



# OLYMPIA UPDATE

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**Governor's Biennial Operating Budget**

## **Gregoire budget cuts WSU by 12 percent**

A 12% reduction in state funding for Washington State University was proposed today in the 2009-2011 state budget recommendations by Gov. Christine Gregoire.

The cuts are to help balance a forecast \$5.1 billion revenue shortfall amidst an economic recession. The governor's December recommendations mark the first step in a legislative process to balance the state biennial operating budget that is not likely to be completed until late next spring. If the governor's budget is adopted by the Legislature that convenes Jan. 12, WSU would be required to reduce its annual \$262 million state budget by \$31 million or about 12 percent. If WSU regents approved the maximum tuition rates presumed by the governor and applied new tuition funds to the governor's cut level, the actual university budget cuts could be \$22 million or 8.5 percent.

*After being briefed on the governor's budget, President Elson S. Floyd said, "WSU fully realizes that sacrifices must be made during these difficult financial times. The governor has repeatedly made a commitment to education and her proposed budget reflects this priority. WSU will continue to take the appropriate steps to manage within this fiscal environment."*

**Generally, the governor's budget provides maximum flexibility for the university to make its own decisions on reducing state funding.** One exception is that the governor will require that most of the high-demand student enrollments be preserved. High demand enrollments are in areas like nursing and engineering that the Legislature has emphasized because of great employer demand.

The university has been anticipating operating budget reductions for next biennium. Pres. Floyd ordered a slow down on WSU hiring last spring and later froze all vacant positions. The university has also severely restricted travel and taken steps to eliminate about 20 percent of courses offered. A university budget committee has been formed to make mission-driven budget decisions that seek to maintain student enrollments, quality instruction, and emerge from budget reductions as a stronger research university.

**No pay increases or program enhancements.** The governor's budget provides for no employee cost-of-living increases anywhere in state government. As expected, she funded no new programs requested by the universities. She proposed one of the first budgets in many years that does not provide for new enrollment funding.

Gregoire's budget proposal presumes a maximum of a 7 percent tuition increase for all four-year university students (which is the current statutory limit for undergraduate students.) It is one of a very few fee increases she allows anywhere in government. She will freeze all other fees in higher education

and most of state government. This would include such things as student laboratory fees or student activities fees.

More state financial aid funding was proposed by the governor to keep pace with a 7 percent tuition increase. However, the governor proposed some changes to the state need grant program. She lowered student eligibility from 70 percent to 65 percent of median family income. There are also changes in benefits for qualifying students from families above 50 percent of median income. WSU is still evaluating these changes.

The House and Senate will each separately take up the governor's budget recommendations when the 2009 Legislative session convenes in three weeks at the state capitol here in Olympia. The efforts in the House will be focused in a new House Ways and Means Committee chaired by Rep. Kelli Linville, D-Bellingham. Much of the Higher Education budget may be formulated in an appropriations-education subcommittee of Ways & Means chaired by Rep. Kathy Haigh, D-Shelton. As in past years, the Senate Ways and Means Committee will take up the budget. Sen. Margarita Prentice will chair the committee and Sen. Rodney Tom has been named the lead on the operating budget.

The governor had been sending signals for weeks that the nationwide recession was going to drive an "ugly" budget for the state. State revenues rely heavily on Christmas season retail sales, auto sales, and home sales, which have all dropped dramatically in recent months. As she promised during her re-election campaign, her budget proposals contained no general tax increases to help ease the impact.

### **Governor Proposes \$104 million in New WSU Construction**

Also today, the governor unveiled a special capital construction package intended to quickly stimulate the state economy that has been reeling from recession. The debt limit, which is in part based on operating revenues, is holding down higher education construction. The \$104 million recommendation for the next two years is down from WSU's current capital construction budget of \$190.8 million. The governor proposes eliminating a statutory debt limit, leaving in place only a constitutional debt limit.

Among the projects recommended by the governor for funding is WSU's highest priority: the \$38.6 million Applied Technology Classroom Building on the campus of WSU Vancouver. WSU has requested that it be included in the governor's state economic stimulus package, allowing consideration early in the legislative session. The governor said she will announce that package next month. If that project is included, WSU will break ground on the project in March that will support high-demand engineering degrees and research for the semi-conductor industry.

Gregoire's capital construction budget also proposes \$7.4 million in design funds for WSU's second highest priority, the Veterinary Medical Research Building in Pullman. The building would be on a pace to begin construction in 2011.

### **Pullman Wastewater Facility Moves Forward**

The governor funded no major higher education infrastructure projects with state bond money. However, she provided in her budget an alternative financing mechanism for the \$15.7 million Pullman Wastewater Facility. The project has been criticized because effluent would be used to irrigate the new Palouse Hills golf course and was the object of a veto by then-Gov. Gary Locke. Gov. Gregoire, in her new capital budget, would allow WSU to bond against student building fees paid at the time of tuition to construct the plant. Her proposal requires treated water to be used only for the domestic water requirements of the Pullman energy plant, chilled water facilities and irrigating general university grounds "excluding the golf course." WSU has indicated that may be feasible.

### **Global Animal Health Buildings Move Forward**

It appears the governor is also moving ahead on Global Animal Health facilities. Global Animal Health Phase I is being considered for a federal stimulus package that the governor intends to propose to Congress. If successful, \$10 million in federal funds might combine with \$25 million from the Gates

Foundation to begin construction of the \$35 million building next spring, a year or two earlier than scheduled.

Gregoire's capital budget also provides \$200,000 to pre-design Global Animal Health Building, Phase II.

**Pre-design for a Spokane Biomedical Building.**

Spokane's Riverpoint Campus received a boost on two fronts. The Gregoire budget funds \$250,000 for pre-design and the Riverpoint Biomedical and Health Sciences Facility. That puts that project on track for construction in 2013. Eastern Washington University also received permission to purchase an existing building on the Riverpoint Campus for classroom and other space.

For a complete list of bills tracked by WSU and any action by the governor, go to:

<http://www.olympia.wsu.edu/Status.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](http://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](http://www.olympia.wsu.edu/Update.aspx)**