

FEBRUARY REVENUE FORECAST

February 20, 2026



On Tuesday, February 16, the Washington State Economic and Revenue Forecast Council met to receive the latest [Revenue Forecast](#) from the State Economist, Dave Reich. Because we are all in need of good news, I will cut to the chase:

- The forecast of funds subject to the budget outlook for the 2025-27 biennium **increased by \$827 million** and
- The forecast of funds subject to the budget outlook for the 2027-29 biennium **increased by \$1.028 billion.**

Reasons for the improved economic outlook since the November 2025 forecast include improved personal income and employment. We are also starting to see revenue come into the state's coffers from the tax policies adopted by the Legislature during the 2025 legislative session.

Forecasted total revenue for the 2025-27 biennium is projected at \$75.276 billion, a 12.1% increase over the 2023-25 biennium. For the 2027-29 biennium, forecasted total revenue is expected to come in at \$80.381 billion, a 6.8% increase over the 2025-27 biennium.

For the first time, we are seeing initial forecasted total revenue for the 2029-31 biennium, with revenue projected to total \$86.568 billion, a 7.7% increase over the 2027-29 biennium.

Impact on State Budget Gap. My mind immediately went to the question of how much this increased revenue helps with the state's budget gap? The short answer is that it does. But, let's get a bit more specific.

At the December "Committee Days," House Appropriations non-partisan staff estimated a negative Near General Fund ending fund balance for the 2025-27 biennium of $-\$1.519$ billion (and a negative ending fund balance of $-\$4.3$ billion for the four-year outlook). This estimate took into account Maintenance Level adjustments (the estimated budget needed to maintain current program service levels, accounting for caseload, enrollment and inflation) as well as the November 2025 Revenue Forecast.

With this positive \$827.4 million revenue gain from the February 2026 Revenue Forecast, part of the budget gap shrinks to **\$691.6 million**. Please note this number is **not a complete reflection of the budget gap** because it does not include increased costs associated with the February caseload forecast nor any costs associated with new policies under consideration by the Legislature this session.

A Final Note. Because our state's employment growth remains lower than 1%, the Legislature is able to take two actions. First, they are able to draw funds from the state's Budget Stabilization Account with a simple majority vote. Second, they are able to opt out of the four-year balanced budget requirement. Given that the state

still faces a significant gap in the four-year outlook, the Legislature has the option of balancing the budget for the 2025-27 biennium only, rather than balancing through the 2027-29 biennium. This is the same approach Governor Ferguson took when he proposed his Supplemental Budget back in December.

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