

From: Charlie Earl [mailto:cearl@sbctc.edu]
Sent: Thursday, July 16, 2009 9:44 AM
Subject: Budget Reduction Update
Importance: High

Presidents and Chancellors,

Last week I sent you a note describing the Governor's request that our system take an additional cut of \$13.5 million in state funds for the 2009-11 biennium (above and beyond what the Legislature cut this last session). In preparing to make that cut, we sent you a spreadsheet that displayed each college district's share of a \$6.763 million reduction for FY2010 (the first year of biennium). Our plan was to carry that cut forward into the second year to achieve the full \$13.5 million biennial reduction. This would have the effect of lowering the system's budget on a permanent basis by \$6.763 million per year.

We have been informed by OFM (see attached memo) that due to federal maintenance of effort requirements associated with stimulus funds, additional cuts to state spending for higher education cannot be made in the first year of the biennium without jeopardizing federal funds. Instead, OFM is asking higher education institutions to take the entire new reduction in the second year of the biennium. For our system this means taking the entire \$13.5 million cut in FY2011. Unfortunately, this will have the effect of permanently reducing system funds by \$13.5 million each year thereafter.

We have voiced strong opposition to this approach, because we believe it is not sound financial practice to delay cuts that are being described as inevitable. Further, we do not think it is appropriate to double this latest cut on an ongoing basis when we are experiencing such tremendous student demand.

We have not made any changes to colleges' official allocations based on our original plan or these revised directions. We would like to discuss this with you at your retreat next week before taking any further action. Our staff is developing a few options that we will present to the Operating Budget Committee of WACTC next week.

I know your fiscal year is just getting started and being whipsawed by additional cuts is no way to spend a summer, but prudent decision making is needed now for the health of the system and in preparing for our advocacy role with the Legislature this year. Remember, these cuts are not official until the Legislature adopts a supplemental budget.

Please call me, Chris Reykdal (360-704-4390), or Denise Graham (360-704-4350) if you have any questions. Thank you.

Charlie Earl

Charles N. Earl
Executive Director
STATE BOARD FOR COMMUNITY & TECHNICAL COLLEGES
1300 Quince Street SE
PO Box 42495
Olympia WA 98504-2495
360-704-4355 (Office)
360-704-4415 (Fax)
cearl@sbctc.edu



STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

July 15, 2009

TO: Presidents, Higher Education Institutions

FROM: Victor A. Moore
Director

SUBJECT: ADDITIONAL GUIDANCE REGARDING GENERAL FUND BUDGET SAVINGS

I am writing to provide further guidance to higher education institutions regarding the July 1, 2009 memorandum I sent on additional General Fund budget savings for the 2009-11 Biennium. (It may be accessed at <http://www.ofm.wa.gov/budget/instructions/other/implementgfsbudgetsavings070109.pdf>.)

This memorandum included a biennial savings target for your institution, but did not provide direction on how to allocate that reduction between fiscal years. Due to the fact that FY 2010 state appropriations for higher education are close to the 2006 maintenance of effort 'floor' used in the Recovery Act (ARRA) for the State Fiscal Stabilization fund (SFSF), I ask that higher education institutions plan to take the entire reduction in the second fiscal year (FY 2011).

I understand this will result in greater ongoing reductions in future biennia, and that this direction reduces your flexibility in meeting the target. However, the alternative is worse: moving below the maintenance of effort floor could jeopardize the entire SFSF grant of \$1 billion. The Governor has provided assurances that the state will meet the maintenance of effort requirement in the application for federal funding. Our office fully intends to satisfy that funding requirement.

Please ensure that the narrative description of how your institution plans to achieve these reductions (submitted with your initial allotment packet) makes clear that the cuts would take place in FY 2011 and, as before, include any changes in legislation that may be necessary to implement them.

Thank you for your understanding. If you have any questions, please contact me or Marc Webster at (360) 902-0650.

