



MEMORANDUM

TO: Community and Technical Colleges

FROM: Charlie Earl

DATE: February 21, 2009

SUBJECT: State Budget Update

The economic situation continues to deteriorate for the State of Washington. On Thursday, the Economic and Revenue Forecast Council issued a revenue forecast preview. Current year estimates have been reduced by another \$721 million. Estimates for 2009-11 have been reduced by an additional \$1.6 billion. This brings our total state budget deficit to over \$8 billion.

The House and Senate have passed and the Governor signed an early appropriation reduction bill and a "Belt Tightening" bill. Denise Graham sent you and the business officers additional information on the "Belt Tightening" bill on Thursday. Together these actions officially reduce current year spending by \$32 million for the community and technical college system and restrict specific activities such as hiring, traveling out of state, purchasing equipment, contracting, and more. This cut level is the same amount that we sent you on February 12 based on the Governor's preliminary budget.

Another supplemental budget bill will be introduced after the official revenue forecast update on March 19. This version will include anticipated cost increases during the current year for higher "caseload" activities such as increased student enrollments in K-12 and additional Medicaid recipients. It is uncertain what the revised forecast and caseload changes may mean for additional reductions in the current year, but we are bracing for additional cuts above the \$32 million for the current year.

The Legislature is working on the biennial budget for 2009-11; however, it is not expected to be completed until after the March revenue forecast.

There is a lot of legislative interest in proposals from the community and technical college system including; high demand enrollments, workforce education and worker retraining, student financial aid programs, the student achievement initiative, and use of technology. Counting Running Start enrollments, expanding the technical college mission, and making faculty increments permanent are being aggressively worked by presidents, trustees, and staff. Many legislators understand the critical role the community and technical colleges play in the state's

economic recovery and, accordingly, are very supportive of our initiatives. Nonetheless, anything that will cost more money is pretty doubtful given the state's fiscal condition.

At the federal level, President Obama signed the American Recovery and Reinvestment Act of 2009. The compromise package of \$787 billion in investments and tax cuts is projected to create or save 3.5 million jobs over the next two years. Senator Patty Murray has estimated Washington's share at over \$6.7 billion, with an employment impact of 75,000 jobs. Specifically, this legislation would directly benefit higher education by allocating:

- \$39.5 billion (Washington's estimated share = \$820 million) in education block grants to local school districts and public colleges and universities.
- \$25 billion (Washington's estimated share = \$182 million) in flexible block grants to avert budget cuts in K-12 and higher education or in other basic state services, such as public safety, services for the elderly, or child care.
- \$17.1 billion for student Pell grants, increasing the maximum Pell grant to \$5,350 in 2009 and \$5,550 in 2010.
- The Act creates a new tax credit, the "American Opportunity Tax Credit" which will provide a tax credit up to \$2,500 of the cost of tuition and related expenses paid during the taxable year.
- \$3.95 billion (Washington's estimated share = \$50.3 million) for Workforce Investment Act (WIA) job training and employment services including state formula grants for dislocated worker, youth, and adult programs.
- \$750 million for a new program of competitive grants for worker retraining and placement in high growth and emerging industries.

We are working with the Office of Financial Management and the Governor's Office to better understand the funding pathways and decision mechanisms for these funds. We'll keep you posted.

State Board staff has calculated that the 2009 budget cut level in Wednesday's appropriation reduction action meets the test of RCW 28B.50.873. This enables the State Board to declare a financial emergency which, in turn, will provide authority for the colleges to use the expedited tenure track faculty layoff process in that statute. Should the Board take this action, local boards of trustees would make independent decisions on whether to use the authority.

We anticipate the Board will hold a special meeting in about two weeks to consider relevant information, take testimony, and decide whether to make such a declaration. Scheduling information will be available next week.

Please keep up the quality communication at your colleges about these difficult circumstances. We'll do our best to keep you informed.

Thank you.

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