



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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

September 16, 2010

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

FROM: Marty Brown
Director

SUBJECT: ALLOTMENT REDUCTION INSTRUCTIONS FOR ACROSS-THE-BOARD CUTS MANDATED BY EXECUTIVE ORDER 10-04

Background of Across-the-Board Cuts

The Legislature has enacted certain statutes that authorize the Governor to issue orders that have the effect of law; such orders may impose requirements on entities beyond those that report to the Governor. One such statute is RCW 43.88.110(7), which requires across-the-board reductions in allotments if the Governor projects a cash deficit in a particular fund. By operation of law, the across-the-board reductions in allotments apply to all branches of state government and to all agencies headed by elected officials.

While the Governor has the authority to issue this order, she does not have the discretion to alter the percentage reduction to be applied to the various allotments. The requirement that the reductions be made across-the-board is rooted in the constitutional separation of powers doctrine. Courts have held that it would be an unlawful delegation of legislative power if the Governor were allowed to make policy decisions about the relative importance of programs and activities that differ from those reflected in the budget enacted by the Legislature. The overall purpose of the statute authorizing uniform reductions in allotments is to preserve the priorities established by the Legislature. The reductions must preserve the array of priorities and apportionment of the funds in the Legislature's budget, until and unless the Legislature amends the budget.

Of course, the Legislature's authority is bounded by the federal and state constitutions, and the Governor gives precedence to the constitutional obligations as identified by the courts. When execution of a reduction in an allotment would withhold spending authority in a way that inevitably would violate the federal or state constitutions, the reduction will not be made.

Executive Order 10-04

Recent decreases in the state General Fund revenue forecast have resulted in the Governor issuing Executive Order 10-04 (Attachment A), which requires across-the-board reductions in spending authority for all agencies with General Fund-State (GF-S) appropriations. The purpose of this

action is to restrain state spending until a revised budget can be acted upon during the next session of the Legislature.

Under the authority of RCW 43.88.110(7), this order applies to all state boards, commissions, agencies, and other institutions, including those in the legislative and judicial branches, and those headed by separately elected officials.

Under court decisions, reductions in allotments that result in withholding funds for basic education, debt service payments, or pension contributions would violate constitutional obligations of the state. Therefore, no reductions will be made in allotments that are wholly for these purposes.

Agencies are to submit allotment amendments to the Office of Financial Management (OFM) that reflect the reductions identified in the attachment to this letter. The amounts were calculated by applying a percentage reduction to agency allotment authority for each GF-S appropriation in Fiscal Year 2011. **The 6.287 percent reduction must apply uniformly to each separate appropriation or allocation from the state General Fund. Agencies cannot shift reductions between appropriations.**

One question that has arisen is how the reductions apply to provisos where a portion of the allotted funds are provided solely for specified purposes. For those allotments subject to OFM review, we will require the same percentage reduction to the portion of allotments governed by provisos, unless the agency can demonstrate that (1) the legislative priorities and objectives will not be reordered or undercut by a greater reduction to this segment of the allotment; or (2) the language of the proviso and related statutes constitute a mandate to spend the full amount of the funds subject to the proviso, in which case there may be a basis for a lesser reduction to the funds governed by the proviso. The touchstone will be whether legislative priorities are preserved.

Attachment B displays the spending authority reductions that are to be placed in allotment reserve status. Agencies should submit these allotment amendments to OFM by October 15, 2010. Use the Packet Purpose Type "Governor's Cash Deficit Reduction" and include the corresponding revisions to cash disbursement estimates and, if applicable, revenue and cash receipts estimates. More detailed allotment instructions are posted at <http://ofm.wa.gov/budget/instructions/allotment.asp>.

As indicated in OFM's August 17 memorandum, agencies have already been instructed to develop a plan in anticipation of possible GF-S across-the-board reductions. That plan should be submitted as an attachment to the October 15 allotment submittal. At a minimum, the plan should detail which programs are being cut to achieve the 6.287 percent reduction, and how the reduction will impact clients and services. Attachment C provides a template for this information.

The August memorandum also directed agencies to provide 6 percent reduction options as part of their October 13 supplemental budget submittals. Since the across-the-board reductions imposed by Executive Order 10-04 are slightly higher, Attachment B should be considered the new target for the supplemental budget options. In some cases, the across-the-board reduction will simply represent

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early implementation of the options presented in the supplemental budget request. However, agencies may also need to consider supplemental budget options that better reflect service priorities.

Technical questions relating to the allotment submittal may be directed to your assigned OFM budget analyst. Please discuss any legal issues with the appropriate Assistant Attorney General for your agency and ask the Assistant Attorney General to contact Steve Dietrich at the Attorney General's Office, and Ro Marcus, Director of Legal Affairs at OFM, to ensure coordination of legal issues across state government.

These are challenging times for the citizens of our state and all of us. We appreciate the difficult choices you face as you select these across-the-board reductions. Please contact us if we can be of assistance.

Attachments

cc: Agency Budget Officers
OFM Budget Staff

CHRISTINE O. GREGOIRE
Governor



STATE OF WASHINGTON
OFFICE OF THE GOVERNOR

P.O. Box 40002 · Olympia, Washington 98504- 0002 · (360) 753- 6780 · www.governor.wa.gov

EXECUTIVE ORDER 10-04

**ORDERING EXPENDITURE REDUCTIONS IN ALLOTMENTS OF
STATE GENERAL FUND APPROPRIATIONS**

WHEREAS, the national economic downturn continues and revenues have fallen short of projections; and

WHEREAS, the current official state economic and revenue forecast of general fund revenues is less than the official estimate upon which the state's 2009-2011 biennial operating budget and supplemental operating budget were enacted; and

WHEREAS, the anticipated revenues combined with the beginning cash balance of the general fund are insufficient to meet anticipated expenditures from this fund for the remainder of the current fiscal period; and

WHEREAS, a revised official economic and revenue forecast will be submitted in September pursuant to chapter 82.33 RCW which will reflect greater downturns in estimated receipts and revenues; and

WHEREAS, state law authorizes and directs the Governor to implement across-the-board reductions of allotments of appropriations to avoid a projected cash deficit; and

WHEREAS, under state law, an across-the-board reduction in allotments necessitated by a cash deficit applies to all agencies of state government, including agencies of the legislative and judicial branches and agencies headed by elected officials; and

WHEREAS, funding necessary for basic education, debt service on state bonds, state pension contributions and certain other purposes cannot be withheld;

NOW, THEREFORE, I, Christine O. Gregoire, Governor of the state of Washington, pursuant to chapter 43.88 RCW do hereby order:

The allotment of each appropriation from the State General Fund will be reduced effective October 1, 2010, by an amount necessary to avoid a cash deficit in the State General Fund. The reductions in allotments shall be based on the September 2010 official state economic and

revenue forecast. The amount of the reduction in allotted spending authority shall be assigned to reserve status as provided in RCW 43.88.110.

The Director of the Office of Financial Management shall calculate the amount by which the aggregate of planned expenditures and disbursements charged to the General Fund will exceed the aggregate of estimated receipts credited to such fund in the current fiscal period, less the beginning cash balance. In making this calculation, the Director shall use the estimated receipts and revenues contained in the September 2010 official state economic and revenue forecast. The Director shall enter across-the-board revisions to the allotment of each appropriation from the State General Fund effective October 1, 2010, by the amount calculated under this order. The Director shall not withhold approval of spending authority necessary to satisfy constitutional obligations such as basic education, debt service on state bonds, and state pension contributions.

Signed and sealed with the official seal of the state of Washington on this 13th day of September 2010 at Olympia, Washington.

By:

/s/

Christine O. Gregoire
Governor

BY THE GOVERNOR:

/s/

Secretary of State

GF-S Reductions by Agency, Per Executive Order 10-04

General Fund - State, Dollars in Thousands
Assumes a 6.287% Reduction for Fiscal Year 2011

	Enacted Budget FY 2011	Funds That Can't Be Withheld	Balance	Reduction
State of Washington Totals				
Legislative	77,350	-	77,350	(4,863)
Judicial	113,777	-	113,777	(7,153)
Governmental Operations	226,922	-	226,922	(14,267)
Human Services	5,618,143	-	5,618,143	(353,213)
Natural Resources and Recreation	174,240	-	174,240	(10,954)
Transportation	37,583	-	37,583	(2,363)
Public Schools	6,778,392	(6,199,790)	578,602	(36,377)
Higher Education	1,345,654	-	1,345,654	(84,601)
Other Education	43,038	-	43,038	(2,706)
All Other Expenditures and Appropriations	1,046,067	(989,674)	56,393	(3,545)
	15,461,166	(7,189,464)	8,271,702	(520,042)
Legislative and Judicial Agencies				
House of Representatives	32,146		32,146	(2,021)
Senate	25,631		25,631	(1,611)
Joint Legislative Audit and Review Committee	3,152		3,152	(198)
Legislative Evaluation and Accountability Program	1,916		1,916	(120)
Office of the State Actuary	20		20	(1)
Joint Legislative Systems Committee	8,506		8,506	(535)
Statute Law Committee	4,864		4,864	(306)
Redistricting Commission	1,115		1,115	(70)
Supreme Court	6,948		6,948	(437)
Law Library	1,659		1,659	(104)
Court of Appeals	15,969		15,969	(1,004)
Commission on Judicial Conduct	1,064		1,064	(67)
Administrative Office of the Courts	52,562		52,562	(3,305)
Office of Public Defense	24,591		24,591	(1,546)
Office of Civil Legal Aid	10,984		10,984	(691)
	191,127	-	191,127	(12,016)
Governmental Operations				
Office of the Governor	5,705		5,705	(359)
Office of Lieutenant Governor	765		765	(48)
Public Disclosure Commission	2,212		2,212	(139)
Office of the Secretary of State	14,949		14,949	(940)
Governor's Office of Indian Affairs	262		262	(16)
Commission on Asian Pacific American Affairs	236		236	(15)
Office of State Auditor	717		717	(45)
Commission on Salaries for Elected Officials	206		206	(13)
Office of Attorney General	5,848		5,848	(368)
Caseload Forecast Council	742		742	(47)
Department of Commerce	40,477		40,477	(2,545)
Economic and Revenue Forecast Council	772		772	(49)
Office of Financial Management	20,545		20,545	(1,292)
Commission on Hispanic Affairs	255		255	(16)
Commission on African-American Affairs	236		236	(15)
Department of Revenue	112,319		112,319	(7,061)

GF-S Reductions by Agency, Per Executive Order 10-04

General Fund - State, Dollars in Thousands
Assumes a 6.287% Reduction for Fiscal Year 2011

	Enacted Budget FY 2011	Funds That Can't Be Withheld	Balance	Reduction
Board of Tax Appeals	1,318		1,318	(83)
Department of General Administration	3,963		3,963	(249)
Department of Information Services	1,080		1,080	(68)
Military Department	8,874		8,874	(558)
Public Employment Relations Commission	2,635		2,635	(166)
Department of Archaeology/Historic Preservation	1,382		1,382	(87)
Growth Management Hearings Office	1,424		1,424	(90)
	226,922	-	226,922	(14,267)
Human Services Agencies				
Washington State Health Care Authority	156,811		156,811	(9,859)
Human Rights Commission	2,511		2,511	(158)
Criminal Justice Training Commission	17,843		17,843	(1,122)
Department of Labor and Industries	19,336		19,336	(1,216)
Indeterminate Sentence Review Board	1,864		1,864	(117)
Department of Social and Health Services	4,457,802		4,457,802	(280,262)
Department of Health	81,735		81,735	(5,139)
Dept of Health--County Public Health Assistance	24,000		24,000	(1,509)
Department of Veterans Affairs	9,200		9,200	(578)
Department of Corrections	838,650		838,650	(52,726)
Department of Services for the Blind	2,390		2,390	(150)
Sentencing Guidelines Commission	948		948	(60)
Employment Security Department	5,053		5,053	(318)
	5,618,143	-	5,618,143	(353,213)
Natural Resource Agencies				
Columbia River Gorge Commission	440		440	(28)
Department of Ecology	52,725		52,725	(3,315)
State Parks and Recreation Commission	20,311		20,311	(1,277)
Recreation and Conservation Funding Board	1,480		1,480	(93)
Environmental Hearings Office	1,104		1,104	(69)
State Conservation Commission	7,247		7,247	(456)
Department of Fish and Wildlife	34,337		34,337	(2,159)
Puget Sound Partnership	2,864		2,864	(180)
Department of Natural Resources	37,513		37,513	(2,358)
Department of Agriculture	16,219		16,219	(1,020)
	174,240	-	174,240	(10,954)
Transportation Agencies				
Washington State Patrol	36,059		36,059	(2,267)
Department of Licensing	1,524		1,524	(96)
	37,583	-	37,583	(2,363)
K-12 Schools				
Office of the Superintendent	33,360	-	33,360	(2,097)
General Apportionment (Basic Education Only)	5,047,895	(5,047,895)	-	-
General Apportionment (K-4 enhancement)	108,860		108,860	(6,844)
General Apportionment (Summer Vocational Programs)	2,385		2,385	(150)
General Apportionment (Extended Day Skill Centers)	485		485	(30)

GF-S Reductions by Agency, Per Executive Order 10-04

General Fund - State, Dollars in Thousands
Assumes a 6.287% Reduction for Fiscal Year 2011

	Enacted Budget FY 2011	Funds That Can't Be Withheld	Balance	Reduction
Pupil Transportation (Basic Education Only)	295,855	(295,855)	-	-
Pupil Transportation (Coordinators)	892		892	(56)
School Food Services	3,159		3,159	(199)
Special Education	650,856	(650,856)	-	-
Educational Service Districts	8,319		8,319	(523)
Levy Equalization	286,911		286,911	(18,038)
Institutional Education	19,006	(19,006)	-	-
Education of Highly Capable Students	9,188		9,188	(578)
Student Achievement Program	25,730		25,730	(1,618)
Education Reform	99,313	-	99,313	(6,244)
Transitional Bilingual Instruction	77,672	(77,672)	-	-
Learning Assistance Program	110,312	(110,312)	-	-
Compensation Adjustments	(1,806)	1,806	-	-
Superintendent of Public Instruction	6,778,392	(6,199,790)	578,602	(36,377)
Higher Education				
Higher Education Coordinating Board	127,779		127,779	(8,033)
University of Washington	271,092		271,092	(17,044)
Washington State University	178,183		178,183	(11,202)
Eastern Washington University	36,666		36,666	(2,305)
Central Washington University	33,803		33,803	(2,125)
The Evergreen State College	18,505		18,505	(1,163)
Spokane Intercollegiate Research/Tech Institute	1,490		1,490	(94)
Western Washington University	48,391		48,391	(3,042)
Community and Technical College System	629,745		629,745	(39,592)
	1,345,654	-	1,345,654	(84,601)
Other Education				
State School For The Blind	5,985		5,985	(376)
Center for Childhood Deafness and Hearing Loss	8,782		8,782	(552)
Work Force Training/Education Coordinating Board	1,444		1,444	(91)
Department of Early Learning	21,241		21,241	(1,335)
Washington State Arts Commission	1,347		1,347	(85)
Washington State Historical Society	2,607		2,607	(164)
Eastern Washington State Historical Society	1,632		1,632	(103)
	43,038	-	43,038	(2,706)
Special Appropriation Agencies				
Bond Retirement and Interest	923,414	(923,414)	-	-
Special Appropriations to the Governor	56,393		56,393	(3,545)
Contributions to Retirement Systems	66,260	(66,260)	-	-
	1,046,067	(989,674)	56,393	(3,545)

Agency Plan for 6.287 Percent GF-S Allotment Reduction

Agency Name: _____

Name of Program or Service Being Reduced:

Description of Reduction:

Dollar Amount (GF-S reduction in thousands):

Description of Client Impact and/or Effect on Service Outcomes:

Implementation Date:

Name of Program or Service Being Reduced:

Description of Reduction:

Dollar Amount (GF-S reduction in thousands):

Description of Client Impact and/or Effect on Service Outcomes:

Implementation Date:

Name of Program or Service Being Reduced:

Description of Reduction:

Dollar Amount (GF-S reduction in thousands):

Description of Client Impact and/or Effect on Service Outcomes:

Implementation Date:

(Repeat as Needed)

Additional Allotment Instructions for Across-the-Board Cuts Mandated by Executive Order 10-04

Cash Deficit Reductions

In accordance with RCW 43.88.110(7), if the Governor projects a cash deficit in a particular fund or account as defined by RCW 43.88.050, the Governor can mandate across the board reductions in allotments in order to prevent a cash deficit.

Agencies must use a “**Governor’s Cash Deficit Reduction**” packet purpose type to carry out the provisions of the across the board expenditure reductions. Agencies are to use this type of allotment packet only when instructed by the Office of Financial Management. Once the requirements are finalized, OFM will issue separate instructions to state agencies.

Information Relating to TALS-AMR

In TALS AMR application, agencies must create an **Operating Governor’s Cash Deficit Reductions** packet. Four components are required for this adjustment: Expenditures, Cash Disbursements, Reserve, and the Agency Plan for Reduction. Agencies enter a negative allotment under the expenditure allotment detail, and a corresponding reduction in cash disbursements. An amount exactly matching the expenditure reduction is entered as a **positive** amount to reserve. Refer to the [GF-S Reduction Amounts by Agency](#) document.

The Agency Plan for 6.287 Percent GF-S Allotment Reduction must be included as a WORD attachment to the allotment packet. The template is available on the OFM website. Packets with missing plans will be automatically returned.

Refrain from using the Allotment Adjustment Bucket tool for this allotment packet. This tool should only be used in quarterly adjustment packets. Any reductions previously made prior to October should be reflected in FM16-October.

Critical Error FAQ

1.0.49.1 – Critical error

If the user receives this error, check that the amount in reserve is equal to the total Governor’s cash deficit reductions displayed on the expenditure authority schedule. The amounts will be compared by account, expenditure authority type, fiscal period, and EA character.

Additional Resources

For assistance in formulating the construction of your allotment packet, contact your assigned OFM budget analyst ([Budget contacts](#)).

For technical questions relating to submitting your allotment packet, contact the Budget Portfolio Helpdesk at 360.725.5278.