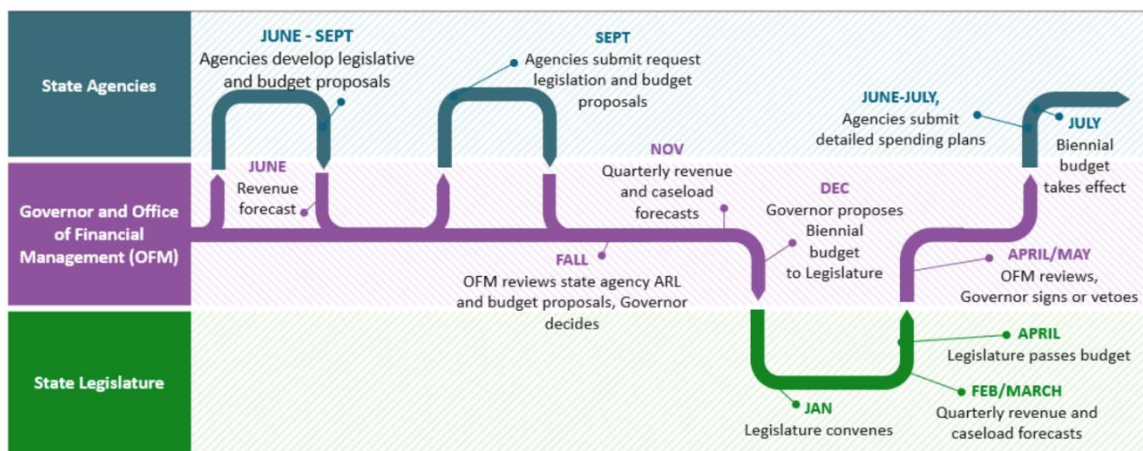


STATE AGENCY DECISION PACKAGES AND SEPTEMBER REVENUE FORECAST

September 30, 2025

State Agencies Submit “Decision Packages” for Consideration in Governor Ferguson’s First Solo Budget

Preparing for Legislative Session



(Photo Courtesy: Department of Children, Youth, and Families)

Earlier this month, state agencies submitted requests for inclusion in Governor Ferguson’s first solo budget. These requests are called “Decision Packages” and can be found at abr.ofm.wa.gov.

Due to the state’s fiscal situation, the Governor’s Office of Financial Management (OFM) directed state agencies to limit budget requests to mission-critical items. In short, now is not the time for new ideas. In the world of early learning, the following Department of Children, Youth and Families Decision Packages relate to Working Connections Child Care:

1. Working Connections Child Care Caseload Adjustment – \$32.35M State General-Fund (2025-27 biennium)

- [ESSB 5752](#) assumed budget savings beginning July 2025 due to an adjustment made to the 12-month authorization policy. Prior to the passage of ESSB 5752, 12-month authorization began when a family’s care was expected to begin. ESSB 5752 changed the policy so 12-month authorization begins when a family is determined eligible.

- This policy change was intended to generate budget savings, but these savings cannot start to accrue until July 2026 without negatively impacting families' current 12-month eligibility.
- This technical Decision Package requests **\$16.8M in State Fiscal Year 2026 and \$15.6M in State Fiscal Year 2027 in increased funding to offset these assumed savings.**

2. Working Connections Child Care Information Technology Eligibility Impacts – \$15.55M State General-Fund (State Fiscal Year 2027) and \$29.38M State General-Fund (State Fiscal Year 2028)

- This Decision Package would fund Information Technology needs to implement the portion of ESSB 5752 that altered how 12-month authorization for Working Connections Child Care is calculated.
- This Decision Package requests funding to account for the additional time it will take for the Department of Social and Health Services, which administers the Information Technology system for Working Connections Child Care, to update the “barcode” system to reflect the new policy.
- DCYF expects it will now take until March 2027 to implement the Information Technology change needed to support the new 12-month authorization calculation, delaying implementation of assumed budget savings.
- This funding request is intended to offset assumed savings.

3. Working Connections Child Care Backfill Funding – \$9.38M State General-Fund (State Fiscal Year 2026)

- DCYF requests \$9.38M State General Fund to replace one-time federal Child Care and Development Funding (CCDF) that was used during State Fiscal Year 2025.
- DCYF used these CCDF funds (which were planned for use in State Fiscal Year 2026) to cover higher than anticipated caseload costs for Working Connections Child Care.
- Actual Working Connections Child Care caseload in State Fiscal Year 2025 exceeded the February 2025 caseload projections as well as the appropriated level. In short, more families accessed Working Connections Child Care than projected and budgeted.

4. Mandatory Caseload Adjustment – Placeholder

- As is common practice among state agencies, DCYF submitted this “placeholder” in advance of the November caseload forecast. It will be updated to reflect changes in caseloads such as Working Connections Child Care, the Early Childhood Education and Assistance Program (ECEAP) and Early Support for Infants and Toddlers (ESIT).

Most Recent Revenue Forecast Shows Additional Drop in State Revenues

On September 23, the State Economist released the latest state [revenue forecast](#). The forecast projects revenues will be down \$903M from the June forecast for the 2025-27 and 2027-2029 biennia. Specifically, the forecast shows reduced receipts of \$412M for the 2025-27 biennium and \$477M for the 2027-29 biennium, with additional “spare change.”

Looking back, the June revenue forecast showed a drop in revenue of \$720M from the budget passed by the Legislature and signed by the Governor.

These two forecasts combined leave budget writers with at least \$1.62B in less revenue over the four-year budget outlook.

Primary reasons for the drop in projected revenue include:

- Slowing national and state economies.
- Imposition of tariffs bringing increased prices and impacting consumer activity.
- Federal actions creating overall uncertainty.
- A slowing construction sector (see September 25, 2025 [Spokesman Review article](#)).

The biggest drop in revenue in our state is a result of reduced sales tax receipts and real estate excise taxes.

It is important to note this forecast does not account for impacts associated with federal passage of H.R. 1 (impacting programs such as Medicaid and SNAP); mandatory caseload adjustments; rising costs related to the state's liability settlements and judgments and other increasing expenses. There is growing concern that given this widening budget gap, lawmakers will be forced to make untenable budget cuts in the 2026 legislative session.

The Washington State Standard has an [article](#) recapping the forecast and reactions from lead budget writers.

Next Steps

Two meetings await that will provide key information about “inputs” (revenue) and required “outputs” (mandatory caseloads). November 18th is the next [meeting](#) of the state’s [Revenue Forecast Council](#). November 12th is the next [meeting](#) of the state’s [Caseload Forecast Council](#). The Caseload Forecast Council provides information on updated caseload projections – the outputs where the state must spend money. This includes information about our projected caseloads for programs like K-12, prisons, Medicaid, etc. These two forecasts will inform Governor Ferguson’s budget.

Over the next couple of months, OFM staff will review Decision Packages and following the November 18th Revenue Forecast, they will work with Governor Ferguson and his team to finalize his proposed Supplemental Budget that will be released mid-December. At that point, we will know which of these Decision Packages are included in Governor Ferguson’s proposed budget. From there, focus will turn to the Legislature.

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