

From: Chris Reykdal [mailto:CReykdal@sbctc.edu]
Sent: Wednesday, December 09, 2009 4:34 PM
Subject: Governor's Supplemental Budget Recommendations
Importance: High

Presidents and Chancellors,

This message is being sent broadly to commissions and councils.

The Governor released her proposed 2010 supplemental budget today. Below is a summary of her budget proposal. Also included is summary spreadsheet detailing the moving parts for the two years of the biennium and a supplemental capital budget summary.

Context

- A \$2.6 billion budget shortfall has developed since the original 2009-11 biennial operating budget was passed last spring. The shortfall developed through a combination of decreased revenues and increased costs for workload driven budgets (K-12 and human services).
- The proposal addresses the \$2.6 billion operating budget shortfall by reducing budgets by \$1.6 billion. The remaining shortfall is addressed through use of fund balances and fund transfers. Of the original \$31 billion 2009-11 budget, only about \$8 billion was eligible to be cut; the rest is protected by constitutional or federal requirements or has already been spent.
- As required by law, the budget proposal released today does not include tax increases. However, the Governor intends to offer a second budget proposal in January that includes a revenue package. See below for the items/programs she intends to "buy back" with the revenue package.

Governor's Proposed Changes to Higher Education Institutions' Budgets

Federal maintenance of effort (MOE) requirements attached to the federal stimulus funding limits the net amount that can be cut from higher education institution budgets (excluding financial aid). Originally, the total that could be cut was \$80 million. However, because of additions she proposes to make to the CTC's budget, the higher education institutions' reduction increases to \$90 million, which is about 6.5%. The \$90 million cut is spread to each higher education institution based on proportionate share of state funding.

Governor's Proposed Community and Technical Colleges Budget Changes (see attached spreadsheet)

- Reduces FY 2011 appropriations by \$43.5 million, a 6% reduction prior to her other policy adds listed below.
- Provides \$11.5 million in FY 2011 for 2,500 Worker Retraining enrollments at current funding rates.
- Funds the system request of \$809,000 for facilities related expenditures.

- Leaves in place the authorization to increase FY 2011 tuition by 7%. A 7% tuition increase will bring in about \$18.5 million in additional revenue for FY2011. This addition reduces the systems net budget cut from 6% down to approximately 4%.
- Provides additional funding (\$13.6 million) to cover an increase in FY 2011 employer health benefit funding rates to \$830 per employee per month.
- Shifts maintenance and operations costs to the CTC's building fee account in the capital budget. (\$28 million in FY 2010, \$10.8 million in FY 2011)

Governor's Proposed Financial Aid Budget

- **State Need Grant is reduced** by \$146 million in FY 2011, a 62% reduction. Eligibility is reduced, as is the size of the grant. Grants will only be available to students with Median Family Income of 50%, down from the current standard of 70%. Additionally, grants to students will cover less than half of tuition and fees in FY 2011.
- **Other financial aid grants/loans** are suspended in FY 2011 for a \$35 million savings:
 - State Work Study
 - Washington Scholars
 - WAVE (Washington Award for Vocational Excellence)
 - Future Teachers Scholarship
- **Plan to restore:** Among the programs the Governor intends to restore with a tax increase is state financial aid.

Compensation in the Governor's Budget Proposal

Health Benefit Rates: Employee medical and health insurance expenditures are projected to exceed budgeted levels. With the current trend, the PEBB fund is anticipated to have a negative fund balance exceeding \$200 million. The shortfall will be addressed through a combination of using reserves and increasing employee deductibles beginning in calendar year 2011.

- The current Fiscal Year 2010 monthly contribution rate of \$745 remains unchanged.
- The Fiscal Year 2011 monthly contribution rate of \$768 is increased to \$830 to make up the remaining fund deficit.

Monthly Employer Health Benefit Contribution Rates

	Current	Proposed
FY 2010	\$745	\$745
FY 2011	\$768	\$830

Salaries and Wages

- Funding for state employee salaries is unchanged from the biennial budget, which did not fund general cost-of-living or other pay increases.
- The biennial budget included a salary freeze to February 2010. The Governor will propose legislation to extend the salary freeze through June 30, 2010.

Pension Rates

- Contributions to the state’s pension systems are continued at the level included in the 2009-11 budget.

Employer Pension Contribution Rates

Pension Plan	FY 2010	FY 2011
PERS 1, 2, 3	5.31%	5.31%
TRS 1, 2, 3	6.14%	6.14%

Rates effective: 9/1/09 – 6/30/11

Other Proposed Reductions Impacting CTCs

- **Department of Corrections Peninsula College Contract:** DOC will reduce the contract with Peninsula College for staff training curriculum development. The remainder of the contract with Peninsula College, in the amount of \$1.2 million per biennium, is maintained. *Budget reduction of \$400,000.*
- **Early Childhood Education and Assistance Programs:** Several of the colleges administer the Early Childhood Education and Assistance Program (ECEAP). Starting in FY 2011, the program suspends services to 3-year-olds, eliminating over 1,500 slots. *Budget reduction of \$10.5 million.*
- **WorkFirst:** State funding in the Temporary Assistance for Needy Families (TANF) program is reduced in FY 2011 through tightening of program requirements and prioritizing services for WorkFirst clients. *One-time budget reduction of \$17.6 million.* However, WorkFirst funds aimed at training are likely to increase for the CTC system as early as this year.

Governor’s Supplemental Capital Budget (see attached spreadsheet)

- Funds the system request for roof repairs, minor improvements, and emergency repairs (\$4.4 million)
- Utilizes bid savings to fully fund the Cascade Core Project (Pierce District) in the current biennium (was stretched out over two biennia)
- Shifts \$38 million in maintenance and operations expenses from the Operating Budget to the Capital Budget.

Budget reductions in other state programs/agencies were significant:

- K-12: Eliminates funding that reduces class size in grades K-2 (\$111 million); suspends all-day Kindergarten (\$34 million); suspends levy equalization (\$143 million); suspends funding for gifted students (\$7 million).
- Human Services: Eliminates General Assistance Unemployable cash grants, medical services, and drug treatment (\$210 million); reduces eligibility for child care subsidies (\$89 million); reduces home care and other elderly services funding (\$50 million); reduces community mental health services (17 million).
- Health Care: Eliminates the Basic Health Plan (\$161 million); eliminates services for HIV and HIV-vulnerable clients (\$11 million); reduces eligibility for low-income children health services (\$12 million); suspends maternity support services to high-risk pregnant women (\$28 million); suspends prescription drug assistance to elderly (\$8 million).
- Public Safety: Reduces staffing at State Patrol and law enforcement training (\$2 million); reduces prison budgets through efficiencies (\$9 million); reduces juvenile rehabilitation funding (\$2 million). Lowers eligibility and funding for crime victims (\$3 million).

Items the Governor Intends to “Buy Back” with a Revenue Package

- The State’s Basic Health and Apple Health plans
- General Assistance for the most needy
- Levy Equalization funds for K-12
- State financial aid for higher education
- Early childhood education and all-day kindergarten
- Adult medical, dental, vision and hospice programs
- Developmental disability and long term care services

Please let me or Denise Graham (360-704-4350) know if you have any questions.

Chris Reykdal

360-704-4390

2010 Supplemental SBCTC Capital Budget Request

Comparison of Governor's Recommendation to the SBCTC Request

Priority	Category	Project No.	College	Description	2010 Supplemental SBCTC Capital Request		2010 Supplemental Governor's Capital	Variance
					Request	Cumulative	Budget Recommendation	Request (1)
	Minor Works - Preservation	08-1-001	Statewide	Emergency Repairs and Improvements	\$ 884,000	\$ 884,000	\$ 884,000	\$ -
	Roof Repairs "A"	08-1-010	Statewide	Roof Repairs	\$ 988,000	\$ 1,872,000	\$ 988,000	\$ -
	Minor Works - Program	08-2-130	Statewide	Minor Improvements - Program Related	\$ 2,513,000	\$ 4,385,000	\$ 2,513,000	\$ -
	Replacements	08-1-219	Spokane Falls	Chem & Life Sciences	\$ (4,300,000)	\$ 85,000	\$ (4,300,000)	\$ -
	Replacements	08-1-220	Spokane	Technical Education Bldg	\$ (3,200,000)	\$ (3,115,000)	\$ (6,681,000)	\$ (3,481,000)
	Renovation	08-1-320	Spokane Falls	Music Building 15	\$ (2,500,000)	\$ (5,615,000)	\$ (2,500,000)	\$ -
	Renovation	08-1-321	Pierce Ft Steilacoom	Cascade Core	\$ 8,500,000	\$ 2,885,000	\$ 8,500,000	\$ -
	Bldg Fee Financed COP's	11-2-400*	Bellingham & Green River	Debt Service & Insurance Coverage	\$ 6,500,000	\$ 9,385,000	\$ -	\$ (6,500,000)
	Major Growth Construction	06-2-696	Spokane Falls	General Classrooms/Early Learning	\$ 21,000,000	\$ 30,385,000	\$ -	\$ (21,000,000)
	Major Growth Construction	06-2-698	South Puget Sound	Learning Resource Center	\$ 35,382,000	\$ 65,767,000	\$ -	\$ (35,382,000)
Total Request					\$ 65,767,000		\$ (596,000)	\$ (66,363,000)

The Governor's Proposal also shifts \$38.809 million in maintenance and operations costs from the operating budget to the capital budget.

*Due to a technical error in last year's biennial budget, the SBCTC was asked to request funds out of Fund 060 to cover debt service on two system projects funded with COP financing.

**SBCTC 2009-11 Biennium Operating Budget
With Governor's Proposed 2010 Supplemental Changes**

(\$s in Thousands)

2009-11 Appropriations As Passed 2009 Legislature			
	<u>FY 2008</u>	<u>FY 2009</u>	<u>Total</u>
2007-09 Biennium After 2009 Supplemental	\$697,690	\$709,880	\$1,407,570
	<u>FY 2010</u>	<u>FY 2011</u>	<u>Total</u>
2009-11 Base Amount (Maintenance Level)	766,454	767,276	1,533,730
<u>Budget Reductions</u>			
FY 2009 Reduction	(32,104)	(32,104)	(64,208)
2009-11 Additional Reductions	(50,321)	(50,321)	(100,642)
Total Annual Budget Reductions	(82,425)	(82,425)	(164,850)
% Change from Maintenance Level	-10.8%	-10.7%	-10.7%
<u>Additional Budget Changes</u>			
Technology Transformation	1,112	1,113	2,225
Health Care Career Advancement	750	750	1,500
Pension and Health Benefit Rates	(1,062)	3,336	2,274
Subtotal Additional Changes	800	5,199	5,999
Total Appropriations	\$684,829	\$690,050	\$1,374,879

Governor Proposed 2010 Supplemental Budget Changes			
	<u>FY 2010</u>	<u>FY 2011</u>	<u>Total</u>
Budget Reduction	-	(43,545)	(43,545)
1 Facilities-Related Expenditures	296	513	809
2 Additional Worker Retraining Slots	-	11,533	11,533
Total Non-Compensation Changes	296	(31,499)	(31,203)
<u>Compensation-Related Changes</u>			
3 Pension Adj and Health Insurance Rate Increase	37	13,591	13,628
4 Total Governor Proposed Appropriations	\$685,162	\$672,142	\$1,357,304

Analysis of Governor Proposed New Budget Reductions Net of Tuition Increases		
	<u>FY 2011</u>	<u>% Chng from Original FY 2011</u>
Governor Proposed FY 2011 Budget Reductions	(43,545)	-6.3%
Governor Proposed Non-Compensation FY 2011 Budget Adds	12,046	
Subtotal FY 2011 Prior to Compensation Adds	(31,499)	-4.6%
7% Tuition Increase New FY 2011 Revenue	18,500	
Net Cut After Tuition	(12,999)	-1.9%

Notes:

1. Facilities-Related Expenditures: Governor funds SBCTC request for M&O on North Seattle Employment Resource Center and Green River Kent Station II, and property insurance for Green River Humanities Building.

2. Additional Worker Retraining Slots: Governor funds 2,500 additional Worker Retraining enrollments at current funding rates for FY 2011.

3. Pension Adj and Health Insurance Rate Increase: Governor budget increases FY 2011 employer health benefit rates to \$830 per month per employee. No change to pension rates but a small adjustment in amount appropriated to pay for pensions (\$37K per year).

4. Shift M&O to Capital Budget: Governor total operating appropriations are less due to shifting maintenance and operations expenses from the CTC's building fee account in the capital budget. (\$27.98 million shifted in FY 2010 and \$10.83 million shifted in FY 2011.)