

GOVERNOR-ELECT BOB FERGUSON BUDGET PRIORITIES FOR 2025-2027



Budget Savings | Public Safety | Housing | Affordability

Letter from the Governor-elect:



Dear Fellow Washingtonians,

Major challenges demand leadership.

Washington state faces a budget shortfall of at least \$12 billion over the next four years. Measured in dollars, this is largest budget deficit in state history.

I look forward to leading a state filled with hardworking people ready to solve problems and look to the future. I plan to lead by taking our biggest challenges head-on. I plan to make hard choices. I plan to deliver responsible, common-sense results. I will act and fight against inaction. Failing to act or delaying decisions will only create greater challenges for us in the future.

This challenge demands urgency.

I am releasing my budget priorities for the upcoming legislative session to contribute to the collective challenge of delivering a balanced budget that protects our values.

I am prioritizing budget savings and efficiencies. As a first step, I propose reducing state agency spending by at least \$4 billion. This report presents a framework for achieving those savings. The savings identified here are separate from, or in addition to, the billions in savings identified in Governor Inslee's proposed 2025-2027 operating budget.

These cuts will not impact basic education. In fact, I intend to increase the percentage of the budget going to support our K-12 students. They will not impact our public safety agencies – the Washington Department of Corrections, Criminal Justice Training Commission and Washington State Patrol.

These reductions will be challenging, but ultimately, I believe they will improve our capacity to serve the people. I hired agency directors who share this vision, and I know our dedicated state employees will rise to meet the challenge. I have included the framework I will ask my agency heads to use to achieve these reductions, including evaluating certain programs through a zero-based budgeting approach.

To protect our values in this challenging budget environment, we must be willing to right-size government and prioritize our spending.

Washingtonians care about our values and core freedoms. And we are willing to work to protect those values and freedoms. We must review every program in state government through the following lens: *Is this program more important than guaranteeing universal school lunches to every Washington student? Is it more important than childcare access for small business employees?*

This is just the start.

I will work with my leadership team to identify additional efficiencies for the people of Washington. I am asking the Legislature and state employees to help me in this effort. I invite legislative budget writers and their colleagues to partner with me in identifying any state programs not achieving intended objectives or delivering meaningful results for the people of Washington.

Washingtonians expect that we will increase revenue as a last resort.

I will not contemplate additional revenue options until we have exhausted efforts to improve efficiency.

We must lean into this challenge and make hard choices, and we must continue to move forward.

My priorities include critical new investments in local law enforcement, housing construction, ferry performance, and policies that make Washington more affordable for families. I traveled to all of Washington's 39 counties and Washingtonians need urgent action on these issues.

My budget priorities deliver on each of these issues. These achievable investments will deliver real results that will make Washington a better place to live.

- Public Safety: I am proposing a \$100 million per biennium grant program to increase the number of well-trained law enforcement officers in Washington state. It is not acceptable that we rank dead last in the country in law enforcement officers per capita. I am also proposing \$5 million to clear the backlog of approximately 15,000 cases at the Washington State Toxicology Laboratory. This backlog is delaying justice for cases across the state.
- Housing: The housing crisis is impacting families in communities in every region of the state. We must build more than 1.1 million units of housing in the next 20 years to meet the anticipated growth and start to reduce the cost of housing. I support investing \$600 million in the capital budget to build more housing across the state to reduce the cost of homes for Washington families. Importantly, these investments do not impact the state operating budget.
- Ferries: I am supporting nearly \$20 million to support crew recruitment and retention and increase service to island communities.
- Affordability: I am proposing \$240 million per biennium to guarantee universal school lunches for every Washington student. This will improve wellness, learning, and reduce costs for thousands of Washington families. I am also proposing an expansion of childcare eligibility for employees at small businesses — a policy that will support our small businesses that drive our economy while making it less expensive to raise a family.

In total, I am proposing approximately \$800 million in new spending from the operating budget against \$4.4 billion in new savings and fund transfers.

This report outlines my budget principles that will help us achieve balanced, responsible budgets that protect our values and deliver good government for the people. These principles stop reliance on unreasonable revenue growth projections in the ensuing biennium, avoid policy bills that unsustainably increase spending outside the four-year outlook, support fair compensation and affordable benefits for state employees, and ensure strong budget reserves.

By prioritizing our spending, right-sizing government, working in collaboration with communities and state employees, and making investments that improve lives – and always centering Washingtonians in every decision – we will balance our budget and make Washington a better place to live and work.

Sincerely,



BOB FERGUSON

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Governor-elect Ferguson on Governor Inslee’s 2025-2027 Proposed Budgets:

“Governor Inslee proposed billions of dollars in new spending priorities in his budgets. I am going line-by-line through his spending priorities with experts and budget leaders to see which I agree with. That review will continue for weeks. At this time, I can say that I agree with some of those decisions, including the housing investments that are outlined in this report. Others require additional scrutiny. While these investments have merit, we cannot afford all of them in this budget climate. Regarding revenue, I am focused on identifying opportunities for savings first and will only focus on revenue after we have scrubbed the budget for savings and reductions. I am deeply skeptical that we can rely on balancing the budget through an untested wealth tax.”

SAVINGS AND EFFICIENCIES

\$4.4 BILLION IN BUDGET REDUCTIONS

Governor-elect Bob Ferguson has identified a path to achieve \$4.4 billion in budget savings and fund transfers across the next two biennia. These ongoing savings are in addition to the approximately \$3 billion in one-time savings and delayed investments identified in Governor Jay Inslee's 2025-2027 proposed operating budget.

State law requires Washington to adopt a 4-year balanced budget every biennium. Consequently, the figures in this report are 4-year numbers unless otherwise designated.

Washington adopts three budgets every biennium:

an operating budget, a capital budget, and a transportation budget. The investments and savings identified in this report regard the state operating budget except where otherwise designated.



Across-the-board budget reduction targets

Total Savings: \$4 billion

Most State Agencies:

6 percent

4-year Higher Education Institutions:

3 percent

Basic Education:

No reduction

Community and Technical Colleges:

No reduction

Public Safety Agencies (Department of Corrections, Washington State Patrol, Criminal Justice Training Commission):

No reduction

Pass-through entitlement benefits delivered by state agencies to eligible Washingtonians:

No reduction

Governor-elect Ferguson's proposal would achieve ongoing budget savings of \$4 billion over the four-year budget period by evaluating state agency spending and making reductions equivalent to approximately 6 percent of operational expenditures. Governor-elect Ferguson begins this process with his own longtime agency — the Attorney General's Office.

Importantly, this proposal assumes no additional savings from reductions to K-12 education. Governor-elect Ferguson maintains his commitment that Washington must increase, not decrease, the portion of the budget that supports K-12 education as the state's paramount duty. State public safety agencies and our state's community and technical education system would also not be impacted. Achieving these reduction targets will require a combination of administrative and programmatic reductions. Some of the latter will require legislation.

Agency leaders are best positioned to know which programs and personnel are most effectively serving the people. Across-the-board reduction targets empower agency leaders to make the hard choices necessary to streamline their teams and prioritize their most effective programs. Governor-elect Ferguson will ask agency leaders to prioritize maintaining services that directly assist Washingtonians and maximize federal funding and to focus reductions to administration and overhead to the greatest extent possible. He will ask hardworking state employees to partner with him and identify programs that are not working.

The day after taking office, Governor-elect Ferguson will begin working with his cabinet agencies to develop plans to achieve these efficiencies. He will ask agencies to start with the following strategies to achieve administrative reductions:

- Consolidate management positions (10 to 25 percent);
- Reduce (10 to 25 percent) administrative, executive, and externally-focused positions that are not essential to the delivery of government services;
- Pause all possible legislative reports and make appropriate reductions in personnel or service contracts to reflect this reduction in workload;
- Restrict equipment purchases; and
- Reduce out-of-state travel by at least 50 percent and reduce in-state travel by at least 25 percent.

In addition to administrative reductions, Governor-elect Ferguson will ask agency leadership to work with the Office of Financial Management to evaluate and, where possible, conduct a zero-based budgeting review of certain programs, working groups and studies, starting with:

- Programs that have just launched or are not fully implemented, including pilots;
- Programs originally funded on a one-time basis using federal COVID-era dollars;
- Agency working groups and advisory committees or groups that are more than four (4) years old and may have achieved a substantial portion of their mission;
- Small programs that serve fewer than 1,000 customers every year;
- Any program that does not track and publish performance measures; and
- Legislatively-directed studies.

Governor-elect Ferguson will work with the Office of Financial Management and cabinet agencies to finalize details of his across-the-board reductions proposal and to provide his framework to legislative budget writers as they begin their work in the coming days.

Tobacco Master Settlement Agreement “Diligent Enforcement” Settlement

TOTAL SAVINGS: \$315 million

The Tobacco Master Settlement Agreement requires the signatory tobacco companies to pay Washington State millions of dollars annually, in perpetuity. In return, Washington must “diligently enforce” laws against tobacco companies that are not parties to the Master Settlement Agreement, or receive reduced payments. Disputes over this diligent enforcement go to arbitration. The Attorney General’s Office and signatory tobacco companies have entered into negotiations to settle these “diligent enforcement” disputes for every year from 2005 through 2032. This settlement will lead to a one-time payment to Washington of approximately \$315 million that has been held in escrow.



Transferring Excess Fund Balances of Regulatory and Enforcement Agencies

TOTAL SAVINGS: \$75 million

As a result of a decade of successful legal victories, the Attorney General’s Office has a fund balance of more than \$70 million in its account that supports its Consumer Protection Division and other civil law enforcement divisions. The annual budget for these agencies is approximately \$36 million. These divisions must maintain a fund balance to support one calendar year without any recovery due to the nature of their work and the reliance on large recoveries that occur on an irregular basis. Ideally, they would maintain a fund balance to support two calendar years without any recoveries, but in light of the budget crisis, they can sustain a sweep of up to \$35 million. Governor-elect Ferguson is committed to ensuring that the Attorney General’s Office always has the resources it needs to conduct its consumer protection, civil rights, and other civil enforcement work, including federal litigation to protect Washingtonians’ rights and environment.

As a result of the Office of the Attorney General’s unanimous victory over Meta at the Washington State Court of Appeals Division I, Meta owes more than \$35 million in penalties and attorney fees to the Public Disclosure Transparency Account. Meta has the right to appeal this ruling up to the Washington State Supreme Court and must pay 12 percent interest on the \$24.6 million penalty while it appeals. This case is expected to resolve within the biennium, and these resources should be used to address the budget shortfall.

NEW INVESTMENTS: PUBLIC SAFETY, HOUSING, FERRIES, AND AFFORDABILITY

PUBLIC SAFETY

\$100 Million per biennium for a Grant to Support Local Law Enforcement Agencies Hiring More Well-Trained Law Enforcement Officers

TOTAL COST: \$200 million

Washington state ranks last in the country in law enforcement officers per capita. Washington must urgently support local law enforcement efforts to hire more well-trained law enforcement officers through salaries and hiring bonuses. These funds must be reserved for new peace officers, not lateral hires from other law enforcement agencies.



Increase Resources to Address the Backlog at the Washington State Patrol Toxicology Laboratory

TOTAL COST: \$5 million

In 2023, Washington eliminated its backlog of more than 10,000 sexual assault kits in the State Crime Laboratory thanks to a partnership between Governor-elect Ferguson, the Washington State Patrol and the Legislature. This was achieved in part by outsourcing testing to accredited private laboratories.

Now a significant backlog of approximately 15,000 cases has developed at the State Toxicology Laboratory that performs all necessary toxicology procedures requested by coroners, medical examiners, and prosecuting attorneys. This backlog is impacting the pursuit of justice across the state.



In 2023, the State Patrol observed a 22% increase in submitted death investigation casework, with a 13% overall submission increase for all case types, including DUI's. Submissions continued to increase in 2024. Without additional resources, the backlog is expected to increase. This will delay the turnaround time to complete toxicology testing in all case types. This will delay the adjudication of DUI cases and reduce public safety on roadways.

This funding will allow the Toxicology Laboratory to hire one full-time Laboratory Technician and provide funding for the outsourcing of comprehensive toxicology testing for 6,000 death investigation cases per year to an accredited laboratory.

HOUSING

Increasing Housing Availability and Affordability

TOTAL COST: > \$600 million in the Capital Budget

In the next 20 years, Washington will need 1.1 million more homes, at least half of which will need to be affordable for residents at the lowest income levels. We must immediately address that need, which is why Governor-elect Ferguson has set a bold and necessary goal of building 200,000 housing units in Washington over the next four years.



Housing costs increasingly burden working families, making it difficult for adults to absorb essential costs such as childcare and groceries. Almost half of Washington renters spend more than 30% of their income on housing costs, with a quarter of Washington renters paying more than 50% of their income on housing costs.

This is a crisis – but we can address it by both making strategic budget investments and policy changes that lead to more affordable housing and a more just system for all.

The proposed 2025–27 budgets continue to add investments for building more affordable housing units, while incentivizing local governments to help by making it easier to get building permits and lowering fees for new utility connections.

Governor-elect Ferguson proposes the following specific budget investments, as contained within Governor Inslee’s proposed 2025-27 capital budget, as an initial step in his overall plan to address the housing shortage, housing costs, and housing justice:

Make historic investment in Housing Trust Fund

TOTAL COST: Capital Budget - (\$536 million State Building Construction Account)

The Housing Trust Fund (HTF) program provides financial assistance for developing new affordable housing units and preserving existing units. This program assists local governments and nonprofits by providing housing funds to meet basic needs for thousands of low-income individuals and families. This historic investment preserves over 1,300 existing affordable units and creates approximately 5,100 new affordable housing units.

The Housing Trust Fund provides financial support to marginalized communities, including a new allocation for developing additional affordable housing units for Tribal communities, who have consistently faced increased barriers to accessing affordable housing.

The funds also continue the construction of new affordable housing for people with intellectual and developmental disabilities, creating new opportunities for low-income homeownership, and accommodating the Apple Health and Home Permanent Supportive Housing program.

Apple Health and Home Permanent Supportive Housing pairs highly vulnerable, Medicaid-eligible individuals with housing supports. The 2022 program operates in coordination with the Health Care Authority and Department of Social and Health Services. This investment continues funding for the rapid acquisition or construction of permanent housing, rental support, and other wrap-around services for program participants.

This investment also provides \$20 million for the Rapid Capital Housing Acquisition program for the Department of Commerce to quickly purchase and convert properties into suitable enhanced emergency shelters, permanent housing, youth housing, or shelter for people experiencing sheltered or unsheltered homelessness.



Extend affordable housing through Connecting Housing to Infrastructure Program

TOTAL COST: Capital Budget - (\$65 million State Building Construction Account)

The Connecting Housing to Infrastructure Program (CHIP) supports affordable housing development by funding utility connections and reducing related fees for affordable and multifamily units.

With the proposed new funding, CHIP will expand on its previous successes by assisting in the creation of over 5,850 new affordable housing units. Vulnerable populations struggling to access affordable housing will benefit from local governments incentivized to invest in affordable housing.

Creating the Supporting Housing Affordability Infrastructure Program

TOTAL COST: Capital Budget - (\$10 million State Building Construction Account)

This proposal supports funding the Supporting Housing Affordability Infrastructure Program, which will work in tandem with the Connecting Housing to Infrastructure Program to address root causes of housing instability in Washington.

The proposed funding creates a pilot program to help local governments cover costs like impact fees and other requirements for new affordable housing projects. These projects include transportation, parks, schools, or fire facilities that benefit low-income households. This investment helps create 700 new affordable housing units.

FERRIES

Improve Washington State Ferries' Performance

TOTAL COST: \$19.2 million in the Transportation Budget

Our ferries are an economic lifeline for families, communities, and businesses. Washingtonians rely on our marine highway system to access essentials like health care, childcare, educational opportunities, and jobs. Ferries support a critical part of the quality of life for so many Washingtonians.

We must commit to fixing our ferry system by improving reliability.

Persistent crew shortages have contributed to the disruption of services and on-time reliability and performance of Washington State Ferries.

Governor Inslee's proposed 2025-2027 transportation budget invests \$19.2 million that supports crew recruitment and retention, renews year-round daily interisland services in the San Juans, and increases winter service to match fall and spring levels on the Anacortes-San Juan Island route.

This investment will improve service reliability for those who depend on ferries.



AFFORDABILITY

Universal Free School Lunches

TOTAL COST: \$480 million

Hunger is a barrier to learning and every child deserves access to healthy meals at school. Free meals at school eases the financial burden on working families.

Regardless of our State financial situation, feeding children should always be one of our highest priorities. Today one in seven children in Washington face hunger, one in five military families face food insecurity, and hunger disproportionately affects communities of color. These statistics are simply unacceptable.

Hunger also affects student achievement and focus at school. Research shows that children's learning outcomes suffer when they regularly experience hunger and that nearly every aspect of physical and mental function is impacted as well. Hunger affects concentration, memory, mood, and motor skills – all of which a child needs to be able to be successful in school. Nutritional deficiencies can also have an impact on a student's academic achievement. Access to a healthy school breakfast and lunch can make a world of difference for children in school and have a long-lasting impact on their ability to learn.



Washington has the fourth-highest average weekly grocery bill among the 48 contiguous U.S. states, according to an [analysis of Census data by HelpAdvisor](#). The report found that the average family in Washington paid approximately \$1,150 monthly on groceries in 2023.

Governor-elect Ferguson's priorities include expanding the "Meals for Kids" program to ensure universal free breakfast and lunch are available to every student in every public school in the State of Washington. Access to a healthy meal at breakfast and lunch will no longer be determined by where a student's family lives. This initiative will invest \$120 million annually into the school breakfast and lunch programs – which will improve student health, reduce hunger, and improve student achievement and behavior.

This plan expands access to free meals for all 1.1 million public school students in the state – allowing 325,000 new students to access the program.

When students participate in this type of meal program, families save nearly \$1,200 annually. This allows working families the flexibility to put money in savings or toward addressing other important family needs.

This program will also create efficiencies for schools. School workers will gain time previously spent collecting school lunch fees, tracking and collecting unpaid meal debts, and other time-consuming procedures currently required. These time-intensive tasks take school personnel away from their primary duty to serve students.

CHILDCARE

Expand Affordable Childcare Access for Small Business Employees

TOTAL COST: \$100 million

Washington's affordable childcare program, Working Connections, allows families making less than a certain amount of money to qualify for lower-cost care for their kids from infancy to age 12. Washingtonians eligible for this program receive subsidies for care tied to their income. The goal is that no more than 7 percent of their household income is spent on childcare.

In 2021, the Fair Starts for Kids Act increased income limits, raised provider pay and capped monthly copays for that program. Currently, families earning up to 60 percent of the state's median income — nearly \$73,000 for a family of four — can enroll their children in Working Connections.

Washington is slated to raise the income threshold for access to the Working Connections program on July 1, 2025. With the expansion to 75 percent of the state's median income, a family of four making about \$91,200 will be eligible for the program.

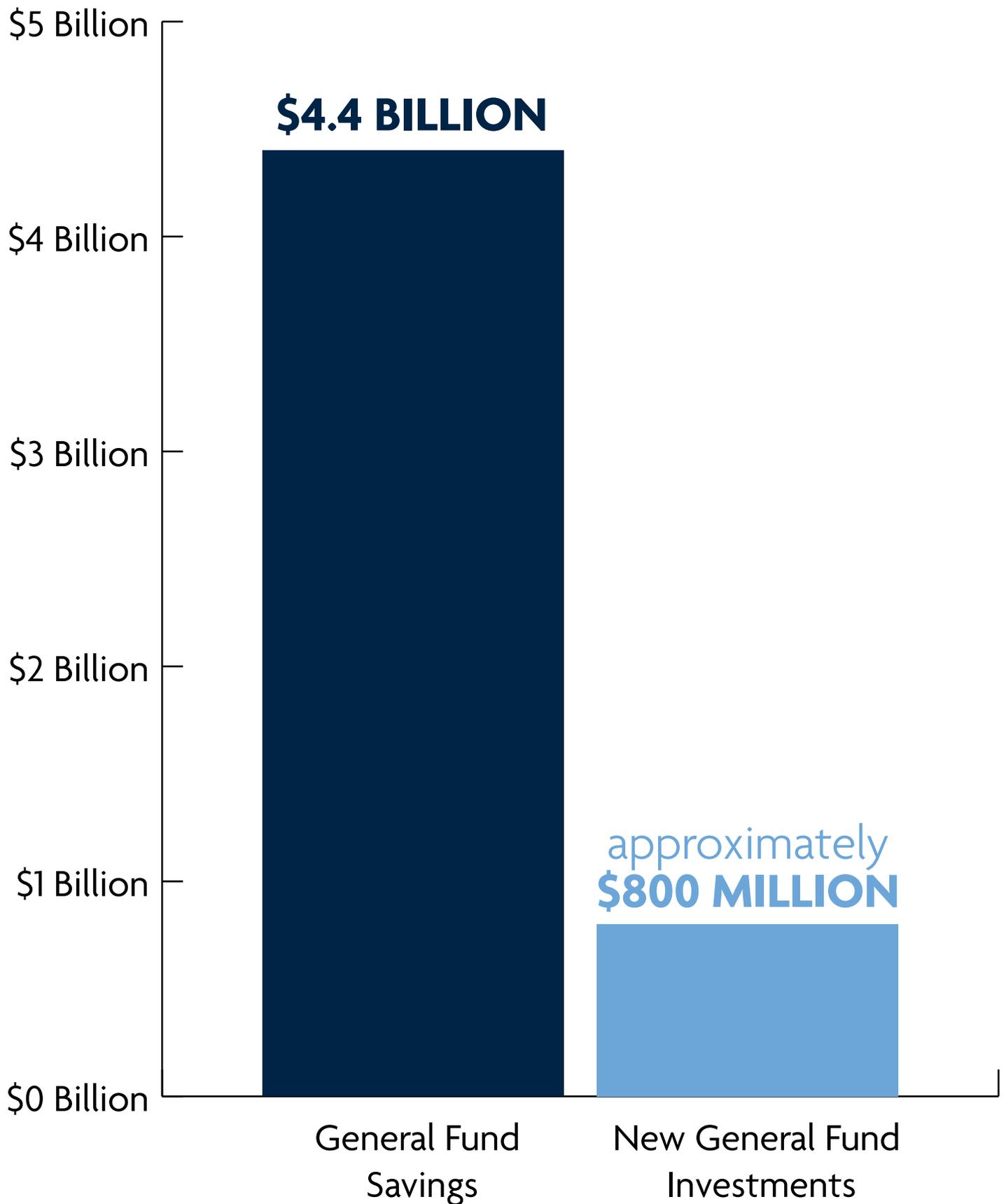
Governor Inslee's proposed 2025-2027 operating budget would delay that expansion over the next four years to save \$296 million.

Governor-elect Ferguson proposes to allow that expansion to go forward for Washington families where one parent works for a small business and the household income is up to 75 percent of the state median income. This will help families and small businesses thrive.

For example, a single parent with one child earning less than \$65,000 – or \$30-an-hour – will qualify for affordable childcare.

This policy will make it more affordable to live in Washington for tens of thousands of families. It will also support small business growth, who will find it easier to recruit and retain talented employees.

GENERAL FUND SAVINGS AND INVESTMENTS



WASHINGTON STATE BUDGET TIMELINE

2024

June

OFM issues budget instructions

September

Agencies submit budget requests

Fall

OFM Reviews budget requests for governor's decisions

November

Governor proposes budget to Legislature

2025

January

Governor-elect budget priorities
Legislature convenes

February/March

Revenue and caseload forecasts

April 2025

Legislature passes budget

June-July 2025

Agencies submit detailed spending plans

July 1, 2025

Biennial budget takes effect

BUDGET PRINCIPLES

Governor-elect Ferguson's fiscal priorities for the 2025-2027 biennium extend beyond identifying necessary budget savings and making critical investments. He is focused on responsible budgeting principles to avoid future budget crises like this one and lay a sustainable foundation for Washington's future.

Avoid Legislation that Includes Spending Hikes after the Outlook Biennium

The budget shortfall is caused in part by policies that delayed implementation beyond the four-year outlook. The Fair Starts for Kids Act is one of the largest examples but is not the only one. These well-intentioned policies create a fiscal bow wave in future biennia that contribute to budget shortfalls. They undermine the spirit of the four-year balanced budget requirement. They obligate future Legislatures. We must cease passing legislation that delays implementation beyond the ensuing biennium.

Increase the Percentage of the Operating Budget Funding for Basic Education

Governor Inslee's proposed FY 2025-2027 budget invests \$33.3 billion out of a \$79.5 billion budget toward K-12 schools, or 41.9% of the total budget.

That percentage is unacceptable. The final budget must invest a higher percentage of the total budget toward K-12 education.

The Washington State Constitution declares that "It is the paramount duty of the state to make ample provision for the education of all children residing within its borders, without distinction or preference on account of race, color, caste, or sex."

Washington must increase, not decrease, the portion of the budget that supports K-12 education.

Ensuring Strong Budget Reserves

Prudent fiscal leadership means ensuring that the state has adequate budget reserves to respond in times of crisis and to weather economic uncertainty. Draining the Rainy Day fund is an unsustainable budget practice with long-term consequences toward maintaining our bond rating.

The Legislature has routinely relied on assuming the maximum 4.5 percent revenue growth factor allowed for under the four-year balanced budget outlook law for the third and fourth years, exceeding the projections of the Economic & Revenue Forecast Council. The unreasonable assumption of 4.5 percent revenue growth for the current biennium materially contributed to our current budget shortfall.

This must stop.

Preserving sufficient revenues will help maintain Washington's Aaa bond rating with Moody's. This bond rating saves Washington money and makes it easier to borrow short-term bridge loans in case Washington is the victim of politically-motivated attacks on appropriations from the federal government. Washington will fight these unconstitutional attacks in court but may need to borrow capital while awaiting judicial rulings.



Support State Employees

Washington must provide modest cost of living adjustments for the hardworking state employees that provide the essential services that make Washington a great state to live and raise a family. State employees teach at our colleges and universities, operate our ferries and plow snow off our roads, inspect food for safety, provide skilled care to people in our veterans' homes and behavioral health facilities, supervise individuals detained in corrections institutions, protect our highways, and so much more. State dollars pay salaries for our K-12 teachers and for those providing care for our youngest learners and our senior citizens.

Staffing shortages can pose risks, increasing overtime costs or jeopardizing federal funding. Fair compensation, affordable benefits, and supportive workplaces are necessary to attract, retain, and motivate the skilled professionals who keep Washington running.

Washington must support the recruitment and retention of qualified, talented state employees by funding the 32 Collective Bargaining Agreements negotiated by the Office of Financial Management.

