



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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April 3, 2020

TO: Agency Directors
Statewide Elected Officials
Presidents of Higher Education Institutions

FROM: David Schumacher
Director

A handwritten signature in blue ink, appearing to be "DS", written over the name "David Schumacher".

SUBJECT: 2020 SUPPLEMENTAL OPERATING BUDGET SIGNING

Governor Inslee will sign the 2020 supplemental operating budget this afternoon. Unfortunately, this year's budget signing will undoubtedly cause disappointment for many of you and your stakeholders.

Besides jeopardizing the health and safety of Washingtonians, the coronavirus (COVID-19) outbreak poses a significant fiscal threat to our state. To help us in our immediate response to the coronavirus and to ease our state's long-term fiscal challenges, the governor will use his veto authority to make deep reductions in the supplemental budget. Nearly every agency will be impacted in some way by these vetoes.

To their credit, lawmakers approved a prudent budget that includes smart investments and left us with healthy reserves. In fact, when the Legislature adjourned three weeks ago, the state was projected to have nearly \$3 billion in total reserves at the end of the biennium. But the state's fiscal outlook has deteriorated dramatically since then.

As you know, to slow the spread of coronavirus, the governor took unprecedented actions such as ordering non-essential businesses to close and requiring all Washingtonians to stay home except for essential activities. As in other states and countries hard hit by the global pandemic, Washington's economy has been largely idled in recent weeks.

While it is impossible to project how much the state's coronavirus response will cost, it is sure to be significant. Some of those costs will be covered by state emergency funding and by the economic stimulus and emergency aid packages recently approved by the federal government.

But once the coronavirus crisis has abated, the state will have to wrestle with the fiscal fallout from the economic downturn. State revenue collections are expected to fall sharply this year. That is why it is necessary for the governor to use his veto pen to reduce spending now.

Even with these vetoes, however, we will face more difficult choices in the near future. I urge you to begin planning now for the likelihood that we will soon be asking agencies for savings and reduction options to consider for the 2021–23 biennial budget.

Thank you for all that your agencies are doing to assist the people of our state during this difficult time.