

Proposed 2026 Supplemental

OPERATING BUDGET

Budget Summary

Conference Report
ESSB 5998
(H-3823.1)

March 11, 2026



OFFICE of
PROGRAM RESEARCH
WASHINGTON STATE
HOUSE OF REPRESENTATIVES

Summary

The 2025-27 Biennial Budget

In March 2025, the Legislature adopted a budget for the 2025-27 biennium. After Governor Ferguson's vetoes and lapses are taken into account, the budgeted amounts in the enacted 2025-27 biennial budget are \$77.9 billion Near General Fund-Outlook (NGF-O) and \$150.4 billion in total budgeted funds.

As adopted by the Economic and Revenue Forecast Council (ERFC), the enacted 2025-27 biennial budget has a projected NGF-O ending balance of \$80.0 million and projected total reserves of \$2.1 billion, including \$2.0 billion in the Budget Stabilization Account (BSA).

Revenue Updates

The enacted 2025-27 biennial budget assumes \$75.2 billion in NGF-O revenues and other resources based on the March 2025 ERFC revenue forecast and including the impact of revenue legislation, prior period adjustments, and gubernatorial vetoes.

The February 2026 revenue forecast projects \$75.3 billion in NGF-O revenues for the 2025-27 biennium. A description of revenue assumptions in the proposed conference report follows below.

Proposed Conference Report for ESSB 5998 (H-3823.1)

[Description of Summary & Detail Documents for the Proposed Conference Report for ESSB 5998](#)

Summary and detail documents related to the proposed conference report describe spending from NGF-O accounts and total budgeted funds. NGF-O accounts subject to the four-year balanced budget requirement are General Fund-State, the Education Legacy Trust Account, the Opportunity Pathways Account, and the Workforce Investment Education Account. Total budgeted funds include expenditures from NGF-O accounts in addition to all other budgeted funds.

Below this initial narrative, this document includes a four-page summary of policy-level spending items summarized in broad categories (a document listing the individual policy-level budget items comprising each category is available at fiscal.wa.gov). This document also includes a listing of assumed resources as well as a budget Outlook covering FY 2026 through FY 2029.

Additionally, agency detail documents list each policy-level budget item including a brief description.

Expenditure Summary

For the 2025-27 biennium, the proposed conference report appropriates \$80.2 billion NGF-O and \$157.3 billion in total budgeted funds after 2026 supplemental changes. These amounts include a net increase of \$1.7 billion NGF-O and \$3.2 billion total budgeted funds at maintenance level to continue current programs and meet statutory obligations, with the largest NGF-O cost drivers being net increases compared to the enacted 2025-27 biennial budget in Medicaid medical assistance, Working Connections Child Care, and long-term care services. At policy-level, the focus of this document, NGF-O increases by a net of \$621.3 million NGF-O and \$3.7 billion in total budgeted funds.

Selected NGF-O Balance Sheet Related Items

The NGF-O balance sheet associated with the proposed conference report includes, but is not limited to, the following assumptions for the 2025-27 biennium:

- an \$880.0 million transfer from the BSA to the General Fund-State;
- \$156.8 million in additional NGF-O resources from increased assumptions for prior period adjustments;
- \$766.5 million in General Fund-State expenditures savings from reversions for the 2025-27 biennium, including assumed reversions of 1.0 percent in FY 2026 (the same percentage assumed in the enacted 2025-27 biennial budget), 0.9 percent in FY 2027 (in lieu of the 0.75 percent assumed in the enacted 2025-27 biennial budget), and from anticipated K-3 class size reversions; and
- an additional \$394.6 million in NGF-O revenues for the operating budget due to an adjusted capital gains tax distribution.

2025-27 NGF-O Ending Balance and the Four-Year Outlook

The proposed conference report leaves a projected ending balance for the 2025-27 biennium of \$231.0 million NGF-O and \$1.3 billion in total reserves, including \$1.0 billion in the BSA. In total, these amounts represent 3.2 percent of revenues and other resources.

Under the four-year balanced budget statute, Chapter 8, Laws of 2012 (SSB 6636), the proposed conference report is projected to end the 2027-29 biennium with a \$563.0 million NGF-O ending balance and \$3.3 billion in total reserves including \$2.8 billion in the BSA (FY 2028 is projected to end with a NGF-O ending balance of -\$878.0 million and \$558.0 million in total reserves including \$1.4 billion in the BSA).

A portion of the projected BSA ending balance for 2027-29 is attributable to the stated intent to transfer \$880.0 million from the Pension Surplus Holding Account pursuant to E2SHB 2034 (LEOFF 1 restatement) on June 30, 2029.

Revenue Legislation Impacting the Balance Sheet and Outlook

The proposed conference report assumes a net increase of \$36.0 million in NGF-O resources from revenue legislation in the 2025-27 biennium and \$2.2 billion in NGF-O resources from revenue legislation in the 2027-29 biennium, including from ESSB 6346 (Tax on millionaires).

A listing of all legislation impacting revenues and their assumed fiscal impacts, as well as budget driven revenue and other revenue and resource changes, and the Outlook is included later in this document.

**2025-27 Omnibus Operating Budget -- 2026 Supplemental
Conference Proposal
Funds Subject to Outlook
(Dollars in Thousands)**

	2025-27		4-Yr Total
	NGF-O	Total	NGF-O
General Gov't, Judicial, & Legislative Agencies			
Self-Insurance Liability Premium	956,061	2,202,736	1,000,773
Working Families Tax Credit Expansion	0	0	230,634
Local Government Fiscal Health	0	0	200,000
OneWA AFRS Replacement	84,773	241,586	93,228
Debt Service	0	0	86,178
Crime Victims Support	19,355	21,355	19,355
Public Defense Caseload Standards	4,845	4,845	18,451
Revenue Legislation Implementation	11,819	11,819	122,783
Disaster Response and Recovery	0	-60,617	0
COM: Housing & Homelessness Programs	16,190	16,684	16,972
COM: Grant Programs	-6,274	-2,274	-32,393
Cannabis Revenue Distributions	64,381	-157	158,075
Central Services: All Other	4,245	9,228	4,573
Cost Shifts to Dedicated Accounts	-29,680	0	-38,169
Administrative Reduction	-2,001	-1,976	-6,065
General Government: All Other Increases	17,051	127,444	19,696
General Government: All Other Savings	-4,517	-13,849	-16,252
Information Technology: All Other Items	-179	35,761	1,014
Judicial Agencies: Other Increases	11,037	16,089	22,182
Judicial Agencies: All Other Savings	-4,882	-4,882	-6,431
General Gov't, Judicial, & Legislative Agencies Total	1,142,224	2,603,792	1,894,604
Children, Youth, & Families			
WCCC Attendance Policy	-91,560	-91,560	-606,175
Enrollment Based Pay	-36,261	-45,350	-128,354
WCCC Enhanced Regional Rates	-15,463	-15,463	-46,864
Pre-K Promise (ECEAP)	147	170,147	445
Juvenile Rehabilitation Capacity & Security	12,366	12,454	47,865
Administrative Reduction	-2,387	-2,387	-7,234
DCYF: All Other Increases	17,748	19,990	47,596
DCYF: All Other Savings	-8,160	-11,036	-12,526
Children, Youth, & Families Total	-123,570	36,795	-705,247
Behavioral Health			
Behavioral Health Facility & Bed Delays	-43,433	-49,939	-46,190
Long-Term Civil Commitment Beds	-26,951	-43,383	-56,481
1915i Comm. BH Svcs & Intensive BH Support Svcs	-12,092	-28,864	-37,948
Behavioral Health Grants & Contracts	-5,576	-9,857	-14,440
Assisted Diversion & Co-Responder Reductions	-3,806	-5,166	-11,746
Disproportionate Share Hospital	-70,038	0	-106,171
UW Behavioral Health	15,000	25,281	45,529
Certified Community BH Clinics	2,823	11,646	14,463
State Hospital Staffing	14,879	14,879	14,879
Administrative Reduction	-1,731	-1,731	-5,352

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	2025-27		4-Yr Total
	NGF-O	Total	NGF-O
Cost Shifts to Dedicated Accounts	-22,275	0	-23,443
Behavioral Health: Other Increases	9,657	21,156	16,021
Behavioral Health: Other Savings	-3,248	-7,085	-7,769
Behavioral Health Total	-146,791	-73,063	-218,648
Long Term Care & DD			
HR 1: Non-Citizen Program	19,823	19,823	189,169
Nursing Home Rates	-9,864	-19,729	-48,124
Delay Assisted Living Rate Rebase	-21,221	-45,463	-21,221
DSHS-ALTSA & DDA: Underspends	-15,234	-22,627	-15,234
State-Operated Living Alternatives	5,479	26,858	12,472
WA Cares	0	15,992	0
Administrative Reduction	-1,219	-1,219	-3,771
DSHS-ALTSA & DDA: All Other Increases	11,583	13,214	12,613
DSHS-ALTSA & DDA: All Other Savings	-17,903	-32,644	-28,379
Long Term Care & DD Total	-28,556	-45,795	97,525
Health Care & Public Health			
HR 1: Work Requirement IT Project	9,042	50,137	9,042
HR 1: Medicaid Work Requirement Impacts	2,459	8,313	7,588
HR 1: Federal Grant Authority	0	304,057	0
Apple Health Expansion Changes	-30,135	-32,273	-45,411
Cascade Care	25,000	50,000	55,306
Reproductive Health Services	8,600	8,600	17,332
Restore Program Integrity Savings	71,000	230,000	71,000
Electronic Health Records	-1,099	-23,347	-1,099
Medicaid Transformation Project	-7,108	-48,912	-10,229
Medicaid Access Program	-111	-98,612	-111
Administrative Reduction	-1,510	-1,510	-4,611
Cost Shifts to Dedicated Accounts	-7,285	0	-16,422
Health Care & Public Health: All Other Increases	16,116	121,922	31,402
Health Care & Public Health: All Other Savings	-11,252	-15,837	-34,516
Health Care & Public Health Total	73,717	552,538	79,271
Other Human Services			
HR 1: SNAP & FAP Work Requirement Impacts	9,434	19,091	23,927
HR 1: Other SNAP & FAP Policy Impacts	8,460	22,656	9,788
Immigrant, Refugee, and New Arrival Supports	25,500	25,500	26,546
Administrative Reduction	-1,532	-1,532	-4,640
Cost Shifts to Dedicated Accounts	-39,905	0	-43,357
Other Human Services: All Other Increases	8,895	45,265	11,060
Other Human Services: All Other Savings	-4,617	-6,883	-18,815
Other Human Services Total	6,235	104,097	4,509

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(Dollars in Thousands)**

	2025-27		4-Yr Total
	NGF-O	Total	NGF-O
<i>K-12 Education</i>			
Free School Meals	0	0	140,000
Transition to Kindergarten	-27,269	-27,269	-102,258
Bus Depreciation Calculation	-25,755	-25,755	-77,265
Local Effort Assistance	-25,093	-25,093	-45,624
Running Start	-7,004	-7,004	-14,394
K-12: All Other Increases	13,701	13,701	20,685
K-12: All Other Savings	-9,043	-9,043	-31,351
<i>K-12 Education Total</i>	-80,463	-80,463	-110,207
<i>Higher Education</i>			
Building Account into Operating Fees Account	0	239,871	0
Cost Shift to Operating Fees Account	-239,871	0	-239,871
CBA's & Other Compensation	10,393	15,069	23,049
Administrative Reduction	-4,900	-4,900	-14,873
Higher Ed: All Other Increases	3,410	5,160	3,668
Higher Ed: All Other Savings	-3,029	-3,029	-9,194
<i>Higher Education Total</i>	-233,997	252,171	-237,221
<i>Corrections & Criminal Justice</i>			
Close Custody Beds	19,121	19,121	50,553
Custody Staff Support	8,282	8,282	10,552
30-Day Violator Sanction Policy	4,065	4,065	10,592
Administrative Reduction	-4,966	-4,966	-15,114
Corrections & Criminal Justice: Other Increases	12,200	19,260	23,977
Corrections & Criminal Justice: All Other Savings	-14,019	-10,152	-36,510
<i>Corrections & Criminal Justice Total</i>	24,683	35,610	44,050
<i>Natural Resources</i>			
Wildfire Response, Suppression, & Recovery	-359	250,746	-723
Low-Income Energy Assistance	0	30,000	0
Invasive Species	6,553	6,841	6,553
Administrative Reduction	-2,572	-2,597	-7,796
Cost Shifts to Dedicated Accounts	-12,601	0	-33,816
Naturals: All Other Increases	6,548	28,371	16,684
Naturals: All Other Savings	-14,903	-13,308	-45,815
Climate Commitment Act: All Other	-2,551	-12,175	-5,812
<i>Natural Resources Total</i>	-19,885	287,878	-70,725
<i>State Employee Compensation (Excl. Higher Ed)</i>			
Collective-Bargaining Agreements	11,719	19,695	26,088
All Other	-4,000	-8,462	-3,800
<i>State Employee Compensation (Excl. Higher Ed) Total</i>	7,719	11,233	22,288

**2025-27 Omnibus Operating Budget -- 2026 Supplemental
 Conference Proposal**
Funds Subject to Outlook
 (Dollars in Thousands)

	2025-27		4-Yr Total
	NGF-O	Total	NGF-O
Grand Total	621,316	3,684,793	800,199

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

2025-27 Omnibus Operating Budget -- 2026 Supplemental

Conference Proposal (H-3823.1)

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	1,042	2,536	231	-878	231
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	1,117	741	1,858	-360	2,022	1,662
Budget Driven Revenue	-3	-6	-10	-6	-5	-11
GF-S Transfer to BSA (1%)	-343	-362	-706	-373	-412	-785
Prior Period Adjustments	125	125	250	125	125	250
Revenue Legislation	-4	40	36	-110	2,311	2,200
BSA Transfers	514	366	880	0	0	0
Other Proposed Transfers	9	379	388	0	0	0
Enacted Fund Transfers	612	13	625	4	4	7
Adjusted Capital Gains Tax Distributions	208	187	395	0	0	0
Total Revenues and Resources	40,366	40,346	79,670	39,278	42,117	82,273
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	119	621	-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
Reversions	-395	-371	-766	-376	-392	-768
Revised Appropriations	39,324	40,115	79,439	40,156	41,554	81,710
NGF-O Projected Ending Balance	1,042	231	231	-878	563	563

2025-27 Omnibus Operating Budget -- 2026 Supplemental

Conference Proposal (H-3823.1)

Funds Subject to Outlook

(Dollars in Millions)

	2025-27			2027-29		
	FY 2026	FY 2027	2025-27	FY 2028	FY 2029	2027-29
Budget Stabilization Account						
Beginning Balance	1,269	1,002	1,269	1,032	1,436	1,032
GF-S Transfer to BSA (1%)	343	362	706	373	412	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	1,002	1,032	1,032	1,436	2,772	2,772
Total Reserves	2,045	1,262	1,262	558	3,335	3,335
% of Reserves to Revenues and Other Resources	5.4%	3.2%		1.4%	7.8%	
NGF-O	2.8%	0.6%		-2.2%	1.3%	
Budget Stabilization Account	2.6%	2.6%		3.7%	6.4%	

Notes:

- 1. This analysis was prepared by OPR and SCS staff for legislative deliberations of legislative members. It is not an official Outlook or an official state publication.*
- 2. NGF-O includes General Fund-State, Washington Opportunity Pathways, Education Legacy Trust; and Workforce Education Investment Accounts.*
- 3. Information related to reversion and prior period assumptions is described in the Summary and Resources and Reversions documents.*

Fund Transfers, Revenue Legislation, and Budget Driven Revenues

Conference Proposal (H-3823.1)

Funds Subject to Outlook

(Dollars in Millions)

	2025-27	2027-29	4 Yr
Fund Transfers In Budget Bill			
Air Operating Permit Account (GF-S)	2.0	0.0	2.0
Budget Stabilization Account (GF-S)	880.0	0.0	880.0
Capital Community Assistance Account (GF-S)	8.3	0.0	8.3
Certified Public Accountants' Account (GF-S)	0.6	0.0	0.6
Developmental Disabilities Community Services Acct (GF-S)	2.0	0.0	2.0
Disaster Response Account (GF-S)	-82.4	0.0	-82.4
Education Technology Revolving Acct (GF-S)	9.0	0.0	9.0
Financial Services Regulation Account (GF-S)	4.8	0.0	4.8
Fingerprint Identification Account (GF-S)	3.0	0.0	3.0
Fire Service Training Account (GF-S)	3.0	0.0	3.0
Manufacturing Cluster Acceler Sub Acct (GF-S)	2.8	0.0	2.8
Military Department Rent and Lease Account (GF-S)	2.0	0.0	2.0
Performance Audits of Government Account (GF-S)	2.8	0.0	2.8
Personnel Service Account (GF-S)	5.0	0.0	5.0
Public Works Assistance Account (GF-S)	375.0	0.0	375.0
Reclamation Account (GF-S)	5.0	0.0	5.0
Secretary of State's Revolving Acct (GF-S)	5.0	0.0	5.0
State Treasurer's Service Account (GF-S)	10.0	0.0	10.0
Vol Firefighters' & Reserve Officers' Admin Acct (GF-S)	5.0	0.0	5.0
WA St Library-Archives Bldg Account (GF-S)	10.0	0.0	10.0
Washington Auto Theft Prevention Authority (GF-S)	2.1	0.0	2.1
Washington Student Loan Account (GF-S)	1.7	0.0	1.7
Washington Technology Solutions Revolving Account (GF-S)	3.0	0.0	3.0
Waste Reduction/Recycling/Litter Control (GF-S)	3.0	0.0	3.0
Water Quality Permit Account (GF-S)	5.0	0.0	5.0
SubTotal	1,267.7	0.0	1,267.7
Budget Driven Revenue			
Health Care for the Uninsured	-0.7	-2.9	-3.6
Liquor Control Board (Liquor)	-8.6	-8.1	-16.7
Liquor Control Board (Marijuana)	0.1	0.1	0.2
Lottery	-0.3	-0.1	-0.3
Marijuana Distribution Changes	0.0	0.0	0.0
SubTotal	-9.6	-10.9	-20.5
Revenue Legislation			
1408 - Community Authority Funding	-4.8	-7.1	-11.9
1960 - Renewable Energy	0.0	-0.2	-0.2
1983 - Timberland Definition/REET	-0.1	-0.2	-0.2
2089 - Taxes On Loan Interest	1.0	4.9	5.9
2248 - Corporate Filings	0.0	0.0	0.0
2442 - Local Government Fund Use	0.1	0.5	0.6
2487 - Insurer Taxes	55.6	17.2	72.8
2675 - Accounts	0.2	0.0	0.2

Fund Transfers, Revenue Legislation, and Budget Driven Revenues
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	2025-27	2027-29	4 Yr
2681 - Cannabis License Fees	0.8	1.6	2.5
2711 - Transportation Resources	-2.9	0.0	-2.9
5974 - Local Law Enforcement	0.3	0.0	0.3
6151 - Env. Programs/Fee Accounts	-1.1	-2.1	-3.2
6162 - Property Tax	0.0	2.0	2.0
6228 - Prescription Drugs/Taxes	24.0	141.7	165.6
6231 - Data Center Equipment/Taxes	63.0	140.5	203.5
6248 - Travel Insurance	0.0	-0.1	-0.1
6346 - Tax On Millionaires	-55.4	2,291.6	2,236.2
6347 - Estate Tax Rates	-44.8	-389.9	-434.7
SubTotal	36.0	2,200.5	2,236.5
Prior Period Adjustments			
Additional Prior Period Adjustments	156.8	209.2	366.0
BH-ASO Reserves	17.1	0.0	17.1
SubTotal	173.9	209.2	383.1
Adjusted Capital Gains Tax Distributions			
Adjusted Capital Gains Tax Distributions	394.6	0.0	394.6
SubTotal	394.6	0.0	394.6
NGF-O Resource Changes Grant Total	1,862.5	2,398.8	4,261.3
Reversions			
Percentage Reversion Adjustment	-703.9	-696.2	-1,400.2
K-3 Reversion Adjustment	-62.5	-71.9	-134.4
SubTotal	-766.5	-768.1	-1,534.6
Non-NGFO Transfers			
Pension Surplus Holding Account to the Budget Stabilization Account	0.0	880.0	880.0
SubTotal	0.0	880.0	880.0

Notes:

1. Resource changes reflected above do not include the required 1% transfer of general state revenues to the budget stabilization account.
2. Resource changes above do not include prior actuals and base assumptions, only changes in assumptions for this Outlook.
3. SB 6346 revenue estimate reflects House floor striker fiscal note.
4. Conference proposal prior period adjustment assumption is increased to \$125 million per year- amount reflected above reflects change from the enacted Outlook after small adjustment for actuals captured in the official February forecast balance sheet.
6. Reversions are reflected in the Outlook as a reduction of assumed expenditures and increase the ending fund balance
5. Conference proposal reversion assumptions are as follows:
 - FY 2026: 1.0%
 - FY 2027 through FY 2029: 0.9%