

Date: October 27, 2011
Subject: Governor Budget Reduction Alternatives for the 2012 Supplemental

Following the September revenue forecast, Governor Gregoire called a 30-day special session and charged legislators with writing a full supplemental budget that reconciles previously planned biennial expenditures with a new \$1.4 billion shortfall. The Governor’s expectations for the special session (which will begin on November 28) include closing the current \$1.4 billion shortfall and rebuilding a reserve to accommodate potential future budget deficits this biennium.

Earlier this week, President Young notified campus that the Governor’s budget alternatives would appear dire, and that the Legislature and Governor were only in the beginning stages of crafting new budget reductions. While the alternatives she released today are alarming, keep in mind that we are many months away from a final budget.

Governor’s Budget Alternatives for Higher Education

The budget letter released by the Governor today outlines proposed reductions to all functional areas of state government, including higher education. However, she lists potential reductions as “alternatives” and highlights preliminary choices for a full gubernatorial budget to be released in November.

The chart below illustrates the most significant reduction alternatives proposed, including the complete elimination of the State Need Grant (SNG) program, 20 percent budget cuts to all higher education agencies (including the UW), and suspension of the State Work Study program. Other alternatives include limiting the SNG program to students in public universities and reducing student eligibility. The Office of Planning & Budgeting will examine the financial aid alternatives in greater detail and release more information soon.

The Governor identifies preliminary choices for **preferred budget reduction options: a 15 percent funding cut for all higher education institutions and the suspension of State Work Study.**

HIGHER EDUCATION	Alternatives Under Consideration	Gov's Preliminary Choices
Eliminate State Need Grant (SNG) student financial aid	\$303,000	
Reduce maximum SNG award amount by 25%	\$68,400	
Limit SNG to Public Institutions Only	\$30,600	
Reduce SNG eligibility to 55% of median family income	\$25,500	
Reduce state support to colleges and universities by 20%	\$222,000	
Reduce state support to colleges and universities by 15%	\$166,000	\$166,000
Reduce state support to colleges and universities by 10%	\$111,000	
Suspend state Work Study Program	\$8,000	\$8,000
Total Higher Education (sum of most severe reduction options)	\$533,000	\$174,000

Potential Budget Reductions at the UW

The Governor highlighted three potential levels of general fund cuts to colleges and universities. In all cases, these cuts would be relevant to the Board of Regent’s UW operating budget for Fiscal Year 2013.

<u>Governor Cut Scenarios</u>	<u>-20%</u>	<u>-15%</u>	<u>-10%</u>
New state funding reduction - UW	-\$82,000,000	-\$61,000,000	-\$41,000,000
UW funding reduction compared to FY09	-67%	-62%	-57%

Note: The Governor's preliminary cut target for the UW is 15%

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