

Exh. JR-27r  
Docket TP-190976  
Witness: Jordan Royer

BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND PILOTS,

Respondent.

**DOCKET TP-190976**

**EXHIBIT TO  
TESTIMONY OF  
Jordan Royer  
ON BEHALF OF  
PACIFIC MERCHANT SHIPPING ASSOCIATION**

**OFM Budget Reduction Memo**

May 27, 2020

*Revised July 8, 2020*



STATE OF WASHINGTON

## OFFICE OF FINANCIAL MANAGEMENT

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

May 13, 2020

**TO:** Agency Directors**FROM:** David Schumacher  
Director

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

**SUBJECT: IMMEDIATE ACTIONS TO CAPTURE OPERATING BUDGET SAVINGS**

It has been more than six weeks since Washington began taking sweeping actions to combat the worst global pandemic in more than a century. The good news is these actions appear to be working to “flatten the curve” of COVID-19 cases and we are saving lives.

Unfortunately, these necessary efforts to combat the deadly coronavirus are taking a significant toll on our economy. We recently got our first glimpse of how state revenue collections will be impacted. As expected, the news was grim.

In an unofficial update to the state’s revenue forecast, the state’s chief economist projected that revenue collections over the next three fiscal years will be about \$7 billion lower than was forecast less than three months ago. The unofficial revenue update on April 30 is based on incomplete data, and we won’t have official projections until the next state revenue forecast in June.

It is clear, however, that we must start taking steps now to confront this fiscal crisis. Even using all of the reserves, if the unofficial forecast holds true, we estimate the state would still face a \$4.1 billion shortfall over the next three years.

Therefore, I am directing agencies to identify operating budget savings options from their fiscal year 2021 appropriations. OFM’s immediate combined savings options target is \$1.9 billion. (See the attachment for specific agency targets.) All agencies are not listed because they have little opportunity for Near General Fund savings. However, all agencies should identify savings they can make on their own or which require legislation and must be included in a second supplemental budget.

In addition, all agencies should be planning to propose reductions as part of their 2021–23 budget submittals. Any reductions taken in a second supplemental budget may help alleviate the scale of the budget problem next biennium.

Today the governor issued a directive requiring agencies to place a freeze on new hires, personal services contracts and equipment purchases, effective May 18, 2020. Some agency savings will be realized by complying with the freeze.

In looking for additional savings, agencies should:

- Identify under-expenditures, premium adjustments and efficiencies
- Focus mainly on Near General Fund accounts, but consider all accounts for savings
- Use other funds in lieu of General Fund-State whenever possible

Agency Directors  
May 13, 2020  
Page 2 of 2

- Reduce, delay or eliminate programs
- Identify programs or services that do not meet your core mission
- Look for opportunities to immediately realize savings through program changes that you anticipate proposing in your 2021–23 budget requests

During this exercise, please also consider the following:

- Central services charge programs (would the action drive up central service costs?)
- Offsets to savings (does the reduction to 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 implementation of reductions actually take?)
- Are legislative changes required to implement any of the savings options?

Please work with your [OFM budget analyst](#) so they are prepared with options by June 1. Use this [savings template](#) to identify your savings options and send it to [ofm.budget@ofm.wa.gov](mailto:ofm.budget@ofm.wa.gov) and your budget analyst. Any savings that can be realized now will require agencies to submit allotment amendments that reflect 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 within their agencies and jurisdictions.

Thank you for your efforts on this challenging task.

Attachment: Targeted Reduction Amount by Agency

**FY 2021 Near-GFS Appropriations and Reduction Targets**

(Dollars In Thousands)

	FY 2021 Appropriation	Reduction Amount 15%
<b>Totals</b>	\$ 12,492,924	\$ 1,873,939
<b><i>Governmental Operations</i></b>		
Office of the Governor	9,165	1,375
Office of the Lieutenant Governor	1,545	232
Public Disclosure Commission	5,456	818
Office of the Secretary of State	19,562	2,934
Office of the Attorney General	16,472	2,471
Caseload Forecast Council	2,063	309
Department of Commerce	144,041	21,606
Office of Financial Management	13,649	2,047
Department of Revenue	153,625	23,044
Board of Tax Appeals	2,598	390
Department of Enterprise Services	6,324	949
Military Department	11,403	1,710
Public Employment Relations Comm	2,291	344
Dept of Arch and Hist Preservation	2,328	349
<b>Total Governmental Operations</b>	<b>390,522</b>	<b>58,578</b>
<b><i>Other Human Services</i></b>		
Wash State Health Care Authority	3,082,951	462,443
Human Rights Commission	3,007	451
Criminal Justice Training Comm	31,339	4,701
Department of Labor and Industries	26,698	4,005
Department of Health	83,283	12,492
Department of Veterans Affairs	25,755	3,863
Dept of Children, Youth, & Families	1,035,774	155,366
Department of Corrections	1,208,986	181,348
Dept of Services for the Blind	3,971	596
<b>Total Other Human Services</b>	<b>5,501,764</b>	<b>825,265</b>
<b><i>Dept of Social &amp; Health Services</i></b>		
Behavioral Health Administration	445,867	66,880
Developmental Disabilities Administration	933,712	140,057
Aging & Long-Term Support Administration	1,480,161	222,024
Economic Services Administration	364,389	54,658
Division of Vocational Rehabilitation	17,632	2,645
Administration/Supporting Services	36,863	5,529
Special Commitment Center	53,921	8,088
Payments to Other Agencies	41,064	6,160
<b>Total Dept of Social &amp; Health Services</b>	<b>3,373,609</b>	<b>506,041</b>

	FY 2021 Appropriation	Reduction Amount 15%
<b><i>Natural Resources</i></b>		
Department of Ecology	30,955	4,643
State Parks and Recreation Comm	20,906	3,136
Rec/Conserv Funding Board	1,628	244
Environmental & Land Use Hearings	2,641	396
State Conservation Commission	8,208	1,231
Department of Fish and Wildlife	85,371	12,806
Puget Sound Partnership	4,798	720
Department of Natural Resources	67,017	10,053
Department of Agriculture	20,197	3,030
<b>Total Natural Resources</b>	<b>241,721</b>	<b>36,258</b>
<b><i>Transportation</i></b>		
Washington State Patrol	58,675	8,801
Department of Licensing	6,109	916
<b>Total Transportation</b>	<b>64,784</b>	<b>9,718</b>
<b><i>Public Schools</i></b>		
Non Basic Education	645,000	96,750
<b>Total Non-Basic Education</b>	<b>645,000</b>	<b>96,750</b>
<b><i>Higher Education</i></b>		
Student Achievement Council	400,323	60,048
University of Washington	374,741	56,211
Washington State University	248,308	37,246
Eastern Washington University	66,024	9,904
Central Washington University	66,276	9,941
The Evergreen State College	33,870	5,081
Western Washington University	89,530	13,430
Community/Technical College System	788,123	118,218
<b>Total Higher Education</b>	<b>2,067,195</b>	<b>310,079</b>
<b><i>Other Education</i></b>		
State School for the Blind	9,275	1,391
WA St. Center for Child Deafness	14,581	2,187
Workforce Train & Educ Coord Board	2,300	345
Washington State Arts Commission	2,513	377
Washington State Historical Society	3,818	573
Eastern Wash State Historical Society	2,841	426
<b>Total Other Education</b>	<b>35,328</b>	<b>5,299</b>
<b><i>Special Appropriations</i></b>		
Special Approp to the Governor	173,001	25,950
<b>Total Special Appropriations</b>	<b>173,001</b>	<b>25,950</b>