



REGULAR MEETING AGENDA ITEM

TAB 6

October 30, 2009

Discussion Action (Resolution 09-10-27)

Topic

2010 Supplemental Operating Budget

Description

In even numbered years, the Legislature adopts a supplemental operating budget to address significant emergent issues not covered by the biennial operating budget. High unemployment rates have resulted in a surge in Worker Retraining enrollments at the community and technical colleges. The program will serve at least 12,200 full-time equivalent students (FTES) this year, 6,000 more than currently funded by the Legislature. The recommended supplemental budget request would provide additional Worker Retraining Program financial aid and enrollment slots. In addition, the recommended facilities-related request would provide operating funds for specific capital projects already approved by the Legislature.

Key Questions

- Is the proposed 2010 supplemental budget request consistent with the Board's strategic goal to strengthen state and local economies by increasing the number of well educated and skilled workers?
- Does the Board want to make an ambitious request in the face of additional budget deficits facing the State Legislature?

Fiscal Context

Last year the Governor and Legislature solved a \$9 billion shortfall as they wrote the operating budget for the 2009-11 fiscal biennium. They balanced the \$30.5 billion budget in part by making substantial reductions to state expenditures. Since the 2009-11 operating budget was enacted, the state revenue forecast has decreased and mandatory state expenditures have increased, creating a new shortfall estimated to be between \$1.8 billion and \$2.5 billion. The Governor and Legislature will adopt a supplemental operating budget in the spring of 2010 to address emergent fiscal issues.

The community and technical college system's 2009-11 biennium operating budget is \$1.37 billion, a reduction of \$164 million (about 11%) from the system's maintenance level funding. Despite the budget reductions, which began last year, the colleges are enrolling students at record levels:

- Last year the colleges served 147,000 FTES enrollments, an increase of 8% over the prior year.
- Current year enrollments are projected to be about 160,000 FTES, an 8% increase over last year.

Worker Retraining Enrollment Slots and Financial Aid

The Worker Retraining Program trains dislocated and unemployed workers who need new skills and knowledge in order to re-enter the workforce. Worker Retraining financial aid helps pay for tuition, books, fees, and other related expenses for individuals who lost their jobs due to economic changes and for those receiving Unemployment Insurance benefits.

Last year, the Worker Retraining Program served 8,900 FTES enrollments, a 35% increase over the prior year. The annual growth rate, however, masks the increasingly high growth rates throughout the year. Compared to the same academic quarter in the prior year, Worker Retraining enrollments grew last year as follows:

- 16% in Summer 2008 Quarter
- 26% in Fall 2008 Quarter
- 39% in Winter 2009 Quarter
- 50% in Spring 2009 Quarter

Summer 2009 enrollments continued this trend with an increase of almost 82% compared to Summer 2008.

Worker Retraining enrollments are driven in large part by unemployment rates. At the start of the 2008-09 academic year (summer 2008), the state's unemployment rate was 5.41%. Unemployment grew steadily throughout the year, and it now stands at just over 9%. Unemployment is expected to continue to increase through spring 2010, topping out at almost 10%. Over the 2010-11 academic year unemployment will slowly decrease, but will not fall below 9%.

Given these high unemployment rates, we expect Worker Retraining Program enrollment demand to remain strong throughout the remainder of this biennium and into the next. We expect enrollment in the current year to hit at least 12,200 FTES, and to remain at that level next year.

The Legislature provides \$28.8 million per year in funding for 6,200 Worker Retraining FTES. This is the same level of funding provided in 1997. Of the \$4,639 per FTES, \$1,300 is dedicated to student financial aid (to bridge the time it takes formerly employed workers to become eligible for financial aid) and the rest goes to support colleges' instruction and other related costs.

The proposed 2010 supplemental budget request would provide an additional \$49.6 million for the Worker Retraining Program this biennium, with an annual on-going increase of \$43.7 million. The funding would provide the following:

- Additional financial aid spring quarter of this year (\$5.9 million)
- 6,000 additional FTES enrollment slots beginning next year (\$27.8 million)
- Double the current financial aid funding to \$2,600 per FTES for 12,200 FTES beginning next year (\$15.9 million)

Facilities-Related Expenditures

The Legislature provides funding for the maintenance and operations (M&O) of state-funded capital projects in the operating budget. The Legislature's policy for funding M&O on buildings financed through Certificates of Participation (COPs) is that they will consider but not guarantee M&O funding for instructional space. Two capital projects approved by the Legislature have not received M&O funding. This request would provide M&O funding for the following buildings:

- North Seattle Community College Employment Resource Center, \$198,000 – This project was approved and funded in the 2011-13 biennium capital budget. However, because it was added to the capital budget late in the legislative session, this project did not receive M&O funds in the operating budget. The building is scheduled to open in September 2010.
- Green River Community College Kent Station Phase II, \$599,700 – This classroom building was a COP-funded project approved by the legislature and built in two phases. The legislature provided M&O funding for Phase 1 beginning in FY 2007, but did not provide M&O funding for Phase II, which opened last spring.

The 2009 Legislature chose to finance construction of Green River Community College's Humanities Replacement Building from bonds that will be repaid from the Building Fee Account. The State Treasurer is requiring that the college purchase insurance beginning with the completion of the building March 2011. The \$11,300 request will cover five months of insurance costs; the on-going annual cost is \$27,000.

Background Information

Attachment A: SBCTC 2010 Supplemental Operating Budget Request

Recommendation/Outcomes

The Board is asked to adopt Resolution 09-10-27 approving the submittal of the SBCTC 2010 supplemental operating budget request to OFM containing the items displayed in Attachment A: (SBCTC 2010 Supplemental Operating Budget Request).

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STATE OF WASHINGTON
STATE BOARD FOR COMMUNITY AND TECHNICAL COLLEGES
RESOLUTION 09-10-27

A resolution relating to the 2010 supplemental operating budget request.

WHEREAS, state funding to the community and technical colleges has been reduced at the same time they are experiencing record enrollment demand fueled by high unemployment rates; and

WHEREAS, enrollment demand in the Worker Retraining Program is particularly acute at the same time that funding for the program has remained flat;

THEREFORE BE IT RESOLVED that the State Board for Community and Technical Colleges authorizes the Director to submit to the Governor a 2010 community and technical college supplemental operating budget request for an additional \$50.4 million in the current biennium for the items identified in Attachment A (SBCTC 2010 Supplemental Operating Budget Request).

APPROVED AND ADOPTED on October 30, 2009.

J.A. Bricker, Chair

ATTEST:

Charles N. Earl, Secretary

SBCTC 2010 Supplemental Budget Request Items

\$s in 000s

	<u>FY 2010</u>	<u>FY 2011</u>	<u>Total 2009-11 Biennium</u>	<u>On- Going Annual Costs</u>
Worker Retraining				
1. Fund 6,000 additional enrollments at current funding rate of \$4,639	\$0	\$27,834	\$27,834	\$27,834
2. Provide additional financial aid	<u>5,915</u>	<u>15,860</u>	<u>21,775</u>	<u>15,860</u>
Total Worker Retraining	\$5,915	\$43,694	\$49,609	\$43,694
Facilities-Related Expenditures				
3. Fund M&O on N Seattle CC Employment Resource Center	\$0	\$198	\$198	\$323
4. Fund M&O on Green River CC Kent Station Phase II	296	304	600	304
5. Fund Bond Insurance Costs for Green River's Humanities Replacement Building	<u>0</u>	<u>11</u>	<u>11</u>	<u>27</u>
Total Facilities-Related Expenditures	\$296	\$513	\$809	\$654
Total Request	\$6,211	\$44,207	\$50,418	\$44,348