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The Legislature adjourned sine die last night after passing final legislative operating and capital budgets.  The final version of the operating budget was the same as passed the House on Tuesday.  Below is a summary of the provisions impacting the community and technical college system.  The attached file summarizes the changes.

**The major provisions** of the final legislative 2011-13 operating budget for the community and technical colleges are:

* **Total Change in State Funding:**  Bottom line, the final legislative budget reduces CTC funding by $76.8 million (11.5%) in FY 2012 and $84.3 million (12.6%) in FY 2013.  State funding drops from $669 million in the current year (including the $26 million 2011 early supplemental cut) to $592 million in FY 2012 and to $585 million in FY 2013.
* **General Budget Reduction:**The general budget reduction is $54 million in FY 2012 and $59 in FY 2013.  Of these amounts, $4.2 million in FY 2012 and $9 in FY 2013 are one-time cuts.  For comparison, the House general budget reduction was $32.8 million in FY 2012 and $71.4 million in FY 2013.  The Senate general budget reduction was $62 million in FY 2012 and $62 million in FY 2013.
* **Tuition Increases:**Provides for tuition increases of 12% per year for resident students and upper division applied baccalaureate tuition.  Non-resident tuition to be determined by the State Board.
* **6% Cap on Pension Contributions:**  The budget cuts $8.3 million a year and caps state funding for higher education retirement plans at 6% of related salaries.  This shifts costs to tuition funds.
* **Efficiencies:**  The budget makes a reduction of $2 million in FY 2012 and an additional $3.5 million in FY 2013 for “efficiencies.”  The budget bill directs these savings to be achieved through consolidation of college districts, consolidation of administrative and governance functions such as human resources, budget and accounting services and presidents’ offices; consolidation of student services functions and libraries; and other administrative efficiencies such as greater use of telephone and videoconferencing and reducing travel costs.  A report is due to the Legislature on how the savings were achieved by December 2013.
* **Worker Retraining and Opportunity Grant:**  The additional funding received this year for Worker Retraining ($17.6 million per year) and Opportunity Grant ($1 million one-time new funding) is eliminated. However, new additional funding for Worker Retraining is provided at $4.5 million per year for 970 FTE.  This is identified as on-going funding.
* **Student Achievement Initiative:**$5 million for the biennium is provisoed for the Student Achievement Initiative.
* **Additional Charge for Supplemental Retirement Plan**:  HB 1981 will require an employer contribution of .25% of the salaries of employees in TIAA-CREF to be deposited into a new account that will be used to fund the supplemental retirement benefit in the future.  This contribution will be required from January 2012 to June 30, 2013.  Beginning July 2013, the contribution rate is scheduled to increase to .5%.  Future rates will be determined through an actuarial evaluation.  The .25% will drive additional costs of about $500,000 in FY 2012 and $1 million in FY 2013.  No additional funding was provided for this.
* **Applied Baccalaureate Degree Programs**:  Budget bill provisos authorize Seattle Community College District and Bellevue College to offer additional applied baccalaureate degrees.  Bellevue is authorized to offer degrees in information technology, health care services and management, biotechnology, and pre-professional preparation for medical fields.  Seattle is authorized to offer degrees in business/international business and technology management, interactive and artistic digital media, sustainability, building science technology, and allied and global health.  Bellevue and Seattle are required provide the legislature with a two-year plan for offering the new degrees by June 30, 2012.
* **Life Transitions Program:**  Funding for the displaced homemakers/life transitions program is eliminated.  This will impact 8 colleges (Clark, Spokane, Olympic, Skagit, Green River, Pierce, Walla Walla, and Whatcom).
* **Facilities-Related** **Funding:**Increases for leases and assessments were funded as requested.  M&O funding for new facilities was not provided as requested; additional details to be provided shortly.
* **Enrollment targets:**Unchanged from the current biennium at about 140,000 FTES.  Includes a Running Start enrollment target of 11,558 – the same as this biennium.
* **Running Start**:  The budget limits state funding for Running Start students to 1.2 FTE between the high school and the college.  Currently, the state will fund a Running Start student for up to 1 FTE at the college and 1 FTE at the high school.
* **Compensation Provisions:**
	+ **3% Salary Reductions:**  State funding is reduced by $30 million (biennial) to reflect savings from reducing employee compensation by 3% for the duration of the biennium.
		- However, higher education institutions are exempt from the 3% salary reductions mandated for other state employees for the 2011-13 biennium.
		- There is one exception to our exemption:  In FY 2013 only, salaries of **represented community college classified staff**, except for those making less than $2,500 a month, must be reduced by 3% and temporary salary reduction (TSR) leave of 5.2 hours per month for a full-time employee will be earned.
		- **Represented classified employees funded from non-state funds must be treated the same as those funded with state funds**.
		- For **all other higher education employees,** a 3% salary reduction is not required, but there appears to be the expectation that state-funded compensation (salary) costs will be reduced by 3%.  This can be accomplished through various means such as permanent and temporary layoffs, reduced work hours, vacancy savings, and salary reductions.
		- ESB 5860 and Section 910 of ESHB 1087, the operating budget bill, contain the provisions related to the 3% salary reduction.
	+ **Faculty Increments:**The budget allows salary and benefit savings from faculty turnover to be used to fund increments.
	+ **Health Benefit Funding:**State contributions for employee health care benefits are the same as this year at $850/month.  However, due to medical inflation, this is expected to represent about 85 percent of the cost, on average.  Currently, the state pays 88 percent of health care costs, on average.  This means employees will be paying more for health care benefits.

**Additional items to note:**

* Tuition increases assumed in the budget for the baccalaureate institutions:
	+ UW, WSU, WWU 16% per year
	+ CWU and TESC 14% per year
	+ EWU 11% per year
	+ However, under HB 1795, the institutions have unlimited authority to increase tuition.  Their students will receive State Need Grants up to the increases assumed in the budget bill.  The institutions must provide additional financial assistance for increases above those assumed in the budget bill.
* **HECB:**The Higher Education Coordinating Board is eliminated in FY 2013 and two new agencies are created:  the Council for Higher Education and the Office of Student Financial Assistance, both created in SB 5182.
* **WSU** **and Olympic College:**  WSU is required to offer an additional 15 FTES in mechanical engineering at Olympic College, within existing funds.
* **State Need Grant Funding** is increased to cover tuition increases, but not to cover all the currently eligible but un-served students.
* **State Need Grant for Part-Time Students:**  The budget bill makes students enrolled for three to five credits eligible to receive State Need Grant funding.  The pilot project currently in place making part-time students eligible for State Need Grants would have expired without this language.
* **Work Study:**  Funding for the Work Study program is reduced by $23.2 million for the biennium  by making permanent changes made during Fiscal Year 2011, including increasing the required employer share of wages and discontinuing non-resident student eligibility for the program.

**2011 Supplemental Changes in the Conference Budget**

* M&O funding is provided as requested for Peninsula, Columbia Basin, and South Puget Sound.
* CTC funding is **NOT** decreased by $367,000 for printing efficiencies.  (This cut was included in the House and Senate proposed budget. )

**Next steps**
The Governor will consider vetoes and sign the budget by June 16th.  The State Board will make final decisions at its June 22-23 meeting on the following:

* Initial 2011-12 Allocations
* 2011-12 Tuition Schedules
* ERP Funding (how much tuition fee revenues to deposit into the Innovation Account for the ERP).
* Running Start Fee (optional under HB 1795)