



From the desk of County Manager Ryan Barrett

TO: Elected Officials and Department Directors

FROM: Board of County Commissioners, County Manager Ryan Barrett

Scott J. Brummer, Chair
Lindsey R. Pollock, Commissioner
Sean D. Swope, Commissioner

DATE: June 23, 2025

SUBJECT: 2026 Budget Call Letter

In accordance with the requirements outlined in RCW 36.40, this memorandum is the official notice for all elected offices and departments to prepare and **submit their Preliminary Budget Proposals in OpenGov for 2026 no later than Monday, August 18, 2025.**

PRELIMINARY 2026 BUDGET OUTLOOK

Lewis County continues to confront structural budget challenges despite significant reductions during the 2025 budget process. Limited revenue growth paired with rising costs in mandated services, particularly public defense, employee compensation, and Jail medical services — continues to exert pressure on the General Fund.

Washington State's budget is projecting a significant shortfall, prompting both cuts and new taxes. The State's narrowed revenue outlook is expected to reduce shared revenues and may impact funding for foundational public health services. While the State has increased Office of Public Defense (OPD) funding by \$8.3 million annually, Lewis County will receive only an additional \$106,728 from that \$8.3 million — far short of the approximately \$2 million it costs the County to provide public defense services.

Compounding this challenge, the Washington State Supreme Court issued new public defense caseload standards on June 9, 2025. These standards must be implemented on January 1, 2026, and will be phased in over the next 10 years. This mandate will further reduce funding available for other general government services.

In addition, rising costs for general liability and property insurance, healthcare, and utilities are further straining the County's ability to sustain current service levels without additional corrective budgetary action.

However, two positive developments offer some relief:

- Cost Allocation Plan (CAP): Implemented in 2025, the CAP redistributes approximately \$2.5 million of general government administrative service costs (e.g., services provided by the Auditor, Treasurer, BOCC, County Administration, and Prosecutor) to benefiting non-General Fund Departments. This equitable funding mechanism reduces the burden on the General Fund and strengthens the County's fiscal position.
- PERS/PSERS Employer Rate Reductions: Effective July 1, 2025, PERS 1 and 2 employer contribution rates will decrease from 9.11% to 5.58%, and PSERS from 9.51% to 7.11%. These changes will help offset rising salary and benefit costs across all funds.

The General Fund's year-end 2024 Fund balance increased due to one-time revenues, which the BOCC has authorized for one-time expenditures. These numbers are estimated actuals and remain subject to adjustment pending completion of the State Audit.

As we begin the 2026 budget cycle, Lewis County faces a structural gap driven by unfunded mandates, inflationary pressures, and little to no growth in revenue. While the Cost Allocation Plan and reduced retirement contribution rates provide some relief, careful stewardship of one-time reserves and pursuit of grant funding will be critical to maintaining core services.

EXPENDITURE LIMITATION (GENERAL FUND ONLY)

General Fund offices and departments should budget for programs/services mandated in priority order. The initial budget for 2026 will be limited to a 5% increase over the 2025 budget for operations plus 2026 projected salaries, benefits, and preliminary interfund rate allocations. Salaries and benefits have been preloaded in the budget proposals and do not include a projection for wage increases associated with a cost of living adjustment. Any increase in costs related to the negotiated CBAs will be added to the Final Budget as directed by the BOCC.

Expenditures that do not fall within this amount will be discussed during September, October, and November meetings. Funds receiving an operating transfer from the General Fund will need to review reductions with the County Manager.

Offices and Departments are encouraged to look for new methods to deliver services and programs and achieve efficiency and effectiveness. If an office/department seeks to reorganize, reduce, or add programs and staff, they must prepare a proposal for the Board of County Commissioners to consider. In this proposal, the office or department must identify funding source(s), the costs of the proposal, the efficiencies/effectiveness to be achieved, and the benefits of the new service. **Do not include these amounts in your 2026 budget proposals in OpenGov.**

After the Preliminary Budget figures are received in August, third-quarter revenues are reviewed, and property tax levy information is calculated. Budget adjustments may be necessary beyond the initial limitation to adopt a structurally balanced budget and maintain sufficient reserves. This includes a review of internal service rates and operating transfers to funds supported by the General Fund.

ESTIMATED YEAR-END REVIEW

Year-end projections are critical to the BOCC's decisions. Overestimated expenditures and underestimated revenues could result in unnecessary reductions or delay budget actions needed to maintain an appropriate level of reserves. You must review revenue projections for 2025 and 2026. Please pay close attention to them and be as accurate as possible.

All budget forms must be returned, and proposals must be submitted through OpenGov by Monday, August 18. If you want a cost analysis done or have any questions, contact Becky Butler at Ext. 1198 or Rudy Rodriguez at Ext. 1233.

BUDGET TIMELINE

JUNE 23	MONDAY	CALL LETTER AND BUDGET INSTRUCTIONS FOR THE 2026 BUDGET PROCESS DISTRIBUTED TO OFFICES AND DEPARTMENTS RCW 36.40.010	NA
JUNE 27	FRIDAY	BUDGET PREPARERS - BUDGET TRAINING	COMPUTER TRAINING RM.
JULY 8	TUESDAY	HEARING-2 ND 2025 BUDGET AMENDMENT	HISTORIC COURTHOUSE BOCC HEARING RM. 223 10:00 AM
JULY 9	WEDNESDAY	CAPITAL PLANNING 2026-2030 AND BUDGET DISCUSSION FOR 2026	HISTORIC COURTHOUSE BOCC Lower Level RM 003 3:00 PM
JULY 10	THURSDAY	BUDGET PREPARERS - BUDGET TRAINING	COMPUTER TRAINING RM.
JULY 16	WEDNESDAY	BUDGET WORK SESSION WITH ELECTED AND DIRECTORS (ESC) DISCUSS CALL LETTER	HISTORIC COURTHOUSE BOCC MEETING HEARING RM. 210 9:00 AM
JULY 28	MONDAY	CITIZENS BUDGET COMMITTEE ORIENTATION	TBD
AUGUST 18	MONDAY	OFFICES AND DEPARTMENTS SUBMIT 2026 PRELIMINARY BUDGET RCW 36.40.010-020	NA
SEPTEMBER 9	TUESDAY	PRELIMINARY 2026 BUDGETS TO BOCC AND AUDITOR RCW 36.40.050 AND PRELIMINARY 2026 BUDGET REPORTS MADE AVAILABLE TO THE PUBLIC	HISTORIC COURTHOUSE BOCC MEETING HEARING RM. 223 2:00 PM
SEPTEMBER 10	WEDNESDAY	BUDGET MEETINGS WITH OFFICES AND DEPARTMENTS	HISTORIC COURTHOUSE BOCC HEARING RM. 223
SEPTEMBER 17	WEDNESDAY	BUDGET MEETINGS WITH OFFICES AND DEPARTMENTS	HISTORIC COURTHOUSE BOCC HEARING RM. 223
SEPTEMBER 30	TUESDAY	BUDGET MEETINGS WITH OFFICES AND DEPARTMENTS	HISTORIC COURTHOUSE BOCC HEARING RM. 223
OCTOBER 14	TUESDAY	HEARING-3 RD FOR 2025 BUDGET AMENDMENT	HISTORIC COURTHOUSE BOCC HEARING RM. 223 10:00 AM
OCTOBER 21	TUESDAY	BOCC BUDGET WORKSHOP AND REVIEW OF BUDGET REQUESTS	HISTORIC COURTHOUSE BOCC HEARING RM. 223
OCTOBER 27	MONDAY	FINAL BUDGET REVIEW OF PRELIMINARY 2026 AND APPROVAL OF CHANGES FOR THE FINAL BUDGET	NA
NOVEMBER 12	WEDNESDAY	PUBLIC INFORMATIONAL MEETING ON THE 2026 BUDGET	HISTORIC COURTHOUSE BOCC HEARING RM. 223 5:30 PM
DECEMBER 1	MONDAY	HEARING AND ADOPTION OF THE 2026 FINAL BUDGET AND TAX LEVIES - RCW 36.40.080	HISTORIC COURTHOUSE BOCC HEARING RM. 223 10:00 AM
DECEMBER 16	TUESDAY	HEARING 4 TH FOR 2025 BUDGET AMENDMENT	HISTORIC COURTHOUSE BOCC HEARING RM. 223 10:00 AM