

This is from our Research Analyst Randy:

The Governor released her Supplemental Operating Budget proposal this morning to amend the remaining spending in the current two year budget period. Drafting this proposal was complicated by the state's ongoing revenue troubles which meant that she had a \$2.6 billion revenue shortfall against the current two year spending plan adopted by the legislature last spring. This latest shortfall is framed in that context where the state has already considerably reduced funding and now has to cut nearly every remaining discretionary program.

The Governor was quite clear that she only presents this budget because she is required to propose a balanced budget that contains no additional revenue under law. The Governor acknowledged her concern over this budget and plans to release a second budget in January that will include necessary revenue increases in order to avoid the most damaging cuts.

As the Governor's budget office looks ahead to the next two year spending period in 2011-13, they project that current state revenue will fall another \$2.8 billion below the carry-forward spending level.

To cover the expected immediate shortfall, the Governor is proposing to reduce spending in the following major areas:

- * Fund Transfers and Use of Balances (\$ 900 million)
- * Human Services (\$ 850 million)
- * Higher Education (\$ 370 million)
- * K-12 Education (\$ 408 million)

Specific details for K-12 and Higher Education follow:

Higher Education Institutions

Overall, higher education funding was reduced by \$ 370 million. The largest area for reduced funding in the higher education budgets is to the student financial aid programs. The state's Need Grant funding was reduced \$146.4 million. This program which currently serves students with family incomes of up to \$55,000 will be changed to serve lower income students. About 12,300 students will no longer be eligible for the program. In addition, students currently in the program will see their grant amount lowered by about 50% of what they currently receive.

The proposal further reduces potential financial aid for students by suspending various programs for small grants and student loans which saves another \$30 million.

Another \$100 million in higher education reductions was simply a fund swap to move that amount from the operating budget to the state's capital budget to cover shifting the cost for preventive maintenance at the institutions between those two budgets.

The budget continues to anticipate the same number of FTE students over the next two years as was adopted by the legislature last spring. The cuts proposed at the institutional level are not item specific, but rather anticipate the institutions finding further reductions to administrative programs and academic course offerings. Those reduction amounts are:

Four Year Universities:

* University of Washington	(\$20.9 million)
* Washington State	(\$13.5 million)
* Eastern Washington	(\$ 3.1 million)
* Central Washington	(\$ 3.0 million)
* Western Washington	(\$ 3.8 million)
* The Evergreen State College	(\$ 1.6 million)

Community and Technical Colleges:

Similar to the four year institutions, the Community and Technical College system was reduced \$43.6 million in unspecified administrative program and academic course offerings.

This amount was somewhat mitigated by an additional \$11.5 million in new spending at the CCTC's to accommodate an additional 2,500 FTE students in the 2010-11 school year for Worker Retraining slots amongst the various colleges. These enrollments, which includes approximately \$1,300 in financial aid per student, will allow more unemployed workers to retrain, retool, and re-enter the workforce.

Compensation:

There were no changes to any provisions for higher education salaries. However, funding for employee health benefits was increased for the second year to \$830 per employee per month from the planned amount of \$768. This funding was necessary to stay in compliance with the contractual agreement with state employees to share in only 12% of the cost of their health insurance premiums despite overall health benefit inflation exceeding 10% annually. Higher education employees, who will see their out-of-pocket costs for co-payments and co-insurance increase significantly in January 2010, should expect that this funding increase will not be enough to avoid the imposition of additional cost-sharing measures by calendar year 2011.