

From: Chris Reykdal
Sent: Monday, July 06, 2009 11:21 AM
To: Policy Direction
Cc: Policy Direction CC
Subject: Additional budget reductions

Policy Direction Members,

Please distribute this note to commissions and councils following your usual protocols.

Based on the official June revenue forecast adoption, state revenues have fallen by approximately \$500 million, eating through the state's unrestricted ending balance and leaving the state general fund almost \$200 million in the red. Further, caseload forecasts (demand for public state services such as Medicaid, Corrections, and more) are expected to add \$250 million in mandatory spending obligations. Because of this further fiscal erosion, the Governor is reducing state spending beyond the cuts already levied in the adopted 2009-11 biennial budget.

The community and technical college system's share of the cut is \$13.526 million for the 2009-11 biennium. Therefore, we are planning to reduce colleges' allocations for FY2010 by a total of \$6.763 million. By making a permanent cut in the first year, we will carry it forward next year to achieve our total biennial target of \$13.526 million. Business Officers and Presidents have been sent planning numbers for each district. It is essential that college personnel work closely with chancellors, presidents, and business officers to understand how these reductions will be implemented on campus. Denise Graham will send an official allocation to the business officers later this month that will reflect these reductions.

Based on guidance from the Office of Financial Management, the budget situation is likely to deteriorate further before we see any measurable improvement. The September revenue forecast will be pivotal in determining next steps for the Governor and the Legislature. We have advised presidents and business officers to consider this a permanent cut to the colleges' base budgets. In other words, we do not expect restoration of these cuts, so colleges should not attempt to balance their budgets with one-time revenue sources or temporary reductions to their spending.

With the exception of salary increases (legislatively frozen until next February), colleges retain the flexibility to spend as they choose, consistent with the state allocation requirements. The statutory freezes we have been living under with respect to contracts, out-of-state-travel, equipment, and more expired on June 30th. Colleges may be well served to retain those freeze principles, but that is now a local decision.

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

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