
Senate Ways and Means Committee, January 13, 2026

Gov. Bob Ferguson's 2026 Supplemental Budget Proposal

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Director



Challenges



Increasing caseloads and enrollments



2025–27 revenue projections decreased by \$390 million



Federal funding and policy changes mean incurred costs for the state



Budget demands/existing programs



Relatively small current ending balance (+\$381 million in enacted budget)

Principles



Maintaining critical services and causing least harm



New spending focused on critical, emergent needs



Continue initiatives only when stopping them costs more than the savings



Centering affordability

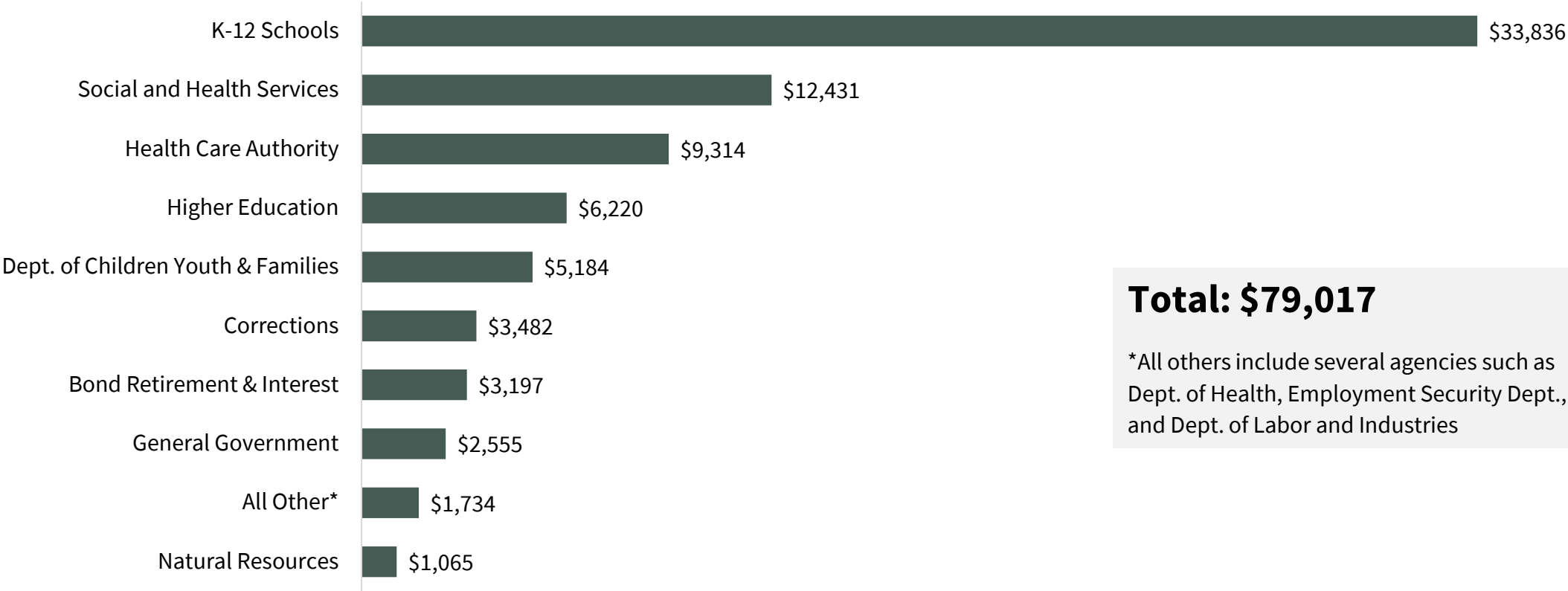


Protecting Washingtonians from federal actions

Supplemental budget appropriations

2026 supplemental operating budget | Funds subject to outlook

Dollars in Millions



Total: \$79,017

*All others include several agencies such as Dept. of Health, Employment Security Dept., and Dept. of Labor and Industries

Federal actions shift costs to Washington

\$155M+

Federal changes from H.R.1 require an investment of more than \$155 million in state funds to protect safety net programs and the communities that rely on them.

Basic Food (SNAP)

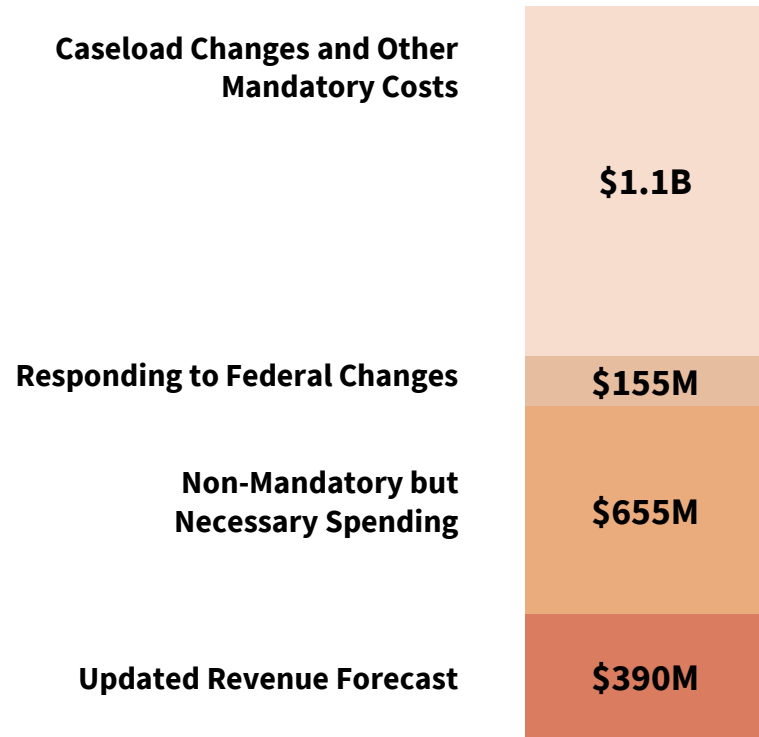
- Staff, services, and IT to implement new federal work requirements
- Preserve benefits for ~30,000 people losing federal SNAP eligibility
- Higher state share of SNAP administrative costs
- Staff and IT upgrades to reduce payment error rates

Health Care

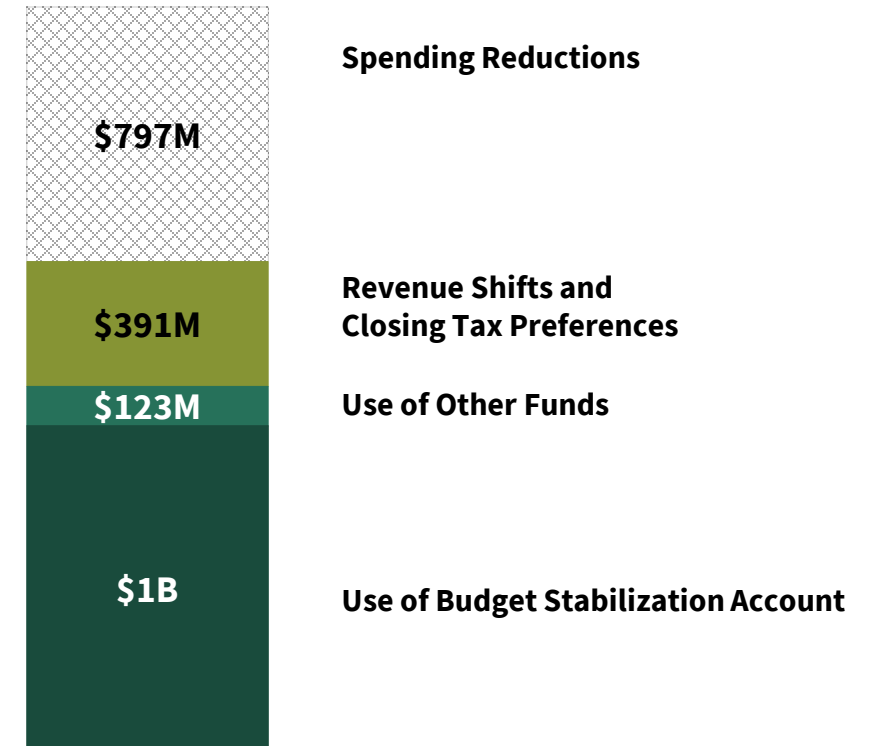
- Retain services for 500 highest acuity noncitizens losing Medicaid/LTC access
- Additional staff and centralized verification for new work requirements
- Increased IT contractor support for federally mandated system changes

Achieving a balanced budget

Budget Shortfall: \$2.3B in 2025–27



Budget Solution: \$2.3B in 2025–27



Human Services

Notable Reductions

- Working Connections Child Care caseload soft cap
- Rebasing child care centers subsidy rate to 75th percentile of market rates
- Delay assisted living facility and nursing home rate increases
- Limit Apple Health Expansion to current caseload
- Reduce recent DOH program expansions

Notable Increases

- Child welfare staffing and safety improvements to address increase in abuse- or neglect-related incidents
- Community Behavioral Health Support program to help more people with mental health needs
- Address overcrowding concerns and increase safety in correctional facilities
- Continue health insurance subsidies through Cascade Care Savings
- Continue statewide response supporting individuals newly arrived in WA

General Government

Notable Reductions

- Shift Working Families Tax Credit 2025–27 expenditures from GF-S to Climate Commitment Account
- Reduce Commerce grants

Notable Increases

- Self-Insurance Liability Account (SILA) – Allocates funds to agencies to pay increased insurance premiums. Spreads backfill of account over four years.
- Clean energy credits for low-income family utility bills and targeted programs to replace inefficient heating systems for households.
- Task force to establish a Department of Housing to lead state efforts to expand housing supply.
- Reinstate local planning and permit review grants to speed up housing permitting processes.
- One Washington phase 1A to replace 40-year-old accounting system, preparing agencies and stabilizing operations

Natural Resources

Notable Reductions

- Fund shifts to dedicated accounts in multiple agencies
- Reduce recent increase for recreation maintenance in Parks, DFW, and DNR
- Reduce recent increase for small-farm support

Notable Increases

- Wildfire preparedness (Chapter 298, Laws of 2021)
- Wildfire suppression, maintains full response capacity for current season
- Eradicate invasive agricultural pests
- Continue Fort Worden basic maintenance
- Reduce backlog of drinking-water lab audits

Education

Notable Reductions

- Across-the-board cuts for higher education institutions
- Keep LEA enhancement at 2026 rate for 2027
- Adjust school bus depreciation payments based on usage data
- Reduce Transition-to-Kindergarten slots
- Reduce Running Start enrollment cap

Notable Increases

K-12 – Continues funding for programs with proven success:

- High School and Beyond Plan
- Graduation Success program for youth in foster care
- Ninth Grade Success program to reduce failure rates

Higher Ed – Addresses urgent workforce shortages:

- Center for Behavioral Health at the UW, growing the clinical workforce
- Expand behavioral health workforce pathways at CWU to address need in rural and underserved areas

Other operating reductions

2%

Reduction to executive
and management
services positions

5%

Administrative
reduction to goods
and services and travel
across agencies

2%–5%

Administrative
reductions for many
agencies

Closing outdated tax breaks

Modest changes restore fairness and generate \$145 million in current biennium to help fund essential services, without raising taxes on Washington families.



Data center refurbishment

End a sales tax exemption on replacement server equipment for about 25 data centers



Prescription drug wholesalers

Move about 49 large national distributors from a special low B&O rate to the standard state rate paid by others



Insurance premiums tax

Close loophole that allows certain affiliate companies to claim a B&O exemption even if they do not pay the tax themselves

For more information:

ofm.wa.gov/26budget

