



Budget Department

351 NW North Street
Chehalis WA 98532

TO: Board of County Commissioners (BOCC)

FROM: County Manager Ryan Barrett and Budget/Risk Director Becky Butler

DATE: September 9, 2025

SUBJECT: 2026 preliminary budget

Pursuant to RCW 36.40.050, using alternate budget dates set by the Board of County Commissioners (BOCC), the 2026 preliminary budget is hereby submitted to the BOCC on September 9th, 2025. The Board shall now consider the budget in detail, making any revisions or additions it deems advisable.

The call letter for the preliminary budget was distributed on July 23, 2025, to all elected officials and department directors. In accordance with RCW 36.40, this memorandum served as the official notice requiring all offices and departments to prepare and submit their Preliminary Budget Proposals in OpenGov by August 18, 2025.

2026 PRELIMINARY COUNTY BUDGET

The total 2026 preliminary budget for **ALL Funds (including operating transfers) projects revenue of \$176.6 million and expenditures of \$180.7 million.** The difference between budgeted revenue and expenditures is covered by revenue carried over from prior periods in the fund balance for each fund. The two exceptions are for the Vader and Middlefork utilities, which will need additional resources from a General Fund transfer, an interfund loan, or rate increases to cover the deficit shown in the Preliminary Balance.

The variance between 2025 and 2026 revenues and expenditures is primarily attributable to projects funded through the American Rescue Plan Act (ARPA) and the completion of the Broadband project in 2025.

General Fund revenues are projected at \$48.4 million, a 1.59% increase compared to the 2025 adjusted budget. Investment interest income remains high and is budgeted \$3.7 million, compared to the 2025 budgeted amount of \$3.3 million. Sales and use tax collections have had a slight increase compared to the 2024 collections, approximately 2.2%. District Court traffic infraction penalties are increased by \$205,000 in the preliminary budget.

General Fund expenditures are estimated at \$48.2 million (including operating transfers out), an approximate 2% decrease over the 2025 adjusted budget of \$49.2 million. The decrease from the 2025 adjusted budget is a combination of decreased transfers out and an increase in office and department operations. For reference, the 2025 adopted budget was \$47.4 million.

The BOCC limited preliminary budgets in the General Fund to no more than a 5% increase over the 2025 budget for operations. The preliminary budget for salaries and benefits includes annual step increases but does not account for projected cost-of-living increases (COLA). The estimated savings in retirement, dropping from 9.11% in 2025 to 5.58% in 2026, offset the increases of the anniversary step changes. Without including a COLA, salaries remain relatively constant.

EXPENDITURE LIMITATION (GENERAL FUND ONLY)

General Fund offices and departments were directed to limit their 2026 budgets to a **5% increase over 2025** for operations, plus projected salaries, benefits, and preliminary interfund allocations. Salaries and benefits were preloaded in OpenGov submissions and did not include COLA adjustments. Any cost increases from negotiated CBAs will be added to the Final Budget as directed by the BOCC.

Budget Increase Requests

Expenditures beyond this limitation will be reviewed during September–November budget meetings and are listed below.

Fund #	Office/Department Name:	Funding Source	Amount Requested
004	Assessor's Office	General Fund	257,400
005	Human Resources	General Fund/CAP	13,220
005	Human Resources	General Fund/CAP	5,547
005	Human Resources	General Fund/CAP	2,000
005	Human Resources	General Fund/CAP	3,877
005	Human Resources	General Fund/CAP	98,000
006	Treasurer	General Fund	155,064
008	Superior Court	General Fund	6,900
014	Public Defense	General Fund	200,000
016	Court Security	General Fund/ Grant	45,435
022	Jail	General Fund	395,723
060	Coroner	General Fund	34,459
1900	Public Health	Operating Transfer (General Fund)	108,260
3350	IT	General Fund/ Capital	734,000
Total General Fund			1,802,485
104	Social Services	Social Services	102,000
Total Other Funds			102,000
Total 2026 Preliminary Increase			1,904,485

REVENUE ASSUMPTIONS

For the General Fund, sales and use tax continues to be relatively flat compared to 2024 collections and has increased by approximately 2%. The anticipated revenue projection for 2025 is based on an assumption of a 2% increase in sales and use tax from the 2024 Actuals. Investment interest earnings projected by the Treasurer are anticipated to increase over the 2025 budget by \$400,000. For reference, the 2024 investment earnings were \$3.7 million.

The 2026 property tax revenue estimate in the General Fund does not include a 1% increase, new construction allowed pursuant to State statute, or the available banked capacity; the County Assessor will provide more detailed estimates for the final budget in early to mid-November. As it relates to the 1% cap under state law, no local government may increase its property tax levy more than 1% each year, and the County is limited to the lesser of 1% or the rate of inflation (RCW 84.55.005 - .010). If inflation falls below 1%, the County may adopt a Resolution of "substantial need," allowing an increase to the levy (or bank the excess capacity) up to the full 1%. The BOCC will consider final decisions on the 2025 property tax levies for the General and Road Funds at the Hearing on December 1st.

RECOMMENDED FUND BALANCE – GENERAL FUND (CURRENT EXPENSE)

The 2026 General Fund Preliminary budget increases fund balance by \$183,224, leaving an estimated ending balance of **\$16 million**. Best practices recommend a General Fund balance equal to at least two or three months of operating expenditures (roughly 8-12 million for Lewis County). The increase in reserves from prior years is directly related to the implementation of the Cost Allocation Plan, allocating General Fund expenditures of \$2.5 million to other funding sources for services provided by General Fund Offices and Departments.

OTHER FUNDS

Other Funds (Special Revenue, Debt Service, Capital Acquisition and Maintenance, Enterprise, and Internal Service) project 2026 revenues of **\$128.2 million** and expenditures of **\$132.5 million**. Changes from the 2025 budget reflect the completion of several capital projects and TIP (Transportation Improvement Plan) adjustments.

TRANSPORTATION: ROAD FUND IMPACTS

Lewis County's Road Fund supports the maintenance and improvement of county roadways and bridges. According to the Washington State Association of Counties (WSAC), counties are responsible for approximately 60% of Washington's road centerline miles and 45% of the state's bridges, yet they face a structural funding gap of at least \$1 billion annually when adjusted for inflation ([WSAC – County Roads](#)).

State Funding Outlook

According to WSAC, county transportation budgets have steadily declined in real terms over the past two decades, even as liabilities have increased. Counties are receiving a shrinking share of state gas tax allocations, while their ability to raise local revenues is constrained by annexations, incorporations, and statutory limits such as the 1% property tax cap. At the same time, rising costs associated with deferred maintenance, aging bridges, environmental mandates, and fish passage requirements further strain county budgets.

Secure Rural Schools (SRS)

Lewis County has historically relied on payments from the federal Secure Rural Schools (SRS) program to support road maintenance. However, with SRS not reauthorized by Congress, the County's revenue from

this source has decreased significantly — from \$720,879 in 2024 to just \$130,736 in 2025, reverting to the formula established under the 1908 Act.

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 — will continue to exert pressure on the General Fund.
- The General Fund’s 2024 year-end balance increased due to one-time revenues, which the BOCC has authorized for one-time expenditures. The BOCC transferred these funds to a capital reserve, restricted in Resolution 25-202.
- The County is currently in the early stages of negotiations for its 14 collective bargaining agreements. This process will continue over the coming months, with each agreement subject to review by the Board of County Commissioners (BOCC). Any increases resulting from the negotiations will be evaluated, and decisions regarding how to incorporate these impacts will be determined as part of the Final Budget process.
- Washington State faced a significant shortfall in the last session, prompting both budget 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.
- Though the State has increased statewide Office of Public Defense (OPD) funding by \$8.3 million annually, Lewis County will receive only an additional \$106,728 — 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, effective January 1, 2026, and phased in over the next 10 years. This unfunded mandate will further constrain resources available for other general government services.
- Rising costs for general liability and property insurance, healthcare, and utilities are also straining the County’s ability to sustain current service levels.
- In 2025, Opioid Settlement funds were allocated to support the Sheriff’s Enforcement Team, Jail Substance Use and Mental Health Treatment, and an agreement with the Community Action Council for the Youth Advocacy Center. Current settlement funding levels are not sufficient to sustain all of these programs into 2026, and a shortfall is anticipated by mid-year. While additional settlement payments are expected in the future, the timing of the most recent settlement distribution remains uncertain. Known ongoing payments are projected to average approximately \$230,000 annually.

NEXT STEPS

- September 10, 17, and 30, 2025 – Budget meetings with County Officials, BOCC
- October–November 2025 – Budget working sessions for final 2026 decisions
- November 12, 2025 – Public meeting on the 2026 budget at 5:30 p.m. in the BOCC Hearing Room
- December 1, 2025 – Statutory public budget hearing per RCW 36.40.070 and .071

Figure 1 General Fund

Fund/Department	2025 Adjusted Exp.	2025 Adjusted Rev.	2026 Prelim. Exp.	2026 Prelim Rev.
Total General Fund	49,282,731	47,674,335	48,251,644	48,434,868
AIR POLLUTION CONTROL	31,360	250	32,402	250
ANIMAL SHELTER	590,496	228,199	591,663	214,535
ASSESSOR	2,441,180	15,200	2,401,615	15,200
AUDITOR	1,716,090	865,284	1,740,869	865,284
BLAKE DECISION	-	-	-	-
BOARD OF EQUALIZATION	18,579	-	13,471	-
BOUNDARY REVIEW BOARD	3,700	-	3,000	-
CENTRAL SERVICES	-	-	-	-
CIVIL SERVICE	20,308	350	21,024	350
CLERK	1,572,471	457,634	1,559,730	466,236
COMMISSIONERS	1,235,469	612,000	1,235,954	612,000
CORONER	967,163	144,490	946,824	144,490
COUNTY ADMINISTRATION	423,998	59,900	389,648	59,900
COURT SECURITY	141,820	-	148,911	-
COURTS: INDIGENT DEFENSE	2,348,016	243,790	2,395,200	297,790
DEBT SERVICE	-	-	-	-
DISABILITY BOARD	-	-	-	-
DISTRICT COURT	2,180,668	1,748,937	2,383,073	1,909,937
ELECTIONS	643,226	256,000	672,312	256,000
GENERAL FUND OP TRANSFERS	3,742,589	-	1,741,966	-
HUMAN RESOURCES	635,835	-	619,810	-
INDIRECT COST ALLOCATION	(2,391,752)	-	(2,452,389)	-
JAIL	10,624,965	523,525	10,740,186	521,025
JUVENILE	4,448,095	658,759	4,635,108	711,427
PROS ATTORNEY	4,095,163	530,780	4,218,280	531,776
SELF INSURANCE	-	-	-	-
SENIOR SERVICES	100,000	5	100,000	5
SHERIFF	10,244,849	1,796,370	10,580,115	1,795,309
STATE EXAMINER	95,323	-	123,800	-
SUPERIOR COURT	2,078,479	112,691	2,162,075	112,691
TREASURER	1,067,504	39,415,171	1,025,696	39,915,663
WACO & WASC	38,342	-	35,780	-
WSU EXTENSION	168,795	5,000	185,521	5,000
Change in estimated ending fund balance	(1,608,396)		183,224	

Fund#	Fund Description	2025 Adjusted Exp.	2025 Adjusted Rev.		2026 Prelim Exp.	2026 Prelim Rev.
		153,478,566	148,816,824		132,501,367	128,240,804
1010	EMERGENCY MANAGEMENT	513,691	519,450		477,578	550,805
1030	VETERANS	376,035	403,498		440,052	385,023
1040	SOCIAL SERVICES	5,564,574	6,559,794		4,617,623	5,637,414
1050	LAW LIBRARY	37,502	39,000		38,135	39,000
1060	SW WASHINGTON FAIR	1,527,495	1,725,969		1,681,890	1,689,200
1070	COMMUNICATIONS	3,810,760	3,809,160		3,957,283	5,534,351
1080	TREASURER'S O&M	181,871	78,500		186,928	92,500
1090	DRUG CONTROL	25,000	-		25,000	-
1100	CD-MH-TC SALES TAX	4,359,398	4,409,300		4,288,928	4,586,275
1110	TREASURER'S INVESTMENT POOL MAINT	70,470	80,000		62,933	80,000
1120	NOXIOUS WEED CONTROL	483,179	421,500		464,768	421,500
1170	ROADS	48,488,137	48,194,907		53,240,346	48,422,319
1210	COMMUNITY DEVELOPMENT	3,390,523	3,376,461		2,826,376	3,069,361
1220	CHE RVR BASIN FLOOD CNTRL AUTH	468,203	468,203		362,710	363,674
1250	FLOOD CONTROL ZONE DIST	90,000	90,000		95,629	95,629
1260	COWLITZ RIVER BASIN SUBZONE	113,000	113,000		154,100	154,100
1280	PATHS & TRAILS	155,000	15,000		178,000	20,000
1300	DISTRESSED COUNTIES	2,000,000	2,210,000		2,000,000	2,210,000
1320	REET E-TECHNOLOGY	-	16,500		-	16,500
1370	CRIME VICTIM/WITNESS ASSISTANC	204,855	120,000		230,128	120,000
1380	DISPUTE RESOLUTION	13,800	15,300		13,800	15,300
1400	COMM DEVLPMT BLOCK GRANT	1,100,000	1,100,000		1,725,820	1,725,820
1410	COVID-19 RESPONSE	431,150	-		-	-
1420	AMERICAN RESCUE PLAN ACT	4,058,460	3,011,308		324,341	323,956
1450	DISPUTE RESOLUTION CENTER	13,800	49,841		13,800	15,800
1470	DISP RES COURT FACILITATOR	9,620	9,620		9,620	9,620
1500	GRANT AWARD (SHERIFF)	56,793	22,500		42,353	22,500
1520	ANIMAL SHELTER DONATIONS	168,724	21,000		121,431	21,075
1580	ELECTION RESERVE	149,191	104,000		104,934	104,000
1590	AUDITOR'S O&M	96,152	104,600		89,842	104,600
1600	CRIMINAL DRUG INVESTIGATION	100,000	10,100		100,000	10,000
1610	PAO DRUG ENFORCEMENT	30,000	-		30,000	-
1900	PUBLIC HEALTH	3,278,827	3,762,667		3,435,297	3,435,297
1910	FOUNDATIONAL PUB HEALTH SRVCS	1,714,088	1,714,088		1,261,164	1,261,164
1980	TOURISM PROMOTION	997,225	1,087,000		1,000,000	1,087,000
2120	2012 DEBT SERVICE	732,550	732,550		737,450	737,450
2210	2021 DEBT SERVICE	604,300	604,300		606,901	606,900
2230	2023 DEBT SERVICE	726,703	726,703		723,990	723,988
3010	CAPITAL MAINTENANCE & REPAIR	1,935,613	3,542,320		1,243,018	1,732,167
3100	CAPITAL FACILITIES PLAN	1,752,105	1,800,070		2,619,688	1,800,200
3110	REET 1	1,502,339	1,395,839		1,285,001	1,000,000
3120	REET 2	1,061,448	1,050,000		1,723,890	1,000,000
3250	GEN GOV CAPTL CONSTRUCTION	34,080	-		224,438	-
3300	COMMUNICATIONS BLDG AND EQUIP	3,176,420	2,926,420		-	-
3350	TECHNOLOGY REPLACEMENT FUND	924,000	-		711,397	-
3400	BROADBAND INFRASTRUCTURE	13,010,265	13,010,265		-	-
3450	JAIL CAPITAL IMPROVEMENTS	787,858	571,200		4,657	571,200
3500	HOMELESS SHELTER CAPITAL	1,277,500	1,277,500		-	-
4010	SOLID WASTE	4,524,577	4,509,047		4,325,419	4,473,020
4020	SOLID WASTE CAP. RESERVE	-	-		-	360,469
4050	PACKWOOD AIRPORT	460,515	436,212		1,254,205	1,157,534
4070	SOUTH COUNTY AIRPORT	1,426,138	1,311,993		1,054,252	1,150,032
4100	MIDDLEFORK WATER-SEWER SYSTEM	309,905	200,600		500,579	206,600
4150	SOLID WASTE DISPOSAL DIST #1	10,261,743	10,767,000		10,720,248	11,202,850
4200	WATER UTILITY-VADER	3,463,059	3,159,636		1,103,491	454,999
5010	EQ RENTAL & REV-FLEET	8,922,356	6,949,895		7,233,518	6,790,276
5060	PITS & QUARRIES	404,524	442,200		420,000	462,000
5070	FACILITIES	4,805,875	4,053,455		4,904,907	4,925,198
5100	COUNTY INS - WORKERS' COMP	817,608	478,909		750,523	771,645
5120	RISK MGMT GENERAL LIABILITY	2,950,796	1,852,860		3,154,836	2,778,940
5140	RISK MGMT UNEMPLOYMENT	160,285	-		170,378	-
5160	RISK MGMT LEOFF 1	150,000	190,000		100,000	255,000
5400	INFORMATION SERVICES	3,218,481	3,165,584		3,327,772	3,456,553
	Total All Funds	202,761,297	196,491,159	-	180,753,011	176,675,672