



OLYMPIA UPDATE

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Senate Operating Budget

Senate plans 20 percent WSU budget cut

Washington State University will lose 20 percent of its current state funding base under a proposed 2009-2011 budget announced today by Senate leadership and under consideration by the Senate Ways and Means Committee.

“We at WSU recognize that the Legislature is dealing with the impact of an economic crisis that is unparalleled since the Great Depression,” WSU President Elson Floyd said today. “At the same time, we strongly believe that higher education must be a central part of the solution to this crisis. Budget cuts of the magnitude of those in the Senate’s budget would have a dramatic impact on WSU. Layoffs and reductions in enrollment and important public service programs would be unavoidable,” he said.

Pres. Floyd and Provost Warwick Bayly have scheduled two meetings tomorrow with the university community to discuss the budget situation. Also tomorrow, the state House of Representatives leadership is expected to propose its own version of the state budget to be considered by the House Ways and Means Committees.

The Senate’s proposed 20 percent budget cut for WSU announced today compares with a 12 percent WSU reduction announced by the governor last December. The proposed WSU cut by the Senate totals \$104.3 million for the two-year budget cycle compared to \$64 million in reductions proposed by the governor. Senate Majority Lisa Brown, D-Spokane, said a lot has changed since December as the state’s \$6 billion budget shortfall swelled to \$9 billion. The recession “ravaged the bottom line of businesses and households,” and decreased state revenue collections substantially, she said.

“This is a difficult day for legislators,” Brown said. She said the higher education decisions in the budget were particularly difficult for her. “As a college professor, I came here believing in the power of colleges and universities to transform peoples’ lives,” said Brown, a professor at Gonzaga University.

Unlike the governor, the Senate had more than \$800 million in one-time federal stimulus dollars to offset state cuts in education, and it allocated \$15.8 million to WSU next year to deal with the cuts. Those one-time dollars effectively lower the biennial cut from 20 percent to 17.1 percent. But federal funds will go away in just one year and WSU would return to a deeper cut level.

7 percent tuition increase. Like the governor, the Senate has authorized the universities to raise undergraduate resident tuition 7 percent this fall and 7 percent the following year. If WSU’s Board of Regents raised tuition to the maximum level, tuition funds would offset some of the lost state funding. Under this scenario, the Senate budget would still leave WSU with one of the deepest cuts in history, a 12 percent net reduction. Senate leaders had been reportedly considering tuition increases of up 14 percent per year and even refer to the 14 percent scenario in budget language. The Senate language

indicates that federal stimulus funding provided the ability to lower the increase to a maximum of 7 percent.

Senate leaders said there were difficult decisions made throughout budget (Senate Bill 5600) including no pay increases for any state employees, higher health insurance copayments, deep personnel and administrative cuts through government, 42 percent cuts to the basic health plan, and closing the McNeill Island Penitentiary.

For every \$1 cut by the governor, the Senate said it needs to cut \$1.60. Unsure of whether the economy has bottomed out, Brown indicated the Senate will leave an \$850 million reserve.

Retirement Incentive Proviso. A proposal by WSU to offer its faculty retirement incentive package to classified staff was not included in the Senate budget. The decision was made late in budget-writing process to include language that leaves in place current guidelines by the state Office of Financial Management. WSU has offered \$18,000 in a tax free account for any faculty member or exempt staff member on the WSU Benefits Plan to retire this year. OFM guidelines for classified staff and about 20 percent of WSU's exempt staff that are in the state PERS retirement system require that a person must be eligible for normal retirement for at least 12 months to get incentive benefits. The Senate language also does not allow for deposit in a tax-exempt medical savings account. WSU will continue to urge the Legislature and OFM to change this policy.

Student Financial Aid Maintained The proposed Senate budget maintains student financial aid for families at 70 percent of median family income. In a rare place where a higher education appropriation was actually increased instead of cut, the Senate budget provided \$32.7 million in additional appropriations to maintain the state need grant program. Senate leaders said it should fully offset the 7-percent tuition increases for low-income students at the public colleges and universities.

Performance Agreements The Senate budget keeps alive the concept of performance agreements, contracts between institutions like WSU and the state that will identify specific measurable outcomes for specific funding. The effort, originally scheduled for this biennium, became bogged down when state's revenues fell.

Flexibility The Senate budget contains language that direct WSU to consider various budget reduction strategies but does not dictate many specifics. Budget notes limit the cut to instructional areas to 20 percent, well within the scenarios the university has been exploring.

Building Maintenance The Senate budget provide maintenance and operations funding for the proposed Global Animal Health Building, Phase I. This building is made possible by a \$25 million gift from the Gates Foundation but could be built immediately if \$10 million in state construction funding is provided by the state capital budgets.

What's Next Once the House budget is released Tuesday, negotiations will continue between the House and Senate to resolve their differences on the operating budget. Capital construction budgets by the House and Senate are expected to be announced late this week. The discussion over the budgets will continue to involve the governor who will have to agree to sign the final budgets into law. The session is scheduled to adjourn April 26.

For the status of bill affecting WSU - http://www.olympia.wsu.edu/Status/2009_Shortlist_Mar24.aspx

Olympia Update is produced for persons interested in state government developments affecting Washington State University. For more information, go to www.olympia.wsu.edu. Contact: Larry Ganders, Assistant to the President, 360-956-2165. From WSU campuses, dial 8-2165. If you wish to subscribe to Olympia Update directly by email go to www.olympia.wsu.edu/Update.aspx