OFFICE of PROGRAM RESEARCH
WASHINGTON STATE HOUSE OF REPRESENTATIVES

2026 Session Budget Preview

House Appropriations Committee

December 4, 2025

Office of Program Research

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This presentation will cover:

- Operating budget overview & refresher
- Context for Developing the 2026 Supplemental
  - What has changed since Sine Die?
  - NGF-O revenue update
  - NGF-O reversions update
  - NGF-O ending fund balance update
  - Outlook update with *preliminary* maintenance level
- Appendix of operating budget information

2025-27 Operating Budget
Near General Fund-Outlook (NGF-O, $ in thousands)

Legislative	298,000
Judicial	611,000
Debt Service	3,252,000
Public Schools	33,667,000
Higher Education	6,164,000
Department of Corrections	3,287,000
Health Care Authority	8,924,000
Dept. of Children, Youth & Families	4,614,000
DSHS: ALTSA, DDA, & State Hospitals	10,039,000
DSHS: Other	2,086,000
Natural Resources	1,051,000
Dept. of Commerce	841,000
All Other*	3,024,000
	77,858,000

*All figures are rounded and reflect the 2-year 2025-27 biennium. Includes appropriations in other legislation.

Operating Budget Drivers
(Covers 89% of NGF-O for the 2025-27 Biennium)

Public Schools (43%)
- Enrollment
- Inflation

Low-Income Health (11%)
- Caseloads
- Utilization & Inflation

Debt Service (4%)
- Capital Budget (size)
- Interest Rates

Children, Youth and Families (6%)
- Caseloads
- Utilization & Inflation

Higher Education (8%)
- Partially Discretionary
- Enrollment, Tuition & Financial Aid

Corrections (4%)
- Population of incarcerated individuals
- Mix of incarcerated individuals
- Community Supervision

DSHS ALTSA, DDA, and WSH/ESH (13%)
- Population/Caseloads
- Acuity Mix
- Care Settings

Note: Low-Income Health reflects all Health Care Authority NGF-O, including Community Behavioral Health.

Some spending is mandatory and some is discretionary

Requirements With Constitutional Elements
- K-12 Basic Ed
- Debt Service
- Some Pension Contribution Obligations
- Some Level of Funding for Judicial, Legislative & Executive Offices
- Some level of care in institutional and foster care programs*
- Approved collective bargaining agreements & other contracts**

Federal Statutory Requirements
- Since the state participates in Medicaid:
  - Core populations & core services
  - Other requirements (i.e. rate issues)
- TANF/Maintenance of Effort (MOE)
- Cost obligations if state participates in certain federal programs (i.e., admin costs for food stamps)

State Statutory and Other Requirements
- State-created statutory entitlements ***
- Funding that, if reduced, may increase entitlement costs
- Funding to avoid state liability in areas of responsibility
- Other Statutory Programs

Discretionary
- Programs without a statutory or case law requirement

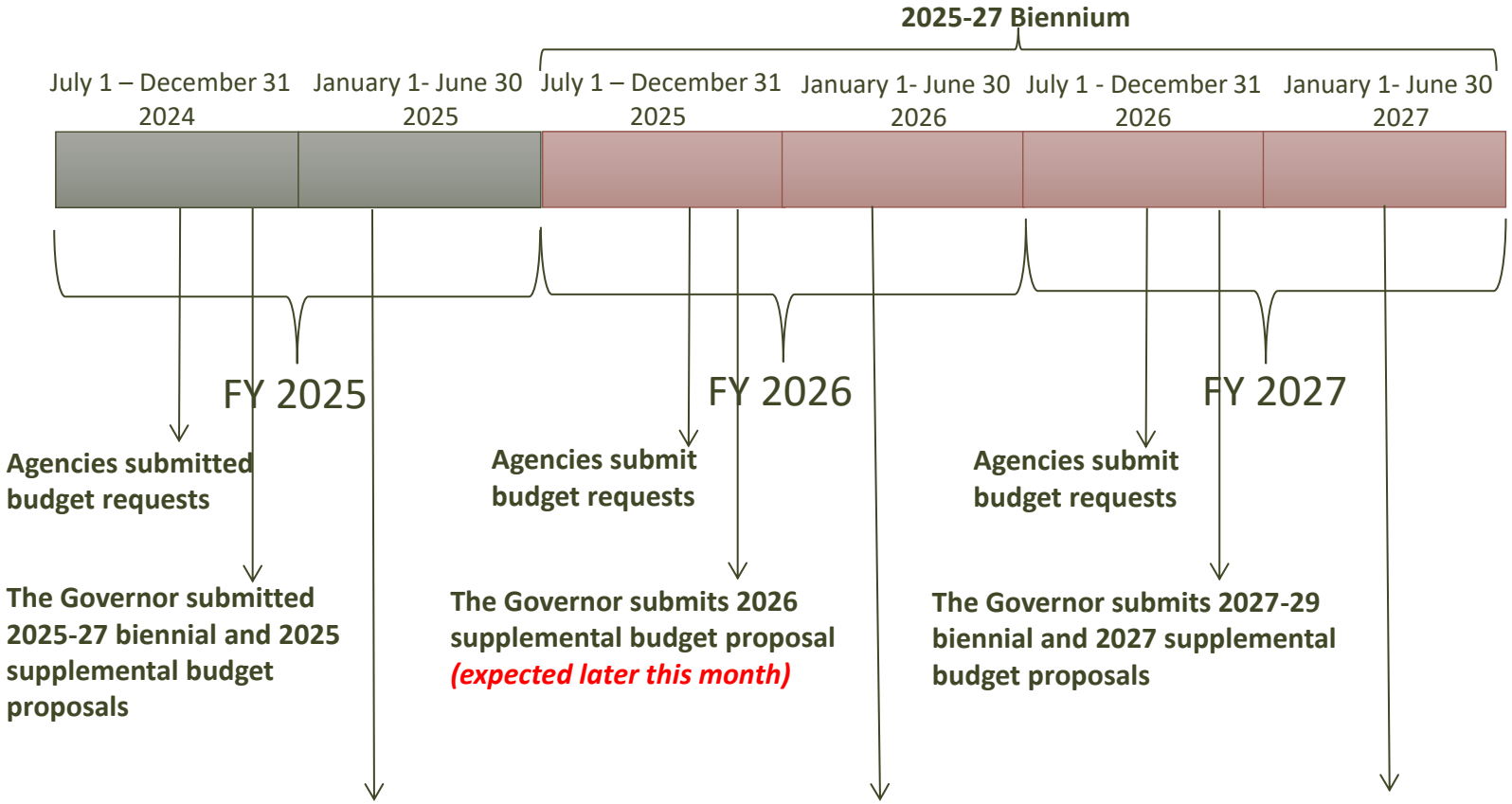
Green rectangles are illustrative only and not to scale.

* Includes prisons, DCYF-JR facilities, state hospitals, DDA facilities, foster care, SCC, etc.

** Contracts may be renegotiated. Also, some contracts have termination – and/or fiscal shortfall clauses that may be invoked, while others may include "tail" periods.

*** Can be changed by legislation.

Operating Budget Calendar



What has changed since the Legislature passed its 2025-27 Biennial and 2025 Supplemental operating budgets last April?

- The NGF-O revenue forecast has declined since the March 2025 NGF-O forecast used for the Enacted budget.
- Gubernatorial vetoes of spending and revenue items.
- Unknown impacts from legal challenges.
- H.R. 1, enacted by Congress and signed by President Trump on July 4, 2025, introduced policy & funding changes impacting states, particularly in the areas of low-income health care and the Supplemental Nutrition Assistance Program (SNAP).
  - The fiscal impact of mandatory changes related to H.R. 1 will be captured at maintenance level (ML) of the 2026 Supplemental budget.
  - Federal agency guidance for states on how to implement H.R. 1 changes is not yet all available, and in some cases will not be available until after the 2026 session.
- Updated caseload and per-capita cost forecasts.

The NGF-O revenue forecast has decreased since the March 2025 forecast on which the enacted budget is based.

$ in Millions

NGF-O Revenue Forecast Economic Changes	FY 2025	2025-27	2027-29	5-Year Period
June 2025	407	-490	-638	-721
Sept. 2025	-13	-412	-477	-903
Nov. 2025	13	105	-185	-66
Total Change	**407**	**-797**	**-1,300**	**-1,690**

Notes: Numbers are rounded. Reflects economic changes only. Non-economic changes related to legislation enacted in the 2025 session are excluded from this table to illustrate how revenues have changed in comparison to revenues assumed in the enacted Outlook. Does not include impacts from reversions, prior period adjustments, and ACFR adjustments. 2027-29 numbers do not reflect application of the 4.5% Outlook revenue growth assumption to the FY 2027 revenue forecast.

NGF-O reversions for FY 2025 are about the same as what was assumed in the Enacted budget.

	NGF-O Reversions ($ in Millions)
Enacted Budget Reversion Assumption	342
Actual Reversions	346
Change in Reversions (Actual – Assumed)	**4**

Notes: Numbers are rounded. Does not include the impact of ACFR or prior period adjustments. Includes the impact of unanticipated adjustments between fiscal years.

The projected NGF-O ending fund balances for 2025-27 and the four-year Outlook period have declined since Sine Die.

$ in Millions

	2025-27	2027-29
Enacted Budget	80	381
June Outlook Update	2	-331
September Outlook Update	-418	-1,223
November Outlook Update	**-106**	**-1,094**

…but it's important to note that these projected ending balances do not reflect updated maintenance level or policy level expenditures.

Notes: Numbers are rounded. Includes the impact of the 1% NGF-O transfers to the Budget Stabilization Account, other transfers assumed in the enacted budget and ERFC-approved Budget Outlook, and the impacts of ACFR and prior period adjustments. Builds off final FY 2025 figures including reversions. Excludes ending fund balances in the Budget Stabilization Account (BSA).

Preliminary Budget Outlook for the 2026 Session

- Based on the November 2025 revenue forecast as adopted by the Economic & Revenue Forecast Council.
  - Does not assume 4.5% revenue growth in the 2027-29 (Outlook) biennium.
- Based on November 2025 caseload & per-capita cost forecasts.
- Covers the costs of continuing current programs -- but excludes possible policy changes like employee compensation, vendor rates, policy enhancements or reductions, or tax policy changes.
- Perspectives may differ on whether certain policy items are “must-do”.
- Figures are preliminary – much work needs to be done.
- Covers the four-year period legislators will consider in the 2026 session (FY 2026 through FY 2029).

Preliminary maintenance level (ML) estimates net to $3.2 billion NGF-O in increased expenditures over the four-year period.

- While estimates will change in session with updated forecasts and information, the major drivers are likely to remain the same.
- Major drivers of the net increase include:
  - DSHS -- $900 million NGF-O/4 years
    - Long-term care caseloads & SNAP policy changes
  - HCA -- $800 million NGF-O/4 years
    - Per-capita costs & managed care rates
  - DCYF -- $600 million NGF-O/4 years
    - Working Connections Child Care caseload
  - K-12 -- $500 million NGF-O/4 years
    - Special education safety net

*Figures above are rounded.

Staff Analysis For Planning Purposes: Budget Outlook through Preliminary Maintenance Level

($ in Millions)

	2025-27			2027-29		
	FY 2026	FY 2027	2025-27	FY 2028	FY 2029	2027-29
NGF-O Beginning Balance	**2,536**	**460**	**2,536**	**-1,519**	**-3,250**	**-1,519**
Total Revenues and Resources (Including Beginning Balance)	**39,165**	**38,282**	**76,987**	**37,039**	**36,840**	**77,129**
Appropriations						
Base (Enacted 2025 Session Budget)	38,471	39,387	77,858	39,763	40,568	80,331
Preliminary Maintenance Level Estimate	665	759	1,424	876	931	1,807
Reversion Assumptions	-431	-346	-776	-351	-359	-709
Revised Appropriations	**38,705**	**39,801**	**78,506**	**40,289**	**41,140**	**81,429**
NGF-O Projected Ending Balance	**460**	**-1,519**	**-1,519**	**-3,250**	**-4,300**	**-4,300**
Budget Stabilization Account Ending Balance	**1,636**	**2,046**	**2,046**	**2,478**	**2,937**	**2,937**
Total Reserves	**2,096**	**527**	**527**	**-772**	**-1,364**	**-1,364**

Notes: Revenues are based on the November 2025 forecast and do not include the 4.5% revenue growth adjustment in 2027-29 allowed for under the Outlook statute. Maintenance level estimates are very preliminary and reflect November 2025 caseload & per-capita cost forecasts. No policy-level item items are included. This analysis was prepared by OPR staff for legislative deliberations of House members. It is not an official Outlook.

With the addition of estimated preliminary ML expenditures, the projected four-year NGF-O ending fund balance is reduced from -$1.1 billion to -$4.3 billion.

$ in Millions

	2025-27	2027-29
Enacted Budget	80	381
June Outlook Update	2	-331
September Outlook Update	-418	-1,223
November Outlook Update ***without preliminary ML***	-106	-1,094
November Outlook Update ***with preliminary ML***	**-1,519**	**-4,300**

…and it's important to note that these figures do not include any potential member policy-level decisions.

Notes: Numbers are rounded. Includes the impact of the 1% NGF-O transfer to the Budget Stabilization Account in 2025-27, other transfers assumed in the enacted budget and ERFC-approved Budget Outlook, the impacts of ACRF adjustment, prior period adjustments, and actual FY 2025 reversions. Excludes ending fund balances in the Budget Stabilization Account (BSA).

2026 Supplemental: Policy Level Budget Decisions

2025-27 Enacted Base
+
2026 Supp ML Adjustments

Any changes to the existing base budget (which is the cost of continuing ongoing services) are policy level decisions.

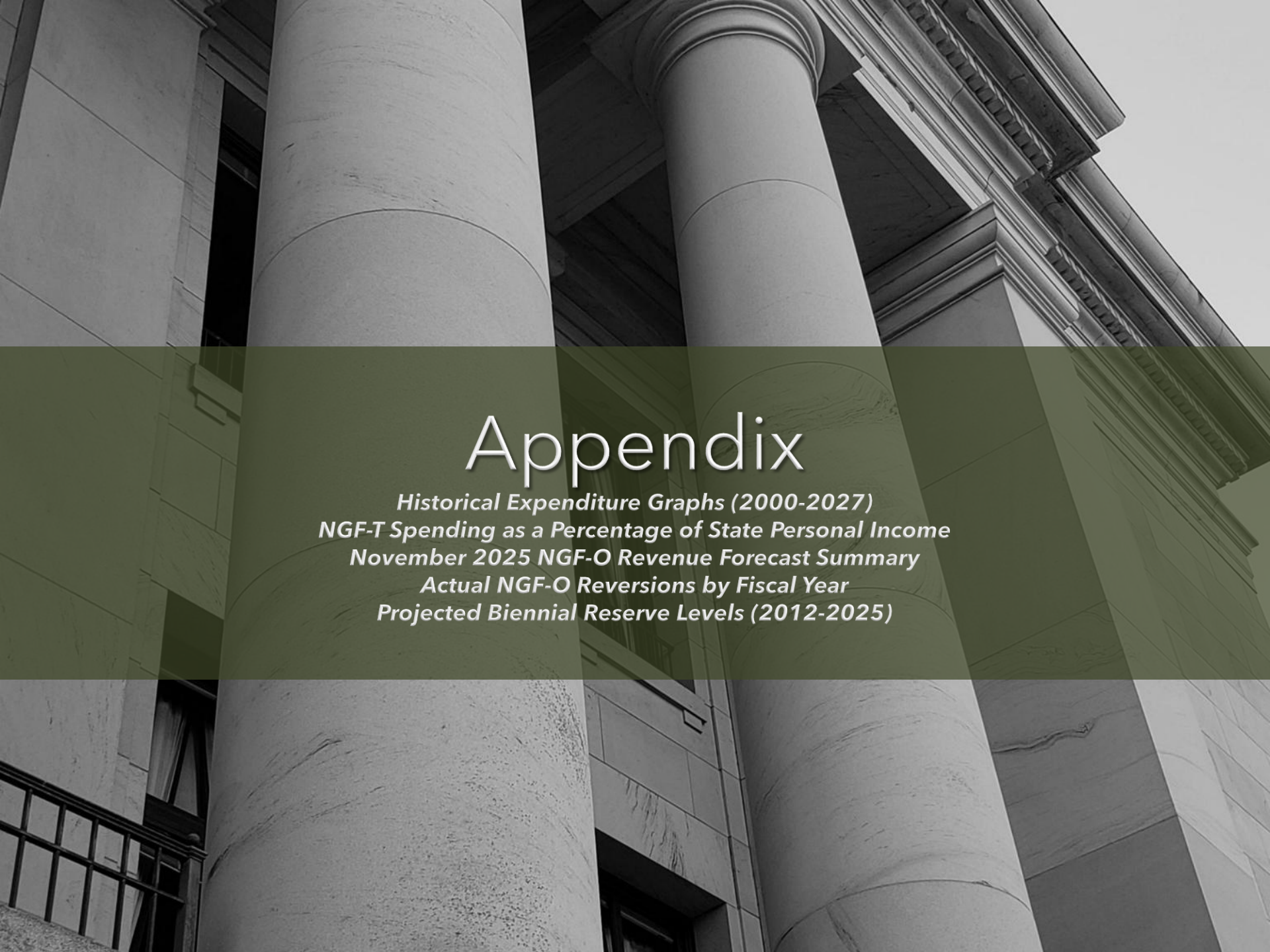
- Creation of new programs
- Enhancement of existing programs
- Elimination of existing programs
- Reduction of existing programs
- Increases or decreases to resources (taxes, fees)
- Other non-technical funding decisions

Note: Vendor rate increases (other than some in managed care programs), employee health benefits, employee COLAs, collective bargaining agreements, and continuation of multi-biennium information technology projects are always policy level items.

Summary

- The projected 4-year NGF-O ending fund balance has declined from $381 million in the Enacted budget to -$1.1 billion, primarily due to updated revenue forecasts.
- …When preliminary ML expenditures are incorporated, that projected 4-year NGF-O ending balance declines from -$1.1 billion to -$4.3 billion.
  - This figure does not include policy-level changes that members may make in the 2026 Supplemental budget.
- By statute, the adopted 2025-27 biennial budget plus 2026 Supplemental must balance over the two-year biennium, and the projected budget for the 2027-29 biennium must balance for NGF-O accounts.*

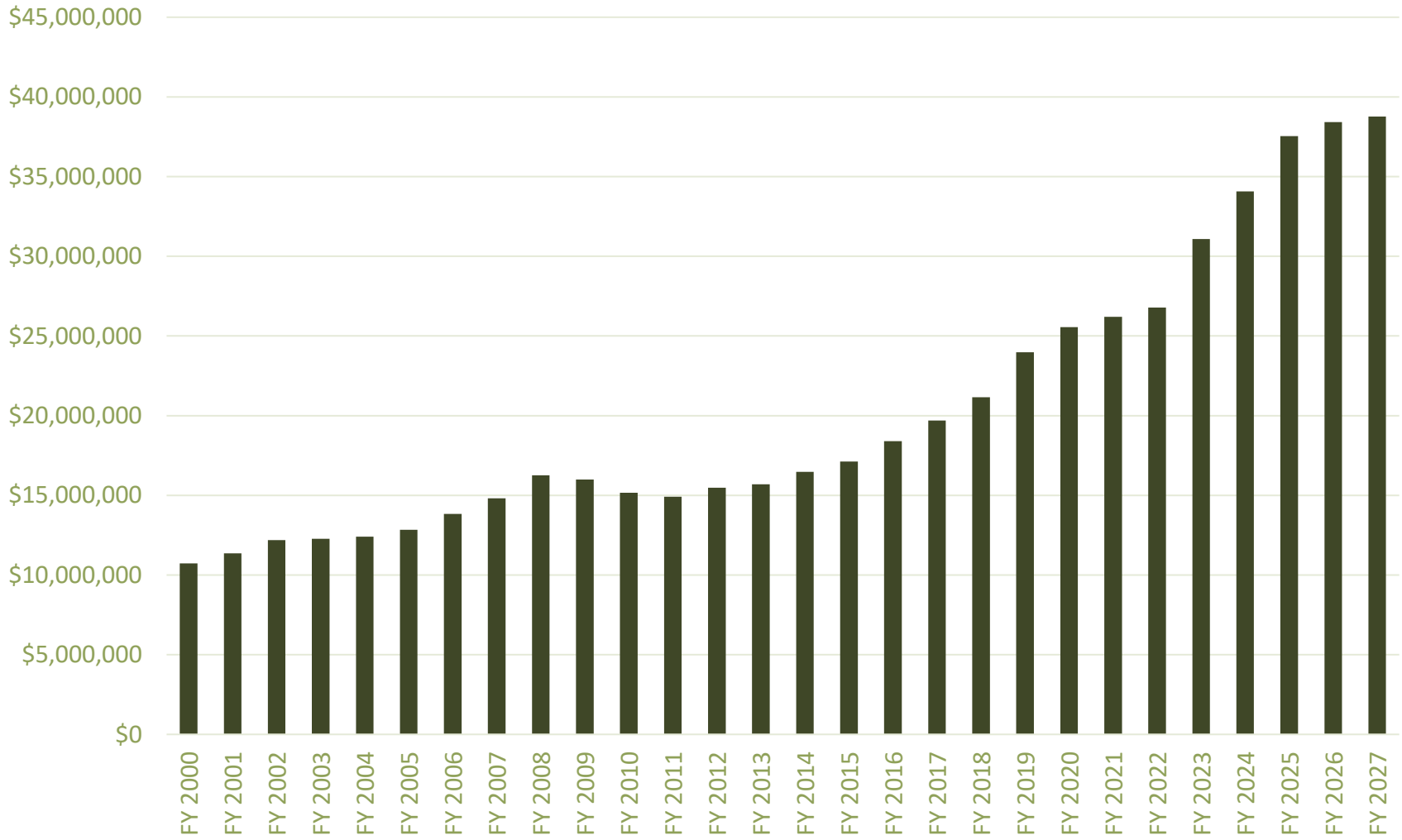
*When employment growth of <1% is forecasted and the Legislature appropriates from the Budget Stabilization Account, the Outlook requirement is suspended for the ensuing fiscal biennium.



Appendix

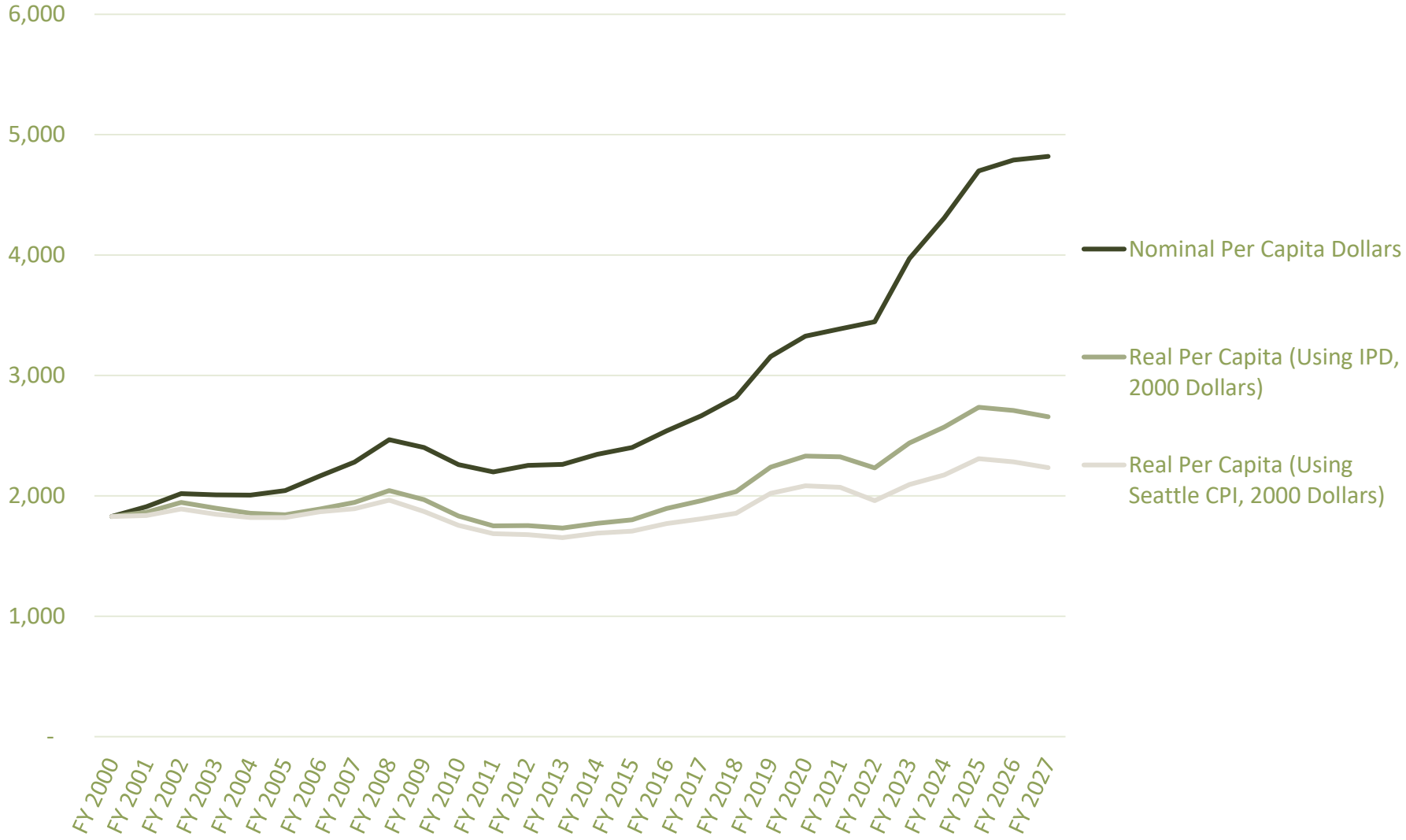
Historical Expenditure Graphs (2000-2027)
NGF-T Spending as a Percentage of State Personal Income
November 2025 NGF-O Revenue Forecast Summary
Actual NGF-O Reversions by Fiscal Year
Projected Biennial Reserve Levels (2012-2025)

Near General Fund-Total (NGF-T) Expenditures: FY 2000 to FY 2027 (Dollars in thousands)



Note: NGF-T includes funds subject to the Outlook plus the McCleary Penalty Account and the Pension Funding Stabilization Account. Data is adjusted for historical comparability. FY 2025 shows preliminary actual spending and FY 2026-FY2027 show allotted spending including unanticipated receipts. All prior years show actual spending.

Per Capita NGF-T Expenditures: FY 2000 to FY 2027



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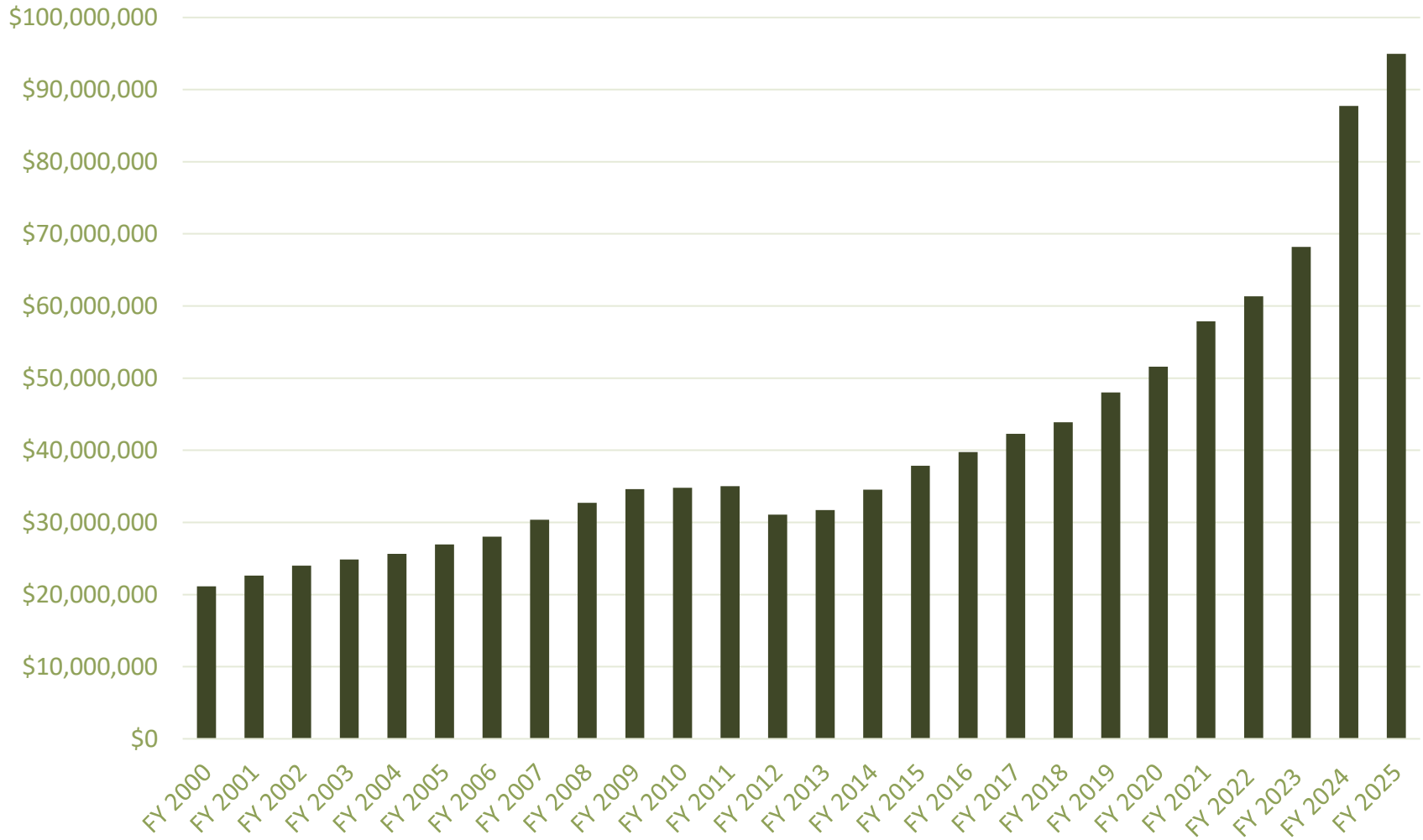
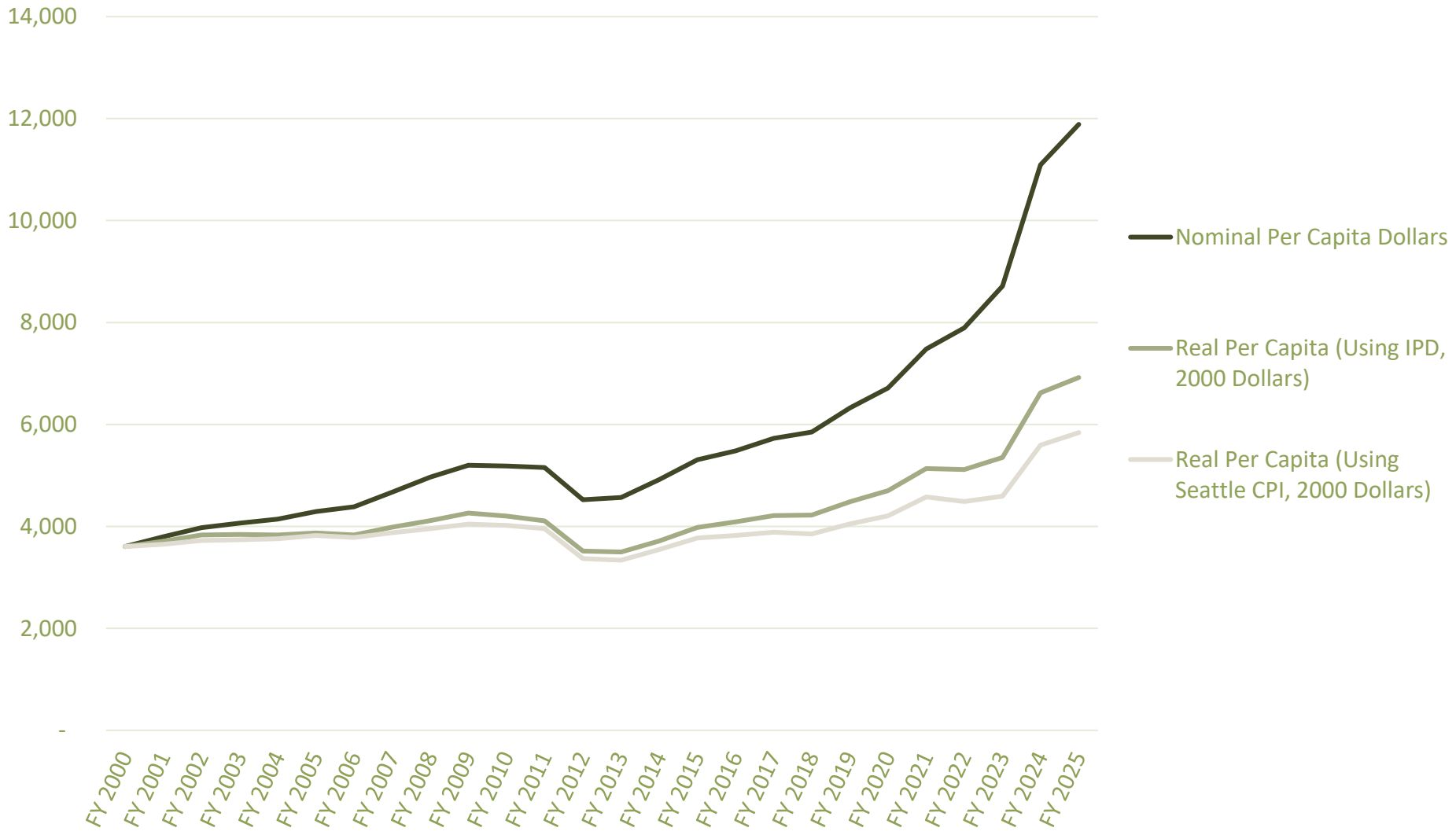
Total Budgeted Funds Expenditures: FY 2000 to FY 2025



Note: Data is adjusted to support historical comparability. Figures exclude Capital spending but include Transportation operating. Includes Higher Ed non-appropriated funding. FY 2025 shows preliminary actual spending. Prior years show actual spending.

Per Capita Total Budgeted Funds Spending: FY 2000 to FY 2025



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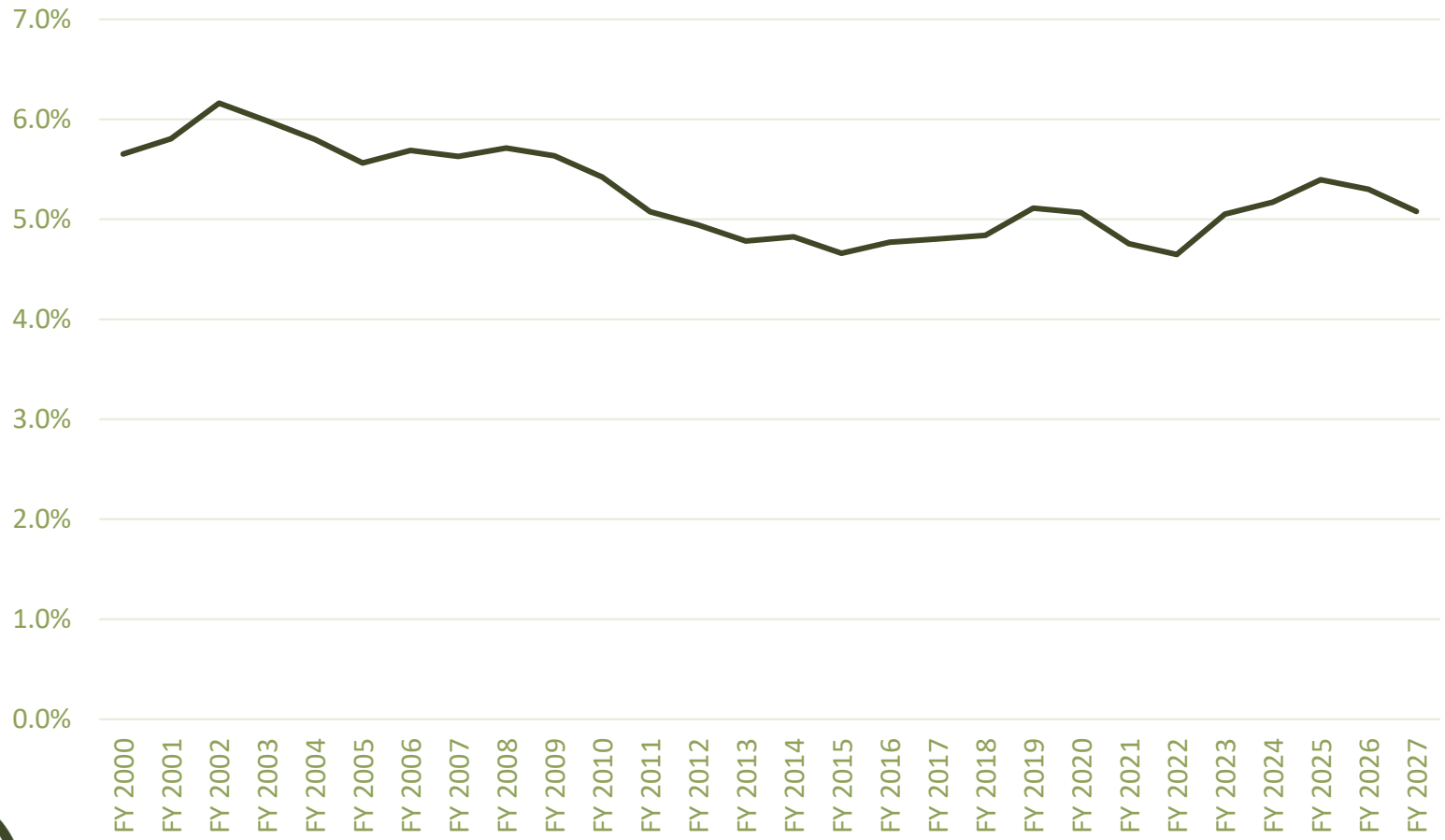
NGF-T Spending as a Percentage of State Personal Income



Note: NGF-T includes NGF-O funds subject to the 4-year Outlook requirement plus the Pension Funding Stabilization Account and the McCleary Penalty Account. NGF-T expenditure data is adjusted for historical comparability. State personal income data is from the November 2025 forecast.

Projected NGF-O Revenue Collections as of November 2025

Fiscal Year	Dollars in Millions	% Change From Prior Year
FY 2020	24,915	4.1%
FY 2021	28,217	13.3%
FY 2022	31,478	11.6%
FY 2023	33,256	5.6%
FY 2024	32,672	-1.8%
FY 2025	34,465	5.5%
FY 2026	36,302	5.3%
FY 2027	38,147	5.1%
FY 2028	38,903	2.0%
FY 2029	40,450	4.0%

Notes: Data is from the Economic & Revenue Forecast Council's November 2025 NGF-O revenue forecast. Revenues for FY 2028 and FY 2029 do not reflect the 4.5% annual revenue growth assumption from the budget Outlook statutory methodology.

Actual NGF-O Reversions by Fiscal Year

FY	Actual NGF-O Reversions ($ in Millions, Rounded)
2018	53
2019	114
2020	572
2021	394
2022	475
2023	760
2024	421
2025	346

*All figures represent final actual reversion amounts by FY close in the Budget Outlook system and include unanticipated adjustments between FYs.

Projected Biennial Reserve Levels (2012 – 2025)

(Dollars in millions)

Session	NGF-O	Budget Stabilization Account (BSA)	WA Rescue Plan Transition Account (WRPTA)	Total Reserves
2012	46	265	-	311
2013	58	577	-	636
2014	296	583	-	879
2015	343	894	-	1,237
2016	508	701	-	1,208
2017	925	1,158	-	2,083
2018	1,228	1,139	-	2,367
2019	372	2,249	-	2,621
2020	1,292	1,979	-	3,271
2021	789	543	1,000	2,332
2022	222	609	2,100	2,931
2023	1,362	1,345	798	3,505
2024	2,368	1,329	-	3,697
2025	80	2,061	-	2,141

Note: All figures above represent the "budget biennium" and not the "Outlook biennium." The source of the data is the Legislative Budget Notes and reflects projected reserves at the time each budget was adopted.