

WICHE Commission Meeting

May 17, 2010

Portland, OR

**WHAT'S UP IN THE WEST?
UPDATES ON STATE
BUDGETS AND STATE
LEGISLATION**

2010 Legislative Sessions

- ◎ Of the 15 Western states, 11 had regular sessions – exceptions were:
 - Montana
 - North Dakota
 - Nevada (special session)
 - Oregon (special session)
- ◎ All have adjourned except:
 - Arizona (May 26, 2010)
 - California (August 31, 2010)

2010 Legislative Sessions

⦿ Special sessions

- Arizona
- California
- Nevada
- New Mexico
- Oregon
- Washington

⦿ Topics

- Budget, economy, fiscal emergency

Nailing Jello to the Wall: Straightforward Reporting

- State budget conditions widely reported with straightforward statements such as “Colleges and universities [in Colorado] are looking at a \$300 million cut starting July 1, 2011, the day the federal stimulus money that has sustained them throughout the recession runs out. The estimated cut represents a 50 percent reduction in state-provided higher-education funding.”
(Denver Post, April 28, 2010)

Nailing Jello to the Wall: Inconsistent Estimates

	Publication Date	FY2011	FY2012
National Conference of State Legislatures, <i>State Budget Update</i>	April 2010	\$89 (38 states + PR)	\$73.5 (31 states + PR)
National Association of State Budget Officers, <i>State Fiscal Update (jointly with National Governors' Association)</i>	February 2010	\$55.4	\$61.8
Center on Budget and Policy Priorities, <i>Premature End of Federal Assistance to States Threatens Education Reforms and Jobs</i>	April 19, 2010	\$180	\$120

Estimated gaps are in \$\$ Billions

How to Calculate a Budget Gap

$$\text{Revenue} - \text{Spending} = \text{Surplus/Gap}$$

- ◎ Surplus/Gap changes as:
 - Revenue projections are revised
 - Spending projections are revised, e.g., expanded caseloads
 - Budget cuts are made
 - Revenue enhancements are enacted
 - Federal government provides assistance
 - Analysts define categories differently
 - Base budgets differ
 - Sources differ

The Good News

- Many economists have declared the recession over (although no official word yet).
- State revenue collections in FY2011 are projected to be above current year levels.
- And that's about it.

The Bad News

- ③ 31 states projecting a total of \$73.5 billion in gaps for FY12
- ③ 21 states projecting a total of \$64.7 billion in gaps for FY13
- ③ Federal assistance directed at education has run out.
- ③ Budget pressure on higher education will continue.

State Budget Conditions

	FY 2010		FY 2011 (projected)	
Alaska	\$1,300	30.0%	surplus of \$355	
Arizona	\$5,100	52.2%	\$3,000	30.0%
California	\$52,100	56.5%	\$13,800	13.4%
Colorado	\$1,600	21.5%	\$457	6.1%
Hawaii	\$1,200	23.7%	\$1,222	22.7%
Idaho	\$562	22.4%	currently balanced	
Montana	N/A		\$201	10.8%
Nevada	\$1,500	50.3%	\$1,807	45.0%
New Mexico	\$995	18.1%	\$330	6.0%
North Dakota	N/A		N/A	
Oregon	\$4,200	29.0%	currently balanced within biennium	
South Dakota	\$48	4.3%	N/A	
Utah	\$1,000	19.8%	\$690	15.8%
Washington	\$6,200	26.7%	\$1,300	8.3%
Wyoming	\$32	1.7%	N/A	

Notes: Figures are in millions of \$\$\$. FY11 figures do not include gaps already closed as of NCSL's survey.
Sources: CBPP (FY10), NCSL (FY11).

Projected Budget Gaps for FY 2012-2013

	FY 2012		FY 2013	
Arizona	\$1,100.0	12.5%	\$600.0	6.7%
California	21,262.0	20.1%	22,976.0	20.1%
Colorado	363.1	5.2%	no estimate	
Hawaii	1,731.4	30.7%	2,064.4	35.9%
Idaho	200.0	8.3%	N/A	
Montana	210.8	10.8%	186.0	9.2%
New Mexico	256.0	4.8%	N/A	
Oregon	1,179.0	13.4%	1,278.0	13.4%
Washington	no estimate, guessing \$2 billion over biennium		N/A	

Note: WICHE states not shown in the table did not provide estimates or were not projecting a gap.

Source: NSCL.

Status of the Stimulus

- ⦿ The State Fiscal Stabilization Fund (SFSF, \$48.6 B), distributed to states by formula, was the only piece expressly intended to prop up state education spending.
- ⦿ Feds provided 87% of SFSF funds by early April 2010. (Center on Budget and Policy Priorities)
- ⦿ Based on a review of spending in 17 states (but including only California and Colorado from the WICHE region), CBPP estimates that only 29% of total stimulus funds will be available beyond FY 2010, and virtually none beyond FY 2011.
- ⦿ Congress is considering various ways to extend the stimulus spending to preserve education-related jobs with \$23 billion.

Actual Stimulus Spending on Relative to Planned Spending on Higher Education

	FY 2009		FY 2010	
	Actual	Relative to Plan	Actual	Relative to Plan
Alaska	\$0	N/A	\$0	N/A
Arizona	\$182,808,000	100%	\$84,192,000	47.9%
California	\$1,489,000,000	91.2%	\$313,000,000 or \$35,000,000 ¹	Infinity
Colorado	\$150,676,055	65.1%	\$150,676,055	100%
Hawaii	\$0	N/A	\$32,000,000	68.4%
Idaho	\$0	N/A	\$17,683,900	78.6%
Montana	\$0	N/A	\$29,762,223	96.1%
Nevada	\$0	N/A	\$92,389,311	80.4%
New Mexico	\$0	N/A	\$15,538,400	58.7%
North Dakota	\$0	N/A	\$0	N/A
Oregon	\$55,636,352	51.7%	\$30,000,000	220.6%
South Dakota	\$10,262,056	100%	\$11,474,935	85.6%
Utah	\$28,800,000	45.9%	\$58,466,800	186.0%
Washington	\$0	N/A	\$81,421,000	80.9%
Wyoming	\$0	N/A	\$8,400,000	25.9%

Note: Planned spending is provided by each state's approved SFSF Phase 1 applications. ¹The higher figure is from SHEEO; the lower is from the California Legislative Analyst, care of the National Center for Public Policy and Higher Education.

Sources: SHEEO SHEF (as of 2.10.2010) and SFSF Phase 1 Applications

Stimulus Spending Relative to “Planned” Spending on Higher Education in FY 2009–2010

	Actual/Estimated	Planned Spending	Relative to Plan
Alaska	\$0	\$0	N/A
Arizona	\$267.0	\$358.6	74.5%
California ¹	\$1,802.0 or \$1,524	\$1,632.0	110.4% or 93.4%
Colorado	\$301.4	\$382.2	78.9%
Hawaii	\$32.0	\$46.8	68.4%
Idaho	\$17.7	\$22.5	78.7%
Montana	\$29.8	\$31.0	96.1%
Nevada	\$92.4	\$114.9	80.4%
New Mexico	\$15.5	\$26.5	58.5%
North Dakota	\$0	\$0	N/A
Oregon	\$85.6	\$121.3	70.6%
South Dakota	\$21.7	\$23.7	91.6%
Utah	\$87.3	\$94.2	92.7%
Washington	\$81.4	\$100.7	80.8%
Wyoming	\$8.4	\$32.4	25.9%

Note: Planned spending is provided by each state's approved SFSF Phase 1 applications. ¹The higher figure is from SHEEO; the lower is from the California Legislative Analyst, care of the National Center for Public Policy and Higher Education.

Sources: SHEEO SHEF (as of 2.10.2010) and SFSF Phase 1 Applications and Amendments

SFSF Phase 2 and the Impact of “Maintenance of Effort” Provisions

	FY2006	FY2009	FY2010	FY2011	MOE Waiver
Alaska	0.249	0.313	0.323	0.334	
Arizona	987.240	1,040.924	987.240	987.240	
California	8,857.000	8,880.000	8,861.000	9,741.000	FY11 K-12
Colorado	555.289	555.289	474.457	555.289	FY10
Hawaii	594.551	760.301	628.368	631.899	
Idaho	292.953	340.779	295.866	288.815	IHE
Montana	131.297	162.251	132.763	132.763	
Nevada	551.649	618.796	496.268	496.268	FY10-11 IHE
New Mexico	574.120	671.608	642.867	TBD	
North Dakota	158.102	214.629	221.534	230.597	
Oregon	554.534	584.622	572.180	574.909	
South Dakota	137.148	151.131	148.865	150.209	
Utah	650.343	708.604	650.364	707.545	FY10 IHE
Washington	1,313.609	1,555.883	1,319.556	1,411.626	
Wyoming	230.691	315.582	283.134	290.462	

Note: U.S. Department of Education has not yet acted on any MOE waivers.
 Source: SFSF Phase 2 Applications

Stimulus Funding for Higher Education

	Total Ed SFSF Distributed ¹	Ed SFSF Spending on IHE ²	Share of SFSF Spent on IHE
Alaska	6.9	0	0.0%
Arizona	658.8	267.0	40.5%
California ³	4,073.5	1,802.0 or 1,524	44.2% or 37.4%
Colorado	380.4	301.4	79.2%
Hawaii	54.8	32.0	58.4%
Idaho	133.7	17.7	13.2%
Montana	54.2	29.8	54.9%
Nevada	217.4	92.4	42.5%
New Mexico	111.7	15.5	13.9%
North Dakota	57.3	0	0.0%
Oregon	282.8	85.6	30.3%
South Dakota	68.5	21.7	31.8%
Utah	349.8	87.3	24.9%
Washington	549.4	81.4	14.8%
Wyoming	0.0	8.4	0.0%

Notes: Data here include only the stimulus funding in the 81.8% of the total SFSF appropriation devoted to "Education State Grants." ¹Data are as of May 7, 2010. ²Data are as of February 10, 2010. ³The higher figure is from SHEEO; the lower is from the California Legislative Analyst, care of the National Center for Public Policy and Higher Education.

Source: WICHE analysis of U.S. Department of Education and SHEEO SHEF data.

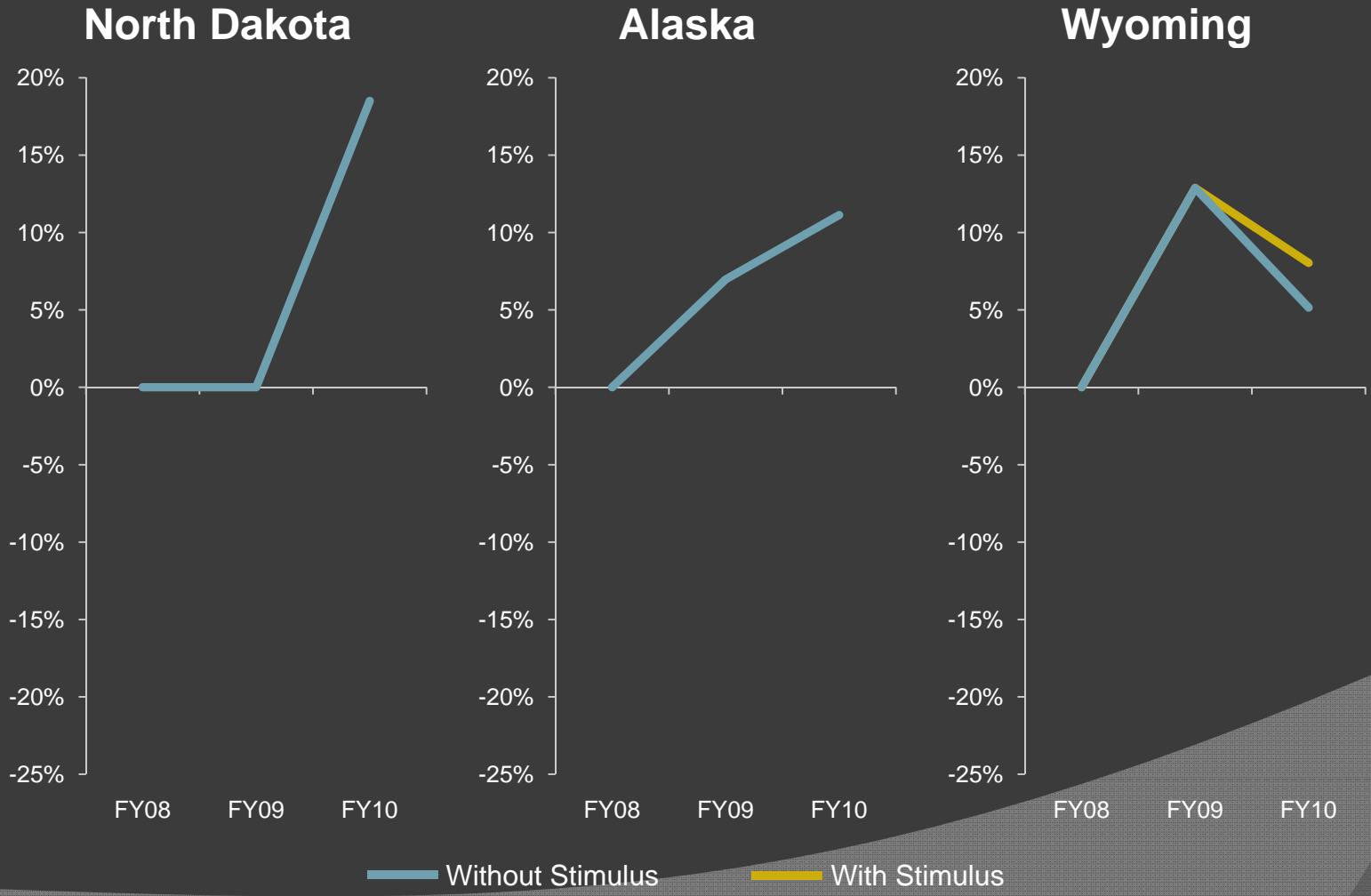
Remaining Stimulus Funding

	Total SFSF	Ed SFSF Remaining	Govt. Svcs. SFSF Remaining	Share of Total SFSF Remaining ²
Alaska	113.7	86.2	1.5	85.0%
Arizona	1,107.0	173.1	106.7	27.5%
California	5,960.3	802.0	0.0	13.5%
Colorado	760.2	241.5	31.7	35.9%
Hawaii	192.2	102.4	35.0	71.5%
Idaho	246.6	68.0	41.5	44.4%
Montana	148.7	67.4	16.1	56.2%
Nevada	396.6	107.1	0.0	27.0%
New Mexico	318.4	148.8	55.6	64.2%
North Dakota	104.7	28.4	13.7	40.2%
Oregon	570.2	183.6	58.7	42.5%
South Dakota	127.5	35.8	8.0	34.4%
Utah	479.9	42.8	45.1	18.3%
Washington	1,002.4	270.6	34.1	30.4%
Wyoming	82.7	67.6	15.0	100.0%

Notes: Differences due to rounding. Data distinguish stimulus funding in the 81.8% of the total SFSF appropriation devoted to "Education State Grants" from the 18.2% set aside for "Government Services Grants." Data are as of May 7, 2010.

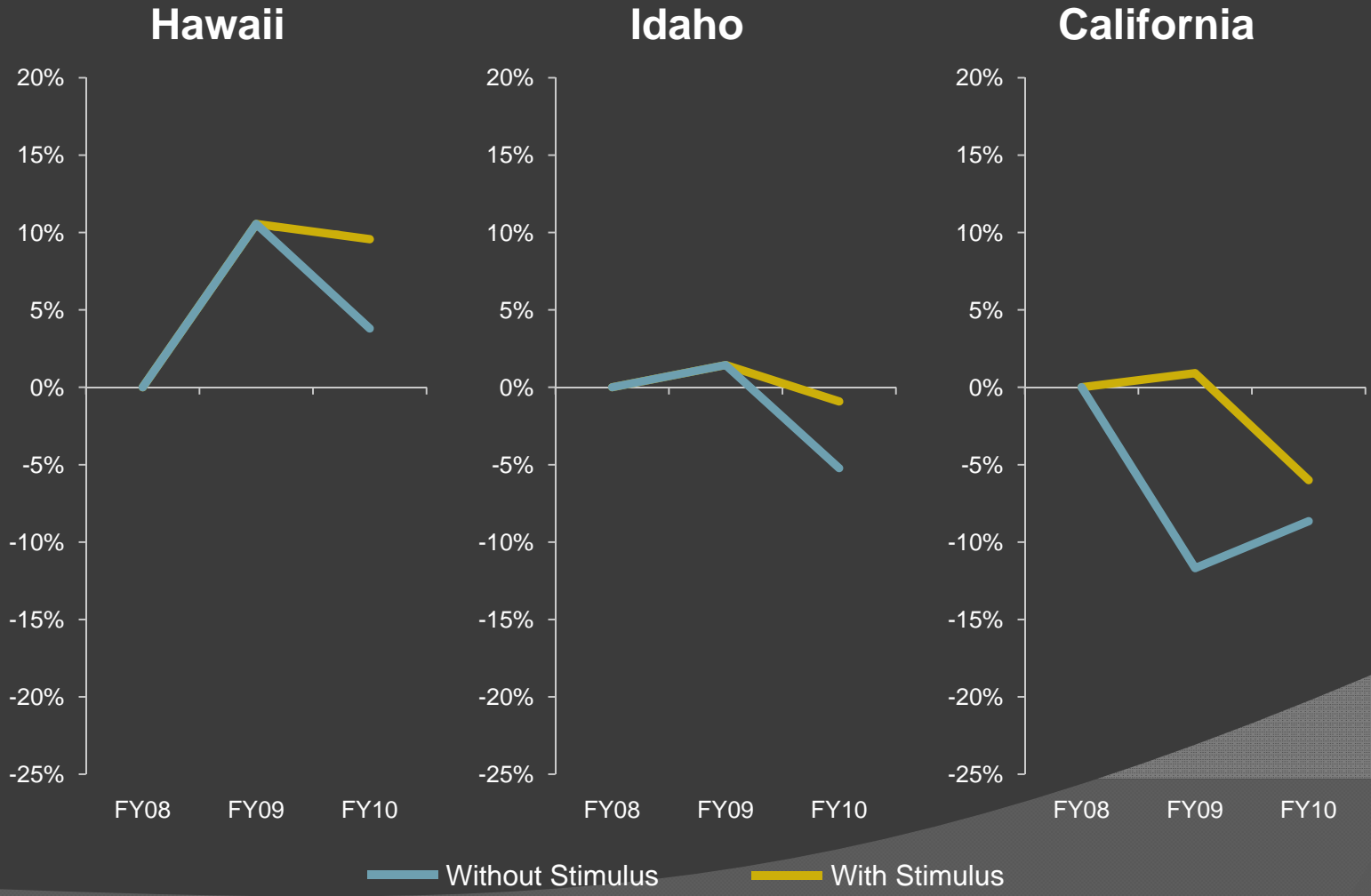
Source: U.S. Department of Education.

State Support for Higher Education With and Without Stimulus, FY08-10 (Figs #1-3)



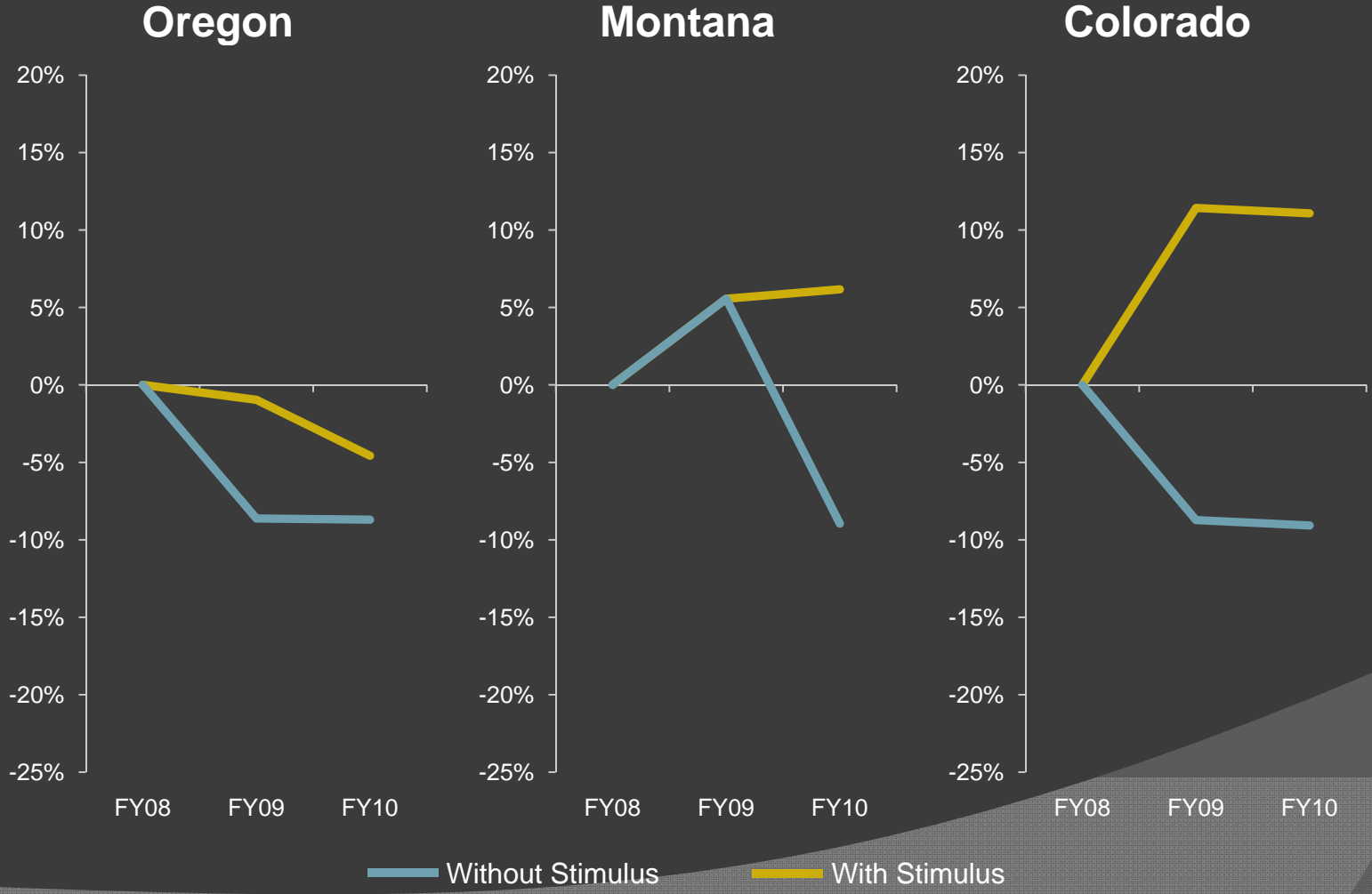
Source: WICHE analysis of SHEEO SHEF data.

State Support for Higher Education With and Without Stimulus, FY08-10 (Figs #4-6)



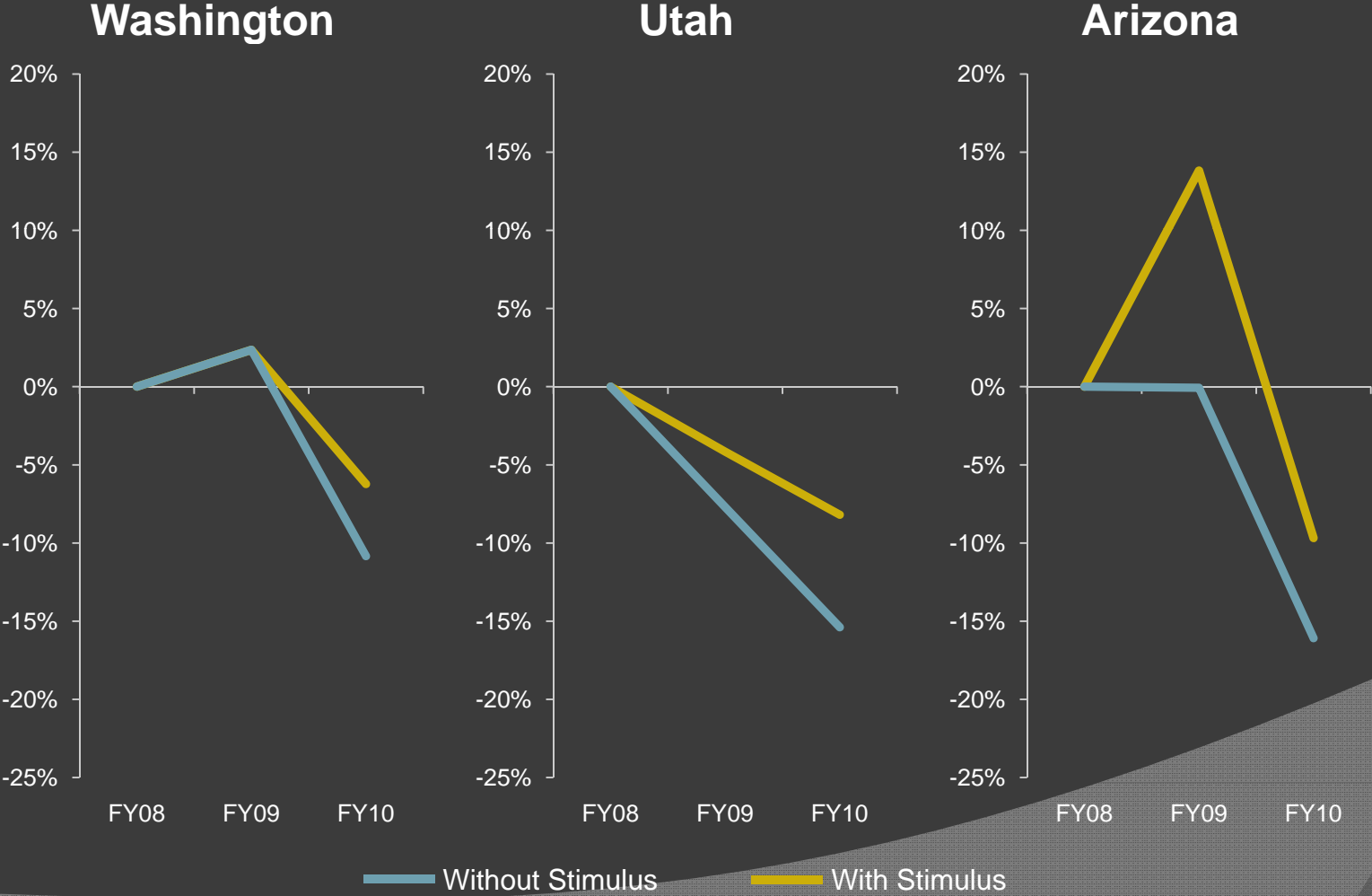
Source: WICHE analysis of SHEEO SHEF data.

State Support for Higher Education With and Without Stimulus, FY08-10 (Figs #7-9)



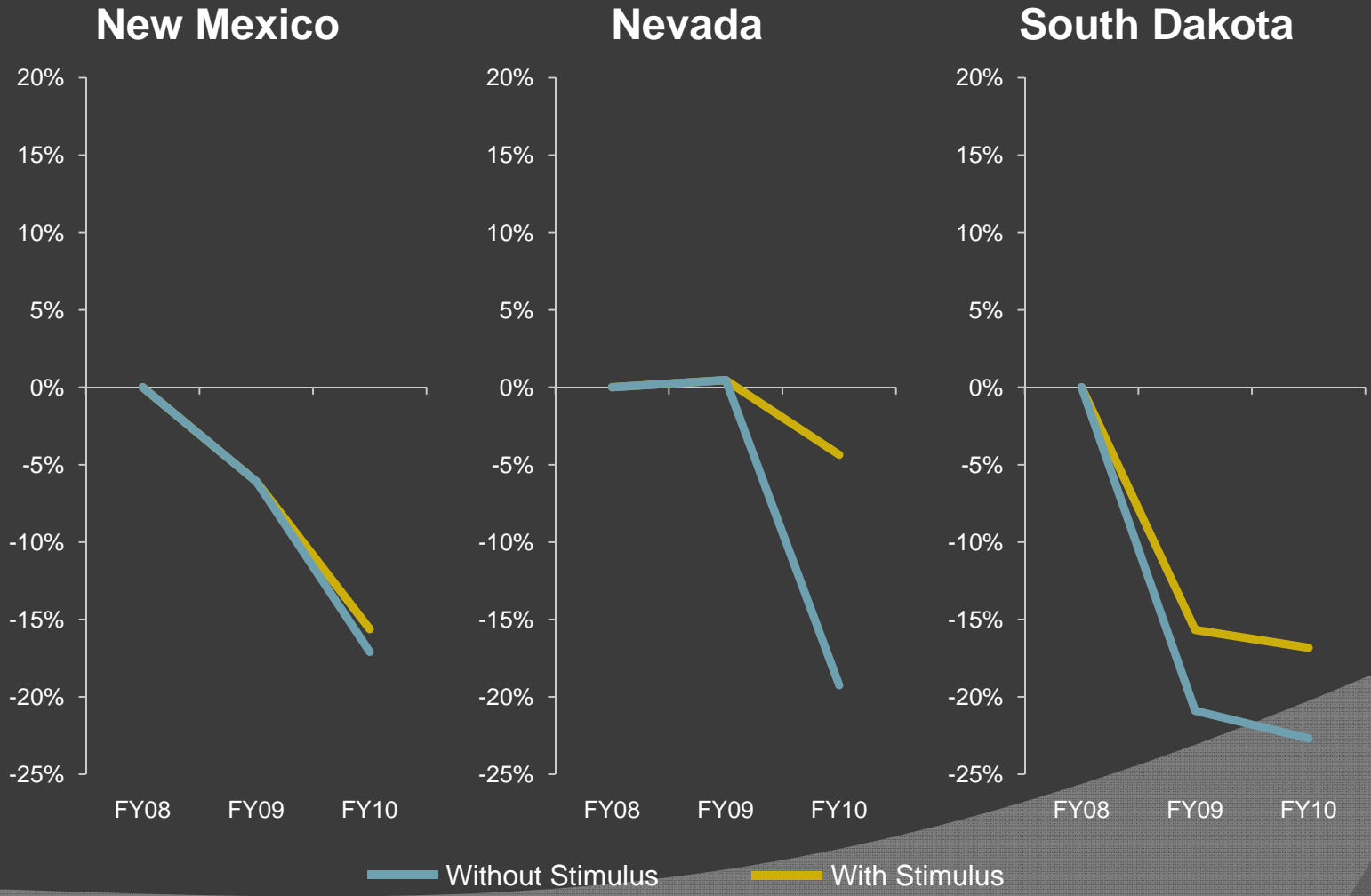
Source: WICHE analysis of SHEEO SHEF data.

State Support for Higher Education With and Without Stimulus, FY08-10 (Figs #10-12)



Source: WICHE analysis of SHEEO SHEF data.

State Support for Higher Education With and Without Stimulus, FY08-10 (Figs #13-15)



Source: WICHE analysis of SHEEO SHEF data.

Higher Education Budget Cuts for FY 2011 for Selected States

Hawaii	26.0%
Idaho	7.8%
Montana	4.5%
Nevada	20.0%
Oregon	8.9%
Utah	13.5%
Washington	6.3%

Sources: University of Hawaii Manoa Chancellor's Office; *Idaho Statesman* (4.6.2010); *Missoulian* (4.29.2010); *Las Vegas Sun* (2.2.10); National Conference of State Legislatures; *Portland Business Journal* (10.2.09); *Deseret News* (4.1.2010); University of Washington Office of External Affairs.

What is a state legislator to do?



They increased tuition

Alaska	10%
Arizona	16-20%
California	32%
Colorado	7-9%
Idaho	8.7-9.5%
Nevada	10%
North Dakota	3.5%
South Dakota	4.6%
Utah	6-12.5%
Washington	14% and 7%

Sources: *Fairbanks Daily News-Miner* (5.6.2010); *Azcentral.com* (3.12.2010); California Postsecondary Education Commission; *Denver Post* (3.29.2010); *Idaho Statesman* (4.6.2010); *Missoulian* (4.29.2010); *Reno Gazette-Journal* (4.17.10); National Conference of State Legislatures; *Argus Leader* (4.15.09); *Deseret News* (4.1.2010); *Seattle Times* (5.6.2010).

They cut financial aid

- New Mexico (HB 3): Eliminates over 80 percent of support to the College Affordability Endowment Fund, which provides need-based scholarships to students who do not qualify for other state grants or scholarships (November 2009).
- Utah (SB 132): Modifies the New Century Scholarship and tightens its standards.
 - Funded on a per year basis.
 - Students must graduate with a 3.5 GPA or higher or achieve an ACT score of 26 or higher (when GPA is not available).
 - Students can no longer double-dip into both the New Century Scholarship and the Regents Scholarship.
 - Deadline for all materials is shortly after high school graduation.

They cut financial aid

- ◎ Washington (Governor's budget)
 - State Work Study: Cut by about 30 percent.
 - Other financial aid programs reduced or suspended:
 - Health Professional Loan and Scholarship Program
 - Educational Opportunity Grant Program
 - Future Teachers Conditional Scholarship
 - Washington Scholars
 - Washington Award for Vocational Excellence (WAVE)

But not everywhere...

- Alaska (SB 221): Creates a merit-based aid program.
 - Defines the curriculum required for students to successfully complete.
 - Joint Legislative Higher Education Scholarship Funding Task Force will examine higher education costs and identify how best to provide financial aid (report to Legislature by Dec. 1, 2010).
 - Advisory Task Force on Higher Education and Career Readiness will prepare written recommendations to improve remediation, retention and graduation rates.
 - Increases existing Alaska Advantage need-based grants from \$2,000/year to \$3,000/year.

But not everywhere...

- Idaho (HB 615): Allows taxpayers to designate income tax refunds or donations to the Opportunity Scholarship Program Account.
- Washington (SB 6409): Creates the Washington Opportunity Pathways Account, which will come from lottery account money and serve to fund innovations and scholarships in education (need-based financial aid).
- Wyoming (HB 1): Funds a study on the long-term effects of the Hathaway program on high school students.

But not everywhere...

- ◉ South Dakota (HB 1160): Provides other options for students, who do not meet the regular high school course-taking requirements, to qualify for the Opportunity Scholarship (ACT or SAT).
- ◉ South Dakota (HB 1190): Revises high school course requirements necessary to maintain eligibility for the Opportunity Scholarship by allowing students to earn qualified academic core content credit by completing approved career and technical education courses.
- ◉ South Dakota (HB 1240): Creates the structure for a need-based grant fund that may qualify the state for matching federal funds under the Leveraging Educational Assistance Partnership (LEAP) program.

They increased autonomy over finances (or at least tried to)

- Colorado (SB 3): Provides more tuition flexibility.
 - Allows colleges to raise tuition up to 9 percent per year (higher increases with approval from CCHE).
 - In return, colleges must make financial aid available to more students.
- Washington (SB 6562): Would have allowed the University of Washington, Western Washington University, and Washington State University to set resident undergraduate tuition rates from 2011 to 2018 without the Legislature's approval (with certain restrictions).

Recognized military personnel and veterans

- Arizona (HB 2398): Provides in-state tuition for veterans (held in committee).
- California (AB 2159): Provides resident classification for members of the armed forces (held in committee).
- Hawaii (HB 451): Grants tuition waivers to veterans, family members, and dependents (held over from 2009).

Recognized military personnel and veterans

- Idaho (SB 1367): Provides resident student status to veterans (and in some circumstances their dependents) who move to Idaho for the purpose of establishing domicile.
- New Mexico (SB 134): Extends the time which honorably or medically discharged veterans can apply for a Legislative Lottery Scholarship to attend state educational institutions after their completion of service.

Despite high hopes for adult learners, nothing really happened



Some other interesting legislation

- California (AB 1917): Requires the California Community Colleges to establish a statewide system for improving transfer rates (held in committee).
- California (AB 2302): Requires the three public systems to jointly develop ways to improve student transfer and requires them to create a transfer degree that would guarantee its recipients third-year status at CSU or UC (held in committee) .
- California (AB 2449): Establishes financial incentives to reward community colleges that succeed in improving their students' course completion rates (held in committee).
- Washington (2SHB 2119): Expands dual credit opportunities.

Future Trends (Dare we say predictions?)

- ◎ Funding on the basis of completions
 - Adopted by the Board of Regents (Louisiana, Ohio)
 - Complete College Tennessee Act of 2010
 - States to watch: California, Colorado, Texas, Washington
- ◎ Even more attention to military personnel and veterans
- ◎ The repeal of term limits in Arizona (HCR 2029)?!
- ◎ Next year won't be any easier...

For More Information

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