



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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June 15, 2020

TO: Agency Directors

FROM: David Schumacher
Director

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SUBJECT: 2021-23 BUDGET INSTRUCTIONS

The worst global pandemic in more than a century has had a significant impact on our state's economy. We have seen unemployment skyrocket at an unprecedented pace since March as nearly every sector of the economy was impacted by actions we had to take to slow the spread of COVID-19.

Not surprisingly, state revenue collections are also plummeting. We also expect to see increased demand for services — especially those that protect the most vulnerable among us during severe economic downturns. Federal stimulus money and substantial state reserve funds will help cushion the blow to our budget. But even if we spend all our state reserves, we are still projected to face a multi-billion dollar shortfall heading into the 2021-23 biennium. We will know more when the official quarterly revenue forecast is adopted on Wednesday.

Governor Inslee has already taken some actions to reduce state spending. Last month, he directed cabinet agencies to freeze hiring, personal services contracts and equipment purchases. Meanwhile, OFM directed agencies to identify options to reduce fiscal year 2021 spending by about 15 percent, with other necessary current fiscal year reductions under development. The [savings options](#) submitted by agencies for a potential second supplemental budget will serve as a starting point as we work on the 2021-23 budget.

These actions will help with our immediate budget problem, and the savings we achieve now will help shrink the size of the shortfall in the next budget. Still, we face enormous challenges in building the 2021-23 budget.

It is essential that agencies consider the state's long-term outlook in developing their 2021-23 budget requests. Agencies should also keep in mind that one of Governor Inslee's guiding principles for his 2021-23 budget is to continue building a strong culture of diversity, equity and inclusion throughout state government. The governor knows he faces difficult choices among his own priority policy goals, and that agencies will put forward proposals of their own. Please recognize that it will not be possible to fund many, or even most, agency requests.

In the [2021-23 Budget Instructions](#), OFM asks agencies to re-base state program budgets to a level below the maintenance level budget request for programs not protected from reduction by either state constitutional provisions or federal law. Agencies with protected programs and activities should continuously evaluate these services for improvements that can be achieved within current funding levels.

In addition, OFM asks agencies to submit 2021-23 budget proposals that identify reductions equal to 15 percent of unprotected Near-General Fund maintenance level budgets. All decision packages are due on September 14.

I recognize how challenging it will be to identify savings of this magnitude, and how difficult this process will be for you and your employees. We face many tough choices as we prioritize state spending and build a budget that protects vital services. To be successful, we will have to be creative and collaborative.

Thank you for your assistance. We look forward to working with you and your staff in the months ahead.