

**7. *UW College of Engineering Classroom and Research Renovation (\$13,400,000).***

The requested design and construction funds will address the College of Engineering's critical and immediate instructional and research needs. The project will include repurposing approximately 8,500 square feet of existing office space to accommodate state-of-the-art classrooms and additional seating needs of increasing enrollment.

**8. *UW Tacoma Classroom Building Renovation, Urban Solutions Center (\$1,900,000).***

Requested for predesign and design phases, this funding would allow UW Tacoma to renovate the TPS Company Building. The project will provide critical capacity to accommodate UWT's projected

student enrollment growth and its associated, continued need for additional multi-classroom and academic support space.

**9. *Health and Life Sciences, Hitchcock West (\$10,500,000).***

The requested state funds would support the predesign and design phases of Hitchcock West—a collaborative and highly flexible research building to be centrally located in the life and health sciences hubs of UW Seattle. The project will support the UW’s highest priority for immediate and mid-term consolidation and growth of critical research needs in health and life science disciplines.

**10. *College of Arts & Sciences, Denny Hall Renovation (\$54,600,000).***

This state funding is requested to complete the design and construction phases of the oldest building on campus (consequently on the Washington State Heritage Register). The last significant structural and interior renovation of Denny occurred in 1956. The project will focus on Denny’s structural, life safety, and information technology infrastructure, as well as the building’s dated electrical distribution, plumbing and mechanical systems. These improvements could extend Denny’s useful life another 100 years.

**11. *College of Arts & Sciences, Lewis Hall Renovation (\$3,650,000).***

This construction project is estimated to take over 4 biennia to fund. Requested state funds will support the first phase—construction of the building envelope and energy consideration improvements which will stabilize further deterioration of the building and reduce operating and maintenance costs.

**12. *UW Libraries Archival Storage – Sand Point Building 5 (\$1,000,000).***

Requested state funds will go toward predesign and design phases for the renovation of existing UW-owned warehouse space which will house additional University Libraries collection materials.

**13. *Innovation Collaboration Center (\$350,000).***

State funds are requested to support the Center’s predesign phase. The Center will be equipped for effective technology transfer and entrepreneurship and will support collaborative projects for translational research, prototyping, and testing.

**14. *College of Engineering, Interdisciplinary Education/Research Center I (\$350,000).***

State funding is requested for a predesign study that will examine relocating civil, mechanical, environmental, structural and material science engineering programs to UW buildings that can support these disciplines’ ever-increasing technological demands.

**15. *UW Tacoma Innovation Partnership Zone Development, Phase I (\$500,000).***

UW Tacoma is requesting predesign funding to conduct a study for future area development and the first proposed building of the Innovation Partnership Zone. The total project is expected to develop over the next ten years on UW Tacoma property.