Budget Outlook: Guidance Presentation

April 14, 2026

Washington State
Economic and Revenue Forecast Council

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WASHINGTON STATE

ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

BUDGET OUTLOOK: GUIDANCE PRESENTATION

April 14, 2026
3:00 p.m.

- Call to order
- Approval of meeting minutes from February 16, 2026
  - *Motion expected*
- Budget Outlook background and guidance presentation
  - *Motions possible*
- Adjournment

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STATE OF WASHINGTON
ECONOMIC AND REVENUE FORECAST COUNCIL
PO Box 40912 • Olympia, Washington 98504-0912 • (360) 534-1560

Meeting Minutes
Revenue Review

February 16, 2026
John A. Cherberg Bldg., Senate Hearing Room 2

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 Ryser, Department of Revenue

Staff
Dave Reich, Executive Director

Call to Order
Senator Robinson called the meeting to order at 12:00 p.m.

Approval of the Minutes
Representative Ormsby moved, seconded by Representative Orcutt, to adopt the meeting minutes from February 3, 2026. Motion passed at 12:01 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 Berg, to adopt the forecast as presented. Motion passed at 12:22 p.m.

Administrative
Dr. Reich presented changes to the ERFC staff. Dave introduced Tyler Humphries and Richard Dadzie. He also announced that Eric Swenson will be retiring after 25 years of service on February 27, 2026. Senator Robinson thanked Eric for his many years of service to the people of Washington State and the Legislature.

Adjournment
With no further business, the meeting adjourned at 12:24 p.m.

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April 14, 2026

To: Economic and Revenue Forecast Council

From: State Budget Outlook Work Group

Subject: Preparation of the Enacted 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 Outlook for the enacted 2026 supplemental operating budget.

Items 1-3: Outlook Reversions and Resources

1. Reversion 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 adjustment to appropriations and increase projected ending fund balances.

Prior to the Outlook prepared for the enacted 2023-25 biennial budget, the ERFC directed reversions for fiscal years that are not closed be estimated at 0.5% of general fund-state (GF-S) appropriations. Actual reversion levels over the past six years have exceeded amounts in earlier years and have been above the 0.5% historical assumption.

See Appendix A for the recent history of actual GF-S reversions and reversion percentages.

In addition to annual GF-S reversions, there are reversions in the three Near General Fund-Outlook (NGF-O) accounts which are appropriated and revert on a biennial, rather than annual, basis. The ERFC has not historically directed a reversion assumption for these accounts. Over the last three biennia, the reversions from the other three NGF-O accounts were as follows:

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

Consistent with past years, these amounts are in addition to reversion assumptions for K-3 enrollment allocations tied to class sizes.

Beginning with the 2023-25 biennial budget, reversion assumptions in Outlooks prepared for proposed budgets and for enacted budgets have varied. The Outlook prepared for the conference budget assumed reversion percentages consistent with those adopted by the

ERFC for Governor Ferguson's proposed 2026 supplemental budget Outlook. However, these percentages differ from the percentages adopted by the ERFC for the official 2025 session Outlook.

Table 1 compares reversion assumptions for the 2026 Outlook: those adopted by conference budget writers and the ERFC for Governor Ferguson's proposed supplemental budget Outlook (Option A), versus those adopted by the ERFC for the official 2025 session Outlook (Option B).

Table 1: Reversion Options[1]

($ in Millions)	FY 2026	FY 2027	FY 2028	FY 2029	Total
Enacted GF-S Appropriations	$ 36,808	$ 37,318	$ 37,827	$ 39,533	
Option 1: Legislative Proposed Reversion Assumptions	1.00%	0.90%	0.90%	0.90%	
Assumed Reversions	$ 368	$ 336	$ 340	$ 356	**$ 1,400**
Option 2: ERFC Adopted Assumptions for 2025 Session	1.00%	0.75%	0.75%	0.75%	
Assumed Reversions	$ 368	$ 280	$ 284	$ 296	**$ 1,228**
Difference: Option 1 Compared to Option 2	$ -	$ 56	$ 57	$ 59	**$ 172**

Should the work group use the reversion assumptions adopted by legislative budget writers and the ERFC for the Governor's budget or different assumptions?

Option A: *Use the Legislative and ERFC Adopted Governor's Budget reversion assumption (FY 26: 1%, FY 27-29: 0.9%).*

Option B: *Use the reversion assumptions adopted by the ERFC for the 2025-27 biennial budget (FY 26: 1%, FY 27-29: 0.75%).*

Option C: *Use different reversion assumptions.*

2. Program Integrity Unallotted Funding

The 2025-27 biennial budget assumed $71M in GF-S savings per fiscal year at the Health Care Authority due to program integrity activities, which help ensure state and federal dollars are spent appropriately and prevent fraud, waste, and abuse. In FY 26, program integrity savings were not expected to be realized, and the enacted supplemental budget restored the $71M in funding for the previously assumed savings on a one-time basis in FY 26 at policy level.

However, the maintenance level funding calculation for the 2026 supplemental budget inadvertently omitted the ongoing savings assumption. As a result, the Health Care Authority's maintenance level budget did not assume program integrity savings, and the policy level restoration funding provided in FY 26 is duplicative. The Office of Financial Management has directed that the duplicative $71M in GF-S funding for FY 26 be placed into unallotted status,

[1] Reversion amounts may change slightly based on incorporation of Governor vetoes in the final Enacted Outlook

which means that HCA will not spend the appropriation and it is expected to revert to the general fund at the close of FY 26.

Should $71M of duplicative Program Integrity savings restoration funding placed in to unallotted status for FY 26 by the Office of Financial Management be included as a reversion in addition to other reversion amounts?

Option A: *Increase FY 26 reversion amounts by $71M to account for funding in unallotted status.*

Option B: *Do not increase FY 26 reversion amounts and assume the $71M of unallotted funding will be included as part of the overall reversions assumption.*

3. Additional Prior Period and Annual Comprehensive Financial Report Adjustments Assumption

A prior period adjustment (PPA) is an accounting mechanism to correct errors discovered after a given fiscal year has closed. Beginning with the 2016 enacted Outlook, the ERFC has included a baseline assumption of $20.4M in GF-S receipts per fiscal year for prior period adjustments. Actual prior period adjustments are then incorporated for closed fiscal years when available.

In addition to prior period adjustments, other accounting changes to the state's balance sheet are incorporated at the end of a fiscal year through Annual Comprehensive Financial Report (ACFR) adjustments. These are reflected on Outlooks that display closed fiscal years (for example, Outlooks published for biennial budget years that display second supplemental budget impacts).

The Outlook published for the conference budget includes an assumption of $125M in total prior period and ACFR adjustments for each fiscal year of the Outlook (see Table 2 for details). These increased prior period adjustments are represented in the "Other Resource Changes" section of the Outlook and have the impact of increasing NGF-O resources and fund balances. The FY 2026 total includes known receipts such as Behavioral Health Administrative Services Organization reserves and CY 2023 Gain Share repayments at the Health Care Authority, reflecting the policy the Council adopted for the 2025 Enacted Outlook.

Table 2: Legislative PPA Assumption

($ in Millions)	FY 2026	FY 2027	FY 2028	FY 2029
Baseline Prior Period Adjustment Assumption	$ 20.40	$ 20.40	$ 20.40	$ 20.40
BH-ASO Reserves (Adjusted for FY 26 Receipts to Date)	$ 17.15			
CY 2023 Gain Share	$ 35.29			
New Assumption: Additional Prior Period Adjustments	$ 52.16	$ 104.60	$ 104.60	$ 104.60
Total Prior Period Adjustments	**$ 125.00**	**$ 125.00**	**$ 125.00**	**$ 125.00**

The average combined annual prior period and ACFR Adjustment over a ten-year history is $180M per fiscal year. A full history of actual prior period and ACFR adjustments compared to the baseline assumption and the amount assumed in the Outlook published with the conference budget proposal is available in Appendix B.

Should the Outlook reflect the assumption of additional prior period and ACFR adjustments included in the Outlook published for the conference budget?

Option A: *Assume $125M in total prior period and ACFR Adjustments per fiscal year, as was included in the conference budget Outlook.*

Option B: *Maintain current practice and assume $72.84M in total prior period adjustments for FY 26[2] and $20.4M per FY in FY 27-FY29.*

Option C: *Assume a different prior period and ACFR adjustment amount.*

Items 4-6: Non-Mandatory Projected Expenditures and Transfers

RCW 82.33.060 directs that the estimate of ensuing biennium expenditures for budget Outlooks "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." For items 4-6 below, no current law requires the Legislature to enact transfers or appropriations in the 2027-29 biennium. However, intent for each of these items has been included in legislation enacted in the 2026 legislative session. Because the enacted legislation expresses intent rather than a requirement, each of these items would require a policy level decision in the 2027-29 operating budget.

4. Budget Stabilization Account - Pension Surplus Holding Account Repayment

The enacted budget transfers $514M in FY 26 and $366M in FY 27 from the Budget Stabilization Account (BSA) to the General Fund. The Outlook published with the conference budget proposal assumed $880M of repayment to the BSA in FY 29 from the Pension Surplus Holding Account (PSHA). Section 802 of the enacted budget included the following intent language:

"Pursuant to enactment of Engrossed Second Substitute House Bill No. 2034 (LEOFF 1 restatement), it is intended that a transfer of $880,000,000 will be made from the pension surplus holding account to the budget stabilization account by June 30, 2029, as a repayment for amounts transferred from the budget stabilization account to the general fund in the 2025-2027 fiscal biennium."

This BSA repayment is not required by current law and would be a policy level decision of the Legislature during the 2027-29 fiscal biennium.

[2] This represents the sum of the baseline $20.4M assumption, $17.15M for BH-ASO reserves, and $35.29M for CY 2023 gain share consistent with the Outlook adopted for the 2025-27 biennial budget.

The PSHA was created in Chapter 261, Laws of 2026 (E2SHB 2034) and under current law is set to receive the balance of the LEOFF 1 surplus in excess of 110% of the Restated LEOFF plan liabilities by June 30, 2029. The actuarial fiscal note for E2SHB 2034 estimates that the transfer to the PSHA will be $3.4 billion.

Should the Outlook reflect a repayment to the Budget Stabilization Account (BSA) from the Pension Surplus Holding Account created in Chapter 261, Laws of 2026 (E2SHB 2034) as assumed in the Outlook published with the conference budget proposal?

Option A: *Include the BSA Repayment in FY 29 in the BSA balance displayed in Outlook reserves.*

Option B: *Do not include the BSA Repayment in FY 29 in the BSA balance displayed in Outlook reserves.*

5. City and County Fiscal Health Funding

The budget summary documents and the Outlook published with the conference budget proposal includes projected expenditures of $200M GF-S in FY 29 for "ongoing funding… planned to be appropriated to a proposed city and county fiscal health account beginning in FY 2029."

Section 1(12) of Chapter 238, Laws of 2026 (ESSB 6346) states:

"The legislature finds that local government revenue sources are limited and unable to keep up with rising costs. The legislature further finds that many of the tax reductions that help Washingtonians have an impact on local government revenues. To offset some of those impacts, the legislature intends to create a city and county fiscal health account for future transfers from the general fund to mitigate a portion of the revenue loss to local government. Such transfers will be unrestricted and available for general use."

Any transfers or appropriations to or from a proposed city and county fiscal health account would be a policy level decision of the Legislature during the 2027-29 fiscal biennium.

Should Outlook projected expenditures reflect $200M of funding not required under current law in FY 2029 for City and County Fiscal Health as included in the Outlook prepared for the conference budget proposal?

Option A: *Include $200M for a City and County Fiscal Health Account in FY 29 Outlook projected expenditures.*

Option B: *Do not include $200M for a City and County Fiscal Health Account in FY 29 Outlook projected expenditures.*

6. Free School Meals Funding

The budget summary documents and the Outlook published with the conference budget proposal includes projected expenditures of $140M GF-S in FY 29 "to reimburse schools serving any grade from kindergarten to grade 4 required to offer free meals under Chapter 379, Laws of 2023 (E2SHB 1238) for meals not reimbursed at the free federal meal rate."

Section 1(2) of Chapter 238, Laws of 2026 (ESSB 6346) states:

"The legislature intends to further support academic success and well-being of our children in K-12 education by providing access to breakfast and lunch for all children served without charge each school day."

Appropriations for providing access to breakfast and lunch for all children served without charge each school day would be a policy level decision of the Legislature during the 2027-29 fiscal biennium.

Should Outlook projected expenditures reflect $140M funding not required under current law in FY 2029 for free school meals as included in the Outlook prepared for the conference budget proposal?

Option A: *Include $140M for free school meals in FY 29 Outlook projected expenditures.*

Option B: *Do not include $140M for free school meals in FY 29 Outlook projected expenditures.*

Appendix A: Reversion History

Table 3: GF-S Reversion History

Table 3: GF-S Reversion History (Dollars in Millions)			
FY	**GF-S Appropriations**	**GF-S Reversions**	**Reversion Percent**
2014	$16,159	$80	0.5%
2015[3]	$16,846	$85	0.5%
2016	$18,293	$121	0.7%
2017	$19,496	$157	0.8%
2018	$20,528	$80	0.4%
2019	$23,023	$86	0.4%
2020	$24,506	$540	2.2%
2021	$24,988	$404	1.6%
2022	$28,379	$410	1.4%
2023	$31,808	$792	2.5%
2024	$32,800	$402	1.2%
2025	$35,971	$320	0.9%

[3] *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.*

Appendix B: Prior Period and ACFR Adjustment History

Chart 1: PPA/ACFR History

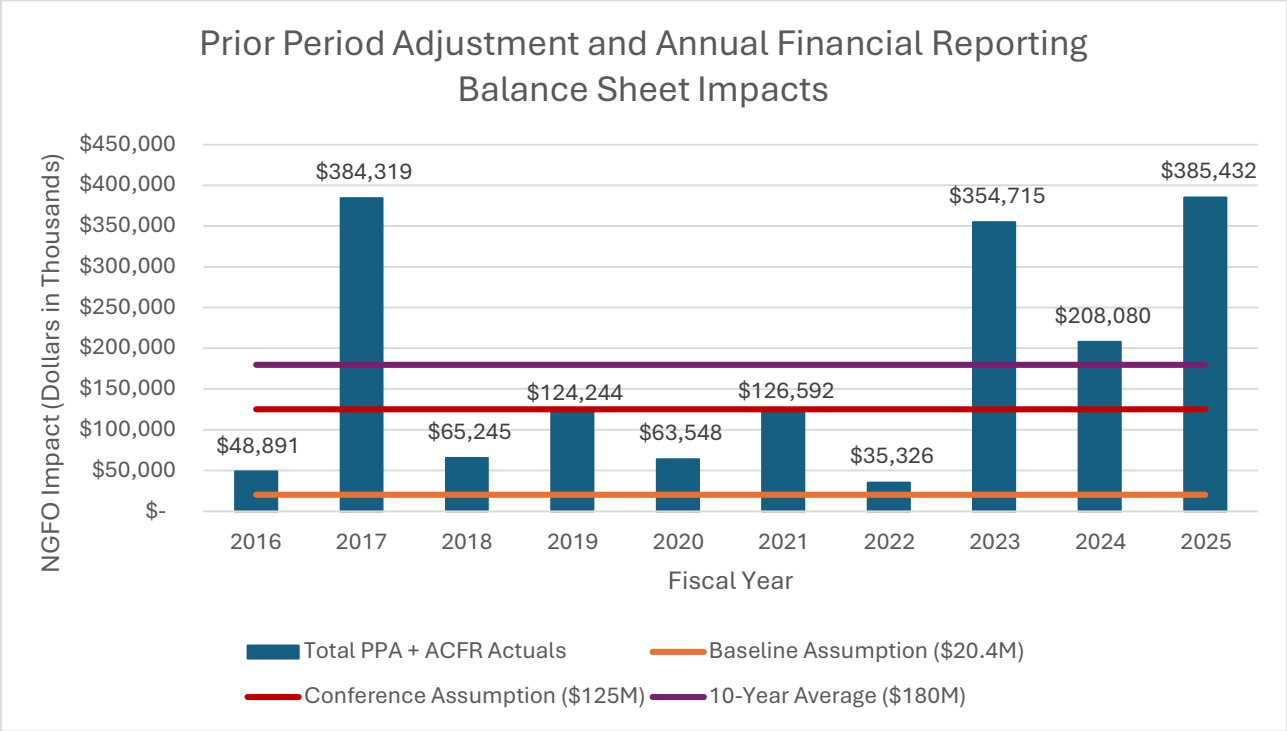

Table 4: PPA/ACFR History (Dollars in Thousands)

FY	Prior Period Adjustments	ACFR Adjustments	Total
2016	$ 67,230	$ (18,339)	$ 48,891
2017	$ 454,469	$ (70,150)	$ 384,319
2018	$ 90,822	$ (25,577)	$ 65,245
2019	$ 99,920	$ 24,324	$ 124,244
2020	$ 39,317	$ 24,231	$ 63,548
2021	$ 248,853	$ (122,261)	$ 126,592
2022	$ 59,596	$ (24,270)	$ 35,326
2023	$ 162,836	$ 191,879	$ 354,715
2024	$ 156,682	$ 51,398	$ 208,080
2025	$ 299,671	$ 85,761	$ 385,432