



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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

August 11, 2020

TO: David Schumacher
Director

FROM: Roselyn Marcus, Assistant Director
Legal & Legislative Affairs

A handwritten signature in cursive script that reads "Roselyn Marcus".

**SUBJECT: INTERPRETATION AND APPLICATION OF RCW 43.88.110(7) –
CASH DEFICIT AND ACROSS-THE-BOARD CUTS**

You have asked for an interpretation and application of the requirement in RCW 43.88.110(7) as it applies to the information provided in the spreadsheet that OFM produced at the request of legislative staff.

RCW 43.88.110(7) states in pertinent part:

If at any time during the fiscal period the governor projects a cash deficit in a particular fund or account as defined by RCW [43.88.050](#), the governor shall make across-the-board reductions in allotments for that particular fund or account so as to prevent a cash deficit, unless the legislature has directed the liquidation of the cash deficit over one or more fiscal periods. Except for the legislative and judicial branches and other agencies headed by elective officials, the governor shall review the statement of proposed operating expenditures for reasonableness and conformance with legislative intent.

This request stems from questions we have received and recent statements being made that the spreadsheet OFM prepared, which represents a subset of revenue and expenditure estimates, shows a deficit that now requires the governor to institute an across-the-board (ATB) cut to agency allotments.

RCW 43.88.050 requires the projected cash deficit to be in a particular fund or account. So the first step requires an analysis of a “particular fund or account.” In this instance, that would be the General Fund. The General Fund is an account created by RCW 43.79.010, which provides:

All moneys paid into the state treasury, except moneys received from taxes levied for specific purposes, and the several permanent funds of the state and the moneys derived therefrom, shall be paid into the general fund of the state.

The General Fund revenue sources include taxes, grants, charges and miscellaneous revenue, licenses, permits, fees and other miscellaneous revenue, and interest income. In addition, the General Fund is an appropriated account. In the budget, appropriations from this account are distinguished by three separate appropriation categories: General Fund-State, General Fund-Federal, and General Fund-Local.

The spreadsheet is limited to the General Fund-State appropriation category. General Fund-State is not a “fund” or an “account” but an accounting or appropriation designation that depicts a subset of revenues and expenditures in the General Fund. The spreadsheet captures a subset of the General Fund, and as such, it cannot be used to determine whether a cash deficit exists under RCW 43.88.050.

For example, the revenue projections do not include all future revenue from the federal government, anticipated FEMA reimbursements for expenditures already made, and replacement of General Fund-State expenditures with funds received from the CARES Act. In addition, the spreadsheet captures expenditures authorized in the operating budget, as opposed to actual expenditures. By doing so, the spreadsheet overstates General Fund-State expenditures.

It is important to note that in the Budget and Accounting Act, a cash deficit for a particular fiscal period occurs when the aggregate of disbursements charged to a fund will exceed the total of that fund’s aggregate receipts for the current fiscal period plus the beginning fund balance. The cash deficit is based on disbursements, which are projected *actual* expenditures. Appropriations are the maximum authorized expenditures. The governor has already taken action to reduce expenditures: cancelling the 3% salary increase scheduled for most non-represented employees on July 1, 2020, instituting furloughs, and directing freezes on personal services contracts, equipment purchases, and hiring. These actions will result in a reduction to expenditures, none of which are factored into the spreadsheet but must be factored into a cash deficit analysis.¹

So in closing, the estimate done by OFM staff is not a projection of a cash deficit in the General Fund, and therefore, the across-the-board reduction in allotments is not triggered.

If you have additional questions, please let me know.

¹ There are several remedies that can be implemented when dealing with the current fiscal situation. The most drastic remedy is the across-the-board reduction in allotments if a cash deficit is projected. If the cash deficit is determined to be a temporary cash deficiency (one where the account is temporarily negative but is expected to balance over the course of the fiscal period). OFM may provide authority to carry that deficit while the agency works to alleviate the problem. See RCW 43.88.260. Finally, RCW 43.88.050 provides that the governor may propose orderly liquidation of the anticipated cash deficit over a period of one or more fiscal periods, if, in the governor’s discretion, such manner of liquidation would best serve the public interest.