Seattle Colleges

Office of the Chancellor

Date: August 13, 2020

To: AFT Seattle Local 1789 Executive Board

From: Shouan Pan and Choi Halladay

Re: Budget Reduction Priorities

Seattle Colleges has been experiencing enrollment decline since 2012. The outbreak of Covid-19 pandemic exacerbated the structural issues we face as an institution. In addition, the economic impact of the pandemic brought wide-spread financial uncertainties that surpass those seen during the 2008-2010 recession. Unfortunately, these changes require budget reduction actions that, in return, cause anxiety and fear among employee groups across the system. We appreciate hearing from AFT Seattle Executive Board and understand the concerns from faculty’s perspective. This letter is sent in response to the major concerns and issues AFT Seattle Local 1789 raised in your letter of August 6, 2020.

Before responding to the specific issues, we want to start by sharing the overall financial picture of our colleges, both in terms of local international funding and the state allocation. At the local level, international student tuition and fees have been a significant source of revenue for our district, but it has been declining rapidly since 2013. At the state level, because we are a state-funded institution, the state’s financial situation, in large part, directly affects the extent, approach, and timing of budget reduction measures we take at Seattle Colleges.

 Because of a combination of many factors, international student enrollment has seen a nosedive across US colleges and universities. For Seattle Colleges, we anticipate a decline of over $8.9 million for 2020-2021. Specifically, the shortfall for Seattle Central is over $5 million, about $2 million for South Seattle, and $1.9 million for North Seattle.

The State of Washington’s operating budget has been hit very hard by the COVID-19 epidemic. The latest estimates from June 17, 2020 are that for the 2019-21 biennium, of which there is only 11 months left, general fund revenues will decrease by $4.5 billion Dollars. Even if the legislature decides to use the entire Budget Stabilization Fund (often called the “Rainy Day Fund”) to help this year, there would still be a shortfall between $1.0 billion and $1.5 billion for the general fund.

We now turn to the four major concerns you raised with regard the work of the Strategic Budget Reduction and Future Planning Task Force.

**Concern 1: The Time Line of the Task Force was unrealistic** It is understandable that some members of the Task Force felt rushed. However, the Task Force was charged to develop a set of Guiding Principles for decision making and to come up with a set of broad, high level budget reduction strategies. In other words, the Task Force was not charged to work though specific budget cuts which would have required much more time. Most importantly, the CEC (Chancellor’s Executive Cabinet) decided to keep an aggressive timeline because we wanted the majority of the employees furloughed for the two (2) July days to benefit from the additional $600/per week Unemployment Incentive during the month of July. The OFM and state WFSE had already reached an agreement that allowed classified employees to participate in furlough days before the Task Force concluded its work. We made sure that our lowest paid classified staff had enough time to apply for this incentive before the offer expired at the end of July. Because of CARE Act relief funds, most furloughed staff members were able to bring home more money by taking the furlough days than not doing so.

**Concern 2: Lack of financial data** To date, we have initiated two cost-cutting measures that impact employees on a large scale: furlough days for all employee groups except the faculty and voluntary early separation incentives (VESI) for all employee groups. Calculating actual savings from either measure would have been difficult beforehand as we could not assume the employee union groups would automatically agree with the measures. We had an obligation to negotiate with the Pro Staff Union for furlough days. In the case of VESI, we needed to reach agreement with both the Pro Staff Union and the AFT-Seattle Local 1789, and wait for OFM approval to offer VESI to the WFSE employees. Longer-term temporary furloughs or permanent layoffs impacted a small number of employees in non-state supported, self-sustaining programs which had no revenue since the pandemic outbreak.

Now with proper authorization from OFM and agreement from the two local labor partners, we can provide more accurate information: the total anticipated district savings from 4 furlough days is $635,000 (see attachment). We will report on savings from VESI in November when we know how many eligible employees sign up and are approved for the program.

In order to provide more frequent budget updates and to improve transparency, we have created a space on the district website ( <https://www.seattlecolleges.edu/strategic-budget-reductions-and-future-planning>) where we will update information on major budget discussions and decisions. We encourage interested employees to visit the page to get the latest district budget updates. We will also soon have the additional information requested by the Task Force available.

**Concern 3: The Task Force’s discussions were too structured** The co-chairs of the Task Force provided a list of cost-cutting options to start the discussion, and these ideas came from SBCTC survey, the 2008-2010 budget reduction task force recommendations, and conversations with college leaders and staff. In addition, it is our understanding that the co-chairs also solicited additional ideas from the Task Force. The work of the Task Force is on hold for now, but any new ideas for cost cutting or revenue generation are always welcomed from any labor partners or individuals.

**Concern 4: Protecting Vulnerable employees did not receive a prominent place in the final report** It is our understanding that members of the Task Force had rigorous discussions about applying equity principles to the recommended cost-saving measures. We also understand that the final wording on this topic was decided by the votes of members of the Task Force. The Task Force’s final report may not capture every view point, but it does reflect the voices of the majority of the Task Force. We want to assure the district community that, in its decision making, the CEC is intent on making sure that all employees are treated fairly and equitably, with no employee group being subjected to disproportionately negative impacts from any cost-cutting actions.

**Additional information on managing the current and future budget reduction:**

We know this is a very challenging time. For the next year or two, the economy, and as a result, our financial situation, is going to be very different from what we thought it would be just a few months ago. We do not have ready answers or necessary solutions to challenges at hand, but we are determined to protect our core strengths and make difficult decisions with a clear focus on equity. For now, this is how we're responding to the situation and planning to move forward:

**Phase I: Addressing Structural Challenges (internal to Seattle Colleges):** Our District Office and three colleges need to address structural issues that are caused by the negative effects of the change to the SBCTC Allocation Model, the recent (pre-Covid 19) dramatic decrease in international student enrollment, and the continued domestic student enrollment decline for the past 8-9 years. The total structural deficit amounts, as needed to cover budgeted status quo expenditures with projected revenue is approximately to $19 million for the District as a whole: $6.5 million for North, $6.5 million for South, and $5.7 million for Central. These deficits are wide spread throughout the colleges.This Phase ofreduction has started and is expected to go through the end of 2020 and beginning of 2021.

**Phase II: Addressing Covid-19 Induced Budget Deficit (state cuts)**

The Governor has already started direct budget cutting measures such as furloughs and caps on COLAs at his directly controlled state agencies, and has advised other agencies such as higher education institutions to take similar expenditure reduction actions. While state community colleges, as per law, were allocated the full amount of general funds that the legislature passed in March, it is highly likely that higher education institutions will face a disproportionally high amount of mid-year budget cuts because such a high percentage of the state’s general fund is used for constitutionally or legally protected expenditures.

Although the OFM has instructed state agencies and SBCTC to prepare for a 15% reduction in state allocation, the legislature has not met to formalize this cuts and it is not anticipated to meet and make reduction decisions until after the November election (likely convening in January 2021). We have started outreach to King County elected officials to request that they protect funding for community and technical colleges, and we will strengthen our advocacy in the months leading to convening of the legislature.

However, the possibility of a 15% general fund reduction only tells part of the story. The Workforce Education Investment Act, which instituted a new Business and Occupation tax in order to pay for the Washington College Grant and provide additional funding for higher education institutions, was running a deficit even prior to COVID-19 and the new revenue projections are even more challenging. It is likely as this continues that the cut to the WEIA funds will be even greater than 15%. If the 15% state reduction becomes a reality, Seattle Colleges is likely to suffer another $7.8 million reduction: South’s cut is projected at $2.6, North at $2.8, and Central at $2.4. Taken together, the WEIA and general fund reduction for the Seattle Colleges could reach $10 million dollars or more. Reductions related to Phase II, if necessary, are likely to occur in late January and last through the remainder of 2021.

**What Executive Leaders are doing to help with the financial challenges**

There are currently 20 individuals classified as **administrators** at Seattle Colleges, from associate vice president, to vice presidents, presidents, associate vice chancellors, vice chancellors, and chancellor. In addition to participating in the furlough days, all 20 administrators elected not to receive their COLA increases for FY 20-21, resulting in an annual decrease of 8% to their salaries (including furlough days). The chancellor volunteered to reduce his salary by 13% plus no COLA adjustment which was formalized at the June Board meeting. The total give back from this group amounts to $146,058.

The District Office provides support services to colleges, including payroll/finance, HR, IT, Academic and Student Support, International Programs, Seattle Colleges Foundation, Governmental Relations, Legal compliance, etc. Except for fixed costs, all divisions within the Siegel Center are planning budget cuts ranging from 9% to 20%.

In addition, approximately 40 mid- and upper-middle administrative positions have been eliminated or left unfilled throughout the district over the past few years, including 2 in IT Division, 5 in International Programs, 1 in Human Resources, 1 in Academic and Student Success, 2 in Foundation, 8 at Central, 18 at South, and 3 at North.

Your letter also raised questions about ASI. It is more appropriate that we address the topic in a different conversation because this letter is getting too long. We know the ASI work in the IT area has put us in a much stronger position to quickly pivot to online instruction and remote operations.

As we conclude this letter, we want to express our appreciation for your letter and for your thoughtful suggestions for moving forward. The administrative team and AFT Seattle may not agree on every matter, but we do share the commitment to protecting the core mission and to protecting employees to the best of our abilities during times like this. The work of the Task Force is on hold for now, but it has important work to do in the coming months as we learn more about legislative decisions and the fall enrolment numbers. More importantly, the Task Force can help generate new and creative ideas about exploring new opportunities for positioning Seattle Colleges for the post Covid-19 environment. I ask for continued engagement by all of our labor partners.