

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