



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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

**FROM:** K.D. Chapman-See  
Director

**SUBJECT: DIRECTION TO AGENCIES ON 2025-27 BUDGET REDUCTION PROPOSALS**

As you know, the state faces a significant operating budget deficit of at least \$12 billion over the next four-year outlook period due to slowing revenue growth and increasing costs to meet the ongoing needs of Washingtonians. Agencies have stepped up with early actions by proposing budget reductions in November at the Office of Financial Management's (OFM) direction and by freezing non-essential hiring and spending in response to Governor Inslee's December 2, 2024, directives. In the meantime, revenue collections have come in lower than the November forecast.

It is clear that addressing this budget shortfall will require further reductions and careful prioritization of state spending in collaboration with the Legislature, agencies, and state employees.

Governor Ferguson recently released his budget priorities for the 2025 legislative session. He plans to propose addressing our collective challenge of delivering a balanced budget first by prioritizing savings and efficiency. While these reductions will undoubtedly be challenging, Governor Ferguson knows agency leaders, budget officers and state employees are best positioned to understand how they can reduce spending in their agencies while continuing to best meet the needs of their customers and clients.

To that end, I direct cabinet agencies to identify additional operating budget reductions for the 2025-27 biennial budget and presumed to continue through the 2027-29 biennial budget. The savings are in addition to those included in Governor Inslee's budget proposal; however, reduction options previously submitted to OFM and the Legislature but not included in Governor Inslee's proposal may be included, particularly when aligned with the strategies prioritized below.

Transportation budget agencies are working to identify five percent reductions at the request of the Legislature. Those transportation budget reduction proposals should be shared with OFM before they are submitted to the Legislature in lieu of making separate proposals via this exercise.

**Reduction targets**

Cabinet agencies must identify spending reductions of at least six percent from the 2025-27 biennial appropriations in Governor Inslee's budget proposal, with the following exceptions:

- No reductions to agencies serving K-12 students, community and technical colleges, the Washington State Patrol, Department of Corrections, and Criminal Justice Training Commission.
- Entitlements that are cash benefits to residents are excluded.

Four-year public higher education institutions are urged to identify spending reductions of at least three percent of their Near-General Fund appropriations. Similarly, independent boards and commissions and separately elected officials are urged to identify and propose to OFM reductions for their agencies of at least six percent.

You will receive your agency's budget reduction targets from the OFM senior budget advisors. Please work with your budget advisor to propose options by **February 6, 2025**.

In addition to Near-General Fund spending, agencies should include all funds except those used directly for revenue collections, used for very specific purposes such as the industrial insurance funds, and those used for regulation of financial services, and direct pass-through funds for clients. Please include proposals to use other funds in lieu of Near-General Fund.

### **Reductions to identify**

To achieve these budget reductions, agencies will focus first on programs not achieving intended objectives or delivering meaningful results for the people of Washington. This approach asks agency leaders to make the difficult choices to streamline their teams and carefully consider program effectiveness. However, it is understood that in many agencies, savings at this level will require reductions to programs as well as administration and overhead. Agencies should prioritize maintaining services and programs that directly assist Washingtonians, particularly our most vulnerable residents and overburdened communities, and maximizing federal funding to the greatest extent possible.

Agencies must identify additional savings over four years in the spreadsheet referenced below, starting with but not limited to the following strategies:

- Consolidate management positions (10% to 25% within each agency)
- Reduce administrative, executive, and externally focused positions that are not essential to the delivery of government services (10% to 25% within each agency)
- Pause all possible legislative reports and make appropriate reductions in personnel or service contracts to reflect this reduction in workload
- Restrict equipment purchases to those necessary for basic agency functions and health and safety
- Reduce out-of-state travel by at least 50% and reduce in-state travel by at least 25%
- Evaluate programs that were implemented since 2020 or are not fully implemented, including pilots
- Evaluate programs originally funded one-time with federal COVID dollars.

As mentioned in Governor Ferguson's budget priorities report, the following programs should also be considered to evaluate if efficiencies and savings can be identified:

- Agency working groups and advisory committees or groups that are more than four years old and may have achieved a substantial portion of their mission
- Small programs that serve fewer than 1,000 customers every year
- Any program that does not track and publish performance measures.

### **Other considerations**

Agencies should consider the following:

- Central services charge programs (can they be reduced or would the action drive up other central service costs?)

- Offsets to savings (does the reduction to one program move the problem and cost to another program or agency?)
- Overlapping programs (does the reduction cross programs and/or agencies?)
- Timing of savings (amount of time implementation would take)
- Statutory changes required to implement the savings (and if so, what those changes are)
- Continued protections for the most vulnerable Washingtonians and how reduction proposals would impact access for those who have been historically marginalized and or faced systemic barriers to services or opportunity.

### **Information to OFM by February 6, 2025**

For each of these programs and activities identified, include the following information in the attached spreadsheet:

- Program or activity
- Description of program and impact, including the impact on residents if the program or activity is eliminated or reduced
- Total cost and funded amount of the program, including carryforward level and new funding in Governor Inslee's proposed operating budget
- Fund sources
- FTE impact
- Legislative statutory changes required for implementation
- Timeframe of when the change could be implemented
- Additional back up if necessary.

Please work with your [OFM budget advisor](#) to identify and quantify savings from these actions and identified changes that would lead to savings and submit options to your budget advisor by **February 6, 2025**.

Although this budget savings options exercise is required for all agencies, boards and commissions that report directly to the governor, I urge the presidents of higher education institutions, other independent boards and commissions, and our separately elected officials to undertake a similar budget savings exercise for their agencies and institutions and submit their proposals to OFM along the same timeline.

Thank you for your work. Your cooperation and ideas are essential to develop a sustainable budget that addresses the core needs of the state.