



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

August 8, 2011

TO: Agency Directors

FROM: Marty Brown
Director

SUBJECT: INSTRUCTIONS FOR 2012 SUPPLEMENTAL BUDGET SUBMITTALS AND RELATED GENERAL FUND-STATE REDUCTION OPTIONS

In June, the state reduced its General Fund-State (GF-S) revenue forecast for the current biennium to reflect concerns about the national economy, high gasoline prices, and supply chain disruptions from Japan. Although the forecast continues to indicate improvement this biennium, the near-term economic outlook has weakened since June. Given economic conditions, as well as the uncertain impact on states of pending federal budget reductions, there is a distinct possibility we will face further revenue losses in the coming year. Therefore, the Governor is asking agencies to prepare for possible cutbacks by submitting 5 percent first-priority reductions and a second 5 percent for a total of 10 percent in GF-S reduction options as part of their 2012 supplemental budget requests.

I recognize this is a daunting task, especially considering how little time has passed since enactment of the current 2011-13 budget. Although challenging, we are not starting this analysis from scratch. Agencies should revisit the essential services assessments that were compiled last year, as well as the budget reductions included in the Governor's 2011-13 budget proposal but not enacted by the Legislature. Of course, we also need to consider new or additional policy choices and structural or business process changes that allow us to further improve our efficiencies and reduce our GF-S expenditures.

When developing reduction options, it is imperative to think in terms of service outcomes, not just dollar amounts. We continue to seek a smaller and more efficient state government that focuses on the highest priority services.

The 5 and 10 percent targets as shown on the attachment are based on each agency's biennial appropriations from the General Fund, with exceptions for basic education, statewide pensions, and debt service. We will be closely monitoring economic conditions and revenue collections over the next several months, and will revise this target if warranted. Please assume a January 2012 start date for any reductions that cannot be started immediately.

Submittal Instructions for the 2012 Supplemental Budget

Supplemental budget requests are due to OFM by September 22. Only the following types of budget revisions should be submitted:

- GF-S reduction options equal to 5 and 10 percent of an agency's GF-S appropriations. (See attachment.)
- Non-discretionary changes in legally-mandated caseload or workload.
- Necessary technical corrections to the currently enacted budget.

- Any additional federal or private/local funding expected to be received for the remainder of the biennium. Unless that funding has already been approved as part of the original legislative budget, or as an unanticipated receipt (for spending prior to March 2012), it needs to be made part of the supplemental budget request using expenditure authority types 2, 7, or 8 as appropriate. The unanticipated receipt process is suspended during the legislative session.

Proposed **operating** supplemental budget revisions, including GF-S reduction options, should be submitted to OFM electronically through the Budget Development System (BDS). Justification narrative follows the decision package format described in Chapter 4 of OFM's 2011-13 Budget Instructions found at http://www.ofm.wa.gov/budget/instructions/operating/2011_13/chapter4.pdf.

Narrative descriptions for any revisions should be as detailed as possible. If new costs are requested, please make sure that the justification fully explains why those additions cannot be absorbed within the agency's existing budget. Also describe the implications to program outcomes and client services, revenues (including fees), legislation, and federal rules, as well as any barriers that might complicate achievement of a reduction. Clearly identify any changes that require new legislation.

Some agencies have statutory authority to set program fees at a level sufficient to cover the costs of administering that program. Under Initiative 960 (RCW 43.135.055), such statutes do not authorize agencies to increase fees without prior and specific legislative approval. Agencies with legislative mandates for fee-supported programs, or other requests for new or revised fees, must document the specific fees by using the *OFM Request for New or Increased Fees* form found at <http://www.ofm.wa.gov/budget/forms.asp>.

Because agency budget requests are distributed to OFM and legislative staff, we require submittal of six paper copies for most agencies, seven copies for transportation agencies (nine copies for WSDOT), and eight copies for higher education agencies. The copies must include the Recommendation Summary Report from BDS, narrative decision package justification, a summarized revenue report from BDS for agencies submitting revenue changes, and the *Request for New or Increased Fees* form, if applicable.

Any **capital budget** revisions should be submitted to OFM using the Capital Budget System (CBS). The justification must follow the format in Chapter 2.3 of OFM's 2011-21 Capital Budget Instructions found at <http://www.ofm.wa.gov/budget/instructions/capinst/11-21capinstr/11-21capinstr.pdf>. Please send seven copies (nine copies for higher education agencies) for distribution to OFM and legislative staff.

Proposals for the 2012 supplemental capital budget should be limited to technical corrections, emergency issues, or return of project savings. Because of the potential impact of any state GF-S revenue losses on projects supported by general obligation bonds, OFM may ask some agencies for more information on reappropriation needs, cash disbursement schedules, or project options.

Send the specified number of supplemental operating or capital budget requests by September 22 to:

Andrea Duane
Office of Financial Management
300 Insurance Building
P.O. Box 43113
Olympia, WA 98504-3113

Thank you for your continued good work in these difficult times. If you have any questions, please contact your assigned OFM budget analyst.

Attachment

cc: Agency Budget Officers

General Fund- State Reduction Targets for 2012 Supplemental Budget Requests

Dollars in Thousands

	2011-13 Appropriations	5 Percent Reduction Target	10 Percent Reduction Target
House of Representatives	60,367	(3,018)	(6,037)
Senate	45,640	(2,282)	(4,564)
Joint Legislative Audit and Review Committee	5,421	(271)	(542)
LEAP	4,220	(211)	(422)
Office of the State Actuary	48	(2)	(5)
Joint Legislative Systems Committee	15,927	(796)	(1,593)
Statute Law Committee	8,940	(447)	(894)
Redistricting Commission	1,781	(89)	(178)
Supreme Court	13,443	(672)	(1,344)
Law Library	2,938	(147)	(294)
Court of Appeals	30,507	(1,525)	(3,051)
Commission on Judicial Conduct	2,048	(102)	(205)
Administrative Office of the Courts	100,793	(5,040)	(10,079)
Office of Public Defense	49,993	(2,500)	(4,999)
Office of Civil Legal Aid	22,086	(1,104)	(2,209)
Office of the Governor	10,605	(530)	(1,061)
Office of Lieutenant Governor	1,385	(69)	(139)
Public Disclosure Commission	4,237	(212)	(424)
Office of the Secretary of State	30,845	(1,542)	(3,085)
Governor's Office of Indian Affairs	526	(26)	(53)
Commission on Asian Pacific American Affairs	451	(23)	(45)
Citizens' Cmsn. on Salaries for Elected Officials	353	(18)	(35)
Office of Attorney General	8,025	(401)	(803)
Caseload Forecast Council	2,613	(131)	(261)
Department of Commerce	129,750	(6,488)	(12,975)
Economic and Revenue Forecast Council	1,402	(70)	(140)
Office of Financial Management	37,135	(1,857)	(3,714)
Commission on Hispanic Affairs	496	(25)	(50)
Commission on African-American Affairs	477	(24)	(48)
Innovate Washington	6,010	(301)	(601)
Department of Revenue	208,612	(10,431)	(20,861)
Board of Tax Appeals	2,460	(123)	(246)
Consolidated Technology Services	7	()	(1)
Department of Enterprise Services	8,099	(405)	(810)
Military Department	16,011	(801)	(1,601)
Public Employment Relations Commission	4,749	(237)	(475)

	2011-13 Appropriations	5 Percent Reduction Target	10 Percent Reduction Target
Washington State Health Care Authority	4,455,409	(222,770)	(445,541)
Human Rights Commission	4,482	(224)	(448)
Criminal Justice Training Commission	30,305	(1,515)	(3,031)
Department of Labor and Industries	38,084	(1,904)	(3,808)
Department of Social and Health Services	5,730,775	(286,539)	(573,078)
Department of Health	160,547	(8,027)	(16,055)
Department of Veterans Affairs	16,261	(813)	(1,626)
Department of Corrections	1,635,488	(81,774)	(163,549)
Department of Services for the Blind	4,542	(227)	(454)
Employment Security Department	69	(3)	(7)
Columbia River Gorge Commission	364	(18)	(36)
Department of Ecology	96,791	(4,840)	(9,679)
State Parks and Recreation Commission	17,334	(867)	(1,733)
Recreation and Conservation Funding Board	1,925	(96)	(193)
Environmental and Land Use Hearings Office	4,841	(242)	(484)
State Conservation Commission	13,583	(679)	(1,358)
Department of Fish and Wildlife	69,387	(3,469)	(6,939)
Puget Sound Partnership	5,065	(253)	(507)
Department of Natural Resources	68,913	(3,446)	(6,891)
Department of Agriculture	31,100	(1,555)	(3,110)
Washington State Patrol	75,499	(3,775)	(7,550)
Department of Licensing	2,773	(139)	(277)
Superintendent of Public Instruction	13,732,987	(48,650)	(97,300)
Council for Higher Education	997	(50)	(100)
Higher Education Coordinating Board	218,980	(10,949)	(21,898)
University of Washington	407,994	(20,400)	(40,799)
Washington State University	270,301	(13,515)	(27,030)
Eastern Washington University	52,870	(2,644)	(5,287)
Central Washington University	45,065	(2,253)	(4,507)
The Evergreen State College	30,894	(1,545)	(3,089)
Western Washington University	67,363	(3,368)	(6,736)
Office of Student Financial Assistance	247,932	(12,397)	(24,793)
Community and Technical Colleges	1,059,353	(52,968)	(105,935)
School For The Blind	11,526	(576)	(1,153)
Center for Childhood Deafness and Hearing Loss	16,900	(845)	(1,690)
Work Force Training/Education Coordinating Brd.	2,770	(139)	(277)
Department of Early Learning	55,127	(2,756)	(5,513)
		(838,150)	(1,676,301)