

**Date:** December 11, 2010  
**Subject:** Fiscal Year 2011 Emergency Special Session – Second Supplemental Operating Budget

In a one-day emergency special session, the Legislature passed a compromise second supplemental operating budget, reducing the *current* general fund deficit of \$1.1 billion by \$580 million. \$490.4 million of this reduction took the form of expenditure reductions, or appropriation reductions. Another \$97.9 million of it took the form of fund transfers between special accounts to the general fund. The FY11 general fund budget still has a negative balance, but this remaining deficit will likely be addressed at the start of the 2011-13 biennial session in January 2011. The Governor is expected to release another budget plan to close this deficit in the coming week.

The bill that passed both chambers yesterday was [House Bill 3225](#); it is the second supplemental budget adopted for FY11. Unlike the first supplemental budget signed in May 2010, HB 3225 was introduced, debated, and signed in both chambers in one day. This expediency was largely due to [prior budget negotiations between the Governor and caucus leadership](#).

HB 3225 made the following appropriation reductions to the main areas of government (in thousands):

Major Area of Government	December Revised Cut
Legislative	-\$3,067
Judicial	-\$4,266
Government Operations	-\$3,742
Other Human Services	-\$76,148
DSHS	-\$74,652
Natural Resources	-\$17,035
Public Schools	-\$260,356
Higher Education	-\$51,088
<b>Total Expenditure Reduction</b>	<b>-\$490,354</b>
Fund Transfers	-\$97,900
<b>TOTAL</b>	<b>-\$588,254</b>



Institution	December Revised Cut
UW	-\$11,400
WSU	-\$7,500
CWU	-\$1,400
EWU	-\$1,500
TESC	-\$800
WWU	-\$2,000
CTCs	-\$26,400
<b>HE Total</b>	<b>-\$51,088</b>

Higher education institutions were cut \$51 million; the University of Washington’s share of that cut was \$11.4 million. These cuts are not new reductions, but rather formalize the Governor’s across-the-board cuts directed in September. The cut to the University was below the \$17.1M (6.3 percent) cut originally directed due to corrective actions to maintain the [state’s funding above federally required maintenance of effort levels](#) (MOE). The 6.3 percent across-the-board cuts forced colleges and universities below the federal MOE, and this new second supplemental budget

corrects for this. In addition to the \$11.4 million reduction for the UW, our Dental Education in Care of Persons with Disabilities (DECOD) program received \$1.3 million in state support to continue serving adults with special needs.

HB 3225 did not make funding changes to the State Need Grant (SNG), but because the federal MOE applies to higher education institutions but not state-supported financial aid, the SNG is in a vulnerable position for upcoming FY11 budget cuts. The Governor may be forced to suspend spring quarter SNG payments at all institutions because of the federal MOE and her inability to make further reductions elsewhere. Her current proposed action would result in an additional \$15 million cut in state funding for students at the UW.

In addition to cuts in Higher Education, HB 3225 made significant reductions to Human Services, closing McNeil Island and reducing funding for Corrections. In Basic Education, general apportionment funds for school districts were reduced significantly and education reforms like class size reduction in K-4 classrooms were cut. Children and family services as well as medical assistance payments were reduced most sharply in the DSHS budget.

**The Office of Planning & Budgeting and The Office of State Relations will release any additional budget instructions and further information about the FY11 budget after the Governor's Supplemental Budget release this week.**

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