



STATE OF WASHINGTON

## OFFICE OF FINANCIAL MANAGEMENT

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June 22, 2022

**TO:** Agency Directors  
Presidents, Higher Education Institutions  
Boards and Commissions

**FROM:** David Schumacher  
Director

**SUBJECT: 2023-25 OPERATING, CAPITAL, AND TRANSPORTATION BUDGET INSTRUCTIONS**

State revenue collections and employment have rebounded after falling sharply early in the pandemic. This steady economic and revenue growth enabled the state to maintain important services while also addressing COVID-related needs. However, much of the COVID response was paid for with one-time funding, and we face economic uncertainty as we head into a new biennium.

We ask that you prioritize funding requests that maintain programs or increase services that support our most vulnerable people and marginalized communities. As long as the revenue projections remain positive, we encourage you to address lingering problems while also striving to reduce costs and save resources.

It is essential that agencies consider the state's long-term fiscal outlook in developing their 2023–25 budget requests. Washington's economy is cyclical, and the current growth cycle will eventually slow. Risks to state revenue growth include potential disruption of international trade, uncertain monetary policy at the federal level, stock market volatility leading to slower household spending, and geopolitical risks including those associated with Russia and Ukraine.

### **Rigor and prioritization are key to successful budget proposals**

Requests for new funding should be restrained and focused on the highest priority services that deliver significant performance improvements and outcomes for Washingtonians. As always, agencies are expected to be able to articulate and justify their budget requests. Successful requests for the 2023–25 biennium will be thoroughly explained, include detailed budget models and spending plans, and provide well-developed scalable options. Agencies should work with stakeholders, including vulnerable and marginalized communities, when developing their budget requests. [OFM budget analysts](#) will work with agencies this summer and fall to understand their budget needs and priorities.

### **Strategic framework: focus on results and strategic plans**

Agency budget requests should reflect the governor's statewide strategic goals articulated through Results Washington, the governor's policy priorities, and agency-specific strategic plans.

**Results Washington** – Decision packages *must* identify the Results Washington statewide goals and outcome measures they address. Packages should clearly articulate how budget requests will achieve implementation of strategies and plans developed by [Results Washington](#).

**Agency strategic plans** – Agencies are again required to submit strategic plans and demonstrate how their budget decision packages align closely with agency strategic plans, goals and performance measures.

### **Compelling budget requests — do's and don'ts**

We have made changes to the budget instructions to streamline and clarify requirements. Changes are intended to help agencies generate more comprehensive and detailed decision package descriptions and to provide better information to OFM, the governor and the Legislature for decision making. OFM and the Legislature must prepare four-year budget outlooks, so agency budget requests must reflect details for the ensuing four fiscal years.

#### **Please take the following steps:**

- Look for ways to save resources.
- Analyze how the DPs impact equitable outcomes for Washingtonians. Identify impacted communities and explain how those communities are affected.
- Develop scalable options to meet your highest priorities in the most cost-effective manner.
  - How else can we accomplish this?
  - What can we reprogram to meet our need?
  - How can we reduce the cost?
- Build and share detailed working fiscal and workload models and spending plans that drive and back up your proposed spending levels.
- Collaborate with other involved entities, including other state agencies and stakeholders.
- Focus intensely on performance and outcomes.
  - What will the decision package accomplish?
  - Who will be served? At what level?
  - How will we know if the investment is successful?
  - What are your performance targets?
  - How likely are the targets to be met?
- Be prepared to operate effectively and efficiently if no new resources are provided. Agencies should have concrete, viable backup plans in the event budget requests are not funded.

#### **Please do not do the following:**

- Request a prior “share” of the budget (there is no such thing).
- Request past unfunded inflationary or other cost increases. These are not compelling arguments for limited resources. If resources are needed, make your strongest case based on articulated need, performance, outcomes and results.
- Make budget requests the agency is not well prepared to implement effectively and transparently in the next biennium. “Placeholder” budget requests are usually insufficiently developed to be successful in the next fiscal period.
- Request a new program or initiative without a comprehensive and realistic plan to fund its full implementation in the future.
- Include policy-level requests in maintenance level; when in doubt, ask.

The 2023–25 budget instructions are available on OFM’s website [here](#). Agency operating, capital and transportation budget requests are due to OFM on **September 20, 2022**.

We look forward to working with you and your staff on the 2023-25 budgets.

cc: Agency Budget Officers