House Appropriations Committee, January 12, 2026

Gov. Bob Ferguson's 2026 Supplemental Budget Proposal

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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)

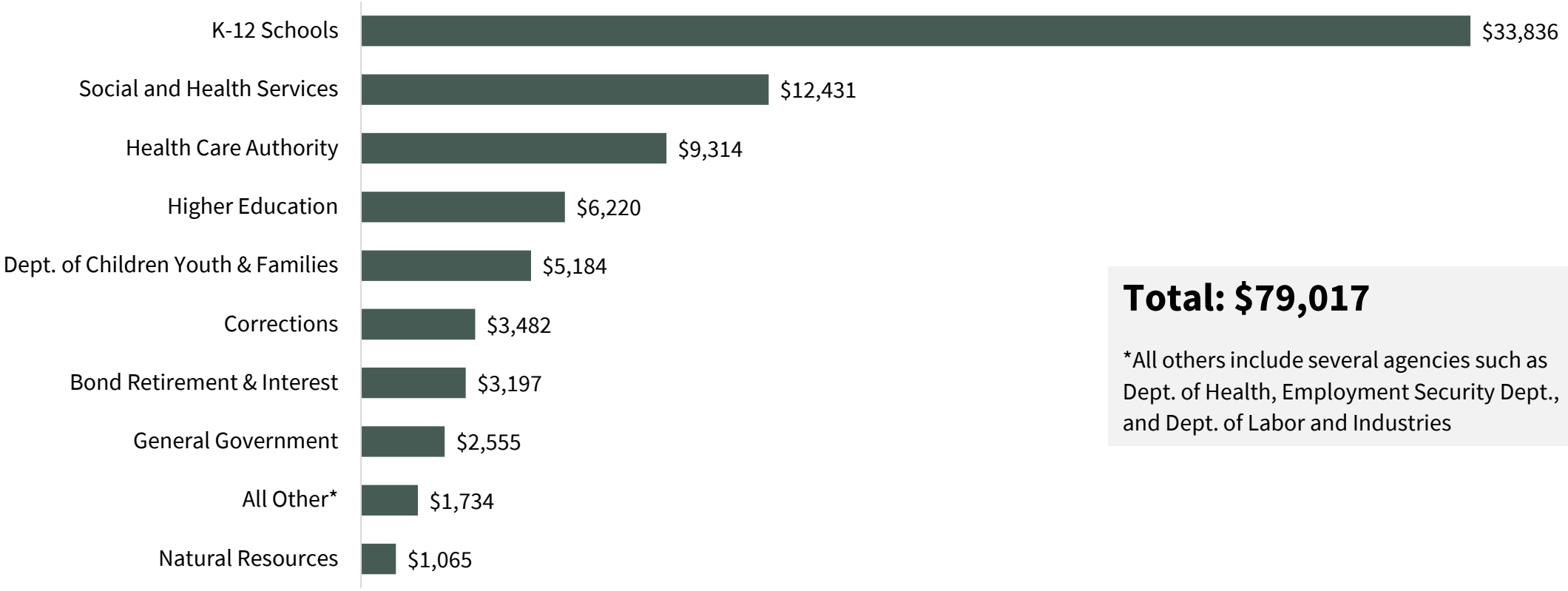
Principles

- 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)

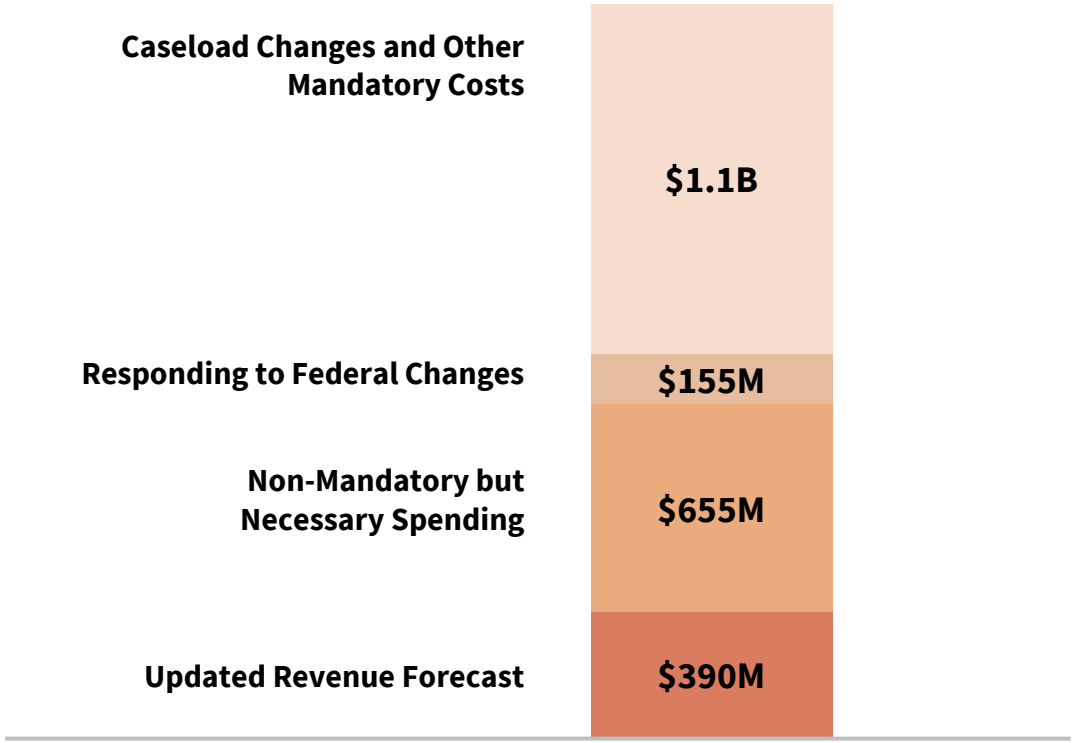
- Staff, services, and IT to implement new federal work requirements
- Preserve benefits for ~30,000 people losing federal SNAP eligibility
- Higher state share of SNAP administrative costs
- Staff and IT upgrades to reduce payment error rates

Health Care

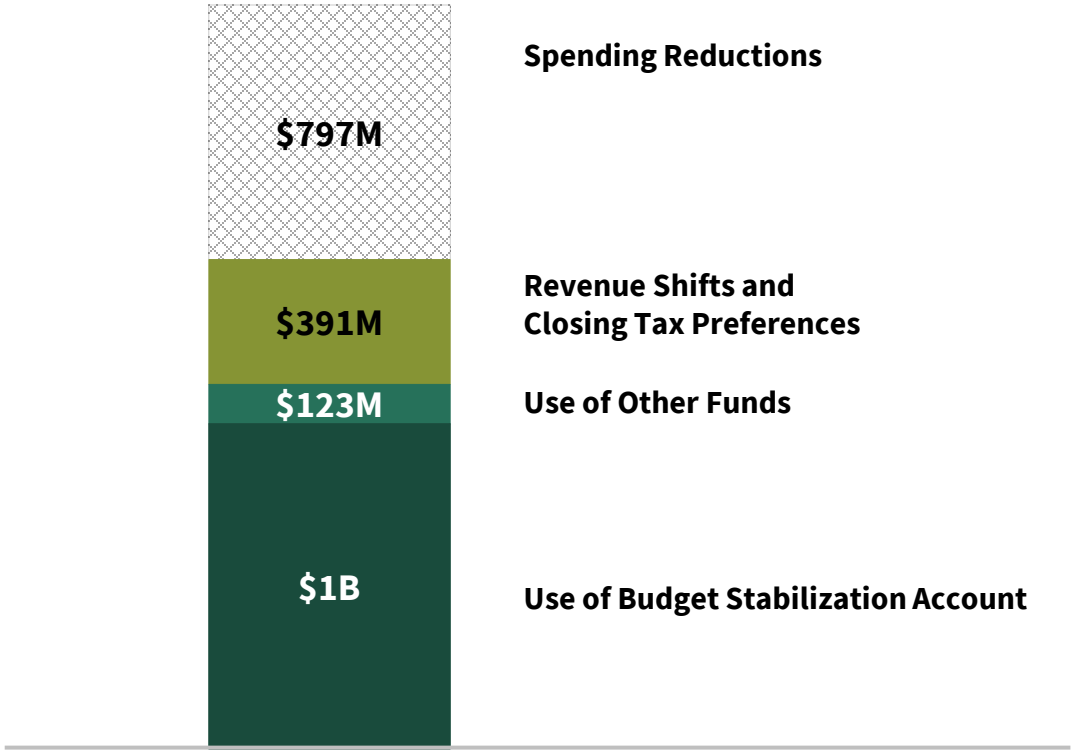
- Retain services for 500 highest acuity noncitizens losing Medicaid/LTC access
- Additional staff and centralized verification for new work requirements
- Increased IT contractor support for federally mandated system changes

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