

July 2010

Board Update Addition

OFM Presentation

Jim Crawford, OFM senior budget assistant, provided Board members a sobering assessment of the state's projected budgets for the next two biennia during the Board's morning session in Ellensburg.

Crawford said if no additional cuts to the FY 2010-11 budget are needed, the state will start the 2011-2013 biennium with a \$3 billion budget shortfall, which may grow to as much as \$8.7 billion by the 2013-15 biennium.

These projected shortfalls will occur because the state faces sharp increases in mandated expenses during a period of declining revenue caused by the national recession (less consumer spending; declining home values and sales).

New expenses facing the state in 2011-13 include the loss of one-time federal stimulus funds (\$2.1 billion); medical inflation (\$.4 billion); pension obligations (\$.7 billion); K-12 mandates (\$.7 billion); and expenditures related to Initiatives 782 and 732 (\$1.1 billion).

Crawford said the state solved its \$12 billion budget gap over the last three years through a combination of strategies: cuts in programs and services (\$5.1 billion); federal recovery funds (\$3.6 billion); transferred funds (\$1.7 billion); the state's Rainy Day fund (\$.6 billion); and new revenue (\$.8 billion)

Crawford emphasized cuts to services and programs filled 40 percent of the gap, while new revenue filled only seven percent of it. Other key facts provided in the presentation:

- Washington is one of 48 states that faced budget shortfalls this fiscal year . . . and one of 46 that face shortfalls next fiscal year.
- Higher education's share of general fund state spending dropped from about 10.5 percent to 9 percent in 2009-11.
- The state is not out of the woods with respect to the FY 2010-11 budget. If federal Medicaid funds are not appropriated soon, Washington may need to cut the current budget by another \$250 million.

[See the OFM Presentation](#) for additional perspective.