

Comparing the Senate- and House-Passed 2026 Supplemental Operating Budgets

Briefly

Despite a maintenance level budget shortfall, the operating budgets passed by the Senate and House would both increase net new policy spending. They would balance the budget in 2025–27 using one-time funds, and each proposal assumes that revenues from a new income tax will be collected beginning in 2029.

Since the 2025–27 operating budget was enacted last year, the revenue forecast over the outlook period (2023–25, 2025–27, and 2027–29) has increased by \$166 million. Meanwhile, the maintenance level (the cost of continuing current services, adjusted for enrollment and inflation) has increased by \$1.734 billion in 2025–27 and \$1.993 billion in 2027–29. Consequently, the budget policies adopted last year are out of balance, even though the Legislature enacted historically large tax increases.

The supplemental budgets passed by the Senate and House are very similar. Compared to the enacted 2025–27 budget, the Senate proposal would increase appropriations from funds subject to the outlook (NGFO) by \$2.287 billion (2.9%). The House proposal would increase NGFO appropriations by \$2.076 billion (2.7%). Compared to 2023–25 spending, revised appropriations for 2025–27 would be 11.3% higher in the Senate proposal and 11.1% higher in the House proposal.

Each budget includes NGFO savings of over \$1 billion (including shifting some spending to other accounts), but each proposal would offset those savings with about \$1.6 billion in new policy spending. The single largest spending item in both budgets is a backfill and ongoing funding increase for the state liability account. Both budgets would shift funding for higher education institutions from the NGFO to the institutions' building accounts. Both budgets would save money by changing Working Connections Child Care enrollment and rate policies.

To balance the budget in 2025–27, both proposals rely on one-time funds, including substantial transfers from the budget stabilization account (BSA, or the rainy day fund). Both budgets assume the new income tax, but revenues would not be collected until 2029. Neither budget would bring spending back in line with revenues in 2025–27, signaling future budget problems.

NGFO

Under the four-year balanced budget requirement, a positive ending balance is required in both the current and following biennium for "funds subject to the outlook." This is a synthetic "account" that rolls up the general fund–state (the state's primary budget account) with the education legacy trust account, the opportunity pathways account, and the workforce education investment account. It is also called the near general fund–outlook, or NGFO.

Chart 1: NGFO Policy Changes (Dollars in Millions)

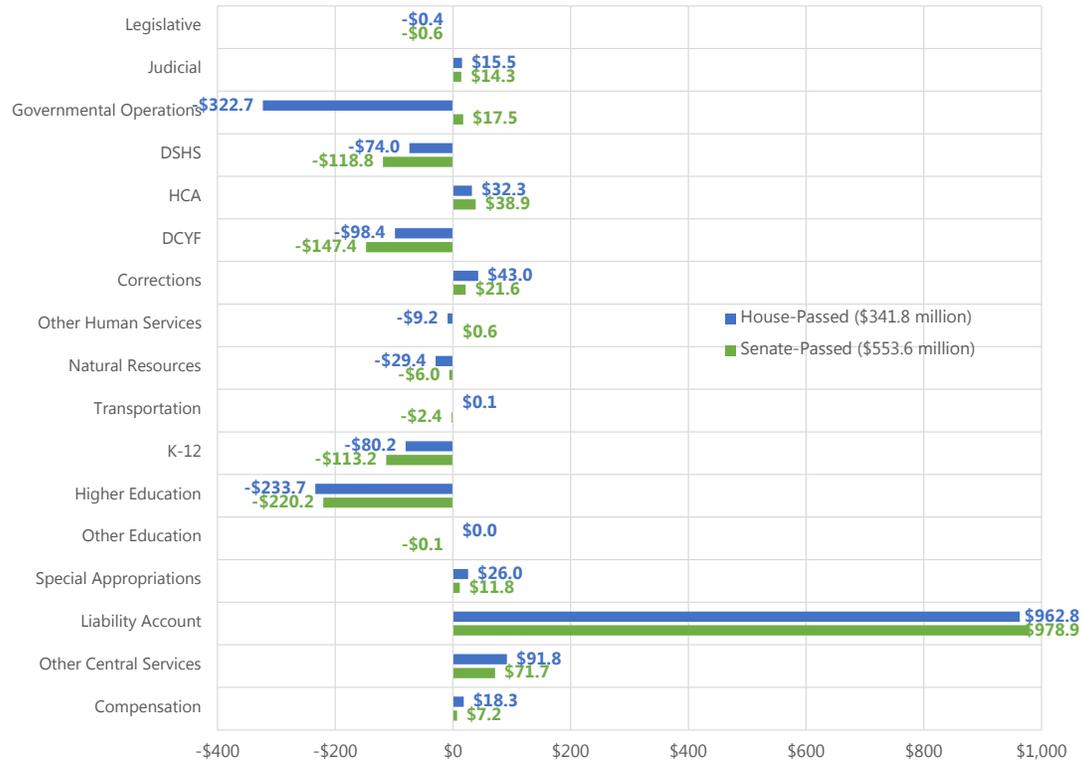


Table 1: Overall Differences Between the Proposals and Transfer Details (NGFO and 2025–27, Unless Otherwise Noted)

	Senate-Passed (2/27)	House-Passed (2/28)
NGFO Revenue Legislation	\$113.9 million in 2025-27, \$2.319 billion in 2027-29	\$40.9 million in 2025-27, \$1.887 billion in 2027-29
Transfer from BSA	\$750.0 million	\$880.0 million
Other Fund Transfers	\$370.4 million	\$63.6 million
Other Resources	Retain capital gains revenues in NGFO, \$395 million • Prior period adjustments, \$93 million in 2025-27 and \$41 million in 2027-29	Retain capital gains revenues in NGFO, \$395 million • Prior period adjustments, \$314 million in 2025-27 and \$314 million in 2027-29
NGFO Appropriations	\$80.146 billion	\$79.933 billion
Maintenance Level	\$79.592 billion	\$79.591 billion
Net New Policy Spending	\$553.6 million	\$341.8 million
Increases	\$1.568 billion	\$1.613 billion
Savings	-\$1.015 billion	-\$1.271 billion
Assumed NGFO Reversions	-\$802 million in 2025-27, -\$843 million in 2027-29	-\$764 million in 2025-27, -\$766 million in 2027-29
Unrestricted NGFO Ending Fund Balance	\$100 million in 2025-27, \$998 million in 2027-29	\$246 million in 2025-27, \$565 million in 2027-29
BSA Balance	\$1.164 billion in 2025-27, \$2.035 billion in 2027-29	\$1.032 billion in 2025-27, \$2.769 billion in 2027-29
Reserves as a Percent of Resources	3.2% in 2025-27, 7.1% in 2027-29	3.3% in 2025-27, 7.8% in 2027-29

Table 2: Major Resource and Spending Policy Changes in Each Proposal (NGFO and 2025–27, Unless Otherwise Noted)

	Senate-Passed (2/27)	House-Passed (2/28)
Revenue Details	Income tax (SB 6346), \$2.342 billion in 2027-29 • Prescription drugs (SB 6228), \$26.5 million in 2025-27 and \$154.6 million in 2027-29 • Data centers (SB 6231), \$93.3 million in 2025-27 and \$210.4 million in 2027-29 • Insurers (SB 5949), \$55.6 million in 2025-27 and \$17.2 million in 2027-29 • Cigarette taxes (SB 6129), \$20.0 million in 2027-29 • School sales tax exemptions (SB 6351), -\$15.2 million in 2025-27 and -\$33.7 million in 2027-29 • Estate tax rates (SB 6347), -\$44.8 million in 2025-27 and -\$389.9 million in 2027-29	Income tax (SB 6346), \$2.092 billion in 2027-29 • Prescription drugs (HB 2707), \$26.5 million in 2025-27 and \$154.6 million in 2027-29 • Data centers (HB 2708), \$63.0 million in 2025-27 and \$140.5 million in 2027-29 • Insurers (HB 2487), \$55.6 million in 2025-27 and \$17.2 million in 2027-29 • Tax administration (HB 2257), -\$55.6 million in 2025-27 and -\$121.9 million in 2027-29 • Estate tax rates (HB 2736), -\$44.8 million in 2025-27 and -\$390.0 million in 2027-29
Fund Transfer Details	\$375 million from the public works assistance account to the GFS • \$10 million from the library archives building account to the GFS • \$5 million from the state treasurer's service account to the GFS • \$9 million from the education technology revolving account to the GFS • \$82.0 million from the GFS to the disaster response account	\$75 million from the public works assistance account to the GFS • \$10 million from the state treasurer's service account to the GFS • \$9 million from the education technology revolving account to the GFS • \$82.4 million from the GFS to the disaster response account
Spending Details		
Liability Account	\$978.9 million	\$962.8 million
K-12	\$59.1 million in savings from reducing the local effort assistance enhancement • \$31.6 million in savings from reducing the Transition to Kindergarten program • \$21.1 million in savings from reducing school bus depreciation payments • \$14.0 million in savings from reducing the maximum Running Start enrollment	\$25.1 million in savings from reducing the local effort assistance enhancement • \$19.0 million in savings from reducing the Transition to Kindergarten program • \$21.1 million in savings from reducing school bus depreciation payments • \$14.0 million in savings from reducing the maximum Running Start enrollment
Higher Education	\$15.0 million for UW's Center for Behavioral Health and Learning • \$239.9 million in savings from shifting funding for institutions to the higher education operating fees account (and backfilling that account using the institutions' capital budget accounts)	\$15.0 million for UW's Center for Behavioral Health and Learning • \$239.9 million in savings from shifting funding for institutions to the higher education operating fees account (and backfilling that account using the institutions' capital budget accounts)
Dept. of Children, Youth, and Families	\$116.3 million in savings from modifying attendance-based Working Connections Child Care (WCCC) provider payments • \$36.3 million in savings from eliminating prospective and enrollment-based payments for child care • \$15.5 million in savings from eliminating enhanced regional rates in WCCC	\$61.1 million in savings from aligning WCCC payments with attendance • \$36.3 million in savings from eliminating prospective and enrollment-based payments for child care • \$15.5 million in savings from eliminating enhanced regional rates in WCCC
Dept. of Social and Health Services	\$25.0 million for refugee support services • \$70.1 million in savings from a delay in federal changes to disproportionate share hospital revenues • \$50.0 million in savings from shifting funding for WorkFirst to other accounts	\$25.0 million for refugee support services • \$70.0 million in savings from a delay in federal changes to disproportionate share hospital revenues • \$14.0 million in savings from shifting funding for WorkFirst to other accounts
Health Care Authority	\$71.0 million to restore program integrity savings that were assumed for 2025-27 but will not be realized • \$64.4 million in cannabis revenue distributions • \$34.7 million in savings from moving Apple Health expansion clients from managed care to fee-for-service	\$71.0 million to restore program integrity savings that were assumed for 2025-27 but will not be realized • \$64.4 million in cannabis revenue distributions • \$32.9 million in savings from moving Apple Health expansion clients from managed care to fee-for-service

Table 2 Continued: Major Resource and Spending Policy Changes in Each Proposal (NGFO and 2025–27, Unless Otherwise Noted)

	Senate-Passed (2/27)	House-Passed (2/28)
Response to Federal H.R. 1	\$52.0 million, including \$21.7 million for staffing and IT changes to administer new work requirements and \$21.1 million to phase in funding for 1,191 lawfully present non-citizens receiving services who will no longer be eligible for Medicaid	\$47.8 million, including \$21.2 million for staffing and IT changes to administer new work requirements and \$13.8 million to fund 600 lawfully present non-citizens receiving services who will no longer be eligible for Medicaid
Other	\$33.0 million in savings from a 1.5% administrative reduction for many agencies • \$11.3 million in savings from reducing retiree health care subsidies • Assumes implementation of HB 2034, but does not use any of the funds extracted from the Law Enforcement Officers' and Firefighters' retirement system plan 1 (LEOFF 1) in the outlook	\$25.0 million for the state health care affordability account • \$330.0 million in savings from partially shifting funding for the Working Families Tax Credit to the climate commitment account • \$49.9 million in savings from a 3% administrative reduction for many agencies • Assumes implementation of HB 2034, and assumes \$880 million from LEOFF 1 would be used to backfill the BSA in 2029

Chart 2: NGFO Spending and Revenues (Dollars in Billions)

