

June 17, 2013

**TO:** David Schumacher, Director, Office of Financial Management  
State of Washington

**FROM:** Paul Jenny, Vice Provost, Planning & Budgeting  
Margaret Shepherd, Director of State Relations, External Affairs  
University of Washington (UW)

**SUBJECT: UW RESPONSE TO CONTINGENCY PLANNING FOR STATE AGENCY OPERATIONS ON JULY 1**

The UW has compiled the following response to your questions regarding contingency planning for state agency operations on July 1.

**1. Services funded by appropriations in the enacted transportation budget (ESSB 5024).**

The UW does not have any transportation infrastructure funding out of this budget and we have not identified any first order impacts to the possible shutdown. There are several potential second order impacts that we are assessing:

- Availability of WSDOT staff: WSDOT staff members play a key role in the "certification acceptance" process required for us to receive our initial CMAQ grant for the Burke-Gilman. We are taking action to ensure the availability of these staff or secure certification acceptance support from another agency.
- Impacts to Business Partners: We have contacted our key business partners (e.g. Metro) to determine how they would be impacted and are confirming that appropriate contingencies are in place for their continuous operation. Should any information of concern come from that, we will escalate immediately.
- Loss of Opportunity: There are additional funding opportunities that could be canceled or deferred by a shutdown. None of these are assumed in our business plan so there would not be a noticeable impact.

**2. Services that do not require an appropriation, e.g., from non-appropriated funds.**

Of the UW's nearly \$6 billion FY 2013 operating budget, \$209 million is directly appropriated by the state. Thus, approximately 97 percent of the UW's current operations are supported by non-appropriated funds. (These non-appropriated funds include operating fee revenue.)

It is important to note that these non-appropriated funds also include Medicare and Medicaid reimbursements for UW Medicine. The impact of the state not being able to reimburse these funds for a period of time is a cash flow issue for UW Medicine of approximately \$30 million per month.

It should be noted that some research funding for the UW comes from other state agencies and is not included in the \$209 million of state funding mentioned above. Some of these state agency funded research dollars may be from appropriated funds and thus could be impacted by the state shutdown.

**3. Services to continue based on certain constitutional mandates and federal law. (Please consult with your assigned assistant attorney general for clarification. The existence of a state statute or federal grant is not, by itself, a sufficient mandate for this purpose.)**

- UW Police Department (UWPD): Under the Clery Act Federal Reporting Requirements, the UWPD is required to report timely warnings, immediate notifications, enforcement of drug and alcohol laws, etc. For details about essential personnel, see the UW response to Question 4.
- Disability Resources for Students (DRS): Assuming the UW does not suspend classes, students with disabilities will need to have access to appropriate services and be able to request accommodations. This would necessitate DRS to remain operational in some shape or form.
- Community Standards & Student Conduct (CSSC): Again, assuming the UW does not suspend classes, CSSC would need to remain operational in order to complete investigations and allow for due process (timely manner of review/resolution, appeals, etc).
- Financial Aid: The UW is required to meet all administrative (668.16) and financial responsibility (668.15) regulations as agreed to in our Program Participation Agreement (PPA) with the federal government. In summary, we are required provide adequate staff and resources to run the financial aid programs and provide financial aid counseling, monitor academic progress and decide on appeals, be able to report disbursements, draw down funds and report back on expenditures within a few days. We are also required to meet financial responsibility standards with an overall requirement that we provide the educational services we advertised to students, are able to make refunds back to students and the federal government, meet our financial responsibilities such as be current in our debt obligations, have our liabilities backed by the full faith and credit of the state, have a positive unrestricted current fund in the State's Higher Education Fund, as presented in the general purpose financial statements, and many more. If any of the actions above can't be met, then the UW will be out of compliance with federal financial aid program's requirements and approximately \$362 million per year in federal financial aid funding will be at risk.
- Health Sciences Administration: The support of animal care elements qualifies under this category given the federal regulatory requirements for adequate husbandry for all animals at all times, as well as the irreparable harm that would occur were they not provided appropriate care.
- Environmental Health & Safety: Federal regulatory requirements also drive much of the work of Environmental Health & Safety even though much of that work is performed using appropriated/allotted funds. Without this body of work, the University would likely be in non-compliance concerning numerous State and Federal regulatory requirements.

There may be additional activities and/or services that are mandated by federal law or the constitution. We will continue working to identify these activities/services.

**4. Many important programs and services will cease absent timely legislative appropriations. Therefore, in addition to the categories above, I am also asking that agencies identify services that are necessary for the immediate response to issues of public safety, or to avoid catastrophic loss of state property.**

The services and personnel that the UW considers to be essential in the event of a state government shutdown are the same as those considered essential during suspended University operations. However, assuming that services supported by non-appropriated funds are allowed to continue in the absence of a state budget, additional faculty and staff would be deemed essential to support other ongoing operations, such as Summer Quarter instruction. Thus, in addition to the UW's essential services under suspended operations (described below), Summer Quarter faculty, Student Services staff, Human Resources (HR) personnel and others would be necessary.

At least once per year, University officers are expected to evaluate the operations under their control and identify and record the units and/or individual positions that perform essential services that must continue to function if the University must suspend operations ([Administrative Policy Statement 40.2](#)). Positions deemed essential typically are necessary to support or maintain:

- Human health, welfare and/or safety. This includes the UW Police Department (UWPD) and Environmental Health & Safety (EH&S). As part of its essential services, the UWPD must continue to fulfill the Clery Act Federal Reporting Requirements; respond to 911 calls, civil disturbances, crimes in progress, fire alarms, etc.; enforce flagrant traffic violations (reckless driving, DUI, etc.); investigate felonies; prepare cases for court and court appearances as required by subpoena; and much more. EH&S is responsible for maintaining a safe environment that meets all health, safety, and regulatory requirements. Losing the portion of EH&S work that is funded by state allocations could lead to unsafe conditions across all three campuses.
- Information technology services or security. UW Information Technology (UW-IT) manages UW central IT infrastructure and services, including data centers and information security and privacy. UW-IT provides critical technology support to all three campuses, UW medical centers, and research operations.
- Building or property security, safety, and integrity. This includes, again, the UWPD and EH&S. In addition, the UW has a number of capital projects currently in progress. If a capital budget has not been passed and reappropriated funds are unavailable to continue these projects, the security and integrity of some UW properties could be compromised. Assets at the construction sites could be exposed to risk and additional costs for security, overhead, etc. could be incurred.
- Research animals, specimens, or equipment. This primarily includes the UW Health Sciences Administration which is responsible for, among other things, implementing federal and non-federal requirements for use of vertebrate animals in research and teaching. A lack of appropriate animal care could lead to adverse impacts for animals that are central to the University's research mission. Many of the research animals are extremely valuable and represent the culmination of years of careful breeding. Their loss would represent a significant financial loss. Additionally, without appropriate animal care, the University would lose large amounts of grant funding for translational research.
- Critical infrastructure. UW Facilities Services supports and maintains the UW's critical infrastructure. FS has eight departments which operate, maintain and support the University's physical plant, grounds, transportation, emergency, building maintenance, and waste management programs. Without FS, other essential units (such as IT, UW Medicine, etc.) will not have power, water, heat, and other basic resources needed to operate

- Critical business, contractual, or legal obligations including employee payroll. UW Human Resources (UWHR) is responsible for essential staff services, employee payroll and benefits administration, responses to labor issues, and legally required activities such as violence prevention and disability accommodation services. Without UWHR, the UW will be out of compliance with federal and state mandates.

In addition to our responses on the questions above, we have several outstanding questions and/or concerns that will affect the magnitude to which a government shut-down would impact University faculty, student, and staff. In order to plan appropriately, **we would appreciate guidance from OFM on the following:**

1. The information provided above assumes that the University will be authorized to encumber and expend all non-appropriated funds, including operating fee revenue (tuition). Please confirm if this is NOT the case.
2. Assuming the University is authorized to encumber and expend non-appropriated funds, we have a question about the use of blended funds. For example, instructional costs are funding with a combination of state appropriations with operating fee revenue. State law currently requires the University to “draw down” these funds proportionally. In the event that state appropriations are temporarily unavailable, would it be possible for OFM to re-configure the allotment of these funds so that the University may spend operating fee revenue (not appropriated) now and use a higher proportion of state funds (001) later in the year?
3. Some of our activities are funded by funds other than those appropriated to the UW, such the Geoduck Aquaculture Research Account, the UW Hospital Account, the Accident Account, the Medical Aid Account. The former two are considered “nonappropriated,” while the latter two are “mixed.” Will some or all of those funds be available in the absence of a budget?
4. If the legislature does not re-appropriate funds for ongoing capital projects, will the University be required to halt these projects?
5. How will the absence of a state budget on July 1<sup>st</sup> affect state-employee healthcare?