Budget Outlook: Guidance and Adoption

April 22, 2026

Washington State
Economic and Revenue Forecast Council

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WASHINGTON STATE

ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

BUDGET OUTLOOK: METHODOLOGY AND ADOPTION

April 22, 2026
10:00 a.m.

- Call to order
- Approval of meeting minutes from April 14, 2026
  - *Motion expected*
- Budget Outlook and Methodology presentation
  - *Motion expected*
- 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
Budget Outlook: Guidance Presentation
April 14, 2026
Conference Call

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
Yasmin Trudeau, Senate
Mike Pellicciotti, Treasurer
John Ryser, Department of Revenue
Katherine Chapman-See, Office of Financial Management

Staff
Dave Reich, Executive Director
Rachel Knutson, Office of Financial Management
Corban Nemeth, Senate Ways and Means
Andy Toulon, House Appropriations

Call to Order
Senator Robinson called the meeting to order at 3:02 p.m.

Approval of the Minutes
Representative Orcutt moved, seconded by Senator Robinson, to adopt the meeting minutes from February 16, 2026. Motion passed at 2:02 p.m.

Budget Outlook: Methodology
The Budget Outlook Work Group members presented issues in preparation of the Enacted 2026 Supplemental Operating Budget Outlook.

Motion for issue #1 Reversion Options
Representative Orcutt moved, seconded by Senator Torres, to adopt reversion assumptions of 1% FY26, 0.75% FY27-FY29. Motion failed at 3:11 p.m.

Motion for issue #1 Reversion Options
Representative Berg moved, seconded by Senator Robinson, to adopt reversion assumptions of 1% FY26, 0.9% FY27-FY29. Motion passed with 7 votes at 3:15 p.m.

Motion for issue #2 Program Integrity Unallotted Funding
Representative Berg moved, seconded by Senator Robinson, to adopt a reversion increase in FY26 of $71M to account for funding in unallotted status. Motion passed with 7 votes at 3:18 p.m.

DRAFT

Motion for issue #3 Additional Prior Period and Annual Comprehensive Financial Reports Adjustments Assumption
Representative Orcutt moved, seconded by Senator Torres, to maintain current practices and assume $72.84M in total prior period adjustments for FY26 and $20.4M per FY in FY 27-FY29. Motion failed at 3:27 p.m.

Motion for issue #3 Additional Prior Period and Annual Comprehensive Financial Reports Adjustments Assumption
Representative Ormsby moved, seconded by Representative Berg, to assume $125M in total prior period and ACFR adjustments per fiscal year, as was included in the conference budget Outlook. Motion passed with 7 votes at 3:31 p.m.

Motion for issue #4 Budget Stabilization Account – Pension Surplus Holding Account Repayment
Representative Berg moved, seconded by Senator Robinson, to include the BSA Repayment in the FY29 balance displayed in Outlook reserves. Motion passed with 7 votes at 3:43 p.m.

Motion for issue #5 City and County Health Funding
Representative Berg moved, seconded by Representative Ormsby, to include $200M for a City and County Fiscal Health Account in FY29 Outlook projected expenditures. Motion passed with 7 votes at 3:48 p.m.

Motion for issue #6 Free School Meals Funding
Representative Berg moved, seconded by Senator Robinson, to include $140M for free school meals in FY29 Outlook projected expenditures. Motion passed with 7 votes at 3:50 p.m.

Administrative
Representative Orcutt asked for it to be noted in the minutes that he voted no on all 6 items presented.

Adjournment
With no further business, the meeting adjourned at 3:52 p.m.

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Introduction

State budget Outlooks identify projected revenues and expenditures in Governor proposed and legislatively enacted budgets over a set period of time to facilitate compliance with balanced budget requirements pursuant to RCW 43.88.030, RCW 43.88.055, and RCW 82.33.060. The purpose of this document is to provide an overview of the methodology used to develop the four-year budget projections for the enacted 2026 supplemental operating budget: Chapter 268, Laws of 2026, partial veto (ESSB 5998). This document summarizes the major components of the projection, the overall approach, as well as the assumptions used in the State Budget Outlook (Outlook) document.

The amounts reflected in the Outlook are the sum of the state General Fund (GF-S), the Education Legacy Trust Account (ELTA), the Opportunity Pathways Account (OPA), and the Workforce Education Investment Account (WEIA). These funds are collectively referred to as the Near General Fund Outlook (NGF-O) funds.

During the 2021 legislative session, the Fair Start for Kids Account (FSKA) was added to the NGF-O definition in Chapter 199, Laws of 2021 (E2SSB 5237). Chapter 268, Laws of 2026, partial veto (ESSB 5998) contains no resources deposited into or expenditures from the Fair Start for Kids Account for the duration of the period covered by this Outlook. Beginning in FY 2030, the Treasurer is required to make deposits of a percentage of income tax collected pursuant to Chapter 238, Laws of 2026 (ESSB 6346) into the FSKA and these amounts and any related expenditures in future budgets will be reflected in Outlooks covering future periods.

Additionally, RCW 43.88.055 suspends the requirement that the projected maintenance level of the enacted budget balance to available fiscal resources in the next ensuing biennium if money is appropriated from the Budget Stabilization Account (BSA) pursuant to Article VII, Section 12(d)(ii) of the Constitution. This provision of the Constitution allows appropriations from the BSA by a simple majority of the legislature if the employment growth forecast for that year is less than 1 percent. The enacted budget does appropriate funding for a Budget Stabilization Account transfer under this constitutional provision and as such is not statutorily required to balance to available fiscal resources in the ensuing biennium.

Resources

Pursuant to RCW 43.88.055, the amounts depicted include the actual/projected revenue and other resources. Some of the largest components include:

Beginning Fund Balance

The Outlook uses the certified fund balance for the most recently closed biennium in accordance with generally accepted accounting principles as the starting point. The beginning fund balance for subsequent Fiscal Years (FYs) is equal to the projected ending balance for the previous FY.

Revenue Forecast

Current revenues for the 2025-27, and 2027-29 biennia reflect the adopted February 2026 quarterly revenue forecast by the Economic and Revenue Forecast Council (ERFC). Generally, the provisions of RCW 43.88.055 call for the ensuing biennium forecast revenue (in this instance, the 2027-29 biennium) to be based on the greater of:

(1) the official revenue forecast for the ensuing biennium; or
(2) an assumed revenue increase of 4.5 percent per year for that ensuing biennium.

However, for the 2025-27 biennium, section 926 of Chapter 268, Laws of 2026, partial veto (ESSB 5998) requires that the projected expenditures for the ensuing biennium be the official revenue forecast. Therefore, no 4.5 percent adjustment is made for 2027-29 projected revenues.

The February 2026 forecast projected revenue growth of less than 4.5 percent per year in the 2027-29 biennium. If the 4.5 percent revenue growth adjustment had been applied, the impact would have been an additional $2.027 billion in estimated resources. For consistency with prior Outlooks, the Outlook document displays the 4.5% adjustment and its removal pursuant to section 926 of Chapter 268, Laws of 2026, partial veto (ESSB 5998) on separate rows.

Transfers to Budget Stabilization Account (BSA)
Pursuant to a state constitutional amendment approved by the voters in 2007 (Article VII, section 12(1) of the Constitution), this section reflects the transfer of one percent of general state revenues (GSR) for each FY to the BSA. The estimated transfer amounts are based on the calculation of estimated GSR as defined in Article VIII, section 1 of the Constitution. The calculation of estimated GSR is based on the February 2026 revenue forecast adjusted for the estimated revenue impacts of legislation enacted during the 2026 legislative session (see enacted revenue legislation). The Outlook assumes one percent transfers of GSR from GF-S to the BSA each biennium, which are $705 million in the 2025-27 biennium and $785 million in the 2027-29 biennium.

Extraordinary Revenue Growth
Pursuant to a state constitutional amendment approved by the voters in 2011 (Article VII, section 12 of the Constitution), three-quarters of extraordinary revenue growth (ERG) must be transferred into the BSA. ERG is defined in the Constitution as growth in GSR for the fiscal biennium that exceeds the average biennial percentage growth of the prior five fiscal biennia by one-third. The Constitution also provides that the transfer only occurs to the extent that it exceeds the normal transfer amount into the BSA and that no ERG transfer shall occur in a fiscal biennium following a fiscal biennium in which annual average state employment growth averaged less than one percent per FY. The adopted February 2026 revenue forecast, adjusted for estimated revenue impacts of legislation enacted during the 2026 session, does not project ERG for the 2025-27 or 2027-29 biennia so no additional BSA transfer is assumed in this Outlook.

Prior Period Adjustments
Prior period adjustments (PPA) are an accounting mechanism to correct errors discovered after a given FY has closed. These adjustments show up in the "Other Resource Changes" section of the Outlook and historically have had the impact of increasing NGF-O resources and fund balances. For closed FYs, Outlooks use actual adjustment amounts and for open FYs Outlooks use estimated amounts directed by the ERFC.

The Outlook assumes NGF-O prior period adjustments of $250 million in the 2025-27 biennium and $250 million in the 2027-29 biennium. The amount of projected prior period adjustments for fiscal periods not closed are larger than assumed in prior Outlooks and were updated based on direction from the ERFC at the Council meeting on April 14, 2026, after review of the most recent 10-year history. For additional information including the recent 10-year history of actual prior period adjustments, please see the memo to the ERFC available at: https://erfc.wa.gov/budget-outlook

Prior Enacted Fund Transfers

This category reflects all enacted NGF-O fund budget transfers made in the 2025 legislative session after accounting for vetoes. For the complete list of budget transfers made in the 2025 legislative session, see the June 2025 Budget Outlook Methodology at: https://erfc.wa.gov/budget-outlook

Newly Enacted Fund Transfers in the 2026 Legislative Session

The Outlook assumes new budget transfers to and from NGF-O accounts that were enacted in Chapter 268, Laws of 2026, partial veto (ESSB 5998) as follows:

New Fund Transfers in the 2026 Supplemental Budget Bill

	2025-27	2027-29	4 Yr
Air Operating Permit Account (GF-S)	2,000	0	2,000
Budget Stabilization Account (GF-S)	880,000	0	880,000
Capital Community Assistance Account (GF-S)	8,300	0	8,300
Certified Public Accountants' Account (GF-S)	575	0	575
Developmental Disabilities Community Services Acct (GF-S)	2,000	0	2,000
Disaster Response Account (GF-S)	-82,378	0	-82,378
Education Technology Revolving Acct (GF-S)	9,000	0	9,000
Financial Services Regulation Account (GF-S)	4,800	0	4,800
Fingerprint Identification Account (GF-S)	3,000	0	3,000
Fire Service Training Account (GF-S)	3,000	0	3,000
Manufacturing Cluster Acceler Sub Acct (GF-S)	2,798	0	2,798
Military Department Rent and Lease Account (GF-S)	2,000	0	2,000
Performance Audits of Government Account (GF-S)	2,800	0	2,800
Personnel Service Account (GF-S)	5,000	0	5,000
Public Works Assistance Account (GF-S)	375,000	0	375,000
Reclamation Account (GF-S)	5,000	0	5,000
Secretary of State's Revolving Acct (GF-S)	5,000	0	5,000
State Treasurer's Service Account (GF-S)	10,000	0	10,000
Vol Firefighters' & Reserve Officers' Admin Acct (GF-S)	5,000	0	5,000
WA St Library-Archives Bldg Account (GF-S)	10,000	0	10,000
Washington Auto Theft Prevention Authority (GF-S)	2,100	0	2,100
Washington Student Loan Account (GF-S)	1,667	0	1,667
Washington Technology Solutions Revolving Account (GF-S)	3,000	0	3,000
Waste Reduction/Recycling/Litter Control (GF-S)	3,000	0	3,000
Water Quality Permit Account (GF-S)	5,000	0	5,000
SubTotal	**1,267,662**	**0**	**1,267,662**

Notes

1. *The transfer from the Air Operating Permit Account was vetoed and removal of these funds are displayed below.*
2. *Positive numbers reflect a transfer from a non-NGF-O account to an NGF-O account.*
3. *Negative numbers reflect a transfer from an NGF-O account to a non-NGF-O account.*
4. *As directed by the ERFC on April 14, 2026, the Outlook assumes repayment in FY 2029 of $880m to the BSA from the Pension Surplus Holding Account created in Chapter 261, Laws of 2026 (E2SHB 2034). Additional detail regarding this assumption can be found in the guidance memo available at: https://erfc.wa.gov/budget-outlook.*

Enacted Revenue Legislation in the 2026 Legislative Session

The Outlook assumes NGF-O revenue changes from the following bills that were newly enacted in the 2026 legislative session. Revenue impacts for bills are estimated using the amounts from the final published fiscal notes on the underlying bills.

Revenue Legislation Enacted in the 2026 Session ($ in 1,000s)			
	2025-27	2027-29	4 Yr
Chapter 217, Laws of 2026 (ESHB 1408- Community Authority Funding)	-4,750	-7,100	-11,850
Chapter 260 , Laws of 2026 (E3SHB 1960 - Renewable Energy)	0	-150	-150
Chapter 171 , Laws of 2026 (HB 1983 - Timberland Definition/REET)	-71	-161	-232
Chapter 131 , Laws of 2026 (SHB 2089 - Taxes On Loan Interest)	1,000	4,900	5,900
Chapter 80 , Laws of 2026 (SHB 2248 - Corporate Filings)	-12	-14	-26
Chapter 221 , Laws of 2026 (ESHB 2442 - Local Government Fund Use)	90	470	560
Chapter 263 , Laws of 2026 (EHB 2487 - Insurer Taxes)	19,900	42,200	62,100
Chapter 262 , Laws of 2026 (EHB 2681 - Cannabis License Fees)	277	554	831
Chapter 255, Laws of 2026 (ESHB 2711 - Transportation Resources)	-4,100	0	-4,100
Chapter 258 , Laws of 2026 (2SSB 5974 - Local Law Enforcement)	229	6	235
Chapter 87 , Laws of 2026 (SB 6151 - Env. Programs/Fee Accounts)	-1,087	-2,091	-3,178
Chapter 163 , Laws of 2026 (ESSB 6162 - Property Tax)	0	2,000	2,000
Chapter 265 , Laws of 2026 (ESB 6228 - Prescription Drugs/Taxes)	24,400	95,000	119,400
Chapter 266 , Laws of 2026 (ESSB 6231 - Data Center Equipment/Taxes)	63,000	140,480	203,480
Chapter 165 , Laws of 2026 (SSB 6248 - Travel Insurance)	-44	-88	-132
Chapter 238, Laws of 2026 (ESSB 6346 - Tax On Millionaires)	-46,400	2,309,180	2,262,780
Chapter 209 , Laws of 2026 (ESB 6347 - Estate Tax Rates)	-41,100	-340,700	-381,800
Chapter 249 , Laws of 2026 (SSB 6355 - Electric Transmission System)	0	35	35
SubTotal	**11,332**	**2,244,521**	**2,255,853**

Adjusted Capital Gains Tax Distribution

An adjustment to the Outlook is made to account for section 940 of Chapter 268, Laws of 2026, partial veto (ESSB 5998), which requires that in the 2025-27 biennium, the percentage of the collections of capital gains taxes, interest, and penalties that would have been deposited into the Common Schools Construction Account instead be deposited into the ELTA. The impact of this adjustment is as follows:

Adjusted Capital Gains Tax Distributions ($ in 1,000s)			
	2025-27	2027-29	4 Yr
Adjusted Capital Gains Tax Distributions	394,563	0	394,563

Budget Driven Revenue Adjustments

Adjustments are made to reflect the difference between assumed transfers of cannabis, liquor and lottery revenue to GF-S in the February 2026 forecast and what is estimated to be available after adjusting for the 2026 legislative session spending levels. An additional adjustment is made for expected loss of premium tax revenues related to a budgetary step to shift heath care for uninsured adults from a managed care to a fee-for-service program beginning in January 2027.

Budget Driven Revenue ($ in 1,000s)			
	2025-27	2027-29	4 Yr
Health Care for the Uninsured	-719	-2,876	-3,595
Liquor Control Board (Liquor)	-8,592	-8,064	-16,656
Liquor Control Board (Marijuana)	52	108	160
Lottery	-283	-64	-347
Marijuana Distribution Changes	-8	-18	-26
Total	**-9,550**	**-10,914**	**-20,464**

Governor Vetoes Impacting Resources

The Governor vetoed a transfer from the Air Operating Permit Account to the General Fund that was made in section 802 of Chapter 268, Laws of 2026, partial veto (ESSB 5998). The revenue impact of this veto is shown separately in the Outlook and is included below:

Governor's Vetoes ($ in 1,000s)			
	2025-27	2027-29	4 Yr
Transfer from Air Operating Permit Account - Veto	-2,000	0	-2,000

Expenditures

As the starting point for expenditure projections, the Outlook utilizes the most recently enacted budget (the 2025-27 biennial operating budget). Adjustments are then made for the 2026 supplemental operating budget Maintenance Level (ML) and Policy Level (PL) changes and adjustments for Governor's vetoes. For more information on the 2025-27 biennial operating budget, please see: https://fiscal.wa.gov/statebudgets/LBNs.

Estimating Costs for 2027-29 Fiscal Biennium

Estimated costs for the 2027-29 biennium are based on appropriations through the enacted 2026 supplemental operating budget. Per statute, the estimated expenditures in the Outlook reflect the cost to continue current programs, entitlement program growth, and actions required by law in the subsequent fiscal biennium (i.e., the 2027-29 biennium). The general approach to estimating the cost to continue current programs and growth in entitlement programs is by applying a historical growth factor to the FY cost/savings associated with a budget item.

The historical growth factors used to estimate increased costs in the subsequent fiscal biennium are updated each biennium through a joint effort by legislative and executive branch staff and are ultimately adopted by the ERFC. The growth factors to be used for Outlooks prepared during the 2025-27 biennium were adopted by the ERFC on September 13th, 2024.

Additional information on the calculation of the historical growth factors adopted by the ERFC for the current Outlook can be found in the following document available on the ERFC website: https://erfc.wa.gov/sites/default/files/2025-06/20240913_BO_Outlook_Growth_Factors_Update.pdf.

The current adopted growth rates are shown below:

2024 Outlook Growth Rates Summary Table	
Default Growth Rate Category	Adopted 2024 Growth Factors
All Other	1.02%
Children, Youth, and Families[1]	1.02%
Corrections	1.49%
Debt Service	Use Bond Model
Department of Social and Health Services	3.09%
Higher Education	1.17%
K-12 Education	Use K-12 Model
Low Income Health Care & Community Behavioral Health	2.83%

There are some cases whereby simply applying the growth factor to the cost or savings of a budget item is not used to estimate costs in the subsequent fiscal biennium. These include the following situations:

- **K-12 Education**. K-12 Outlook calculations are derived from the K-12 model, which is updated quarterly based on the caseload forecast for growth and inflationary factors. The K-12 model is periodically updated for other factors such as levy equalization and student transportation.
- **Debt Service.** Debt service calculations are derived from the debt service model. The Outlook statute specifies that "estimates of ensuing biennium expenditures must exclude policy items including, but not limited to, legislation not yet enacted by the legislature." Pursuant to ERFC guidance on June 6, 2019, the model used for the Outlook assumes enactment of a 2027-29 biennium bond bill and capital budget.
- **Custom adjustments.** Custom adjustments are made when the estimated annual costs in the subsequent fiscal biennium are expected to be significantly different from the second FY of the current biennium. This occurs primarily when a policy is being phased in during the second FY of a biennium or may be delayed until the subsequent fiscal biennium. In most cases, the growth factor is applied after a custom adjustment is made to reflect the phase in for the policy item. In a small number of cases, the custom adjustment already accounts for the types of growth captured by the growth factor and so the growth factor is not applied.
- **One-Time costs.** Certain items in the budget are one-time for the current biennium and therefore the related costs or savings are not carried forward into the subsequent biennium.
- **Compensation items.** Because the Outlook statute specifically excludes any additional future costs related to collective bargaining agreements (CBAs) not approved by the Legislature, or salaries and benefits, no growth factor is applied to compensation related items. However, a custom adjustment is applied to items that are not fully implemented in the second year of the biennium to capture the full cost in the subsequent fiscal biennium.

Maintenance Level Items

In this section, adjustments are made to reflect the NGF-O costs of continuing to comply with provisions of current law. These adjustments are referred to as maintenance level (ML). Pursuant to the provisions of RCW 43.88.055 and RCW 82.33.060, Outlooks for the legislative budget exclude the costs of 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, and costs of any adverse court rulings within 90 days of each

[1] Children, Youth, and Families was not presented as a separate growth factor to the ERFC but was calculated with the All Other category and subsequently displayed as a separate category in Outlooks published for the 2026 session.

respective legislative session.

The following are the total statewide ML impacts, by biennial period:

- 2025-27 biennium: $1.727 billion increased costs.
- 2027-29 biennium estimate: $1.968 billion increased costs.

Kindergarten – Grade 12 (K-12) Education

The amounts depicted reflect the February 2026 caseload forecast and K-12 entitlement changes. The K-12 funding is adjusted each year of the ensuing biennium using the K-12 model, which updates the growth and inflationary factors with each forecast. The K-12 model is also periodically updated for other factors such as levy equalization and student transportation.

ML adjustments total $287 million increased costs in the 2025-27 biennium, and an estimated $177 million increased costs in the 2027-29 biennium.

The larger increases are related primarily to safety net adjustments, school employee benefit rates, local effort assistance, bus depreciation, and prior school year adjustments. The largest savings in this category are related to enrollment and workload adjustments.

Low-Income Health Care and Community Behavioral Health

The amounts depicted reflect the February 2026 caseload forecast and per capita cost information, as well as other mandatory maintenance level changes. Some of the major cost components include utilization, caseload, and medical inflation. The average growth factor for this grouping is 2.83 percent per FY from FY 2027 levels.

ML adjustments total $476 million increased costs in 2025-27 biennium, and an estimated $615 million increased costs in the 2027-29 biennium.

The larger increases are related primarily to utilization changes, Medicaid managed care rate adjustments, and Medicare premium and prescription drug cost sharing for dually eligible clients. The largest savings in this category are related to projected reductions in the Medicaid caseload which are impacted by eligibility changes mandated by H.R. 1 (P.L. 119-25).

Social and Health Services

The amounts depicted reflect the February 2026 caseload forecast and updated per capita cost information, as well as other mandatory maintenance level changes. Some of the major cost components include caseload, utilization, and severity of client needs. The average growth factor for this grouping is 3.09 percent per FY from FY 2027 levels.

ML adjustments total $367 million increased costs in the 2025-27 biennium, and an estimated $504 million increased costs in the 2027-29 biennium.

The larger increases are related to mandatory caseload, workload, and developmental disabilities residential service utilization adjustments, newly required state administrative and benefit match requirements for federal food assistance programs, and reductions in projected revenues for state hospital services. Larger savings are due to caseload and per capita cost reductions in the Temporary Assistance to Needy Families program, long term care services, and other caseload reductions resulting from eligibility changes mandated by H.R. 1 (P.L. 119-25).

Higher Education
Higher Education adjustments are generally related to the Initiative 732 cost of living adjustments, the Washington College Grant program, the College Bound Scholarship program, and maintenance, operations, and lease adjustments. The amounts depicted reflect the February 2026 caseload forecast. The average growth factor for this grouping is 1.17 percent per FY from FY 2027 levels.

ML adjustments total $149 million increased costs in the 2025-27 biennium, and an estimated $187 million increased costs in the 2027-29 biennium.

The largest increase is related to an increase in the forecasted Washington College Grant program caseload. The largest savings in this category is related to the College Bound caseload adjustment.

Corrections
The amounts depicted reflect the February 2026 caseload forecast, as well as other mandatory maintenance level changes. The average growth factor for this grouping is 1.49 percent per FY from FY 2027 levels.

ML adjustments total $45 million increased costs in the 2025-27 biennium, and an estimated $24 million increased costs in the 2027-29 biennium.

The largest increase is related to increases in the male offender caseload. The largest savings are due to a reduction in the community supervision caseload.

Children, Youth, and Families
The amounts depicted reflect the February 2026 caseload forecast for the Department of Children, Youth, and Families, as well as other mandatory maintenance level changes. The average growth factor for this group was calculated concurrently with the All Other category (as noted in the footnote on page 5) and is 1.02 percent from FY 2027 levels.

ML adjustments total $401 million increased cost in the 2025-27 biennium, and an estimated $428 million increased costs in the 2027-29 biennium.

The larger increases are related to forecasted adjustments to the Working Connections Child Care and foster care programs, enrollment-based pay, mandatory cost of care adjustments, and settlement agreements that exceed amounts available in the Self-Insurance Liability Account. The larger savings in this category are from a forecast adjustment in the Tiered Reimbursement subsidized childcare program and a reduction in the juvenile rehabilitation caseload.

All Other
This area includes all other agencies not reflected in the preceding Outlook groups, such as general government agencies, smaller human service agencies, natural resource agencies, legislative agencies, and judicial agencies. The average growth factor for this grouping is 1.02 percent per FY from FY 2027 levels.

ML adjustments total $65 million increased costs in the 2025-27 biennium, and an estimated $215 million increased costs in the 2027-29 biennium.

The larger increases are related to increases in the February 2026 forecast for the Working Families Tax

Credit program and the adjustment of estimated FY 2027-29 projected savings associated with Chapter 373, Laws of 2025 (E2SSB 5083), to align with the final version enacted by the Legislature in the 2025 session. The largest savings are associated with adjustments for federal and local revenues in state veterans' homes.

Debt Service
The amounts depicted reflect the cost of the debt on all capital budget bonds that were authorized through the 2026 session using the bond model to calculate estimated costs for the 2027-29 biennium. Pursuant to ERFC guidance on June 6, 2019, the model used for the Outlook assumes enactment of a 2027-29 biennium bond bill and capital budget.

ML adjustments total $64 million in savings for the 2025-27 biennium, and an estimated $183 million savings for the 2027-29 biennium.

Policy Level Items
In this section, adjustments are made to reflect the policy level (PL) expenditure changes included in the enacted budget as well as appropriations made in other legislation. Growth in the ensuing biennium is calculated using the same growth factors and methodologies as outlined above.

The total statewide PL impacts, by biennial period:

- 2025-27 biennium: $620 million increased costs.
- 2027-29 biennium estimate: $179 million increased costs.

K-12 Education
PL adjustments total $79 million savings in the 2025-27 biennium, and an estimated $30 million savings in the 2027-29 biennium.

The largest increase is related to $140 million in projected expenditures for free school meals in FY 2029. These expenditures are not mandatory but are included in expenditure projections at the direction of the ERFC on April 14, 2026. Additional information regarding this adjustment can be found in the guidance memo at https://erfc.wa.gov/budget-outlook.

Larger savings include reductions in the Transition to Kindergarten program and changes in calculating bus depreciation pursuant to Chapter 267, Laws of 2026 (Public education funding). In addition, savings result from a reduction in the 2027 calendar year local effort assistance inflation enhancement.

Low-Income Health Care and Community Behavioral Health
PL adjustments total $35 million increased costs in the 2025-27 biennium, and an estimated $55 million in increased costs in the 2027-29 biennium.

The larger increases are related to a GF-S backfill for reductions in Dedicated Cannabis Account funding used to fund required state match for Medical Assistance programs. The larger savings are due to aligning funding for long-term civil commitment beds to actual experience and adjustments for the Apple Health Expansion and 1915i Community Behavioral Health Support program caseloads.

Social and Health Services
PL adjustments total $74 million in savings in the 2025-27 biennium, and an estimated $71 million in

increased costs in the 2027-29 biennium.

The largest increases are related to providing state funded services for lawfully present immigrants who would otherwise lose access to services as a result of recent federal changes to Medicaid eligibility and for other administrative costs associated with implementing H.R. 1 (P.L. 119-25) requirements. Other large increases include one-time funding for One Washington and for support services offered by the Office of Refugee and Immigrant Assistance (ORIA). The larger savings are due to ongoing assumption that the federal government will continue to delay reductions to Disproportionate Share Hospital grants and a phased reduction of nursing home rate add-ons. Additional one-time savings are due to a Workfirst fund shift and one-year delay in rebasing assisted living rates.

Higher Education
PL adjustments total $224 million in savings for the 2025-27 biennium and an estimated $16 million in increased costs for the 2027-29 biennium.

The largest increase is related to funding for the University of Washington Center for Behavioral Health and Learning. The larger NGF-O savings are achieved by fund shifts within higher education accounts.

Corrections
PL adjustments total $53 million increased costs in the 2025-27 biennium, and an estimated $32 million in increased costs for the 2027-29 biennium.

The larger increases are related to funding to reopen beds at the Monroe Correctional Complex. The larger savings are related to administrative reductions.

Children, Youth, and Families
PL adjustments total $840 million increased costs for the 2025-27 biennium, and an estimated $545 million in savings for the 2027-29 biennium.

The largest increase relates to self-insurance liability premiums. This includes one-time funding in the FY 2025-27 biennium which reflects higher claims experience in FY 2025. FY 2027-29 projected costs are based on the 2025 actuarial study. Other large increases include making one-time funding for Stafford Creek beds in FY 2025-27 ongoing. The larger savings are related to implementation of Chapter 264, Laws of 2026 (SHB 2689), which makes a variety of changes to the Working Connections Child Care program. Projected costs for childcare are based upon the Department of Children, Youth and Families 2024 Cost of Quality Child Care and Market Rate Study.

All Other
PL adjustments total $52 million increased costs in the 2025-27 biennium, and an estimated $466 million in increased costs in the 2027-29 biennium.

The larger increases are related to an expansion of the Working Families Tax Credit program pursuant to Chapter 238, Laws of 2026 (ESSB 6346), and administrative costs for implementing the bill. Other large increases include $200 million in projected expenditures for city and county fiscal health in FY 2029. The city and county fiscal health expenditures are not mandatory but are included in expenditure projections at the direction of the ERFC at the Council meeting on April 14, 2026. Additional information regarding this adjustment can be found in the guidance memo at https://erfc.wa.gov/budget-outlook.

Debt Service
PL adjustments total no increased costs in the 2025-27 biennium and $86 million increased costs in the 2027-29 biennium. PL changes reflect the additional debt service required for bonds assumed in the enacted Capital budget.

Employee Compensation and Health Benefits:
PL adjustments for employee compensation total $18 million increased costs in the 2025-27 biennium, and an estimated $27 million increased costs in the 2027-29 biennium. These costs are primarily related to funding for a collective bargaining agreement with the Washington Public Employees Association on behalf of general government and community college employees. There is no growth factor applied to these items, although custom adjustments are applied to items that are not fully implemented in the second year of the biennium to capture the full cost in the subsequent fiscal biennium.

Governor Vetoes & Lapses
The Outlook separately displays the NGF-O impacts of budget items vetoed by the Governor as well as funding lapses from legislation that were not enacted into law. The NGF-O impacts from the Governor's budget vetoes and funding lapses total $1 million in savings in the 2025-27 biennium and 0.2 million in savings in the 2027-29 biennium.

For calculation purposes only, the expenditures include General Fund-State funding in the amount of $189,000 for FY 2027 and $573,000 over the 2025-27 and 2027-29 biennia that was vetoed by the Governor in subsection 119(13) of Chapter 268, Laws of 2026, partial veto (ESSB 5998). No final determination has been made regarding whether the funding lapses as a result of the Governor's veto.

Assumed Reversions
Reversions are the estimated appropriations that will be unspent and revert to the state for re-appropriation. Per direction by the ERFC at the April 14, 2026, meeting, reversion assumptions for the 2026 supplemental operating budget are as follows:

- 1.0 percent of GF-S appropriations for FY 2026, and;
- 0.9 percent of GF-S appropriations for FY 2027, FY 2028, and FY 2029.

Additional reversion assumptions are included in the Outlook as follows:

- Consistent with prior Outlooks and direction from the ERFC, additional reversions are assumed in relation to estimated adjustments in K-3 allocations as a result of actual and forecasted K-3 class sizes being less than what is funded.
- Per direction by the ERFC at the April 14, 2026, meeting, an additional $71 million reversion adjustment is made in FY 2026 related to double funding of a restoration of program integrity savings that are not expected to be achieved at the Health Care Authority. The Governor has directed that this $71 million in double funding be placed in unallotted status and therefore it cannot be spent.

Reversion Assumptions ($ in 1,000s)			
	2025-27	2027-29	4 Yr
Percentage Assumptions	-703,931	-696,243	-1,400,174
K-3 Class Size Reversion Assumptions	-62,538	-71,887	-134,425
HCA Unallotted Appropriation (Program Integrity)	-71,000	0	-71,000
Total	**-837,469**	**-768,130**	**-1,605,599**

Additional information regarding reversion assumptions and the adjustment for double-funding of the restoration of program integrity savings that are not expected to be achieved at the Health Care Authority can be found in the April 14th guidance memo at https://erfc.wa.gov/budget-outlook.

Total Reserves

Pursuant to the direction of the ERFC, the summary document for the Outlook shows reserves in the NGF-O Accounts and the Budget Stabilization Account. To calculate Percentage of Reserves to Revenues and Other Resource Changes, ending balances are divided by the sum of Forecasted NGF-O Revenues and total Other Resource Changes. Beginning fund balances are not included in the percentage calculation.

As directed by the ERFC on April 14, 2026, the Outlook assumes repayment in FY 2029 of $880 million to the Budget Stabilization Account (BSA) from the Pension Surplus Holding Account created in Chapter 261, Laws of 2026 (E2SHB 2034). Additional detail regarding this assumption can be found in the guidance memo available at: https://erfc.wa.gov/budget-outlook.

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DRAFT Outlook for the Enacted 2026 Supplemental Omnibus Operating Budget- Chapter 268, Laws of 2026, Partial Veto (ESSB 5998)

Funds Subject to Outlook

(Dollars in Millions)

	2025-27			2027-29		
	FY 2026	FY 2027	2025-27	FY 2028	FY 2029	2027-29
NGF-O Beginning Balance	**2,536**	**1,112**	**2,536**	**277**	**-802**	**277**
Forecasted Revenues	**36,714**	**38,562**	**75,276**	**39,408**	**40,973**	**80,381**
Feb 2026 Revenue Forecast (NGF-O)	36,714	38,562	75,276	39,408	40,973	80,381
Addtl Revenue Based on 4.5% Growth Rate Assumption	0	0	0	890	1,138	2,027
Remove the 4.5% Additional Revenues Assumption	0	0	0	-890	-1,138	-2,027
Other Resource Changes	**1,115**	**717**	**1,832**	**-331**	**2,036**	**1,706**
GF-S Transfer to BSA (1%)	-344	-362	-705	-373	-411	-785
Prior Period Adjustments	125	125	250	125	125	250
Prior Enacted Fund Transfers- 2025 Session	612	13	625	4	4	7
Newly Enacted Transfers- 2026 Session	9	379	388	0	0	0
BSA Transfers- 2026 Session	514	366	880	0	0	0
Revenue Legislation	-5	16	11	-80	2,325	2,245
Adjusted Capital Gains Tax Distributions	208	187	395	0	0	0
Budget Driven Revenue	-3	-6	-10	-6	-5	-11
Governor's Resource Vetoes	0	-2	-2	0	0	0
Total Revenues and Resources	**40,365**	**40,391**	**79,644**	**39,354**	**42,208**	**82,363**
Enacted Appropriations	**38,471**	**39,387**	**77,858**	**39,763**	**40,568**	**80,331**
Maintenance Level Total	**746**	**980**	**1,727**	**1,006**	**963**	**1,968**
K-12 Education	142	145	287	101	76	177
Low Income Health Care & Comm Behavioral Health	188	288	476	303	312	615
Social & Health Services	105	261	367	264	240	504
Higher Education	61	87	149	83	104	187
Corrections	29	16	45	12	12	24
All Other	35	31	65	104	111	215
Children, Youth, and Families	198	203	401	213	215	428
Debt Service	-13	-51	-64	-75	-108	-183
Policy Level Total	**502**	**118**	**620**	**-237**	**415**	**179**
K-12 Education	0	-79	-79	-97	67	-30
Low Income Health Care & Comm Behavioral Health	45	-10	35	25	30	55
Social & Health Services	-67	-7	-74	24	47	71
Higher Education	-120	-104	-224	8	8	16
Corrections	11	42	53	16	16	32
All Other	2	50	52	35	431	466
Children, Youth, and Families	631	209	840	-271	-275	-545
Debt Service	0	0	0	10	77	86
Compensation & Benefits	1	18	18	14	14	27
Governor Expenditure Vetoes and Lapsed Items	0	-1	-1	0	0	0
Reversions	**-466**	**-371**	**-837**	**-376**	**-392**	**-768**
Revised Appropriations	**39,253**	**40,114**	**79,367**	**40,156**	**41,554**	**81,710**
NGF-O Projected Ending Balance	**1,112**	**277**	**277**	**-802**	**653**	**653**
Budget Stabilization Account						
Beginning Balance	1,269	1,003	1,269	1,031	1,436	1,031
GF-S Transfer to BSA (1%)	344	362	705	373	411	785
BSA Transfers	-514	-366	-880	0	0	0
Pension Surplus Holding Account	0	0	0	0	880	880
Appropriations from BSA	-141	0	-141	0	0	0
Interest Earnings	45	33	78	31	44	75
BSA Ending Balance	**1,003**	**1,031**	**1,031**	**1,436**	**2,771**	**2,771**
Total Reserves	**2,115**	**1,308**	**1,308**	**634**	**3,425**	**3,425**
% of Reserves to Revenues and Other Resource Changes	**5.6%**	**3.3%**		**1.6%**	**8.0%**	
NGF-O	2.9%	0.7%		-2.1%	1.5%	
Budget Stabilization Account	2.7%	2.6%		3.7%	6.4%	

Note:

Ensuing Biennium Revenue. Generally, the provisions of 43.88.055 RCW call for the ensuing biennium forecast revenue to be based on 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". However, for the 2025-27 biennium, section 926 of Chapter 268, Laws of 2026 p.v. (ESSB 5998) requires that the projected expenditures for the ensuing biennium be the official revenue forecast. Therefore, no 4.5 percent adjustment is made for 2027-29 projected revenues. The February 2026 forecast projected revenue growth of less than 4.5 percent per year in the 2027-29 biennium. For consistency with prior Outlooks, the Outlook document displays the 4.5% adjustment and its removal pursuant to section 926 of Chapter 268, Laws of 2026, p.v. (ESSB 5998) on separate rows.

NGF-O = GF-S + ELT + OpPath + Wkfrc Educ Invest + Fair Start for Kids