

Proposed 2026 Supplemental

OPERATING BUDGET

Budget Summary

PSHB 2289
H-3628.3/26
By Representative Ormsby

February 22, 2026

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 had 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 assumed \$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, other resource changes, 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 Proposed Substitute House Bill 2289 (PSHB 2289) follows below.

Proposed Substitute House Bill 2289 by Chair Ormsby

Description of Summary and Detail Documents for PSHB 2289

Summary and detail documents related to PSHB 2289 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 (also available at fiscal.wa.gov) list each policy-level budget item including a brief description.

Expenditure Summary

For the 2025-27 biennium, PSHB 2289 appropriates \$79.9 billion NGF-O and \$156.1 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 \$340.5 million NGF-O and \$2.5 billion in total budgeted funds.

Selected NGF-O Balance Sheet Related Items

The NGF-O balance sheet associated with PSHB 2289 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;
- \$220.9 million in additional NGF-O resources from increased assumptions for prior period adjustments;
- \$764.2 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) and 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

PSHB 2289 leaves a projected ending balance for the 2025-27 biennium of \$247.0 million NGF-O and \$1.3 billion in total reserves, including \$1.0 billion in the BSA. In total, these amounts represent 3.3 percent of revenues and other resources.

Under the four-year balanced budget statute, Chapter 8, Laws of 2012 (SSB 6636), PSHB 2289 is projected to end the 2027-29 biennium with a \$566.0 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 -\$979.0 million and \$458.0 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 Funding Stabilization Account to the BSA pursuant to E2SHB 2034 (LEOFF 1 restatement) on June 30, 2029.

Revenue Legislation Impacting the Balance Sheet and Outlook

Chair Ormsby's proposal assumes a net increase of \$40.9 million in NGF-O resources from revenue legislation in the 2025-27 biennium and \$1.9 billion in the 2027-29 biennium.

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

PSHB 2289 (H-3628) by Rep. Ormsby

Funds Subject to Outlook

(Dollars in Thousands)

	2025-27		4-Yr Total
	NGF-O	Total	NGF-O
<i>General Gov't, Judicial, & Legislative Agencies</i>			
Working Families Tax Credit to CCA	-330,000	0	-330,000
Self-Insurance Liability Premium	962,789	1,303,701	1,275,280
OneWA AFRS Replacement	85,960	245,192	102,690
Debt Service	0	0	83,960
Crime Victims Support	18,000	20,000	18,000
Public Defense Caseload Standards	4,845	4,845	18,451
Revenue Legislation Implementation	11,549	11,549	152,195
Cost Shifts to Dedicated Accounts	-26,380	0	-34,869
Disaster Response and Recovery	0	-60,617	0
COM: Housing & Homelessness Programs	15,859	18,259	16,319
COM: Grant Programs	-8,074	-9,074	-37,848
Cannabis Revenue Distributions	64,381	-157	158,075
Central Services: All Other	5,878	12,130	7,831
Administrative Reduction	-5,779	-5,779	-17,516
General Government: All Other Increases	13,481	117,892	17,247
General Government: All Other Savings	-7,296	-12,313	-21,513
Information Technology: All Other Items	1,160	34,642	2,631
Judicial Agencies: Other Increases	18,858	18,858	45,946
Judicial Agencies: All Other Savings	-7,248	-7,248	-9,541
<i>General Gov't, Judicial, & Legislative Agencies Total</i>	817,983	1,691,880	1,447,338
<i>Children, Youth, & Families</i>			
WCCC Attendance Policy	-61,095	-61,095	-425,701
Enrollment Based Pay	-36,261	-45,350	-128,354
WCCC Enhanced Regional Rates	-15,463	-15,463	-46,864
Pre-K Promise (ECEAP)	147	34,647	147
Juvenile Rehabilitation Capacity & Security	10,742	10,742	22,963
Administrative Reduction	-9,351	-9,351	-28,340
DCYF: All Other Increases	18,729	20,746	41,008
DCYF: All Other Savings	-8,160	-10,460	-12,526
<i>Children, Youth, & Families Total</i>	-100,712	-75,584	-577,667
<i>Behavioral Health</i>			
Behavioral Health Facility & Bed Delays	-40,433	-46,779	-50,229
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	-3,149	-8,183	-9,716
Assisted Diversion & Co-Responder Reductions	-4,506	-5,866	-13,906
Disproportionate Share Hospital	-70,038	0	-106,171
UW Behavioral Health	15,000	25,281	15,000
Certified Community BH Clinics	2,823	11,646	14,463
State Hospital Staffing	27,079	27,079	27,079
Administrative Reduction	-3,445	-3,445	-10,649
Cost Shifts to Dedicated Accounts	-15,155	0	-28,398

2025-27 Omnibus Operating Budget -- 2026 Supplemental

PSHB 2289 (H-3628) by Rep. Ormsby

Funds Subject to Outlook

(Dollars in Thousands)

	2025-27		4-Yr Total
	NGF-O	Total	NGF-O
Behavioral Health: Other Increases	12,000	17,128	28,091
Behavioral Health: Other Savings	-5,564	-9,759	-13,488
Behavioral Health Total	-124,431	-65,145	-242,353
Long Term Care & DD			
HR 1: Non-Citizen Program	13,768	13,768	136,289
DSHS-ALTSA & DDA: Underspend	-26,193	-47,785	-29,569
Delay Assisted Living Rate Rebase	-21,221	-45,463	-21,221
State-Operated Living Alternatives	7,081	30,433	15,525
WA Cares	0	15,992	0
Administrative Reduction	-2,457	-2,457	-7,600
DSHS-ALTSA & DDA: All Other Increases	10,052	7,273	10,136
DSHS-ALTSA & DDA: All Other Savings	-11,493	-22,520	-24,292
Long Term Care & DD Total	-30,463	-50,759	79,268
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
Apple Health Expansion Changes	-35,052	-37,190	-44,436
HR 1: Federal Grant Authority	0	304,057	0
Phys, Occupational, Speech Therapy	-8,715	-40,810	-26,892
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
Health Professions & Facility/Agency Fee Increases	0	16,409	0
Electronic Health Records	14,435	-24,020	21,217
Medicaid Transformation Project	-7,108	-49,112	-10,229
Medicaid Access Program	-111	-98,612	-111
Administrative Reduction	-4,510	-4,510	-13,775
Health Care & Public Health: All Other Increases	7,691	85,844	17,610
Health Care & Public Health: All Other Savings	-17,612	-17,666	-49,527
Health Care & Public Health Total	65,119	481,440	54,125
Economic Services & Other Human Services			
HR 1: SNAP & FAP Work Requirement Impacts	9,434	19,091	23,927
HR 1: Other SNAP & FAP Policy Impacts	12,360	22,656	13,688
Immigrant, Refugee, and New Arrival Supports	25,500	25,500	26,546
Administrative Reduction	-4,221	-4,221	-13,040
Cost Shifts to Dedicated Accounts	-15,905	0	-19,357
Other Human Services: All Other Increases	8,548	44,000	12,251
Other Human Services: All Other Savings	-7,600	-12,058	-25,282
Economic Services & Other Human Services Total	28,116	94,968	18,733

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Funds Subject to Outlook

(Dollars in Thousands)

	2025-27		4-Yr Total
	NGF-O	Total	NGF-O
<i>K-12 Education</i>			
Transition to Kindergarten	-18,970	-18,970	-69,049
Bus Depreciation Calculation	-21,105	-21,105	-63,315
Federal Bus Grants	-4,650	-4,650	-13,950
Local Effort Assistance	-25,093	-25,093	-45,624
Running Start	-14,008	-14,008	-44,413
Administrative Reduction	-1,101	-1,101	-3,303
K-12: All Other Increases	9,378	9,378	12,734
K-12: All Other Savings	-4,692	-4,692	-21,966
<i>K-12 Education Total</i>	-80,241	-80,241	-248,886
<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
CBAs & Other Compensation	10,393	15,069	23,049
Administrative Reduction	-5,861	-5,861	-17,789
Higher Ed: All Other Increases	1,616	3,366	1,689
Higher Ed: All Other Savings	-4,824	-4,824	-14,641
<i>Higher Education Total</i>	-238,547	247,621	-247,563
<i>Corrections & Criminal Justice</i>			
Close Custody Beds	22,491	22,491	57,436
Custody Staff Support	10,502	10,502	15,041
30-Day Violator Sanction Policy	4,065	4,065	10,592
Administrative Reduction	-12,638	-12,638	-38,461
Corrections & Criminal Justice: Other Increases	13,500	33,436	26,353
Corrections & Criminal Justice: All Other Savings	-7,623	-7,623	-17,083
<i>Corrections & Criminal Justice Total</i>	30,297	50,233	53,878
<i>Natural Resources</i>			
Wildfire Response, Suppression, & Recovery	-359	178,150	-723
Low-Income Energy Assistance	0	30,000	0
Administrative Reduction	-7,364	-7,364	-22,319
Cost Shifts to Dedicated Accounts	-18,210	0	-36,600
Naturals: All Other Increases	11,072	31,785	17,612
Naturals: All Other Savings	-15,764	-13,662	-47,133
Climate Commitment Act: All Other	-3,907	-35,868	-9,821
<i>Natural Resources Total</i>	-34,532	183,041	-98,984
<i>State Employee Compensation (Excl. Higher Ed)</i>			
Collective-Bargaining Agreements	11,719	19,695	26,088
All Other	-3,774	-3,263	-3,774
<i>State Employee Compensation (Excl. Higher Ed) Total</i>	7,945	16,432	22,314

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PSHB 2289 (H-3628) by Rep. Ormsby
Funds Subject to Outlook
(Dollars in Thousands)

	2025-27		4-Yr Total
	NGF-O	Total	NGF-O
Grand Total	340,534	2,493,886	260,203

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

2025-27 Omnibus Operating Budget -- 2026 Supplemental

PSHB 2289 (H-3628) by Rep. Ormsby

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	1,279	2,536	247	-979	247
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	1,152	451	1,603	-321	1,737	1,416
Budget Driven Revenue	-4	-6	-10	-5	-5	-10
GF-S Transfer to BSA (1%)	-344	-362	-706	-373	-409	-782
Prior Period Adjustments	157	157	314	157	157	314
Revenue Legislation	-1	42	41	-103	1,991	1,887
BSA Transfers ⁴	514	366	880	0	0	0
Other Proposed Transfers	9	55	64	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	40,401	40,292	79,415	39,333	41,731	82,043
Enacted Appropriations	38,471	39,387	77,858	39,763	40,568	80,331
Maintenance Level Total	746	988	1,734	1,016	976	1,993
Policy Level Total	299	41	341	-90	9	-80
Reversions	-393	-371	-764	-378	-389	-766
Revised Appropriations	39,122	40,046	79,168	40,312	41,165	81,477
NGF-O Projected Ending Balance	1,279	247	247	-979	566	566
Budget Stabilization Account						
Beginning Balance	1,269	1,003	1,269	1,032	1,436	1,032
GF-S Transfer to BSA (1%)	344	362	706	373	409	782
BSA Transfers	-514	-366	-880	0	0	0
Pension Funding Stabilization Transfer ⁴	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	1,032	1,032	1,436	2,769	2,769
Total Reserves	2,282	1,278	1,278	458	3,335	3,335
% of Reserves to Revenues and Other Resources	6.0%	3.3%		1.2%	7.8%	
NGF-O	3.4%	0.6%		-2.5%	1.3%	
Budget Stabilization Account	2.6%	2.6%		3.7%	6.5%	

Notes:

1. This analysis was prepared by OPR staff for legislative deliberations of House 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 documents.
4. Assumes payback of the FY 2025-27 \$880 million BSA transfer from the Pension Funding Stabilization Account by June 30, 2029, pursuant to enactment of E2SHB 2034 (LEOFF 1 Restatement).

Fund Transfers, Revenue Legislation, and Budget Driven Revenues

PSHB 2289 (H-3628) by Rep. Ormsby

Funds Subject to Outlook

(Dollars in Millions)

	2025-27	2027-29	4 Yr
Fund Transfers In Budget Bill			
Budget Stabilization Account (GF-S) ¹	880.000	0.000	880.000
Capital Community Assistance Account (GF-S)	8.000	0.000	8.000
Certified Public Accountants' Account (GF-S)	0.575	0.000	0.575
Derelict Vessel Removal Account (GF-S)	2.500	0.000	2.500
Developmental Disabilities Community Services Acct (GF-S)	2.000	0.000	2.000
Disaster Response Account (GF-S)	-82.378	0.000	-82.378
Education Technology Revolving Acct (GF-S)	9.000	0.000	9.000
Financial Services Regulation Account (GF-S)	4.800	0.000	4.800
Info Tech Invest Rev Acct (GF-S)	2.000	0.000	2.000
Manufacturing Cluster Acceler Sub Acct (GF-S)	2.798	0.000	2.798
Medical Test Site Licensure Account (GF-S)	1.500	0.000	1.500
Military Department Rent and Lease Account (GF-S)	2.000	0.000	2.000
Performance Audits of Government Account (GF-S)	2.000	0.000	2.000
Personnel Service Account (GF-S)	5.000	0.000	5.000
Public Works Assistance Account (GF-S)	75.000	0.000	75.000
Reclamation Account (GF-S)	4.000	0.000	4.000
Secretary of State's Revolving Acct (GF-S)	5.000	0.000	5.000
State Treasurer's Service Account (GF-S)	10.000	0.000	10.000
Washington Auto Theft Prevention Authority (GF-S)	2.100	0.000	2.100
Washington Student Loan Account (GF-S)	1.667	0.000	1.667
Washington Technology Solutions Revolving Account (GF-S)	3.000	0.000	3.000
Waste Reduction/Recycling/Litter Control (GF-S)	3.000	0.000	3.000
SubTotal	943.562	0.000	943.562
Budget Driven Revenue			
Health Care for the Uninsured	-0.981	-2.876	-3.857
Liquor Control Board (Liquor)	-8.437	-7.490	-15.927
Liquor Control Board (Marijuana)	0.052	0.108	0.160
Lottery	-0.356	-0.169	-0.525
Marijuana Distribution Changes	-0.008	-0.018	-0.026
SubTotal	-9.730	-10.445	-20.175
Other Legislation			
1408 - Community Authority Funding	-4.750	-7.100	-11.850
1960 - Renewable Energy	0.000	-0.260	-0.260
1983 - Timberland Definition/REET	-0.071	-0.161	-0.232
2089 - Taxes On Loan Interest	1.000	4.900	5.900
2207 - Warehousing of Alcohol	0.002	0.004	0.006
2248 - Corporate Filings	0.006	0.012	0.018
2257 - Tax Administration	-55.600	-121.916	-177.516
2442 - Local Government Fund Use	0.090	0.470	0.560
2487 - Insurer Taxes	55.600	17.200	72.800
2515 - Large Energy Use Facilities	0.000	-2.560	-2.560
2675 - Accounts	0.233	0.000	0.233
2681 - Cannabis License Fees	0.823	1.908	2.731

Fund Transfers, Revenue Legislation, and Budget Driven Revenues
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Funds Subject to Outlook
(Dollars in Millions)

	2025-27	2027-29	4 Yr
2707 - Prescription Drugs/Taxes	26.500	154.600	181.100
2708 - Data Center Equipment/Taxes	63.000	140.480	203.480
2736 - Estate Tax Rates	-44.800	-390.000	-434.800
6151 - Env. Programs/Fee Accounts	-1.087	-2.091	-3.178
6346 - Tax On Millionaires	0.000	2,091.780	2,091.780
SubTotal	40.946	1,887.266	1,928.212
Prior Period Adjustments			
Additional Prior Period Adjustments	220.902	273.342	494.244
BH-ASO Reserves	17.149	0.000	17.149
SubTotal	238.051	273.342	511.393
Adjusted Capital Gains Tax Distributions			
Adjusted Capital Gains Tax Distributions	394.563	0.000	394.563
SubTotal	394.563	0.000	394.563
Grand Total	1,607.392	2,150.163	3,757.555

Notes:

1. *Figures displayed exclude annual transfers made from the General Fund to the Budget Stabilization Account. The Outlook for PSHB 2289 assumes payback of the \$880 million BSA transfer from the Pension Funding Stabilization Account by June 30, 2029, pursuant to enactment of E2SHB 2034 (LEOFF 1 Restatement).*
2. *Figures displayed reflect incremental changes to the Outlook for the enacted budget.*