



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

September 23, 2009

TO: Agency Directors

FROM: Victor A. Moore
Director

SUBJECT: SUBMITTAL OF 2010 SUPPLEMENTAL REQUESTS

Recent economic information indicates that we appear to be past the worst of the economic crisis, and that a national and state recovery is beginning. However, businesses have been slow to hire back employees and consumers are still cautious about spending. This means that employment and revenue growth are likely to lag the recovery, creating the probability that state revenues will be adversely affected for the remainder of this biennium.

The September 17 General Fund-State (GFS) forecast represents a moderate decline in the biennial forecast that had already decreased in June, leaving the budget in a position where the revenues no longer support expenditure assumptions. As we signaled in July, the 2010 supplemental budget for General Fund agencies will need to reflect reductions from the currently enacted biennial budget.

For purposes of the 2010 supplemental, only the following budget options should be submitted to the Office of Financial Management (OFM):

- GFS reductions that equal the GFS dollar targets reflected in Attachment B of OFM's July 1 savings implementation memo. (It can be found at <http://www.ofm.wa.gov/budget/instructions/other/implementgfsbudgetsavings070109.pdf>.)
- Any additional dollars savings (beyond those in Attachment B) to achieve total FTE targets in Attachment A of the July 1 memo from OFM.
- Additional options for efficiencies, reform, administrative savings, or reductions in lesser priority services. (At a minimum consider last year's Priorities of Government (POG) result area priorities, performance audits, and previous budget deliberations.)
- Critical and emergent costs that cannot be accommodated with savings or efficiencies within the existing budget.
- Non-discretionary changes in legally-mandated caseload or workload.
- Necessary technical corrections to the currently enacted budget.

Because we will be looking for additional opportunities for reductions, OFM budget analysts will also be contacting individual agencies as necessary to develop specific options relating to their services. As part of that analysis, we are asking agencies to identify mandatory and non-mandatory activities within their agencies, using the activity inventory as the vehicle for this categorization.

Submittal Procedures

Operating Expenditure and Revenue Changes

- Proposed supplemental budget revisions should be submitted to OFM electronically through the Budget Development System (BDS). Justification narrative follows the decision package format described in Section 4 of OFM's 2009-11 Budget Instructions (<http://www.ofm.wa.gov/budget/instructions/operating/2009-11/sec4.pdf>). Narrative descriptions should be as detailed as possible. Please make sure that the justification fully explains why any new costs cannot be absorbed within the agency's existing budget. Also describe any implications to revenues (including fees), legislation, or federal rules; and any barriers that might complicate achievement of a reduction.
- Some agencies have statutory authority to set program fees at a level sufficient to cover the costs of administering that program. Under Initiative 960 (RCW 43.135.055), such statutes do not authorize agencies to increase fees without prior, specific legislative approval. Agencies with legislative mandates for fee-supported programs, or other requests for new or revised fees, should document the specific fees using the *OFM Request for New or Increased Fees* form found at http://www.ofm.wa.gov/budget/documents/Fee_Request_Form.doc.
- The supplemental budget request should also include any additional federal or private/local funding expected to be received for the remainder of the biennium. Unless that funding has already been approved as part of the original legislative budget, or as an unanticipated receipt (for spending prior to April 2010), it needs to be made part of the supplemental budget request using expenditure authority types 2, 7 or 8 as appropriate. The unanticipated receipt process is suspended during the legislative session.
- Because agency supplemental budget requests are distributed to OFM and legislative staff, we require submittal of five paper copies for most agencies, and seven copies for higher education and transportation agencies. These copies should include the Recommendation Summary Report from BDS, narrative decision package justification, a summarized revenue report from BDS for agencies submitting revenue changes, and the *Request for New or Increased Fees* document (if applicable). Please transmit the specified number of copies by October 19 to:

Andrea Duane
Office of Financial Management
300 Insurance Building
P.O. Box 43113
Olympia, WA 98504-3113

Listing of Mandatory and Non-Mandatory Activities

Per OFM's email on September 1, the list of agency activities corresponding to the enacted budget are due on October 2 (<http://www.ofm.wa.gov/budget/instructions/activityguideemail.pdf>). After OFM receives each agency's individual list, we will return a summarized version with a space for identifying GFS activities that are not mandatory. For this purpose, the term "non-mandatory" refers to a service that is optional for the state to provide, even though it might be referenced in state law or shared with the federal government. Constitutionally-required programs are an example of what would be considered mandatory.

More detailed instructions will accompany the form you receive from OFM.

Capital Budget Supplemental Requests

For the purpose of the 2010 supplemental capital budget, agencies must submit budget revisions to OFM using the Capital Budget System (CBS). The justification must follow the format described in Section 2.3 of OFM's 2009-11 Capital Budget Instructions found at <http://www.ofm.wa.gov/budget/instructions/capinst/09-19capinstr/0911capbudinstructions.pdf>. Please submit seven copies for distribution to OFM and legislative staff as described in Section 1.4 of the Capital Budget Instructions.

Proposals for the 2010 supplemental capital budget should be limited to technical corrections, emergent issues, or return of project savings.

Both operating and capital supplemental budget items are due to the Office of Financial Management no later than Monday, October 19.

cc: Agency Budget Officers
Agency Capital Budget Officers
Charlie Gavigan, House Ways and Means Committee
Mike Wills, Senate Ways and Means Committee
Bryon Moore, Senate Ways and Means Committee
Dave Johnson, House Ways and Means Committee
Beth Redfield, House Transportation Committee
David Ward, Senate Highways and Transportation Committee
Kelly Simpson, Senate Highways and Transportation Committee
Brian Sims, Senate Ways and Means Committee
Nona Snell, House Capital Budget Committee