

# Governor's Proposed Budget Outlook: Methodology

January 12, 2026



Washington State  
Economic and Revenue Forecast Council

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WASHINGTON STATE  
**ECONOMIC AND REVENUE FORECAST COUNCIL**

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## AGENDA

# **GOVERNOR'S PROPOSED BUDGET OUTLOOK: METHODOLOGY**

January 12, 2026  
8:00 a.m.

- Call to order
- Approval of meeting minutes from November 18, 2025
  - *Motion expected*
- Budget Outlook methodology presentation
  - *Motions expected*
- Adjournment

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STATE OF WASHINGTON  
ECONOMIC AND REVENUE FORECAST COUNCIL  
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## Meeting Minutes Revenue Review

November 18, 2025

John A. Cherberg Bldg., Room A/B/C and Zoom

### Economic and Revenue Forecast Council

June Robinson, Senate, Chair  
April Berg, House of Representatives  
Travis Couture, House of Representatives  
Chris Gildon, Senate  
Timm Ormsby, House of Representatives  
Ed Orcutt, House of Representatives  
Nikki Torres, Senate  
Mike Pellicciotti, Treasurer  
Katherine Chapman-See, Office of Financial  
Management  
Drew Shirk, Department of Revenue

### Staff

Dave Reich, Executive Director

### Call to Order

Senator Robinson called the meeting to order at 2:02 p.m.

### Approval of the Minutes

Representative Orcutt moved, seconded by Representative Ormsby, to adopt the meeting minutes from November 4, 2025. Motion passed at 2:03 p.m.

### Revenue Forecast Presentation

Dr. Reich presented information on the economic and revenue forecast. Dr. Reich summarized the forecast changes.

### Motion

Representative Orcutt moved, seconded by Representative Ormsby, to adopt the forecast as presented. Motion passed at 2:31 p.m.

### Fiscal Growth Factor Presentation

Dr. Reich presented information on the Fiscal Growth Factor. Dr. Reich summarized the growth factor changes and presented the proposed growth factor for fiscal year 2027

### Motion

Representative Ormsby moved, seconded by Representative Berg, to adopt the fiscal growth factor of 6.51% for FY27. Motion passed with 9 yes votes and 1 no at 2:34 p.m.

**Administrative**

Senator Robinson, and the rest of the council, thanked Director Shirk for his time serving the council and wished him the best of luck in his retirement.

**Adjournment**

With no further business, the meeting adjourned at 2:35 p.m.

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January 12, 2026

To: Economic and Revenue Forecast Council

From: State Budget Outlook Work Group

Subject: Preparation of the Governor’s 2026 Supplemental Operating Budget Outlook

The State Budget Outlook Work Group (work group) poses the following issues for the Economic and Revenue Forecast Council (ERFC) to provide guidance in the preparation of the budget outlook for the Governor’s proposed 2026 supplemental operating budget.

**1. Reversions Assumptions.** For the purposes of the budget outlook, reversions are the estimated appropriations that will be unspent and revert, making those amounts available for future appropriation. For fiscal years that are closed, official Outlooks use actual reversion amounts. Estimates are used for fiscal years that are not closed. Reversions are displayed in the Outlook summary as a negative to appropriations and increase projected ending fund balances.

Prior to the outlook prepared for the enacted 2023-25 biennial operating budget, the ERFC directed that reversions for fiscal years that are not closed be estimated at 0.5% of general fund-state appropriations. Actual reversion levels in recent years have been larger than typical. Beginning with the 2023-25 biennial operating budget, reversion assumptions in outlooks prepared for proposed budgets and for enacted budgets have varied. Table 1 shows the recent history of actual general fund reversions and the reversion percentage.

**Table 1.** Historical GFS Appropriations and Actual Reversions, FY 2014 – FY 2025

(\$ in Millions)	GFS Appropriations	Actual GFS Reversions	Percentage
<b>FY 2014</b>	\$16,159	\$79.7	0.5%
<b>FY 2015<sup>1</sup></b>	\$16,846	\$84.9	0.5%
<b>FY 2016</b>	\$18,293	\$121.5	0.7%
<b>FY 2017</b>	\$19,496	\$157.4	0.8%
<b>FY 2018</b>	\$20,528	\$79.8	0.4%
<b>FY 2019</b>	\$23,023	\$86.0	0.4%
<b>FY 2020</b>	\$24,506	\$539.5	2.2%
<b>FY 2021</b>	\$24,988	\$403.6	1.6%
<b>FY 2022</b>	\$28,379	\$410.0	1.4%
<b>FY 2023</b>	\$31,808	\$792.2	2.5%
<b>FY 2024</b>	\$32,800	\$402.1	1.2%
<b>FY 2025</b>	\$35,971	\$320.2	0.9%

In addition to annual general fund reversions, there have been reversions from the other three NGF-O accounts which are appropriated and revert on a biennial, rather than annual, basis. Over the last four biennia, the reversions from the other three NGF-O accounts were as follows:

- 2017-19 biennium: \$1 million

<sup>1</sup> Actual reversions in 2015 were \$175.3 million. However, \$90.4 million of that reversion amount was attributable to a Governor veto in the Health Care Authority budget that was put in to unallotted status. Consistent with past practice, this amount is removed from the reversion calculations presented as it is not representative of typical assumed reversions.

- 2019-21 biennium: \$23 million
- 2021-23 biennium: \$33 million
- 2023-25 biennium: \$43 million

The Governor’s proposed 2026 operating budget outlook assumes a different level of reversions than the amounts assumed in the official 2025 session enacted outlook adopted by the ERFC. Consistent with past years, these amounts are in addition to reversion assumptions specifically for K-3 enrollment allocations that are tied to class sizes. For the full historical analysis of general fund reversions, please refer to the September 13, 2024 memo to the ERFC.

The Governor’s proposed 2026 operating budget outlook assumes reversions of 1.0% of general fund appropriations in each year between FY 2026 and FY 2029. The 1.0% reversion assumptions result in reduced expenditure projections totaling \$1,496 million over the outlook period. The assumed reversions by year are as follows:

- FY 2026: \$363 million
- FY 2027: \$369 million
- FY 2028: \$377 million
- FY 2029: \$387 million

Table 2 shows the reversions assumptions used for the Governor’s proposed 2026 supplemental operating budget outlook in comparison to those adopted by the ERFC for the official 2025 session outlook for the enacted 2025-27 biennial budget and the official 2024 session outlook for the enacted 2024 supplemental budget.

**Table 2.** Comparison of Reversions Using the Governor’s Proposal vs. Enacted Outlook Assumptions

(\$ in Millions)	FY 2026	FY 2027	FY 2028	FY 2029	4-Years
<b>Governor’s Proposed GFS Appropriations</b>	<b>\$36,273</b>	<b>\$36,922</b>	<b>\$37,740</b>	<b>\$38,684</b>	<b>\$149,620</b>
<i>Option 1. Governor’s Proposed Reversion Assumptions</i>	1.0%	1.0%	1.0%	1.0%	
<b>Assumed Reversions</b>	<b>\$363</b>	<b>\$369</b>	<b>\$377</b>	<b>\$387</b>	<b>\$1,496</b>
<i>Option 2. ERFC Adopted Assumptions for 2025 Session Enacted</i>	1.0%	0.75%	0.75%	0.75%	
<b>Assumed Reversions</b>	<b>\$363</b>	<b>\$277</b>	<b>\$283</b>	<b>\$290</b>	<b>\$1,213</b>
<i>Option 3. ERFC Adopted Assumptions for 2024 Session Enacted</i>	0.5%	0.5%	0.5%	0.5%	
<b>Assumed Reversions</b>	<b>\$181</b>	<b>\$185</b>	<b>\$189</b>	<b>\$193</b>	<b>\$748</b>
<b>Difference – Option 1 compared to Option 2</b>	<b>\$0</b>	<b>\$92</b>	<b>\$94</b>	<b>\$97</b>	<b>\$283</b>
<b>Difference – Option 1 compared to Option 3</b>	<b>\$181</b>	<b>\$185</b>	<b>\$189</b>	<b>\$193</b>	<b>\$748</b>

**Question:** Does the ERFC want the Governor’s 2026 supplemental budget outlook being prepared by the work group to use the 1.0% reversion assumption proposed by the Governor (option 1) or some other reversion assumption?

- 2. 4.5% Additional Revenue Assumption.** Per chapter 43.88.055 RCW, forecasted revenues for the ensuing biennium for purposes of an outlook, prior to adjustment for enacted legislation, are the greater of: "(i) the official general fund and related funds revenue forecast for the ensuing biennium, or (ii) the official general fund and related funds forecast for the second fiscal year of the current fiscal biennium, increased by 4.5 percent for each fiscal year of the ensuing biennium". Even though forecasted revenue growth is less than 4.5% per year in the 2027-29 biennium, the Governor's proposed 2026 supplemental operating budget outlook does not assume the 4.5% additional revenue. This approach is consistent with what was done for the outlook on the enacted budget adopted by the ERFC in June, 2025; however, differs from the statute and reduces the projected ending fund balance for the 2027-29 biennium by \$2.168 billion.

**Question:** *Does the ERFC want the estimates for ensuing biennium revenues for the outlook being prepared by the work group to assume the additional \$2.168 billion in revenues as provided for in chapter 43.88.055 RCW or to exclude these additional estimated revenues as was assumed by the Governor's 2026 supplemental budget proposal?*

- 3. Additional Juvenile Rehabilitation Capacity.** The Governor's proposed 2026 supplemental capital budget allocates \$15 million for the design, completion, and construction of additional juvenile rehabilitation capacity. More information about this new facility is expected to be identified in a predesign report to be published in March 2026. The Governor's proposed 2026 supplemental operating budget outlook assumes \$43.1 million of costs in the 2027–29 biennium, \$15.3 million in FY 2028 and \$27.8 million in FY 2029 to the Department of Children, Youth, and Families (DCYF), to support the operating costs of this new facility, which is expected to provide capacity for 75 to 125 young people.

RCW 82.33.060 directs that the estimate of ensuing biennium expenditures "must exclude policy items including, but not limited to, legislation not yet enacted by the legislature, collective bargaining agreements not yet approved by the legislature, and changes to levels of funding for employee salaries and benefits unless those changes are required by statute." There is no current law or Governor proposed legislation that would require the Legislature to fund the operating costs for a new juvenile rehabilitation facility in the 2027-29 biennium so these additional costs would require a policy level decision in the 2027-29 operating budget that will be deliberated in the 2027 legislative session.

**Question:** *Does the ERFC want the Governor's 2026 supplemental budget outlook being prepared by the work group to assume the estimated \$43.1 million in the 2027-29 biennium for operating this proposed new juvenile rehabilitation facility?*

- 4. Functional Eligibility Increase.** Functional eligibility is one of two requirements that determines who is eligible to receive Medicaid services. Functional eligibility determines the level of services a long-term care or developmental disability client is eligible for and identifies the best care setting to meet their needs. For example, if an individual currently requires help with at least three low-intensity activities of daily living (ADLs), such as supervision with medication management, shopping, or help moving about their home, they qualify for home and community-based services waivers.

The Governor's proposal assumes a policy level change will be adopted in the 2027-29 biennium to the functional eligibility threshold requiring a greater level of assistance needed with ADLs needed

for clients to continue to receive services. The Governor's proposed 2026 supplemental operating budget outlook assumes a total savings of \$170.6 million in the 2027-29 biennium, \$71.8 million in FY 2028 and \$98.8 million in FY 2029, related to increasing functional eligibility requirements.

RCW 82.33.060 directs that the estimate of ensuing biennium expenditures "must exclude policy items including, but not limited to, legislation not yet enacted by the legislature, collective bargaining agreements not yet approved by the legislature, and changes to levels of funding for employee salaries and benefits unless those changes are required by statute." There is no current law or Governor proposed legislation that would require/direct a change in the functional eligibility threshold in the 2027-29 biennium so these additional savings would require a policy level decision in the 2027-29 operating budget that will be deliberated in the 2027 legislative session.

**Question:** *Does the ERFC want the Governor's 2026 supplemental budget outlook being prepared by the work group to assume the \$170.6 million in savings associated with future policy level budget reductions related to increasing functional eligibility requirements in the 2027-29 biennium?*