

**Date:** December 24, 2025**Subject:** Governor Ferguson's Proposed 2026 Supplemental Operating and Capital Budgets

## INTRODUCTION

In advance of the upcoming 2026 state legislative session, Governor Ferguson released his proposed 2026 supplemental operating and capital budgets on December 23. Each proposal, as well as state agency details, can be found on the Governor's [Office of Financial Management \(OFM\) website](#).

As a reminder, the release of the Governor's budget proposals represents the first step in a lengthy budget process. Lawmakers in the House and the Senate will have the opportunity to release their own budget proposals over the course of the legislative session. Lawmakers are tasked with amending the two-year state budget set in the 2025 legislative session and are primarily focusing on the second fiscal year (FY27). The 2026 session is set to begin on January 12, 2026, and end on March 13, 2026. Once finalized, the operating budget will be incorporated into the UW's Fiscal Year 2027 (FY27) operating budget, which will be presented to the Board of Regents as an information item in May and as an action item in June.

For a review of the 2025-27 biennial budgets, please see the [FPB's brief page](#) on our website. For more information regarding the UW's current requests for state funding, please see our 2026 supplemental operating and capital submissions on [FPB's State Budget Information page](#).

## EXECUTIVE SUMMARY

At a high level, the Governor's supplemental budget would make adjustments that appropriate \$1.08 billion over the biennium. This represents \$9.1 million over the enacted 2025-27 biennial budget. In addition to overall funding levels, here are several key takeaways:

- The Governor's budget proposal cuts base state funding to the University by 3% or \$15.8 million per year beginning in FY27.
- The budget would also cut administrative spending by \$3.5 million beginning in FY27.
- The University requested \$18.34 million in ongoing funding for the Frank Chopp Center for Behavioral Health and Learning (CBHL), consistent with prior agreements among state leaders to fully fund CBHL operations. The Governor's budget would provide \$15 million in ongoing funding for the CBHL, partially meeting this request.
- In the capital budget proposal, the University would not receive any Climate Commitment Account (CCA) funding for the requested Power Plant Electrification and Campus Hot Water Loop – Phase 1 project, which is an important component of the university's decarbonization efforts. The Governor would appropriate only \$67M of CCA in the supplemental capital budget. The rest would go to transportation and operating budget appropriations, including a shift of \$569M of Working Families Tax Credit costs from GF-S to CCA.
- Additionally, the Governor's budget would remove the phrase "solely for" from proviso funding language in the University's section, potentially softening requirements for the use of state funding on provisos. We are in the process of evaluating the impact of this language change.

## OPERATING BUDGETS

At the end of the 2025 legislative session, the Legislature passed a balanced operating budget for the upcoming 2025-27 biennium. The budget relied on a mix of tax and fee increases and spending cuts to close a projected \$12-16 billion deficit over four years. Revenue projections since then have shown modest changes, with an overall moderate decline in projected revenue for the 2025-27 and 2027-29 biennia. The [November 2025 Revenue Forecast](#) estimated that revenue projections increased by \$105.4 million for the current 2025-27 biennium and decreased by \$184.9 million for the 2027-29 biennium compared to the previous forecast.

While the overall declines in revenue since the end of the legislative session are modest, they are difficult to resolve given the significant cuts already imposed in the underlying biennial budget. State law requires that lawmakers approve a balanced budget over a four-year period. Balancing the budget can be achieved through a mix of budget cuts and revenue increases. The Governor's proposed operating budget would rely largely on agency budget cuts in order to close the deficit. The UW would be subject to a 3% across-the-board state funding reduction as well as a \$3.5 million reduction to administrative spending. Other state agencies would face up to a 5% state funding reduction, though regional universities and community and technical colleges would face a 1.5% funding reduction. Subsequent budget proposals by leadership in the Senate and House will be released following the next revenue forecast, which is set to be released in February. A summary of the next revenue forecast will be posted on [FPB's blog](#).

### Direct Impacts to the UW

Table 1 shows the total funding in the Governor's 2026 supplemental budget compared to the enacted 2025-27 biennial budget.

**Table 1: UW State Funding - 2026 Supplemental Operating Budget Proposals**  
Near General Fund State (in \$1,000s)

Budget	FY1	FY2	Total
<i>Enacted 2025-27 Biennial Operating Budget</i>	542,261	527,278	<b>1,069,539</b>
<i>Governor's Proposed 2026 Supplemental Budget</i>	543,814	534,810	<b>1,078,624</b>

Table 2 shows a line-by-line breakdown of the funding levels and policy changes proposed in the 2026 supplemental operating budget, amending the 2025-27 biennial budget for the remainder of FY26 and FY27.

**Table 2: 2026 Supplemental Operating Budget Proposals  
Near General Fund State (in \$1,000s)**

		Governor		
		FY26	FY27	2025-27 Total
<b>2025-27 Biennial Budget (base funding)</b>		542,261	527,278	<b>1,069,539</b>
<b>Maintenance Level Changes</b>		1,514	1,812	<b>3,326</b>
	Tuition Backfill Inflation Adjustment	411	738	<b>1,149</b>
	ML Central Service Adjs.	44	13	<b>57</b>
	Worker's Compensation	905	907	<b>1,812</b>
	College in the High School	154	154	<b>308</b>
<b>Policy Level Changes</b>		39	5,720	<b>5,759</b>
	PL Central Service Adjs.	39	858	<b>897</b>
	Total Employee Benefits Changes	-	(304)	<b>(304)</b>
	Across the Board Reduction	-	(15,818)	<b>(15,818)</b>
	Administrative Reduction	-	(3,516)	<b>(3,516)</b>
	Electronic Health Records	-	9,500	<b>9,500</b>
	CBHL Support	-	15,000	<b>15,000</b>
<b>Total Funding</b>		<b>543,814</b>	<b>534,810</b>	<b>1,078,624</b>

## Tuition Policy

The Governor's budget proposal assumes the continuation of current tuition policy (enacted by [2ESSB 5954](#), 2015), which has allowed resident undergraduate tuition increases of approximately 2.2-3.3 percent each year. The allowable increase for the 2026-27 academic year will be 3.3 percent. Part of that policy requires an inflationary adjustment to tuition backfill amounts provided in previous budgets. The backfill adjustment in the Governor's budget proposals would result in an additional \$1.1 million in the 2026 supplemental budget.

## 2026 Supplemental Budget

### Compensation and Benefits

#### Compensation:

Compensation funding provided by the state only covers a portion of what is needed to provide salary increases for UW employees. These salary increases are paid for by the combination of state funding and tuition revenue (our General Operating Fund) only and account for a small fraction of our employee base. Salary increases for all other employees are funded from other sources of revenue. For non-represented faculty and staff, the current compromise budget authorized salary increases of up to 3% in FY26 and 2% in FY27. The Governor's budget would not change underlying assumptions or approval of any collective bargaining agreements. Additional cuts to overall state funding will make salary increases increasingly challenging for the University to afford.

#### Benefits:

The Governor's budget would update monthly employer contribution caps in FY27 from \$1,350 in the current biennial budget to \$1,337, a reduction of \$13. Benefit assumptions represent significant costs across all UW activities and are passed through to unit budgets via benefit load rates.

*Maintenance Level Changes*

- **College in the High School Adjustment:** \$308,000 was added to CHS funding in FY26 to meet changes in caseloads. OFM and legislative staff will continue to adjust CHS funding annually, and adjustments will be carried forward in each fiscal year thereafter.

*Policy Level Changes***UW Budget Requests:**

Given the state's budget situation, the UW did not make any policy-level budget requests. However, we did request ongoing funding for the Frank Chopp Center of Behavioral Health and Learning (CBHL) as a maintenance level request.

- **Center for Behavioral Health and Learning (CBHL, formerly BHTF):** \$15 million in ongoing funding starting in FY27 from the Workforce Education Investment Account (WEIA) to support the costs of delivering behavioral health care to patients in long-term civil commitment beds at the CBHL. This funding was requested at \$18.34 million to meet operating costs; however, the Governor's proposal would partially fund this amount. The state partnered with UW Medicine and has committed to fully fund the operation of these beds.

**New in Governor's Budget Proposal:**

- **Electronic Health Record:** \$9.5 million in FY27 for an electronic health record solution to support health care coordination and case management needs. The University must include considerations of national interoperability standards in the development of the statewide electronic health records solution. In addition, the University must work collaboratively with the Department of Corrections and the Department of Social and Health Services. Funding is expected to be one-time from GF-S.

**Budget Reductions:**

- **Across the Board Reduction:** The Governor's proposal includes a one-time budget reduction that would reduce the University's existing appropriations by 3%, or \$15.8 million starting in FY27. This is in addition to a 1.5% reduction approved for this biennium in the 2025-27 biennial budget.
- **Administrative Reduction:** The Governor's budget includes an additional "administrative reduction" of \$3.5 million in FY27. It is unclear to us what might be included as "administrative services," and so we will follow up with OFM to understand the intent.

**Other Notable Changes:**

- **Noise Reduction Study:** As part of the supplemental transportation budget, the Governor's proposal would reduce funding for the UW Department of Engineering and the Department of Transportation to conduct a study on noise reduction measures for expansion joints on SR 520, from \$657,000 to \$400,000.
- **Existing Proviso Language Change:** The Governor's operating budget proposal amended existing proviso language for each of the University's existing provisos written into the budget bill, striking the word "solely" from each line indicating the purpose of each proviso (e.g., \$100,000 ~~solely~~ for the Center for...). It is our understanding from OFM that the intent is to give more flexibility and enable state agencies to meet state budget reductions by reducing existing proviso amounts proportional to across-the-board reductions. However, it is unclear to us how this would be implemented so we will follow up with OFM for clarity.
- **Increases to agency charges:** The Governor's budget would increase amounts other agencies are able to bill the University, which are partially funded: Workers' Compensation (\$4.3 million over the biennium, \$1.8 million funded) and OFM Central Services (\$1.9 million in FY27, \$792,000 funded).

### Financial Aid

Policy level adjustments to the Washington Student Achievement Council (WSAC) include:

- \$1.7 million (5%) target reduction to WSAC's overall budget
- Recapture of \$10 million of savings of the Washington College Grant (WCG)

Overall, WSAC's total budget for the biennium increased by approximately \$38 million due to other caseload-driven changes at the maintenance level.

For information about the operating budget, contact [Jed Bradley](#) or [Lauren Hatchett](#). For more information about financial aid, please contact [Christine Leibbrand-Lapinsky](#).

### CAPITAL BUDGET

Governor Ferguson's proposed 2026 supplemental capital budget would allocate nearly \$400 million in new appropriations, including the largest-ever investment in housing in a supplemental budget. Limited funding was proposed for other capital construction projects, grant and loan programs for local governments, and small critical infrastructure projects for education.

Unfortunately, the University's request for \$47.5 million from the CCA to support Power Plant Electrification & Phase 1 of the Campus Hot Water Loop was not funded. This energy renewal project is part of a larger [Clean Energy Transformation](#) and decarbonization effort currently estimated at \$1.8 billion. The Governor shifted \$569 million from the Working Families Tax Credit 2025-27 General Fund expenditures to instead utilize proceeds from the CCA. An additional \$86 million from CCA proceeds would be appropriated to the Department of Transportation for a variety of programs, the majority of which are administered at the local level as part of the Governor's transportation budget. These actions significantly limited the CCA revenue available for the capital budget, with only \$67 million in new appropriations proposed by the Governor. The University has received \$61.4 million from the CCA in previous legislative budgets.

Finally, the reappropriation values for the UW Clean Energy Testbeds and Infrastructure Renewal (2023-25) projects were adjusted to reflect actual expenditures for the 2023-25 biennium.

For more information about the capital budget, contact [John Wetzel](#).