

**PRELIMINARY BOARD WORK SESSION AGENDA**  
 Pierce College, College Center Building, Multipurpose Room "A"  
 1601 – 39<sup>th</sup> Avenue SE, Puyallup 98374  
 June 23, 2009

<b>9:00</b>	<u>Welcome and Introductions</u>	<u><b>Tab</b></u>
	<ul style="list-style-type: none"> <li>• Jesus Hernandez, Chair</li> <li>• Michelle Johnson, Chancellor, Pierce College District</li> </ul>	
	<u>Executive Committee</u> Jesus Hernandez, HECB chair	
	<b>Approval of May Meeting Minutes</b>	<b>1</b>
<b>9:15</b>	<u>Report of the Executive Director</u>	
	Ann Daley will present an update on agency programs and activities.	
<b>9:30</b>	<u>HECB Plan for the Next Six Months</u>	
	<ul style="list-style-type: none"> <li>• <b>Planning Schematic Framework</b></li> </ul>	<b>2</b>
	<ul style="list-style-type: none"> <li>• <b>Guiding Questions and Principles</b></li> </ul>	<b>3</b>
	<ul style="list-style-type: none"> <li>• <b>Key Projects and Work Plans</b></li> </ul>	<b>4</b>
	<ul style="list-style-type: none"> <li>• <b>July – December 2009 Key Board Activities</b></li> </ul>	<b>5</b>
<b>12:00</b>	Board Lunch	
<b>1:00</b>	<u>Looking Ahead at the Next Biennium</u>	
	<ul style="list-style-type: none"> <li>• <b>June Economic Revenue Forecast</b></li> </ul>	<b>6</b>
	<ul style="list-style-type: none"> <li>• <b>Higher Education Funding Patterns</b></li> </ul>	<b>7</b>
<b>3:00</b>	Adjournment	

## 2009 MEETING CALENDAR

DATE	MEETING	LOCATION
January 23, Fri 9:00 – 5:00	Regular Board Meeting	State Investment Board
February 17, Tue 9:00 – 12:00	Advisory Council Meeting	State Investment Board
February 17, Tue 1:00 – 5:00	Regular Board Meeting	
March 26, Thu 9:00 – 5:00	Regular Board Meeting	State Investment Board
May 12, Tue 9:00 – 12:00	Advisory Council Meeting	State Investment Board
May 12, Tue 1:00 – 5:00	Regular Board Meeting	
June 23, Tue 9:00 – 3:00	Board Work Session	Pierce College Puyallup
July 28, Tue 9:00 – 4:00	Regular Board Meeting <i>(Joint Meeting with SBCTC, 2:00-4:00 p.m.)</i>	Clover Park Technical Bldg 3
Aug. 27, Thu 8:00 a.m. – 5:00 p.m.	Board Retreat	SSCC Georgetown Campus Gene J. Colin Bldg.
September 29, Tue 10:00 – 12:00	Advisory Council Meeting	Seattle University Student Center 160
September 29, Tue 1:00 – 4:00	Regular Board Meeting	
October 27, Tue 10:00 – 12:00	Advisory Council Meeting	UW Tacoma Assembly Hall
Oct. 27, Tue 1:00 – 4:30	Regular Board Meeting	
November 19, Thu 9:00 – 5:00	Regular Board Meeting <i>(Joint Meeting with WTECB, 9:00 -12 noon)</i>	Renton Technical College Business Technology Bldg (H103-104)
December 15, Tue 9:00 a.m. – 5:00 p.m.	Regular Board Meeting	Highline Community College Bldg 8, Mt. Constance Room

June 2009

## Draft Minutes of May 12, 2009 Board Meeting

### Board members present

Charley Bingham  
Ethelda Burke  
Gene Colin  
Roberta Greene  
Bill Grinstein

Earl Hale, Vice Chair  
Jesus Hernandez, Chair  
Nita Rinehart  
Sam Smith

### Welcome and introductions

Chairman Jesus Hernandez opened the meeting at 9:00 a.m. and asked the Board and the members of the audience to introduce themselves. Board members Gene Colin and Bill Grinstein joined by phone.

### Consent agenda items approved

- **March meeting minutes**
- **New Degree Program for Approval: UW Tacoma, Bachelor of Arts in Healthcare Leadership (*Resolution 09-07*)**

<p><b>Action:</b> Roberta Greene moved for approval of the consent agenda items. Gene Colin seconded the motion, which was unanimously approved.</p>
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### Report of the Executive Director

- The Guaranteed Education Tuition (GET) committee established a new unit price of \$101 for 2009-2010, the biggest one-year increase in the program's history. (The price of a GET unit was \$76 during 2008-09.) The new price will be in effect through March 31, 2010, unless further adjustments are warranted. The committee approved the increase to keep up with rising tuition and to ensure the program's long-term financial viability. The GET committee also approved a new policy allowing parents with babies up to one-year old to buy tuition credits year-round, beginning Sept. 15, 2009.
- The agency's student financial assistance division is busy with marketing and outreach activities.
  - ✓ The annual statewide student aid workshops are being held in Yakima, Spokane, Seattle, and Centralia. Aid administrators from the 68 institutions that participate in the State Need Grant program will attend.
  - ✓ College Bound has over 13,000 new sign-ups to date. Last year 16,500 were received by the year's end.

- ✓ Passport for Foster Youth program - two successful training events were held last week in eastern and western Washington for institutions and other providers of services for foster youth.
- ✓ The annual Washington Scholars day will take place on May 20. About 500 are expected to attend, including: students, parents, high school principals, and legislators. Governor Gregoire is the featured speaker at the luncheon.
- Daley attended a SHEEO meeting sponsored by the Lumina Foundation and HCM Strategists to discuss Pres. Obama's higher education agenda to promote college access and completion through stimulus funding and the federal budget.
- Continuing her outreach effort in-state, Daley presented the master plan implementation and system design plan to the Ellensburg Chamber of Commerce. She was interviewed on TVW by Austin Jenkins and by Dori Monson on the radio, to talk about higher education budgets and funding, tuition, and the College Bound Scholarship Program.

### **Advisory Council Meeting**

Council members present:

Sheila Fox, SBE

Charlie Earl, SBCTC

Madeleine Thompson, WTECB

Mark Emmert, research institutions

Jim Fridley, four-year faculty

John Paul Johnston, proprietary schools

Violet Boyer, independent colleges

Sandra Schroeder, two-year faculty

Hernandez affirmed the HEC Board's resolve to work closely with the Advisory Council. He welcomed the newest Council member representing the proprietary schools, John Paul Johnston, president of the Divers' Institute of Technology.

Charlie Earl, Advisory Council co-chair and executive director of the State Board for Community and Technical Colleges (SBCTC) announced that the State Board has approved a 7 percent tuition increase for the two-year colleges. He mentioned that the Integrated Basic Skills training offered by the two-year colleges was cited by Pres. Obama as an example of innovation in Washington State higher education.

### **Legislative Perspective: 2009 Session Higher Education Issues**

State legislators who play a prominent role in setting higher education policy shared their views on the 2009 session and the future of higher education funding:

- Sen. Derek Kilmer, chair, Senate Higher Education and Workforce Development Committee
- Rep. Deb Wallace, chair, House Higher Education Committee
- Rep. Glenn Anderson, ranking minority member, House Higher Education Committee

#### **Sen. Derek Kilmer:**

*If we are going to achieve master plan goals, we must realize that the economy will get better and grow again... and in the meantime, we need some help thinking about how we grow our system of higher education. To me there are three important questions: (1) how do we grow; (2) where do we grow; and (3) in what do we grow?*

*As we consider tuition policy for the future, our work must be linked carefully to the implications of tuition increases on financial aid and on the GET program, so GET remains solvent and the state does not end up on the hook. We need the HECB and all of its expertise brought to bear on these issues; we need your help thinking about this. We won't get out of the economic mess we are in unless higher education is part of the solution.*

**Rep Deb Wallace:**

*Democrats and Republicans alike have spent the last year focusing on how to implement the strategic master plan. We have been talking about access, delivery, accountability, and governance issues. We will have more discussion about what we can do overall to make higher education more affordable. We need to consider issues like tuition flexibility.*

*Continuing discussion on performance agreements will get us to the point where we are measuring outcomes and have agreement about where we are going. We need a better understanding about what accountability means... how do we measure it? We need to tie accountability more closely to the master plan.*

*Senate Bill 5973 addresses the education achievement gap, and although this is focused on the K-12 system, K-12 improvement, and college outreach represent an important part of our strategic master plan. I think we (higher education) should consider creating a work group.*

**Rep. Glenn Anderson:**

*It's important to plan for what comes next. The next state budget will be facing cuts equal to what were originally proposed in this session; cuts this year that were mitigated by the federal stimulus funds, transfer of capital funds and unfunded pension obligations. However, when we start the next budget with a \$6 billion deficit and a stable resource base, we will be just where we were this year.*

*The same influences that are causing the slow collapse of the newspaper industry should be considered in the way we make public investments in infrastructure. The higher education community should look more broadly than just at technology – consider the changing demographics, the widening gap in affordability, the way financial aid grants dissipate as the pool expands.*

*There is a strong commitment to what higher education offers: personal growth, a liberal education, and also economic development opportunities. However, there is a gap between the institutions' perception of what they provide and what the public recognizes. If we want to sell the value of higher education to the public, there must be shared sacrifice and change of behavior.*

**HECB's Role: Technology Transformation Task Force**

Rep. Reuven Carlyle, member of the Technology, Energy & Communications Committee and House Higher Education Committee, shared his vision for technology improvement in higher education. Carlyle, sponsor of the bill to create a Technology Transformation Task Force for higher education, said *greater consistency is needed in "back-end" administrative computing systems. Higher education has been focused on back-end systems, with each institution developing different solutions to a set of common needs. Instead, higher education needs to shift its thinking to the front end.*

The task force, which will be chaired by the HECB, is charged with improving the efficiency, effectiveness and quality of education through the strategic use of technology. It will deliver an interim report in December 2009, and a final plan with recommendations in December 2010.

Carlyle said the task force should:

- Conduct a technology audit (look at all the systems, who's got the best, how to share, etc);
- Design a strategy for a coordinated system and coordinated requests (the two- and four-year silos need to come down);
- Provide a reasonable access for students to the course materials (open courseware for all state higher education students; sit down in partnership with instructors outside of textbooks; convert to common course numbering); and
- Look at the spirit of the law rather than the letter of the law.

### **System Design Plan: Information and Discussion**

Earl Hale, co-chair of the System Design Plan study group, provided an overview of work being conducted by staff and partners on the Plan, authorized in the 2009 legislative session. Hale said the System Design Plan is the next logical step in implementing the recommendations of the 2008 Strategic Master Plan, and that long-range planning remained a high priority for the state's four-year institutions, especially in a time of diminished resources.

*"The focus of this project is mostly on bachelor's and graduate education...how to build out the capacity of the system to produce increased numbers of students with degrees. We're looking holistically at the implications of changing demographics and how these will affect the development of new campuses, branch campuses, centers and other initiatives, such as bachelor's degrees offered by community colleges."*

The Plan will be based on research and analysis conducted by the best brains in the higher education community. The Study Group, which Earl co-chairs with John Gardner, WSU vice president for economic development, is made up of provosts and college presidents and four members of the HECB. A Steering Committee composed of business and civic leaders will provide non-institutional perspective that can augment and guide the work of the Study Group. HECB Deputy Director for Policy, Planning and Research, Jan Ignash, is leading the study with help from an informal interagency network of research staffs.

Daley invited the Advisory Council to the meetings of the system design study group, reiterating the Board's desire to engage the Council on its work. She said the study presents an opportunity to bring together the various pieces discussed earlier by the legislators – the technology study, tuition policy study, and the budget reality – and to come up with a system that makes sense.

The study group's meeting calendar and work product to date, including demographics and census data, are posted online at: [www.hecb.wa.gov/research/issues/SystemDesignStudyPage1.asp](http://www.hecb.wa.gov/research/issues/SystemDesignStudyPage1.asp).

Violet Boyer, president & CEO for the Independent Colleges of Washington, suggested that in order to sustain quality, the broader issue of predictable funding for higher education must be looked into next.

"Clearly we need a system design plan," UW President Mark Emmert agreed. "I just hope you can find a way to do it in the context of the fiscal realities we are looking at – that when state funding goes down, tuition goes up. Unless the tax structure is changed or state share for higher education budget grows, it will be at least a decade before the four-year institutions get back to where they are today," Emmert said.

### Legislative Higher Education Policy and Budget Summary

Staff discussed how legislative higher education policy and budget actions are connected to the state's higher education master plan goals and priorities. Daley reviewed the agency work plan, including project activities spread out through December 2009. At the June meeting there will be a more focused discussion on developing a systemwide, coordinated vision and approach that would connect the various projects and activities within the new fiscal realities – tuition, technology, the system design plan, and other agency projects.

Key provisions of the higher education capital and operating budgets were discussed, including the impact on state financial aid programs, and strategic implications of the budget cuts.

Emmert said the state has crossed the proverbial bridge with respect to higher education funding in the 2009 session. He was referring to HECB budget charts showing that four of the state's six baccalaureate institutions will receive less money from the state for operating expenses than they would from tuition in 2009-2011. The percentage of the total state budget allocated to higher education has been in a long decline, and this year's budget cuts simply accelerated the pace of that decline, especially for the baccalaureate institutions.

Emmert also said,

*“As these charts show, we have reached a point at the UW where tuition is the most reliable, predictable revenue source, and one of the less and always declining portion of our budget is the state funding share. There are many scenarios in which the UW could actually flourish... but they are different than the ones we have historically pursued...and would have implications for higher education in the state of Washington. When you look at the operating and capital budget you have to say we can't operate a world-class research institution using these resources.”*

Emmert said that in addition to tuition, the UW will cope with reduced funding by cutting freshmen and transfer enrollment numbers.

Representatives from the other institutions present at the meeting chimed in.

- Jane Sherman, WSU – we have to reduce the number of graduate students to fund undergraduates; this in turn affects graduate grants and research. We will have to close all our learning centers and pull back everything that is not our central core.
- Ron Dalla, EWU – huge tuition spikes impact students who don't understand it; may not enroll at all.
- Sherry Burkey, WWU – Western received a 29 percent cut from state funding and could be in a worse situation in the next biennium with the loss of stimulus funds. There is a huge demand from students but “we'll lose them if they see lower quality because of funding cuts.”
- Charlie Earl, SBCTC – compensation for staff and faculty and COLA have totally disappeared, on top of student enrollment funding shortfall. Basic education skills training are the first programs to be cut. He said the whole pipeline issue needs to be revisited. Does the transfer system from the two-year colleges to the baccalaureates still make sense? There is a strategic need for transfer but the two-year system needs the universities to have the capacity to receive its students.

- Emmert pointed out that in this funding cycle, the two-year colleges received more state dollars than the four-year institutions. The state appears to be backing out of higher education funding and backing out of four-year higher education, he remarked. “Is it better to bring in more freshmen or to accept transfers?” he asked.

Nita Rinehart said the underlying question is whether higher education is a private good or a public good. “If our goal is faster, cheaper degrees so somebody can get a job, we diminish the opportunity for citizens to contribute.”

Daley agreed. “The more we move to tuition, we are saying we value private good over public good. And I challenge that concept.” There is a huge public good to education, not the least of which is reduced costs to social services.

Hale said that perhaps the answer is different for each of the sectors. Sam Smith ended the discussion with a question left unanswered: “The two year colleges for the public good and the four years for the private good?”

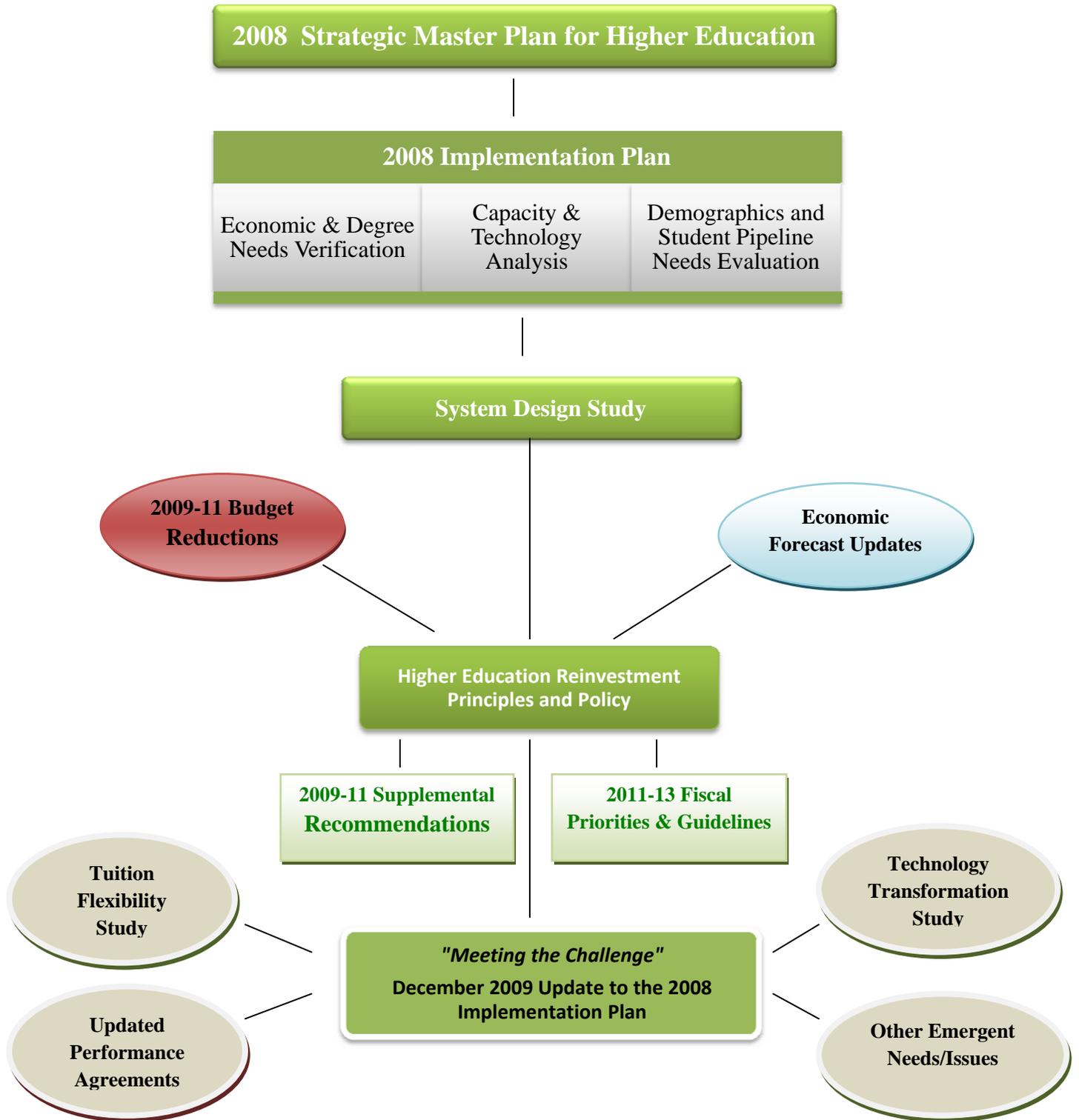
Roberta Greene said it’s probably time to look at funding the various sectors/programs/institutions in different ways.

Charley Bingham emphasized the need to be candid about long-term trends in support of higher education. He said this will force discussions about other alternatives in support of public education.

The **meeting adjourned** at 12:45 p.m.

# Key 2009 HECB Project Activities and Relationship to the Strategic Master Plan for Higher Education

Draft – 5/7/09



Guiding Questions

- **What are the purposes of a public higher education system?**
- **Who benefits from higher education, and who *should* benefit?**
- **When and how can we achieve the Master Plan goals in light of the state's current funding realities (allocation or resources)?**
- **Is the public getting a fair return on its investment in higher education?**
- **How do we leverage investments to produce the greatest value for our students, our faculty, our administration, and the citizens of Washington?**

# 2011-13 HECB Budget Guidelines and Fiscal Priorities

## Summary of Development Process

<b>Month</b>	<b>Action</b>	<b>Responsibility</b>
<b>May 2009</b>	Provide Board with a description of the adopted 2009-11 operating and capital budgets	HECB staff
<b>June 2009</b>	Provide Board with a summary of the June 2009 Revenue Forecast and outlook	Forecast Council
	Discuss cyclical trends of higher education budgets	HECB staff
<b>July 2009</b>	Brief Board on institutional implementation of 2009-11 budget reductions	Institutions and SBCTC
<b>August 2009</b>	Board discussion of priorities for a six-year higher education reinvestment plan and fiscal priorities for the 2011-13 biennium	Board members HECB staff
<b>September 2009</b>	Prepare draft 2011-13 fiscal priorities and budget guidelines	HECB staff HECB Fiscal Committee
	Review draft with stakeholders	HECB staff
<b>October 2009</b>	Review preliminary 2011-13 fiscal priorities and budget guidelines	Board members HECB staff
<b>November 2009</b>	Adopt 2011-13 fiscal priorities and budget guidelines	Board members
<b>December 2009</b>	Disseminate budget guidelines and brief stakeholders	HECB staff

**Tuition Flexibility Study Work Plan**  
**ESHB 2344**

<b>Month</b>	<b>Action</b>	<b>Responsibility</b>
<b>May 2009</b>	Development of draft work plan	HECB staff
	Selection of study participants (i.e. “stakeholders”)	HECB staff
	Identify potential Expert Advisors	HECB staff
<b>June 2009</b>	<ul style="list-style-type: none"> <li>• Review draft work plan with HECB</li> </ul>	HECB staff HECB Education Committee HECB
	<ul style="list-style-type: none"> <li>• Hold first project study meeting               <ol style="list-style-type: none"> <li>1. Review Legislative directive</li> <li>2. Discuss work plan</li> <li>3. Identify primary questions, research needs</li> <li>4. Discuss desired product, outcomes</li> </ol> </li> </ul>	HECB Study Participants
	<ul style="list-style-type: none"> <li>• Begin research and development of policy elements related to the legislative directive</li> </ul>	HECB staff Study Participants
<b>July 2009</b>	<ul style="list-style-type: none"> <li>• Second study project meeting               <ol style="list-style-type: none"> <li>1. Discuss the review of state and national tuition policies</li> <li>2. Identify and evaluate tuition flexibility options</li> </ol> </li> </ul>	HECB staff Study Participants  HECB staff Study Participants Expert Advisors
	<ul style="list-style-type: none"> <li>• Prepare and review draft of tuition flexibility options</li> </ul>	HECB staff HECB Education Committee OFM & Key Legislators
	<ul style="list-style-type: none"> <li>• Third study project meeting               <ol style="list-style-type: none"> <li>1. Review draft of tuition flexibility alternatives</li> </ol> </li> </ul>	HECB staff Study Participants

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<b>August 2009</b>	<ul style="list-style-type: none"> <li>• Prepare preliminary draft of tuition flexibility options report</li> </ul>	HECB staff
	<ul style="list-style-type: none"> <li>• Review draft with Study Participants and other stakeholders</li> </ul>	HECB staff HECB Education Committee OFM & Key Legislators
	<ul style="list-style-type: none"> <li>• Review with HECB</li> </ul>	HECB staff HECB
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<b>September 2009</b>	<ul style="list-style-type: none"> <li>Preliminary final draft of findings and recommendations</li> <li>Review final draft of finding and recommendations</li> </ul>	HECB staff Study Participants HECB Education Committee HECB
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<b>October 2009</b>	Board action	HECB
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<b>November 1, 2009</b>	Report due to legislative committees and governor	HECB staff
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2009-2010 HECB WORK PLAN  
HB 1946 RELATING TO HIGHER EDUCATION ONLINE TECHNOLOGY

Month	Action (Δ = Milestone)	Responsibility	Notes
<b>MAY '09</b>	<b>ESTABLISH TASKFORCE MEMBERSHIP</b>		
	1. Solicit Technology Transformation Taskforce appointees from participating institutions.	HECB	
	2. DRAFT Taskforce Guideline documents	HECB	Guiding questions, organizing principles, timeline, workplan
<b>JUNE '09</b>	<b>KICKOFF/ORGANIZING MEETING</b>		
	1. Convene Taskforce	HECB	1 <sup>st</sup> of 8 <b>face-to-face</b> meetings
	<ul style="list-style-type: none"> <li>• Review SHB 1946 requirements</li> <li>• Select chair from Taskforce membership</li> <li>• Establish organizing principles for Taskforce</li> <li>• Develop/update work plan, issue assignments</li> </ul>	Taskforce Taskforce Taskforce Taskforce	
<b>JULY '09</b>	<b>AUDIT/RESEARCH &amp; ANALYSIS</b>		
	1. Taskforce Meeting	Taskforce Chair	1 <sup>st</sup> of 8 <b>web- based</b> meetings
	<ul style="list-style-type: none"> <li>• Discuss RFP process for independent expert</li> <li>• Organize research areas, assignments and timeline</li> </ul>		
	2. Requests for Proposals for Audit Vendor		
	<ul style="list-style-type: none"> <li>• Draft RFP for independent audit expert</li> <li>• Δ <b>Issue RFP</b> for independent audit expert</li> </ul>	TBD HECB/DIS	
<b>AUG '09</b>	<b>AUDIT/RESEARCH &amp; ANALYSIS</b>		
	1. Taskforce Meeting	Taskforce Chair	2 <sup>nd</sup> of 8 <b>face-to-face</b> meetings
	<ul style="list-style-type: none"> <li>• Research &amp; analysis continued</li> <li>• RFP Update</li> </ul>	TBD TBD	
	2. Review RFP Responses	TBD	
	3. Select Audit Vendor	TBD	
<b>SEPT '09</b>	<b>AUDIT/RESEARCH &amp; ANALYSIS/REPORTING</b>		
	1. Taskforce Meeting	Taskforce Chair	2 <sup>nd</sup> of 8 <b>web- based</b> meetings
	<ul style="list-style-type: none"> <li>• Presentation re: Audit Process</li> <li>• Research &amp; analysis continued</li> </ul>	Audit Vendor Taskforce	September 29 <sup>th</sup> , Seattle University ( <b>tentative</b> )
<b>29th</b>	2. Δ <b>Present interim status report to HEC Board</b>	TBD	
<b>OCT '09</b>	<b>AUDIT/RESEARCH &amp; ANALYSIS</b>		
	1. Taskforce Meeting	Taskforce Chair	3 <sup>rd</sup> of 8 <b>face-to-face</b> meetings
	<ul style="list-style-type: none"> <li>• Research &amp; analysis continued</li> <li>• Audit Update</li> </ul>	Taskforce Audit Vendor	

2009-2010 HECB WORK PLAN  
HB 1946 RELATING TO HIGHER EDUCATION ONLINE TECHNOLOGY

<b>NOV '09</b>	<b>AUDIT/RESEARCH &amp; ANALYSIS</b>		
	1. Taskforce Meeting	Taskforce Chair	3 <sup>rd</sup> of 8 <b>web- based</b> meetings
	• Research & analysis continued	Taskforce	
	• Audit Update	Audit Vendor	
<b>DEC '09</b>	<b>AUDIT/RESEARCH &amp; ANALYSIS/REPORTING</b>		
	1. Taskforce Meeting	Taskforce Chair	4 <sup>th</sup> of 8 <b>face-to-face</b> meetings
	• Research & analysis continued	Taskforce	
	• Audit Update	Audit Vendor	
<b>1st</b>	2. <b>▲ Preliminary report delivered to legislature</b>	TBD	<b>Time &amp; Location TBD</b>
<b>JAN '10</b>	<b>VISIONING</b>		
	1. Taskforce Meeting	Taskforce Chair	4 <sup>th</sup> of 8 <b>web- based</b> meetings
	• Research & analysis continued	Taskforce	
	• Audit Update	Audit Vendor	
	2. <b>▲ Audit Report Due</b>	Audit Vendor	
<b>FEB '10</b>	<b>VISIONING</b>		
	1. Taskforce Meeting	Taskforce Chair	5 <sup>th</sup> of 8 <b>face-to-face</b> meetings
<b>MAR '10</b>	<b>VISIONING/RECOMMENDATIONS</b>		
	1. Taskforce Meeting		5 <sup>th</sup> of 8 <b>web- based</b> meetings
<b>APR '10</b>	<b>VISIONING/RECOMMENDATIONS</b>		
	1. Taskforce Meeting	Taskforce Chair	6 <sup>th</sup> of 8 <b>face-to-face</b> meetings
<b>MAY '10</b>	<b>RECOMMENDATIONS</b>		
	1. Taskforce Meeting	Taskforce Chair	6 <sup>th</sup> of 8 <b>web- based</b> meetings
<b>JUNE '10</b>	<b>RECOMMENDATIONS</b>		
	1. Taskforce Meeting	Taskforce Chair	7 <sup>th</sup> of 8 <b>face-to-face</b> meetings
<b>JULY '10</b>	<b>RECOMMENDATIONS</b>		
	1. Taskforce Meeting	Taskforce Chair	7 <sup>th</sup> of 8 <b>web- based</b> meetings
<b>AUG '10</b>	<b>RECOMMENDATIONS</b>		
	1. Taskforce Meeting	Taskforce Chair	8 <sup>th</sup> of 8 <b>face-to-face</b> meetings
	2. Draft Final Report	TBD	
<b>SEP '10</b>	<b>RECOMMENDATIONS</b>		

2009-2010 HECB WORK PLAN  
 HB 1946 RELATING TO HIGHER EDUCATION ONLINE TECHNOLOGY

	<ol style="list-style-type: none"> <li>1. Taskforce Meeting</li> <li>2. Final Report – First Revision</li> </ol>	Taskforce Chair	8 <sup>th</sup> of 8 <b>web- based</b> meetings
<b>OCT '10</b>	REPORTING		
	<ol style="list-style-type: none"> <li>1. Taskforce Meeting (optional)</li> <li>2. Final Report – Second Revision</li> </ol>	Taskforce Chair	Optional meeting if required
<b>NOV '10</b>	REPORTING		
	<ol style="list-style-type: none"> <li>1. Taskforce Meeting (optional)</li> <li>2. <b>Final Report Complete</b></li> </ol>	Taskforce Chair	Optional meeting if required
<b>DEC '10</b>	REPORTING		
	<ol style="list-style-type: none"> <li>1. <b>Δ</b> Final report to legislature on Taskforce findings and recommendations (12/1/2010)</li> </ol>	Taskforce Chair	<b>Time &amp; Location TBD</b>

**Key HECB Project Reporting Activities**  
**June 2009 – December 2009**  
*Draft – 5/19/09*

<b>Project/Activity</b>	<b>June 09</b>	<b>July 09</b>	<b>Aug 09</b>	<b>Sep 09</b>	<b>Oct 09</b>	<b>Nov 09</b>	<b>Dec 09</b>
<b>System Design Study</b>							
Status Report	█		█				
Preliminary Findings and Recommendations					█		
Final Recommendations						█	
<b>Tuition Flexibility Report</b>							
Preliminary Findings and Recommendations					█		
Final Recommendations						█	
<b>Technology Transformation Task Force</b>							
Status Report				█			
Initial Report/Plan						█	
<b>College Access Portal Plan</b>							
Preliminary Findings and Recommendations					█		
Final Recommendations						█	
<b>Revitalizing Student Financial Aid (Branding)</b>							
Status Report				█			
<b>Performance Agreements</b>							
Status Report		█					
Institutional Performance Target Reports						█	
HECB Report Consolidation and Summary							█

**Key HECB Project Reporting Activities**  
**June 2009 – December 2009**  
*Draft – 5/19/09*

<b>Project/Activity</b>	<b>June 09</b>	<b>July 09</b>	<b>Aug 09</b>	<b>Sep 09</b>	<b>Oct 09</b>	<b>Nov 09</b>	<b>Dec 09</b>
<b>HECB 6-Year Higher Education Reinvestment Policy</b>							
Reinvestment Principles and Priorities							
<b>2011-2013 Budget Guidelines and Fiscal Priorities</b>							
Preliminary Guidelines and Fiscal Priorities							
Final Guidelines and Fiscal Priorities							
<b>2009-2011 Supplemental Budget Recommendations</b>							
Summary of Requests							
Preliminary Recommendations							
Final Recommendations							
<b>“Meeting the Challenge” – Interim Update to the 2008 Strategic Master Plan</b>							

**Other Key Higher Education Study Activities**  
**June 2009 – December 2009**  
*Draft – 5/3/09*

<b>Project/Activity</b>	<b>June 09</b>	<b>July 09</b>	<b>Aug 09</b>	<b>Sep 09</b>	<b>Oct 09</b>	<b>Nov 09</b>	<b>Dec 09</b>
<b>GET Actuarial Study</b>							
Status Report (Office of State Actuary)							
Report of Findings (Office of State Actuary)							
<b>JLARC Baccalaureate Institutions Performance Audit</b>							
Status Report (JLARC)							
Final Report - Due December 2010							

# Washington State Economic Outlook & Revenue Collection Experience

Presented to  
Economic & Revenue Forecast Council

Arun Raha  
Chief Economist & Executive Director

June 5, 2009  
Olympia, Washington



**Washington State Economic and Revenue Forecast Council**



## Summary

- We expect the recession will trough in the 3<sup>rd</sup> quarter, followed by weak growth until mid-2010
- Our current outlook is modestly weaker than in March
- Washington's economy will recover at the same time as the nation
- Job losses in the state are expected to continue through the end of 2009
- The unemployment rate is expected to continue to rise into 2010
- Collections to date are weaker than our March forecast

Arun Raha  
Economic Review  
5 Jun 2009

Slide 1

Washington State Economic and Revenue Forecast Council



## The recession trough is in sight

State Revenues will recover only after the economic recovery gains traction - some time in the first half of 2010



**Housing bubble bursts** - sub-prime mortgage defaults trigger a credit crisis, bear market

**Economy in recession** - job losses; consumer and business spending falls

**Recession trough in sight** - rate of decline in activity slows or levels off, equity markets recover, initial jobless claims peak

**Recession trough** - expected in Q3; activity turns around, but job losses continue

**Slow recovery** - job losses level off, but the unemployment rate keeps rising; housing will be late to recover

Arun Raha  
Economic Review  
5 Jun 2009

Slide 2

**We are here**

Washington State Economic and Revenue Forecast Council

**Economic & Revenue Forecast Council  
State of Washington**

**Economic Review: June 5, 2009**

**Executive Summary**

- The worst of the "Great Recession" is behind us. Activity continues to decline, but at a slower pace, bringing to an end the scary free-fall we experienced in the late fall and winter. We continue to expect that both the national and Washington economies will trough in the third quarter. Job losses will continue through the end of the year, and the unemployment rate will rise into the second quarter of 2010.
- Credit conditions have eased significantly since the freeze in September. Inter-bank lending spreads have come down to earth. Consumers with good credit scores now have access to reasonably priced credit. Large corporations with strong balance sheets are also able to access funds directly through the bond market. Credit, however, still remains tight for small businesses especially in construction related activities.
- We are seeing the first tentative signs that the trough of the recession is near. Equity markets, forward looking by nature, turned up early in March – indicating a recession trough within six months. Both housing starts and car sales are now bumping along the bottom. Home sales have ticked up modestly, but home prices are still expected to decline further. Consumer spending appears to have stabilized, albeit at low levels. Initial jobless claims appear to have peaked, indicating that the pace of job losses is receding.
- The recovery is likely to be gradual, or U-shaped, rather than V-shaped. Even with the improvement in the last two months, consumer confidence still remains weak. There is significant idle capacity in the economy, and business investment is very weak. The housing correction is likely to drag out into next year. The automotive sector will take time to get back on its legs. The federal government's plan to clean "toxic assets" from bank balance sheets appears to be faltering again. Banks may now have to deal with the problem through growing profits – a slower process.
- Washington's economy is well positioned to recover at the same time as the national economy. Boeing's order book is full, and Microsoft's balance sheet still quite healthy. But, as with the national economy, the recovery will be slow and U-shaped.
- Initial unemployment claims in Washington appear to have peaked and monthly job losses appear to be moderating. The state's unemployment rate was unchanged in April at 9.1%, its highest level since 1984. But, we expect the state's unemployment rate will continue to rise, even after the recovery is underway, and to peak at 10.6% in the first half of 2010.
- The weakest sectors have been construction, professional and business services, and non-aerospace manufacturing. Residential building employment has been declining since mid-2007. Nonresidential building employment was

flat through October 2008, but since then has also been declining rapidly. Heavy construction is also in decline. The federal stimulus package has yet to affect construction activity in any significant way.

- As is the case nationally, single-family housing permits in the state seem to be leveling off but multi-family housing is hitting new lows. Vacancies in both renter and owner occupied dwellings have been steadily increasing, and housing prices continue to fall. We don't expect construction employment to hit bottom until late in 2010. Many of the jobs created during the boom in this sector have gone away for good.
- Washington's personal income growth is likely to be negative in calendar year 2009. While, this is mainly due to the loss of so many jobs, the bad economy will also restrain wage growth for those who keep their jobs. The tax cuts and increased transfer payments in the stimulus package will keep disposable personal income growth slightly positive in 2009.
- Inflation appears to be moderating in the Seattle area as rents and imputed rents flatten out. Core inflation in Seattle averaged only 0.9% (annual rate) during the first four months of 2009 compared to 3.6% for all twelve months of 2008. We expect core inflation in the Seattle area will be 0.4% for all of 2009.
- Revenue collections since our March forecast have been weaker than predicted. However, in the three months for which we have collection data, we are an estimated USD 10 million below target, mainly because of a large positive variance in last month's property tax collection. The recovery in revenue will lag the recovery in economic activity because consumers need to be more confident of their economic circumstances before they increase their spending levels. We'll have more on this at our June 18, 2009 meeting.

#### **Downside Risks: 15% probability**

- Downside risks have diminished considerably since our March forecast, but remain significant and outweigh upside risks.
- The biggest risk still remains the health of the nation's banking system. Banks were profitable in the first quarter after a long series of losses. However, toxic assets based on housing values still remain on bank balance sheets, and not all the losses have yet been recognized. The treasury's plan to clean bank balance sheets appears to have run into a hitch. Now banks are faced with the prospect of having to grow their earnings enough to cover the losses from these assets. This will slow down the recovery.
- Housing prices are still declining, and that makes it harder to value the toxic assets on bank balance sheets or for banks to recognize the losses.
- The global economy is in recession, and Washington is a trade dependant state. Exports will support our recovery only late in the cycle, because our customers' economies tend to recover with a six-month lag to the nation's.

- Fears of deflation have eased. But with the amount of liquidity that has been pumped into the economy, there is always a risk of inflation. However, inflation expectations are "well anchored," which means the risk of inflation is low, even with the injection of liquidity. If expectations become "unanchored" and we get an uptick in inflationary pressures, then the Federal Reserve may be compelled to raise interest rates earlier than planned, further slowing the recovery.
- Policy errors.

**Upside Risks: 10% probability**

- The banking sector returns to health sooner than expected.
- Consumer and business confidence returns earlier than expected. It is hard to predict when market psychology changes following a crash, and what triggers that change. Our baseline expects a gradual return of confidence at the same pace as the economy. If confidence returns quicker, the recovery will come quicker.
- Commodity prices do not strengthen too fast as the recovery gets underway.
- Good policy.



June 2009

## Higher Education Funding Cycle

The attached charts illustrate the relationship between state funding for public higher education institutions and the tuition increases experienced by resident undergraduates attending those institutions. Biennia in which recessions occur are shaded. These charts are aggregated by sector of institution.

### **Chart 1: Research Institutions**

### **Chart 2: Comprehensive Institutions**

### **Chart 3: Community and Technical Colleges**

In general, for all three sectors, when state funds decrease due to economic recession, tuition increases. This represents an increasing offset of the cost of instruction from state support to tuition revenue.

In constant FY 1980 dollars, funding per student for public baccalaureate institutions peaked in the 1989-91 biennium, while community and technical college funding per student has recovered from the same kind of significant declines.

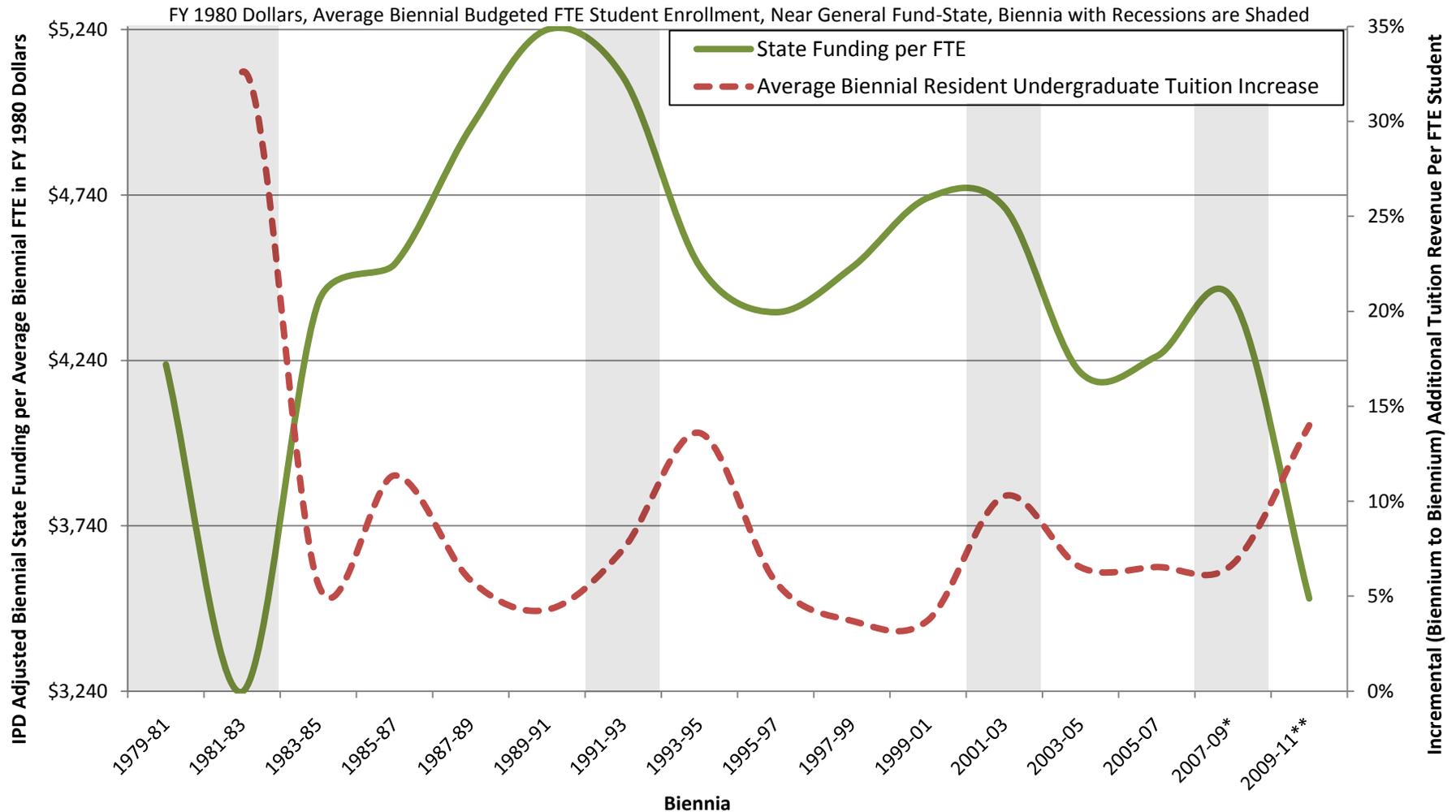
From 1979-81 to 2005-07, state funding is shown as Near General Fund-State actual expenditures. State funding for the current and next biennium is shown at current enacted appropriations levels. All dollar amounts have been adjusted by the implicit price deflator to FY 1980 dollars and represent funding per budgeted full-time equivalent student enrollment.

Resident undergraduate tuition increases are shown as the biennial average of actual resident undergraduate tuition increases. Tuition increases in 2009-11 are shown as the biennial average of the maximum possible tuition increases, and not final institution tuition rates.

# Chart 1

## Research Institutions

### IPD Adjusted State Biennial Funding Per Budgeted FTE for Higher Education as Compared to Average Biennial Resident Undergraduate Tuition Rate Increase



Notes:

\*2007-09 Funding Reflects Appropriation Levels from 2009 Supplemental 2007-09 Operating Budget.

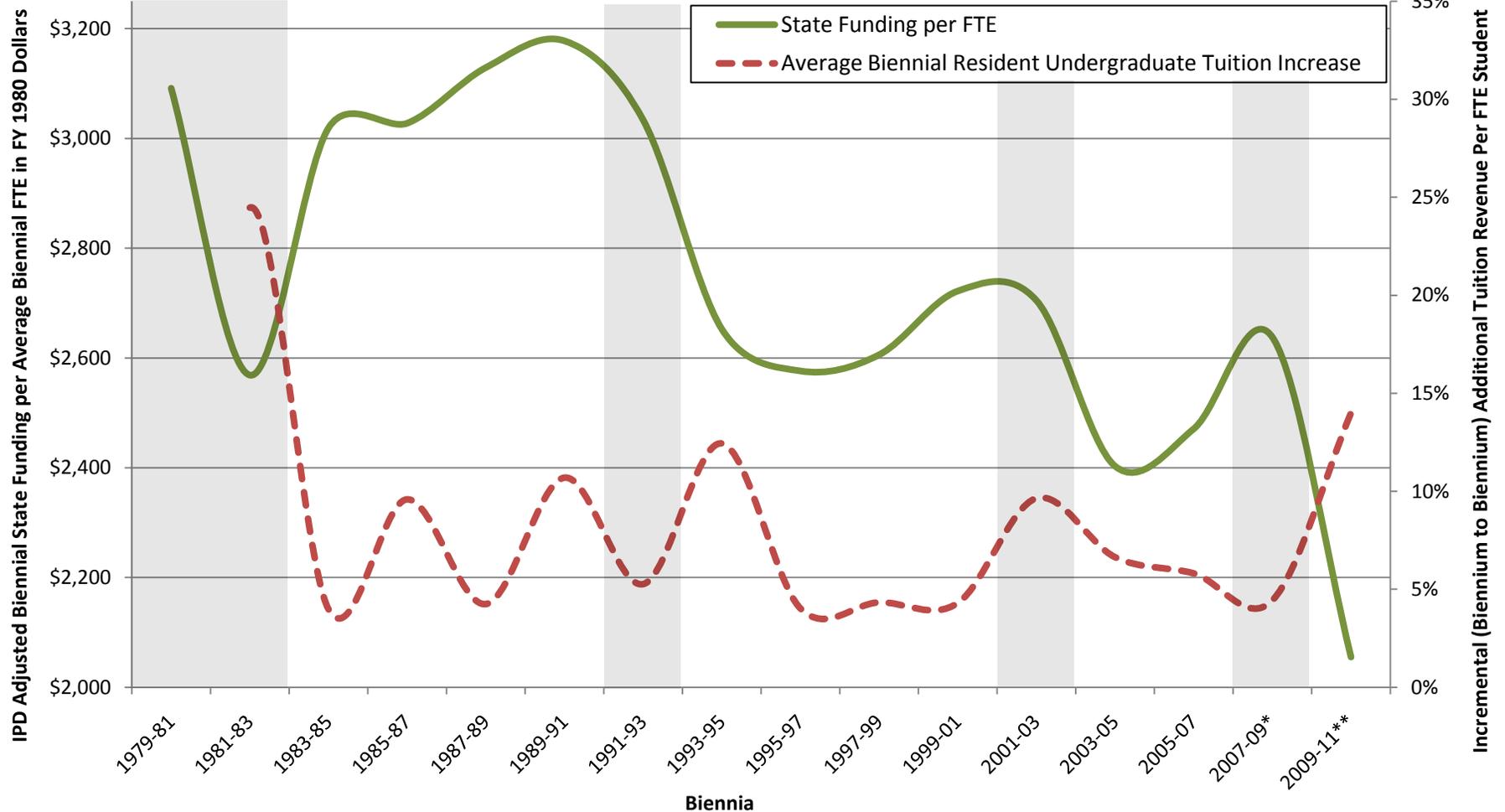
\*\*2009-11 Funding and FTE Levels Reflect Appropriation Levels from 2009-11 Operating Budget as Passed Legislature. 2009-11 Tuition rates are maximum allowable increases under 2009-11 Operating Budget as Passed Legislature.

# Chart 2

## Comprehensive Institutions

### IPD Adjusted State Biennial Funding Per Budgeted FTE for Higher Education as Compared to Average Biennial Resident Undergraduate Tuition Rate Increase

FY 1980 Dollars, Average Biennial Budgeted FTE Student Enrollment, Near General Fund-State, Biennia with Recessions are Shaded



**Notes:**

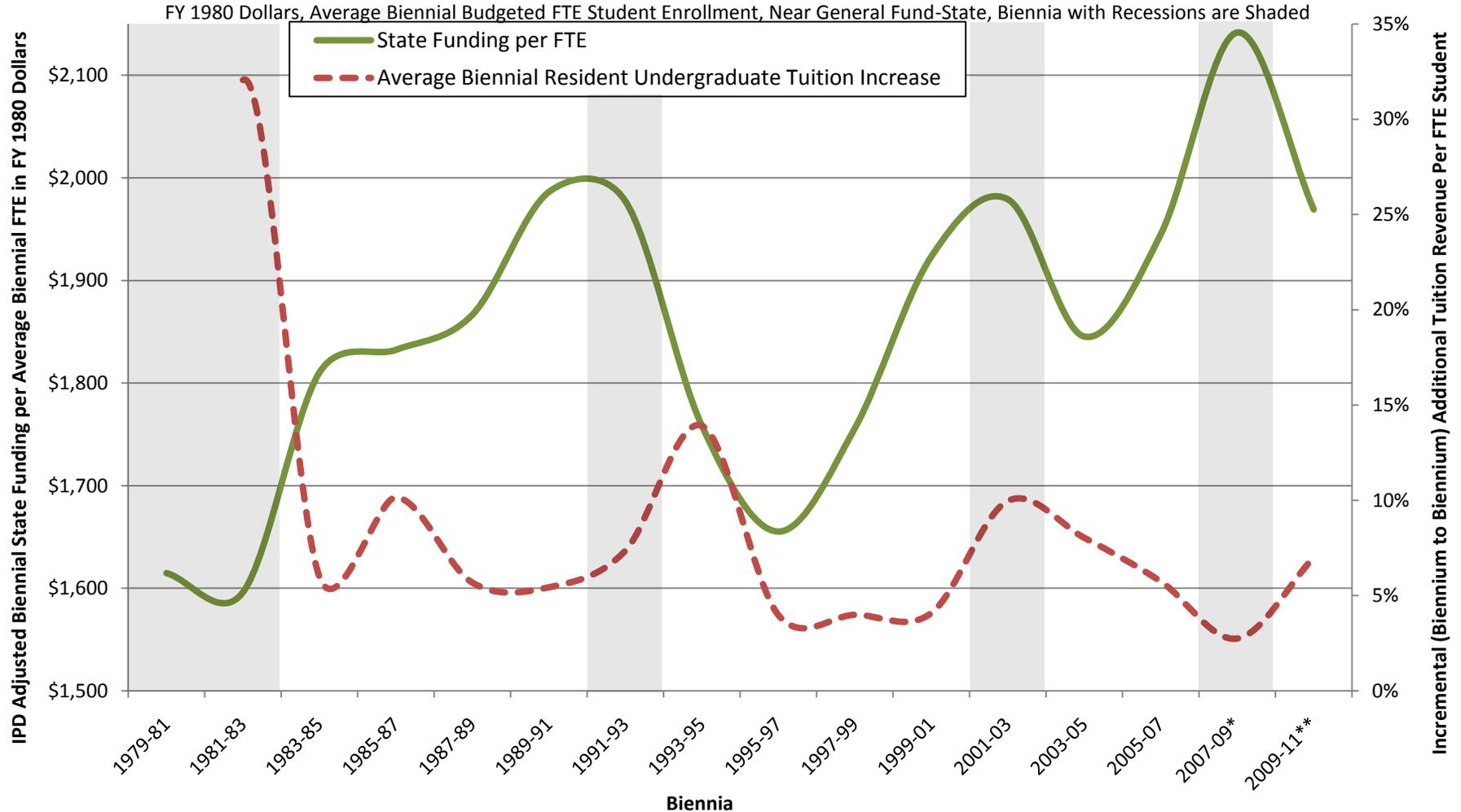
\*2007-09 Funding Reflects Appropriation Levels from 2009 Supplemental 2007-09 Operating Budget.

\*\*2009-11 Funding and FTE Levels Reflect Appropriation Levels from 2009-11 Operating Budget as Passed Legislature. 2009-11 Tuition rates are maximum allowable increases under 2009-11 Operating Budget as Passed Legislature.

# Chart 3

## Community and Technical Colleges

### IPD Adjusted State Biennial Funding Per Budgeted FTE for Higher Education as Compared to Average Biennial Resident Undergraduate Tuition Rate Increase



Notes:

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\*\*2009-11 Funding and FTE Levels Reflect Appropriation Levels from 2009-11 Operating Budget as Passed Legislature. 2009-11 Tuition rates are maximum allowable increases under 2009-11 Operating Budget as Passed Legislature.