



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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November 8, 2024

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

FROM: Pat Sullivan
Director 

SUBJECT: BUDGET REDUCTIONS FOR FISCAL YEAR 2025 AND 2025-27 BIENNIUM

This year's revenue forecasts, rising costs, and expanding needs require reductions to propose a balanced budget. The Governor's operating budget will prioritize continuing essential programs and addressing caseload increases, while not expanding existing programs and services.

The magnitude of the operating budget deficit is **between \$10 and \$12 billion** over the four-year outlook period. This deficit is due to the recent revenue forecasts that were adjusted down and the increase in caseloads and the cost to maintain existing programs. The budget is a work in progress, and we need your assistance to propose a budget that best reflects the needs of our state.

Transportation budget revenue projections also have trended down for several forecasts. That, along with rising costs and increasing demands, has created a situation where revenues are not covering current commitments.

To assist with this effort, I direct agencies to propose operating and transportation budget reductions, starting with pauses or delays of programs, and to identify savings options for both the 2025 supplemental budgets and 2025-27 budgets. Please consider measures that will result in immediate savings, such as hiring and other freezes.

Your [OFM budget advisor](#) has already contacted your staff about these reduction proposals. Please work with your advisor to propose options by **November 15, 2024**. Thanks to those of you who have already provided options.

Please propose the following operating or transportation budget reduction options for your agencies:

- Under-expenditures, premium adjustments and efficiencies
- Mainly Near General Fund accounts (General Fund-State, Education Legacy Trust, Opportunity Pathways, and Workforce Education Investment), but consider all accounts for savings
- Use of other funds in lieu of General Fund-State whenever possible
- Program eliminations, reductions, and delays especially for those programs or services that do not meet the agency's core mission.

Please also consider the following:

- Central services charge programs (would the action impact central service costs?)

- Offsets to savings (does the reduction in one program move the problem and cost to another program?)
- Overlapping programs (does the reduction cross programs and/or agencies?)
- Timing of savings (how long would it take to implement the reductions?)

Although this budget savings options exercise applies to cabinet agencies, I urge the presidents of higher education institutions, boards and commissions, and our separately elected officials to undertake a similar budget savings exercise for their agencies and institutions.

cc: Agency Budget Officers
OFM Budget Advisors