

Prevention Alliance

BUDGET MEMO: SPRING 2026 QUARTERLY REVENUE FORECAST

February 2026

Spring Revenue Forecast

On February 16th, the Economic and Revenue Council (ERFC) released the [Spring quarterly revenue forecast](#). These revenue projections provide House and Senate budget writers with the fiscal landscape they must work within as they draft their respective proposed operating budgets. 2026 is the second year of the biennium, which means they will be putting forward proposals for supplemental budgets, which make changes to the full two-year biennial budgets that were passed last session.

In the February 16th forecast, when compared to the previous quarterly revenue forecast released in November 2025, the forecast of funds subject to the [budget outlook](#)¹ is expected to increase by \$827.4 million in the 2025-27 biennium and \$1.028 billion in the 2027-29 biennium. This brings forecasted total revenue for the current 2025-27 biennium to \$75.276 billion (an increase of 12.1% over 2023-25 biennial revenue), and \$80.381 billion in the 2027-29 biennium (an increase of 6.8% over the current 2025-27 biennium). When we look at these increases, the changes are not due to revenue collection alone, but rather are a combination of revenue changes, economic changes (consumer spending, personal income, inflation, GDP, etc.), and also any previous legislative changes that have passed (including adding or repealing revenue sources). The spring revenue forecast does *not* factor in any new legislation that is currently being considered by the legislature that has not yet passed. Reasons that explain the modest upward trend in the forecast include:

- On the positive side:
 - U.S. and Washington employment numbers have increased.
 - Stronger employment for Washington and higher personal income
 - Revenue collections have been above expectations.

Overview: The Economic & Revenue Forecast Council

In Washington, the [Economic & Revenue Forecast Council](#) (ERFC) releases and adopts four official revenue forecasts each year: spring during legislative session (February in short session years; March in long session years), summer (June), fall (September), and winter before the governor releases their proposed budget (November).

These revenue forecasts look at the various revenue sources (sales tax, property tax, real estate excise tax, business & occupation tax, tobacco/marijuana/liquor tax, etc.) and the projected impact of economic factors such as unemployment, sales, airline travel (for the ripple effect on Boeing), housing construction and sales, exports, etc. Looking at all these factors, the ERFC builds a forecast for what the state's estimated revenue will be and how much larger/smaller it is than the previous forecast.

¹ Funds subject to the budget outlook include the state general fund (GF-S), the Education Legacy Trust Account (ELTA), the Opportunities Pathways Account (OPA), and the Workforce Education Investment Account (WEIA). [Chapter 8, Laws of 2012](#), requires the legislature to adopt a four-year balanced budget. Since the 2013-2015 biennium, the legislature has been required to enact a balanced operating budget that leaves a positive ending fund balance in the general fund and related funds (ELTA, OPA, and WEIA). For more background on the Four-Year Outlook, see the [Prevention Alliance policy brief on Washington's Four Year Outlook](#).

- On the negative side:
 - Slightly lower housing permits compared to November
 - Tariffs continue to create uncertainty
 - Uncertainty in global stability relating to Russia-Ukraine and Middle East conflicts.

The quarterly revenue forecast always provides both potential upside and downside risks that could impact the forecast that was released, for better or for worse. For the February 2025 forecast, on the potential upside is if tariffs are avoided or lower, if consumer spending and employer markets are stronger, and if there is a quick resolution to global conflicts. For the potential downside, U.S. trade policy could impact the economy, there could be larger federal employment and spending reductions, changes in the stock market could impact consumer spending, and global conflicts could intensify and drive higher prices for energy. If any of these or other factors come into play and impact projected revenues, that would be reflected in the next quarterly revenue forecast which will be released in June 2026 or future forecasts.

The total reserves are now estimated at \$2.787 billion for 2025-27. Reserves are comprised of the projected ending balance (projected revenue and other resources minus estimated expenditures) combined with the amount in the Budget Stabilization Account (aka the Rainy Day Fund).

4-Year Balanced Budget

As we discussed in our November 2025 revenue forecast brief, one of the complicating factors of the Washington State budget is that there is a requirement that the budget be balanced not only for the current biennium, but also for the next ensuing biennium. This [requirement](#) to balance over the four-year outlook has been in effect since 2013 and is the only such requirement in the country. Balancing over the four-year outlook can be challenging, especially in times with significant budget shortfalls and economic instability like we are currently facing. However, in a December [House Appropriations OPR presentation](#) it was noted that **‘when employment growth of <1% is forecasted and the Legislature appropriates from the Budget Stabilization Account (BSA), the Outlook requirement is suspended for the ensuing fiscal biennium.’**

With this in mind, another important factor to look for in the revenue forecast is employment growth. For the February 2026 forecast, employment growth was projected at 0.4%. This means it remains below the 1% threshold that allows for the four-year balanced budget requirement to be suspended for the 2026 supplemental budget. We will see whether the House and/or Senate, and ultimately the legislature, choose to exercise that option and only balance on the current 2025-27 biennium.

What’s Next

The House and Senate are now in the final phase of preparing their respective 2026 supplemental operating budget proposals, which are both anticipated to be released on Sunday, February 22nd. The improvement in the revenue forecast compared to the November

2025 revenue forecast provides some relief that hopefully prevents some of the budget reductions that were anticipated. However, especially when we factor in caseload and maintenance level costs, the overall revenue forecast is still significantly down compared to when the 2025-27 operating budget was passed last spring. This means the budget writers are still facing challenging decisions, and we expect to see a combination of both some reductions in the proposed 2026 supplemental operating budget, as well as likely new revenue that is being considered by the legislature.

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