

## **Governor Ferguson's 2026 Supplemental Budget**

### **Key Takeaways for Early Learning & Child Care**

Governor Bob Ferguson released his first solo Supplemental Budget on December 23, 2025, later than usual due to storm response efforts. The proposal addresses only the 2025–27 biennium, citing a \$2.3 billion budget shortfall and invoking an exception to the state's four-year balanced budget requirement by proposing a \$1 billion transfer from the Budget Stabilization Account .

### **Drivers of the Budget Gap**

- Caseload growth, maintenance, and mandatory costs: **\$1.1B**
- Initial federal impacts (largely H.R. 1): **\$155M**
- Non-mandatory but necessary spending: **\$655M**
- Revenue forecast decline: **\$390M**

To close the gap, the Governor proposes a mix of spending reductions (\$797M), revenue shifts, and fund transfers.

### **Early Learning & Child Care: Disproportionate Share of Reductions**

An estimated \$321.8 million in savings comes from early learning programs—primarily Working Connections Child Care (WCCC) and Transition to Kindergarten (TTK) .

### **Key Early Learning Proposals**

#### **ECEAP Expansion (Private Funds)**

- \$34.5M Ballmer Group gift to fund 2,000 new ECEAP slots in 2026–27  
*(No state operating dollars added)*

#### **Working Connections Child Care (WCCC)**

- **“Soft cap” on caseloads at 33,000 families beginning July 1, 2026**
  - Projected demand: ~40,000 families
  - Savings: \$217.5M
  - Achieved through “natural exits” and holding new enrollments
- **Rate reduction savings: \$41.1M**
  - Shifts reimbursement from the 85th percentile (2021 MRS) to the 75th percentile (2024 MRS)
  - Results in smaller increases than previously promised
- **Enrollment-based payment eliminated**
  - Assumes federal waiver approval

- Providers paid based on attendance, not enrollment
- Savings: \$43.7M

### **Transition to Kindergarten (TTK)**

- 25% reduction in slots for 2026–27
- Loss of 1,816 slots statewide
- Savings: \$19.5M
- OSPI directed to redistribute remaining slots with DCYF

### **Other Early Learning Reductions**

- Home Visiting Services Account: \$2.3M one-time fund transfer
- Child care professional development: \$2.1M reduction

### **Other Notable Budget Actions**

- \$75M Capital Gains revenue shift kept in the Education Legacy Trust Account rather than transferred to the School Construction Account, as typically required by statute .
- Governor signaled openness to a “millionaire’s tax” on incomes over \$1M, acknowledging it would not resolve the current biennial shortfall and would face legal challenges.

### **Why This Matters**

This proposal:

- Reduces access to child care during a period of high demand and workforce strain
- Undermines previously adopted commitments under the Fair Start for Kids Act
- Shifts financial risk onto providers through attendance-based payments
- Creates long-term instability for families, providers, and employers relying on child care as essential infrastructure