



**WASHINGTON STATE  
BUDGET  
2011 LEGISLATIVE SESSION**

Presentation to the Financial Management Advisory Council

JANUARY 27, 2011 OFFICE OF FINANCIAL MANAGEMENT

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**CONTEXT FOR 2011 BUDGET  
CONSIDERATION**

Over past three years, Washington has seen a significant drop in General Fund-State (GFS) revenue forecasts.

In the 2009, the Legislature closed a \$9 billion three-year GFS shortfall through:

- cuts to programs and services
- use of federal Recovery Act funds
- fund transfers, including Rainy Day Fund

In 2010, there was an additional \$2.8 billion GFS deficit.

Reduction options are limited by constitutional and federal spending mandates.

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**We solved a three-year budget deficit of nearly \$12 billion through:**

- \$5.1 billion in cuts and savings
- \$3.6 billion in federal funds
- \$2.5 billion in fund transfers and use of reserves
- \$761 million in revenue enhancements (some of which expired December 2010, due to the passage of Initiative 1107)

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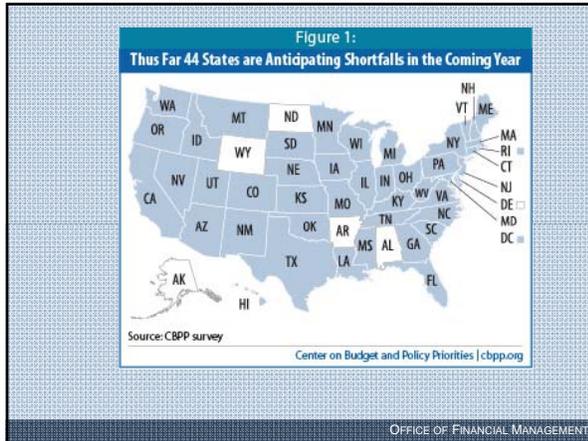
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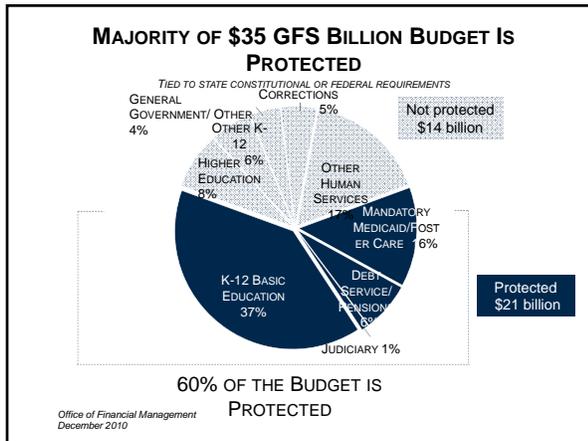
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**SIGNIFICANT BUDGET ISSUES FOR SESSION**

**Balancing the current biennium's budget.**  
An approximate \$1.2 billion GFS problem (after the November forecast) was partially resolved by the December 11 one-day session and HB 3225.

**Decisions on proposed reorganization initiatives**  
e.g. Dept. of Enterprise Services, Dept. of Education, Office of Civil Rights, Natural Resource Agency reorganization

**Legislative Authorization of Fees**  
e.g. ferry fares, highway tolls

**Size of the capital budget**

**2011-13 Budgets**  
Operating, Transportation, Capital

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**SUPPLEMENTAL OPERATING BUDGET OPTIONS**

	HB 3225 enacted 12/11/10	Governor's Proposal 12/17/10	ESHB 1086 House Only 1/17/11
Net Expenditure Reductions	(\$488) million	(\$244) million	(\$265) million
Fund Transfers/ New Revenues	\$98 million	\$165 million	\$124 million
<i>Net Benefit to GFS Balance Sheet</i>	<i>\$586 million</i>	<i>\$409 million</i>	<i>\$389 million</i>

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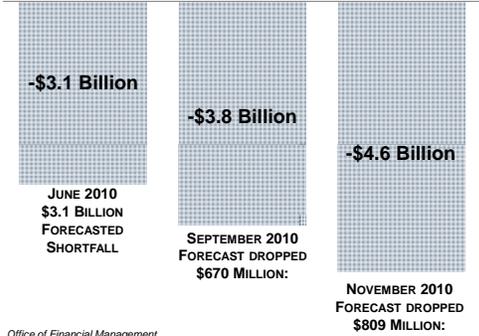
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**2011-13 FORECASTED SHORTFALL  
(GENERAL FUND - STATE)**




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**THE GOVERNOR'S 2011-13 BUDGET PROPOSAL**

**Total Omnibus Operating Budget Proposal**  
\$32.1 billion General Fund - State  
\$61.9 billion All Funds

**Total Transportation Operating and Capital**  
\$9.1 billion All Funds

**Total Capital New Appropriations and Reappropriations**  
\$4.6 billion All Funds

**Grand Total: \$75.6 billion**

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### EXAMPLES OF GFS CUTS

- Elimination of the Basic Health Plan, which now offers subsidized health insurance to 66,000 low-income individuals. This saves \$230 million in state funds and \$117 million in federal funds.
- Elimination of the Disability Lifeline grant for the temporarily unemployable, which serves 28,000 individuals each month, and the Disability Lifeline Medical Program, which serves 21,000 clients each year who have a temporary disability and are unable to work. This saves \$327 million.
- Suspension of the Student Achievement Program under Initiative 728, which provides smaller class sizes, extended learning time for students and professional development for teachers. This saves \$860 million.

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### EXAMPLES OF GFS CUTS, CONTINUED

- Suspension of employee salary increases under Initiative 732 for K-12 and higher education teachers and other employees. This saves \$280 million.
- Elimination of K-4 class-size reduction funds provided to school districts that exceed the state's basic education allocation. This saves \$216 million.
- Reduction of 3 percent in compensation for state employees. This saves \$176 million in state funds and \$269 million in all funds.
- Elimination of state general fund dollars for State Parks. This saves \$47 million.
- Closing McNeil Island Corrections Center by April 2011. This saves \$17.6 million.

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### THE GFS BUDGET FOR 2011-13 ASSUMES

- No new taxes. Fees support dedicated funds but do not go toward solving the GFS problem.
- Approximately \$4.6 billion in program cuts and GFS reductions.
- Use of all the remaining Rainy Day Account.
- Fund transfers and use of capital funds.

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DATES CRITICAL TO THE BUDGET	
<b>February 4</b>	Governor's Preference for Early Action Operating Supplemental
<b>March 11</b>	Quarterly Caseload Update
<b>March 17</b>	Economic and Revenue Forecast Council Revenue Forecast Update
<b>April 24</b>	Last day allowed for regular legislative session

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RESOURCES	
	Governor's December Budget Documents <a href="http://www.ofm.wa.gov/budget11/default.asp">http://www.ofm.wa.gov/budget11/default.asp</a>
	Summary of Governor's budget initiatives and reorganization plans: <a href="http://www.governor.wa.gov/priorities/budget/default.asp">http://www.governor.wa.gov/priorities/budget/default.asp</a>
	Searchable budget data and legislative budget versions <a href="http://www.fiscal.wa.gov/budgets.aspx">http://www.fiscal.wa.gov/budgets.aspx</a>

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