

Overview of the Governor's Proposed Higher Education Operating and Capital Budgets

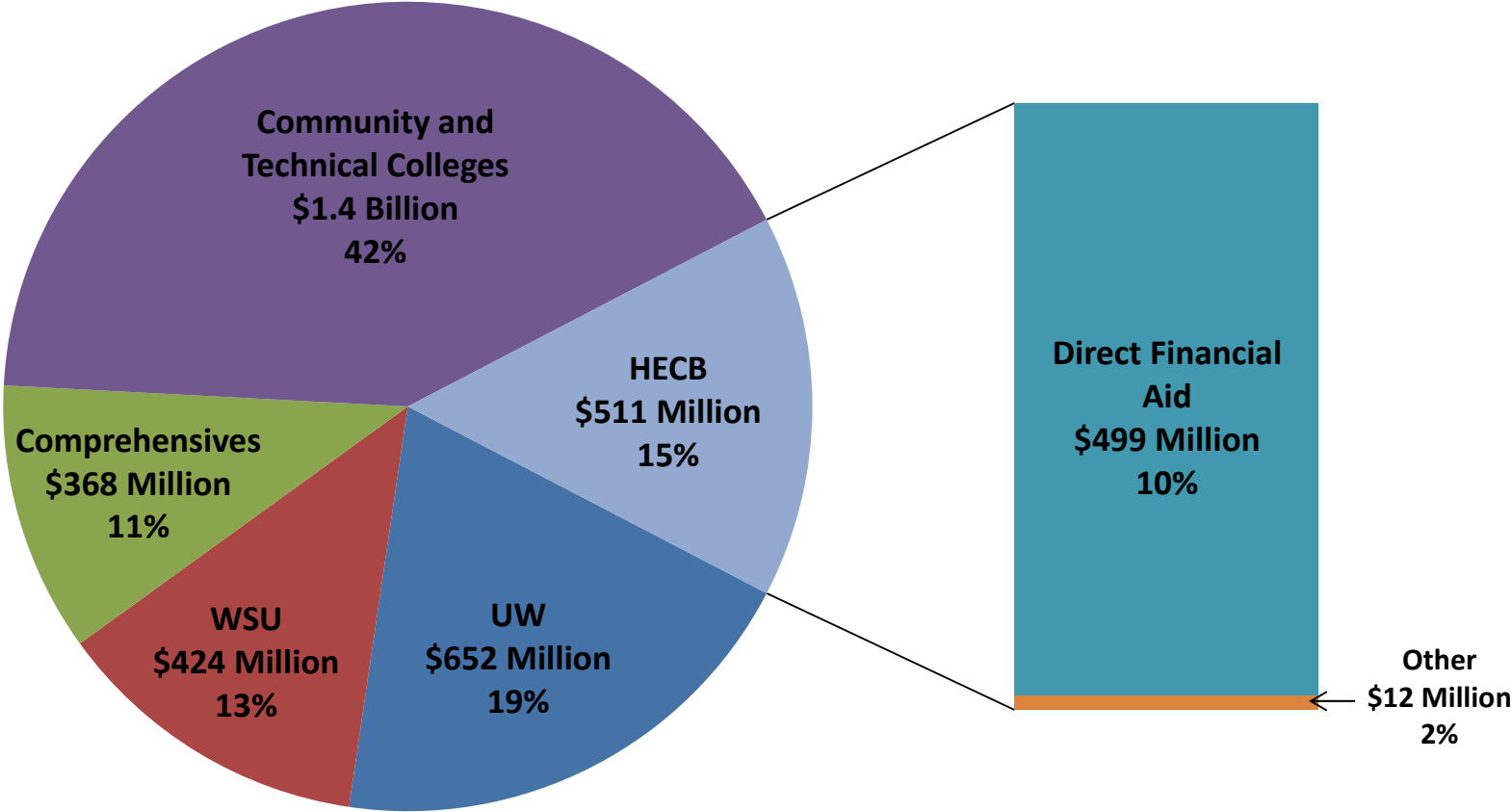
Staff Presentation to the
Senate Ways & Means Committee
January 18, 2011

Today's Agenda

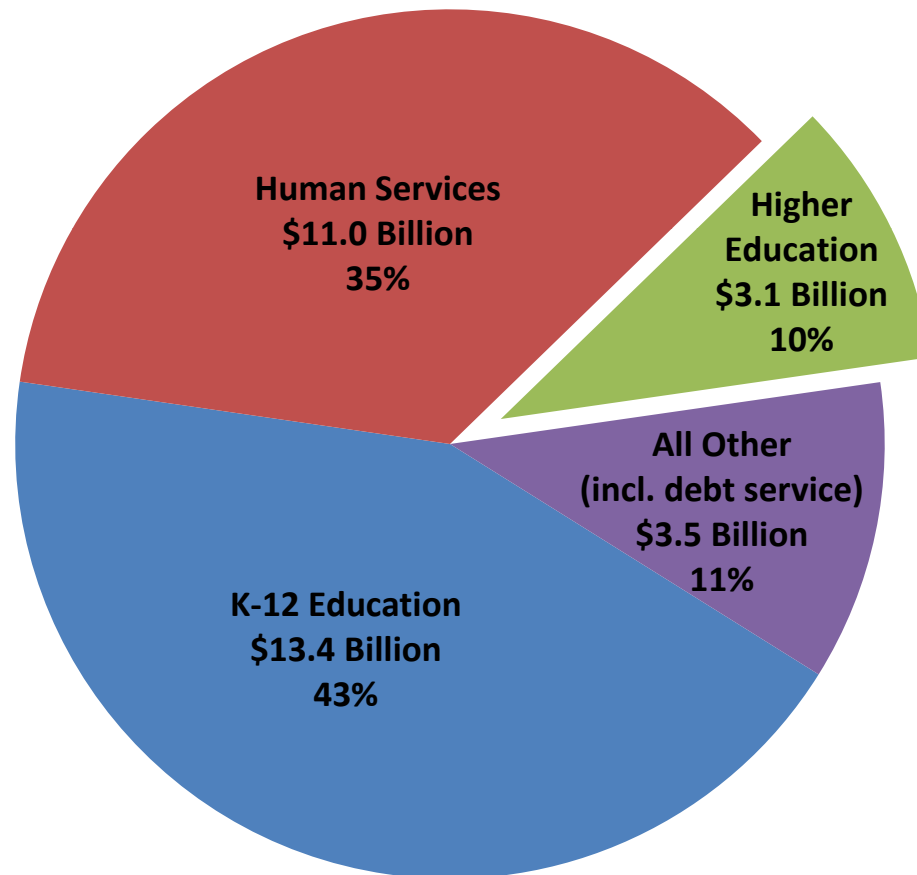
- Overview of current higher education budgets
- Overview of the Governor's operating and capital budget proposals
- Panel presentations
 - Council of Presidents
 - State Board for Community and Technical Colleges
 - Higher Education Coordinating Board
- Public testimony

Operating Budget Overview

During the 2009-11 biennium, a total of \$3.4 billion in state funds was appropriated for higher education



Higher education represents 10% of the 2009-11 Near General Fund State budget, but the Near General Fund makes up 33% of the overall higher education budget.



State support, tuition, and financial aid are interconnected levers that drive the higher education budgets

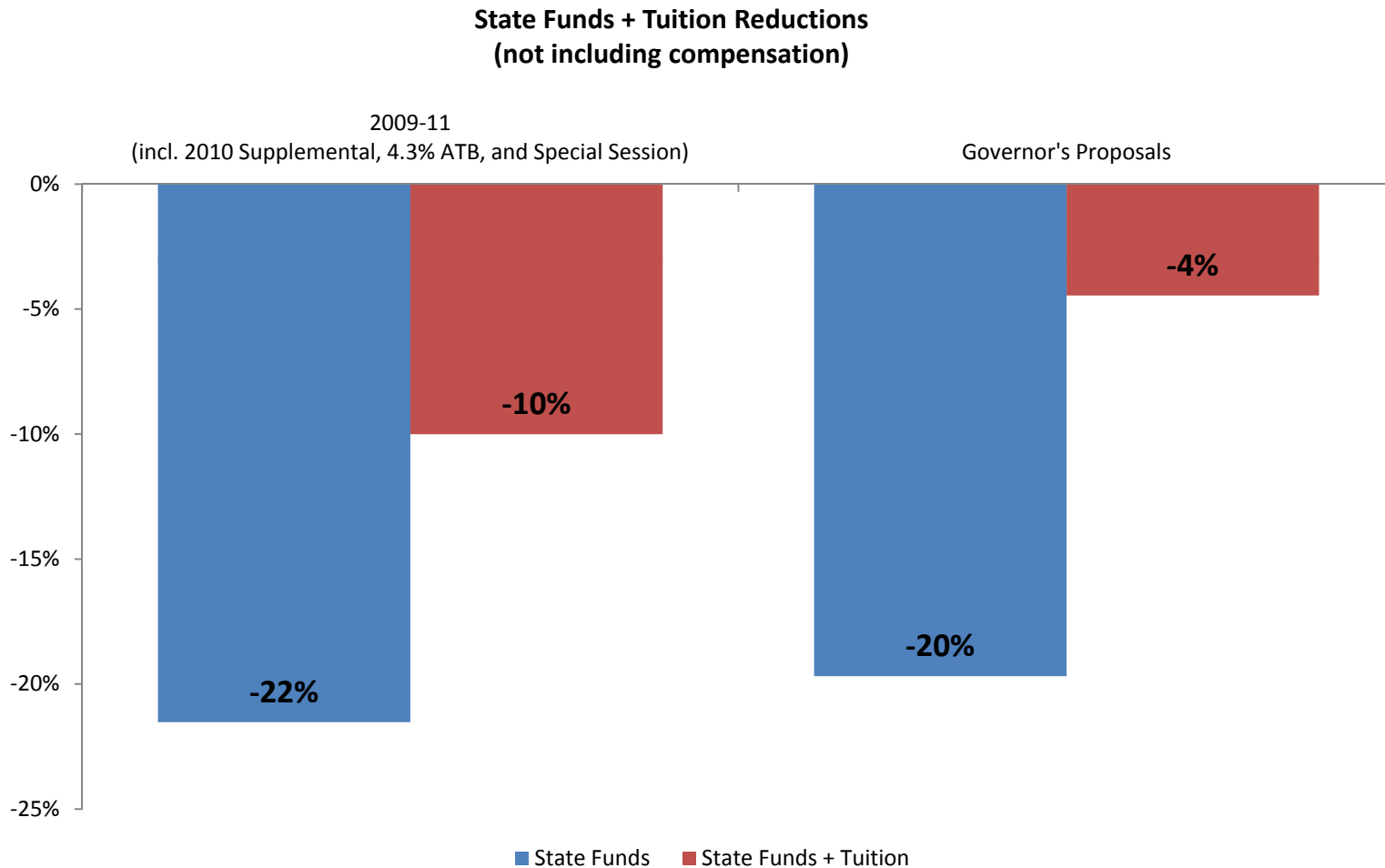
- The three primary funding levers are interconnected
 - State Appropriations
 - Tuition
 - Financial Aid
- Tuition impacts Financial Aid
 - Practice has been to increase State Need Grant, State Work Study, Washington Award for Vocational Excellence and Washington Scholars to fully offset impact of tuition increases.
- State Appropriations + Tuition
 - Together make up 55% of the overall higher education budget and cover the core academic functions which include the cost of instruction, state sponsored research and public service activities

Governor's Operating Budget Proposals

Highlights of the Governor's Operating Budget Proposals

- Decreased appropriations for core academic functions by \$502 million
- \$39 million decrease to financial aid programs, including serving 2,700 fewer students via State Work Study, reducing the number of students served via Washington Scholars, WAVE, and other conditional loan and scholarship programs
- \$50 million shifted from the general fund to the building accounts for maintenance activities
- Compensation reductions totaling \$126 million
- \$16 million enhancement for student-centered initiative
- \$2 million enhancement for services to facilitate greater success with low-income students
- Tuition increases (\$330 million):
 - 11% per year at UW, WSU, and WWU
 - 9% per year at TESC, CWU, and EWU
 - 10% per year at community and technical colleges
- \$92 million increase to the State Need Grant to offset tuition increases

After accounting for tuition, state funds at the institutions decreased by 10% during the 2009-11 biennium for core academic functions. After adjustments, the Governor's 2011-13 proposal will decrease these budgets by 4%.

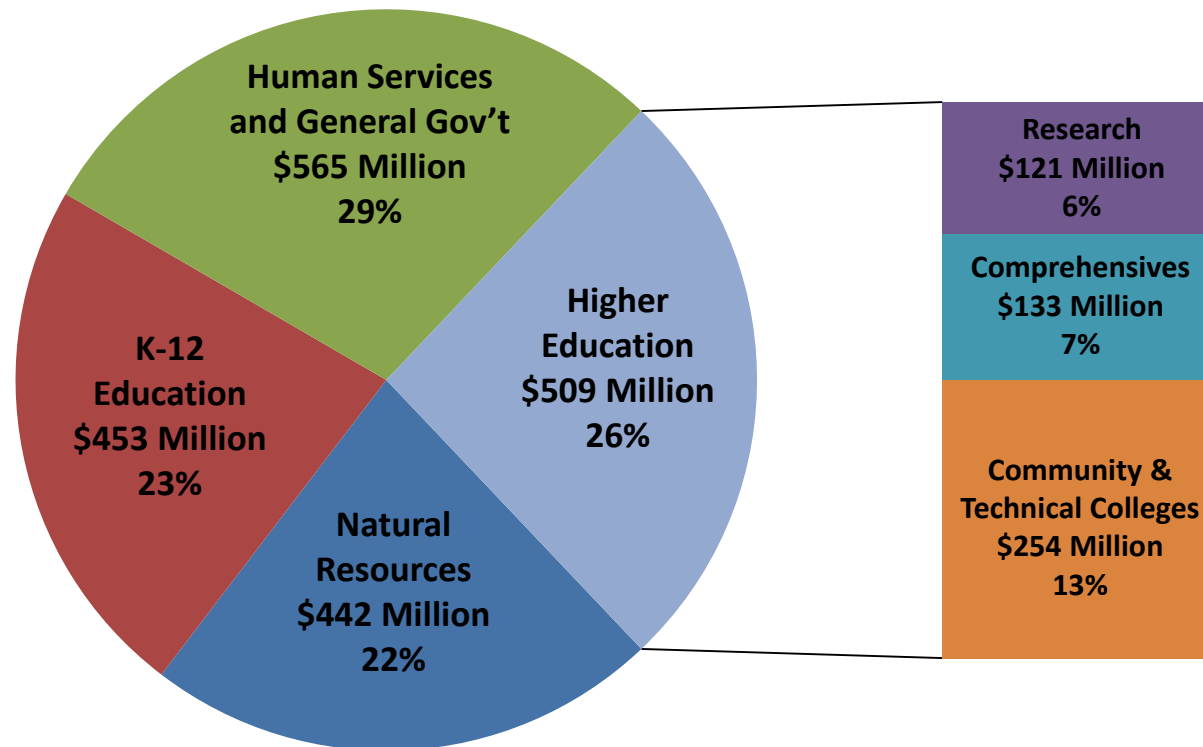


State Funds = Near General Fund State + Federal ARRA + Opportunity Pathways Account + Opportunity Express Account

Capital Budget Overview

The 2009-11 capital budget totaled \$3.7 billion, 53% of which are bonds. Higher education represents 26% of the bonds budget.

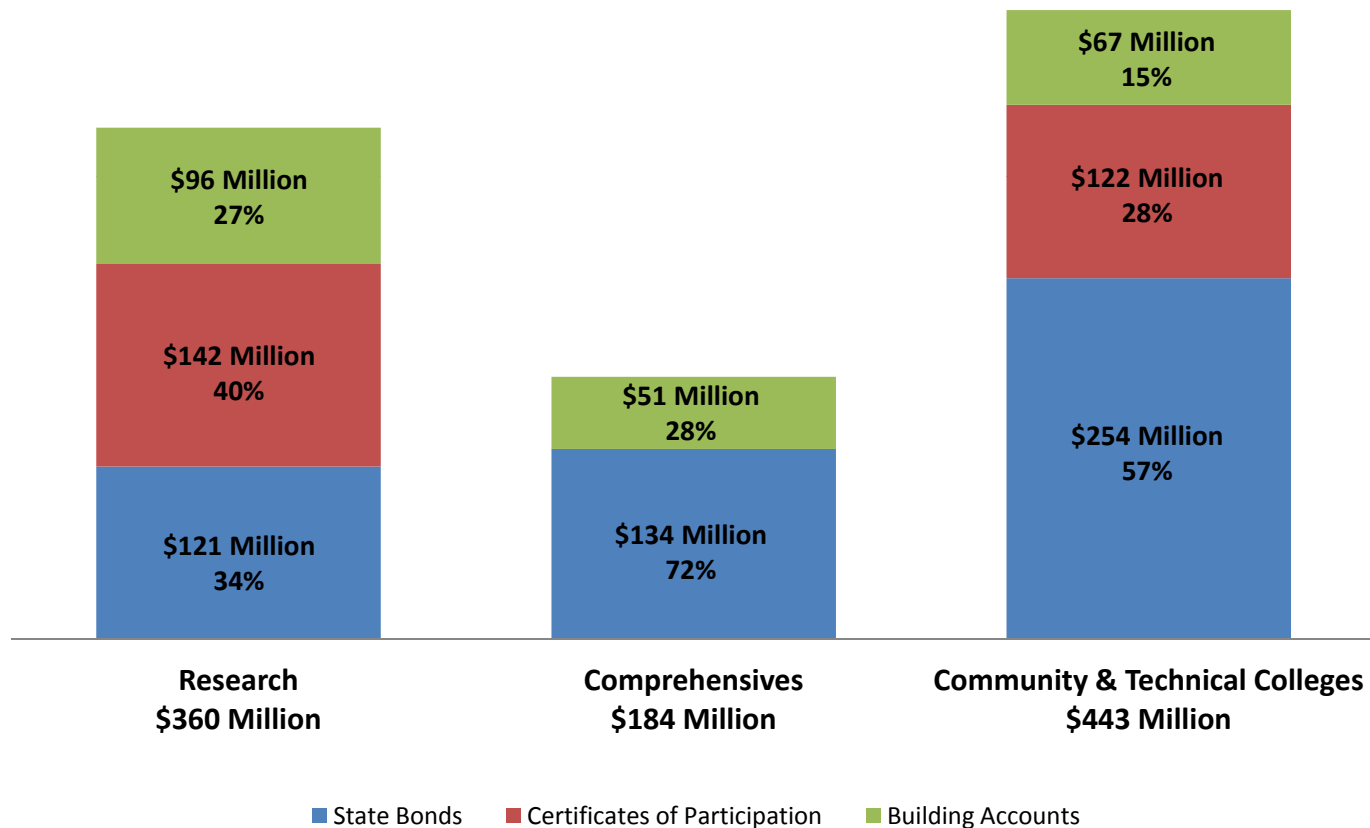
Total State Bonds = \$2.0 Billion,
2009-11 Biennium



Higher education projects are ranked using an evaluation system. Financing is achieved via three methods.

- Evaluation System
 - The State Board for Community and Technical Colleges reviews, ranks, and prioritizes projects within specific categories.
 - As a result of legislation enacted in the 2009-11 biennium, projects over \$2 million for four year institutions are reviewed, ranked, and prioritized within specific categories via a panel with final recommendations submitted by the Higher Education Coordinating Board.
- Financing Mechanisms
 - State bonds – backed by the state and subject to the debt limit
 - Certificates of Participation (COPs) and other bonds – not backed by the state or subject to the debt limit; debt is paid via specific revenue sources
 - Building accounts – includes a portion of revenue from tuition; managed by the institutions

During 2009-11, state bonds made up 52% of the higher education capital budget, with COPs and the building accounts representing 27% and 22%, respectively.



Governor's Capital Budget Proposal

Highlights of the Governor's 2011-13 Capital Budget Proposal

- Spends \$473 million less in higher education than in 2009-11
 - \$197 million less in bonds
- Priority was given to minor works, renovation and remodel projects
- Generally, no funding was provided for new building construction, predesign, design, and land acquisition
 - Exceptions:
 - House of Knowledge
 - Centralia Community College Student Services Building

Governor's Proposed List of Capital Projects (Four Year Institutions)

	\$ in Thousands	
	Bonds	Total
Minor Works	\$44,129	\$142,079
Construction - Design completed in 2009-11 Budget	49,407	49,407
EWU - Patterson Hall Remodel Phase 2	38,630	38,630
TESC - Communications Lab Bldg Preservation & Renovation	10,777	10,777
Infrastructure	18,011	22,861
EWU - Upgrade Campus Water System	7,511	7,511
WSU - Pedestrian Bridge Replacement	2,500	2,500
UW - High Voltage Infrastructure Improvement	0	4,850
CWU - Combined Utilities	8,000	8,000
Growth	0	2,700
UW - House of Knowledge	0	2,700
Renovation	55,130	59,929
WWU - Classroom and Lab Upgrades	0	4,799
WWU - Fraser Hall Renovation	4,480	4,480
TESC - Science Lab 2nd Floor Modernization	4,950	4,950
WSU - Fulmer Hall Partial Renovation	8,200	8,200
UW - Odegaard Library Renovation	19,500	19,500
WSU - Design Disciplines Facility	18,000	18,000
	\$166,677	\$276,976

Governor's Proposed List of Capital Projects (Community and Technical Colleges)

	\$ in Thousands	
	Bonds	Total
Minor Works	\$0	\$85,472
Renovation	42,699	42,699
Green River - Science, Math & Technology Bldg	21,838	21,838
North Seattle - Technology Building Renewal	20,861	20,861
Replacement	102,228	108,966
Everett - Index Hall Replacement	37,633	37,633
Skagit Valley - Academic and Student Services Building	29,494	29,494
Lower Columbia - Health and Science Building	35,101	37,701
Centralia - Student Services Building Desing	0	4,138
TOTAL	\$144,927	\$237,137

Some policy questions to consider when making spending decisions

Operating Budget:

- Should tuition be increased and, if so, by how much?
- Should the policy of holding certain financial aid programs harmless to tuition increases continue?
- Should core academic functions be reduced beyond the level replaced by tuition?
- Should financial aid programs be reduced?
- Should specific performance targets be incorporated?

Capital Budget:

- How should capital budget funding decisions be prioritized?
- Should a certain number of design projects be funded to prepare for new construction in the 2013-15 biennium?

Appendix

Overview of the Governor's Operating Budget Proposals

ACADEMIC FUNCTIONS

(\$ in Thousands)

	UW	WSU	EWU	CWU	TESC	WWU	CTCs	Inst. Total	HECB	Total
Higher Education Reductions	(149,279)	(75,846)	(17,353)	(17,632)	(10,412)	(27,954)	(145,773)	(444,249)	(222)	(444,471)
Cap Retirement Plan Funding at 6%	(16,683)	(8,284)	(1,894)	(2,052)	(1,024)	(3,022)	(24,991)	(57,950)		(57,950)
Maintenance Fund Shift	(14,890)	(8,658)					(26,452)	(50,000)		(50,000)
Reduce Financial Aid									(39,147)	(39,147)
Student Services and Achievement Initiative			500	500	500		10,770	12,270	5,000	17,270
Maintain State Need Grant									91,576	91,576
Total	(180,852)	(92,788)	(18,747)	(19,184)	(10,936)	(30,976)	(186,446)	(539,929)	57,207	(482,722)
<i>Net reduction in state funds</i>	<i>-29.0%</i>	<i>-22.9%</i>	<i>-20.3%</i>	<i>-20.9%</i>	<i>-21.9%</i>	<i>-27.0%</i>	<i>-13.7%</i>	<i>-19.7%</i>	<i>10.3%</i>	<i>-14.6%</i>
Tuition Increase ¹	124,887	60,030	14,071	14,540	8,733	23,571	83,820	329,652		329,652
Total 2011-13 Budget	(55,965)	(32,758)	(4,676)	(4,644)	(2,203)	(7,405)	(102,626)	(210,277)	57,207	(153,070)
<i>Net reduction in state funds (with tuition increase)</i>	<i>-9.0%</i>	<i>-8.1%</i>	<i>-5.1%</i>	<i>-5.1%</i>	<i>-4.4%</i>	<i>-6.4%</i>	<i>-7.5%</i>	<i>-7.7%</i>	<i>10.3%</i>	<i>-4.6%</i>
<i>Net reduction from state funds + tuition base</i>	<i>-4.2%</i>	<i>-4.4%</i>	<i>-2.5%</i>	<i>-2.5%</i>	<i>-2.1%</i>	<i>-3.1%</i>	<i>-5.4%</i>	<i>-4.5%</i>	<i>10.3%</i>	<i>-2.9%</i>

COMPENSATION

(\$ in Thousands)

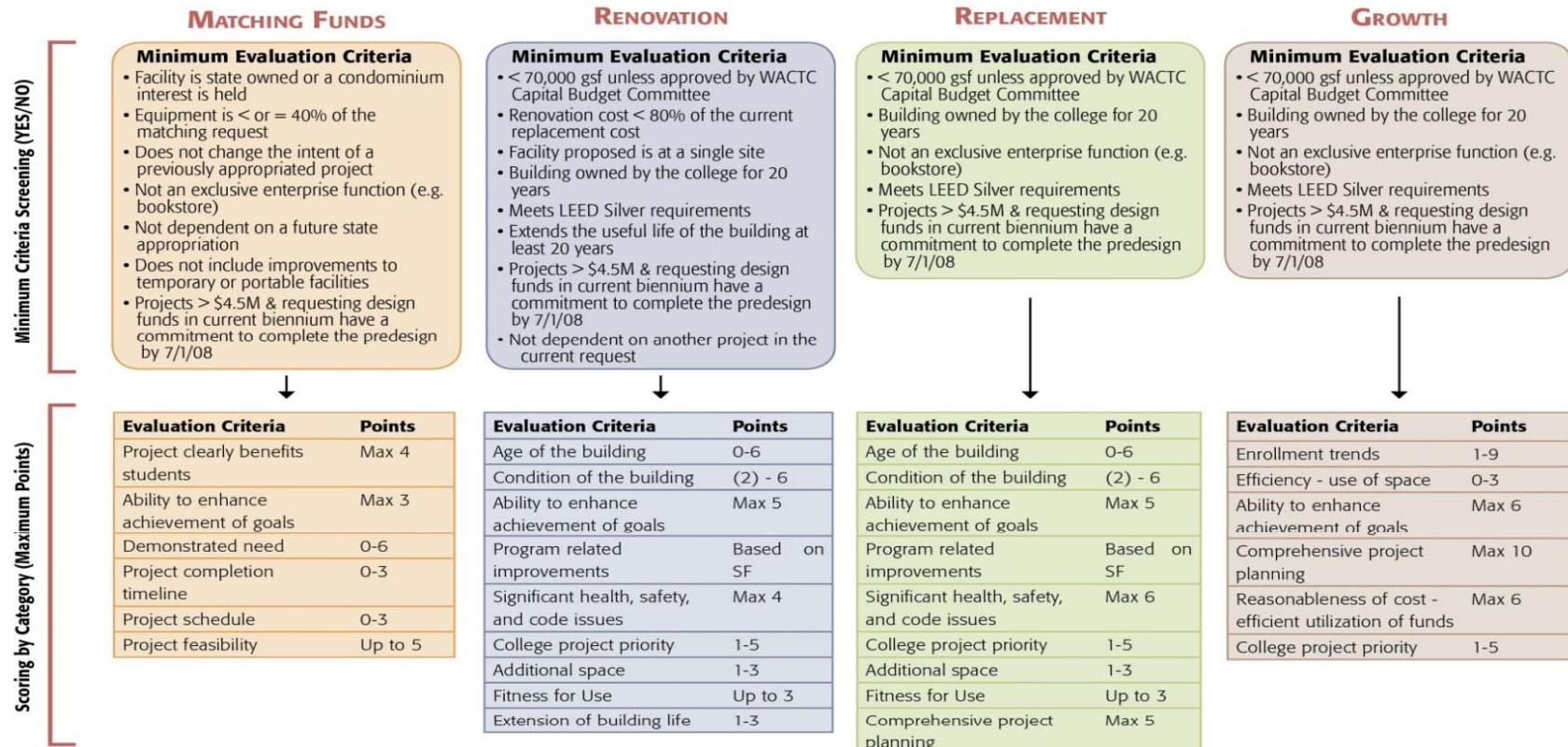
	UW	WSU	EWU	CWU	TESC	WWU	CTCs	Inst. Total	HECB	Total
3% Salary Reduction	(24,010)	(14,267)	(3,257)	(3,558)	(1,920)	(5,037)	(30,001)	(82,050)	(198)	(82,248)
Suspension of I-732 COLAs							(27,703)	(27,703)		(27,703)
Suspension of Plan 1 COLA	(2,842)	(2,164)	(663)	(850)	(463)	(841)	(7,960)	(15,783)		(15,783)
Total Compensation Reductions	(26,852)	(16,431)	(3,920)	(4,408)	(2,383)	(5,878)	(65,664)	(125,536)	(198)	(125,734)
<i>Net reduction in state funds</i>	<i>-33.3%</i>	<i>-17.5%</i>	<i>-3.6%</i>	<i>-3.8%</i>	<i>-2.1%</i>	<i>-5.9%</i>	<i>-40.4%</i>	<i>-106.7%</i>	<i>0.0%</i>	<i>-18.5%</i>
<i>Net reduction in state funds (with tuition increase)</i>	<i>-13.3%</i>	<i>-12.1%</i>	<i>-9.3%</i>	<i>-9.9%</i>	<i>-9.2%</i>	<i>-11.6%</i>	<i>-12.3%</i>	<i>-12.2%</i>	<i>10.3%</i>	<i>-8.5%</i>
<i>Net reduction from state funds + tuition base</i>	<i>-6.2%</i>	<i>-6.6%</i>	<i>-4.7%</i>	<i>-4.8%</i>	<i>-4.4%</i>	<i>-5.5%</i>	<i>-8.8%</i>	<i>-7.1%</i>	<i>10.3%</i>	<i>-5.3%</i>

¹11% per year at UW, WSU, WWU; 9% per year at TESC, CWU, EWU, and 10% per year at CTCs

Capital project requests submitted by the community and technical colleges are scored and prioritized by the state board.

State Board for Community and Technical Colleges Major Scoring Categories and Evaluation Criteria

Colleges may only submit one Project Request Report (PRR) in a category:



For the four year institutions, projects over \$2 million are scored via a panel of peers and then prioritized by the HECB.



Governor's Proposed List of Major Capital Projects (Four Year Institutions)

2009-11 Previously Scored Renovation Projects		OFM Rank	OFM Score 2009-11	Phase Requested 11-13	2011-13 Agency Request
UW	Denny Hall Renovation	1	74.0	Const	\$ 54,615,000
EWU	Patterson Hall Remodel Phase 2	2	70.8	Const	\$ 34,800,000
TESC	Communication Lab	3	67.9	Const	\$ 10,679,000
UW	Lewis Hall Renovation	4	60.7	Const	\$ 23,130,000
WSU	Riverpoint Biomedical/Health Sciences Facility	5	59.2	Const	\$ 70,775,000
UW	Bothell Phase 3	Not scored	Not scored	Const	\$ 62,850,000

Predesign Category (62 points maximum)		OFM Rank	OFM Score	Phase Requested 11-13	2011-13 Agency Request
WSU	Plant Sciences	1	41.2	Predesign	\$ 250,000
WWU	Academic Services & Performing Arts Facility	2	40.4	Predesign	\$ 350,000
CWU	Nutrition, Exercise, and Health Science (NEHS) Facility	3	39.4	Predesign	\$ 300,000
UW	Miller Hall Renovation	4	33.4	Predesign	\$ 275,000
WSU	Wenatchee Fruit Quality & Integrated Pest Mgt Facility	5	31.3	Predesign	\$ 140,000
TESC	Lecture Hall Renovation	6	28.0	Predesign	\$ 300,000
WSU	Agricultural Animal Health Research Facility	7	24.0	Predesign	\$ 250,000



Highlighted projects are included in the Governor's proposal.

Governor's Proposed List of Major Capital Projects (Four Year Institutions)

Infrastructure Category (58 points maximum)		OFM Rank	OFM Score	Phase Requested 11-13	2011-13 Agency Request
EWU	Infrastructure - Upgrade Campus Water System	1	43.0	P-C	\$ 7,511,000
WSU	Infrastructure - Bridge Replacement	2	42.6	D-C	\$ 2,500,000
UW	High Voltage Infrastructure Improvement Project	3	41.8	D-C	\$ 4,850,000
CWU	Combined Utilities	4	41.0	P-C	\$ 8,000,000
CWU	Biomass CHP	5	36.2	D-C	\$ 8,000,000
WWU	North Campus Utility Upgrade	6	28.6	D-C	\$ 3,529,000
WWU	Performing Arts Exterior Renewal	7	28.4	D-C	\$ 2,877,000
TESC	Alternative Energy Project (aka Campus-Wide Alternative Energy)	8	28.1	D-C	\$ 10,000,000
WWU	Wireless Network Upgrade	9	21.0	D-C	\$ 4,947,000

Growth Category (90 points maximum)		OFM Rank	OFM Score	Phase Requested 11-13	2011-13 Agency Request
CWU	Science Phase II	1	66.9	Design	\$ 3,500,000
UW	House of Knowledge	2	42.9	D-C	\$ 2,700,000

Highlighted projects are included in the Governor's proposal.



Governor's Proposed List of Major Capital Projects (Four Year Institutions)

Renovation Category (101 points maximum)		OFM Rank	OFM Score	Phase Requested 11-13	2011-13 Agency Request
WWU	Carver Academic Renovation	1	73.1	Design	\$ 6,784,000
WWU	Classroom & Lab Upgrades	2	68.4	D-C	\$ 4,799,000
WWU	Fraser Hall Renovation	3	67.7	D-C	\$ 4,480,000
UW	Anderson Hall Renovation	4	60.2	Design	\$ 2,500,000
CWU	Samuelson Union Building	5	59.2	D-C	\$ 35,821,000
TESC	Science Lab 1 Modernization (2nd Flr)	6	58.3	D-C	\$ 4,950,000
WSU	Fulmer Hall Partial Renovation	7	56.7	D-C	\$ 8,200,000
UW	Odegard Library Renovation	8	55.1	D-C	\$ 19,500,000
WSU	Troy Hall Renovation	9	50.6	Design	\$ 1,800,000
CWU	Business Continuity and Disaster Recover Data Center	10	48.4	P-C	\$ 3,041,000
WSU	Design Disciplines Facility	11	47.8	D-C	\$ 18,000,000
UW	Burke Museum Renovation	12	45.5	Design	\$ 5,000,000
CWU	Brooks Library Renovation	13	44.0	D-C	\$ 4,900,000
WSU	Washington Building 3rd Floor Renovation	14	42.1	D-C	\$ 4,390,000
WSU	Vancouver Library 2nd Floor Conversion	15	42.0	D-C	\$ 4,600,000
WSU	Riverpoint S. Campus Facility Ph 2	16	41.2	D-C	\$ 4,075,000
CWU	Health Center Remodel	17	39.5	D-C	\$ 4,900,000
CWU	Psychology Renovation	18	34.2	D-C	\$ 4,900,000
CWU	Randall Michaelson Remodel	19	33.8	D-C	\$ 4,900,000

Highlighted projects are included in the Governor's proposal.

Governor's Proposed List of Major Capital Projects (Four Year Institutions)

Land Acquisition Category (48 points maximum)		OFM Rank	OFM Score	Phase Requested 11-13	2011-13 Agency Request
TESC	Tacoma Campus Acquisition	1	36.3	Acquisition	\$ 11,000,000
UW	UWT Land Acquisition/Remediation	2	26.5	Acquisition	\$ 7,597,000
WWU	Land Acquisition - Waterfront	3	24.0	Acquisition	\$ 5,000,000

Replacement Category (101 points maximum)		OFM Rank	OFM Score	Phase Requested 11-13	2011-13 Agency Request
EWU	Science I (aka Biology-Chemistry Science Center)	1	61.9	Design	\$ 4,500,000
WSU	Mt. Vernon Plant Growth/Eq Stor/Repair	2	51.8	D-C	\$ 3,000,000
CWU	Peterson Hall Replacement	3	51.5	D-C	\$ 4,900,000

Research Category (104 points maximum)		OFM Rank	OFM Score	Phase Requested 11-13	2011-13 Agency Request
WSU	Clean Technology Laboratory	1	77.5	Design	\$ 5,800,000
	Global Animal Health Building Phase II/WA Animal Disease				
WSU	Diagnostic & Research Facility	2	73.5	Design	\$ 5,300,000
WSU	Prosser -Agric Tech Bldg Addition	3	59.3	D-C	\$ 2,500,000
WSU	Prosser Viticulture/Enology Facility	4	56.7	D-C	\$ 3,500,000
WSU	College of Agriculture's Dairy Research/Teaching Milking Parlor	5	55.4	D-C	\$ 8,300,000



Highlighted projects are included in the Governor's proposal.

Governor's Proposed List of Capital Projects (Community and Technical Colleges)

Priority	Type	Category	College	Project	Requested
1	Minor Works - Preservation	Statewide	Statewide	Emergency Repairs and Improvements	16,000,000
2	Roof Repairs "A"	Statewide	Statewide	Roof Repairs	9,125,291
3	Facility Repairs "A"	Statewide	Statewide	Facility Repairs	15,828,821
4	Site Repairs "A"	Statewide	Statewide	Site Repairs	5,045,888
5	Matching Fund Projects	Matching Fund Projects	Peninsula	Fort Worden Education Center	2,000,000
6	Matching Fund Projects	Matching Fund Projects	Spokane Falls	Stadium and Athletic Fields	758,000
7	Matching Fund Projects	Matching Fund Projects	Lower Columbia	Myklebust Gymnasium	2,000,000
8	Minor Works - Program	Statewide	Statewide	Minor Program Improvements	20,000,000
9	Major Project - Construction	Growth	Spokane Falls	Campus Classrooms	20,761,000
10	Major Project - Construction	Growth	South Puget Sound	Learning Resource Center	35,525,411
11	Major Project - Construction	Growth	Clover Park	Allied Health Care Facility	24,360,000
12	Major Project - Construction	Replacement	Everett	Index Hall Replacement	37,633,000
13	Major Project - Construction	Renovation	Green River	Science Math and Technology Building	21,838,000
14	Major Project - Construction	Replacement	Skagit Valley	Academic and Student Services Building	29,494,000
15	Major Project - Construction	Replacement	Lower Columbia	Health and Science Building	37,701,000
16	Major Project - Design	Replacement	Olympic	College Instruction Center	3,369,203
17	Major Project - Construction	Renovation	North Seattle	Technology Building Renewal	20,861,000
18	Major Project - Construction	Growth	Tacoma	Health Careers Center	38,819,000
19	Major Project - Design	Replacement	Centralia	Student Services	4,138,456
20	Major Project - Construction	Growth	Bellevue	Health Science Building	37,948,757
21	Major Project - Design	Growth	Columbia Basin	Social Science Center	1,106,359
22	Major Project - Design	Replacement	Peninsula	Allied Health and Early Childhood Dev Center	1,696,496
23	Major Project - Construction	Replacement	Grays Harbor	Science and Math Building	43,614,000
24	Major Project - Design	Replacement	South Seattle	Cascade Court	2,303,853
25	Major Project - Design	Renovation	Renton	Automotive Complex Renovation	1,770,611
26	Major Project - Design	Growth	Edmonds	Science Engineering Technology Bldg	8,375,751
27	Major Project - Construction	Replacement	Seattle Central	Seattle Maritime Academy	16,923,000
28	Major Project - Construction	Replacement	Yakima Valley	Palmer Martin Building	20,589,000
29	Major Project - Construction	Replacement	Green River	Trades and Industry Building	29,989,616
30	Major Project - Design	Growth	Whatcom	Learning Commons	1,622,763
31	Major Project - Construction	Growth	Bates	Mohler Communications Technology Center	22,325,000
32	Major Project - Construction	Growth	Clark	Health and Advanced Technologies Building	38,828,000

Highlighted projects are included in the Governor's proposal.