



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 22, 2026

SUBJECT: 2027 preliminary budget

Pursuant to RCW 36.40.050, and using the alternate budget calendar set by the Board of County Commissioners under RCW 36.40.071, the 2027 preliminary budget is submitted to the BOCC on September 22, 2026. The Board shall now consider the budget in detail and make any revisions or additions it deems advisable.

In accordance with RCW 36.40, the call letter for the preliminary budget was distributed on July 22, 2026, to all elected officials and department directors. That memorandum served as official notice requiring all offices and departments to prepare and submit Preliminary Budget Proposals in OpenGov by August 17, 2026.

The BOCC directed that General Fund operations be built at a 0% increase over the 2026 budget. The preliminary budget for salaries and benefits includes annual step increases and projected COLAs as provided in the collective bargaining agreements. During 2025 negotiations, the BOCC approved wage increases for all 14 agreements ranging from 2.7% to 10%.

2027 PRELIMINARY COUNTY BUDGET

The total 2027 preliminary budget for all funds (including operating transfers) projects revenue of \$179,967,735 and expenditures of \$185,524,198. The \$5,556,463 difference is covered by beginning fund balance carried forward from prior periods. That variance includes projected use of \$3,683,317 in the General Fund and planned 2027 CIP projects funded from prior-period resources.

General Fund revenues are projected at \$49,364,943, a 1.1% increase compared with the 2026 revised budget. Investment interest remains budgeted at \$3,700,000, as recommended by the Treasurer, until 2025 and 2026 reconciliations are complete. Sales and use tax collections are up approximately 9%, or \$496,288, compared with 2025 collections through June. District Court traffic-infracton penalties are at 81% of the annual budget through August and are expected to exceed the budgeted amount. Payment in Lieu of Taxes from the Department of the Interior was fully funded, adding \$622,915 of unanticipated revenue in 2026. Local governments cannot tax federal lands; these annual payments help offset the cost of community services associated with those lands. Revenue from County trust lands managed by the Washington State Department

of Natural Resources is already at 97% of the annual estimate through August and will likely exceed the \$900,000 budgeted amount. The 2027 estimated property-tax revenue is approximately \$300,000 below the 2026 budgeted amount because of refunds added to the 2026 levy. Refunds, new construction, and other changes to the General and Roads levies will be calculated for the BOCC in early November and incorporated in the final budget, along with any other third-quarter revisions.

General Fund expenditures are estimated at \$53,048,260 (including operating transfers out), an increase of approximately 1.6% over the 2026 revised budget of \$52,192,762. The change from the 2026 revised budget reflects the net effect of reduced one-time expenditures and higher salaries and benefits. The 2027 salary increases are estimated by 4.2%, or \$1,074,023, over the 2026 revised budget; benefits increase 3.5%, or \$310,807.

Items excluded from the preliminary budget include wage and benefit adjustments for two labor contracts under negotiation, final rates from medical providers, and rate increases from the Washington Counties Risk Pool/Self-Insurance program. Caseloads and filings drive indigent defense costs and will be adjusted as required to meet State mandates.

BUDGET INCREASE REQUESTS

The BOCC set the General Fund preliminary budget at a 0% increase over the 2026 budget for operations. The BOCC will review expenditures beyond this limit during September–November budget meetings; a summary is listed below, and detailed request forms are included as attachments to this memo.

Fund #	Office/Department Name:	Funding Source	Amount Requested:	Exp. Type	Description
0010-009	District Court	General Fund	74,256	Salaries/Benefits	Unfreeze 1 FTE
0010-016	Court Security	General Fund	8,103	Operations	Increased contract costs
0010-021	Sheriff	General Fund	427,334	Salaries/Benefits	2 Deputies previously under Opioid Settlement
0010-022	Jail	General Fund	171,724	Operations	Jail Medical
0010-060	Coroner (Option 1)	General Fund	101,721	Salaries/Benefits	1 additional FTE
0010-060	Coroner (Option 2)	General Fund	50,793	Salaries/Benefits	Changing current .5 PTE to 1 FTE
0010-060	Coroner	General Fund	78,000	Operations	Autopsy and Toxicology costs
1060	Southwest WA Fair	Operating Transfer (General Fund)	334,000	Operations	Request to increase transfer for prof services budget
Total General Fund			1,245,931		
1100	Mental Health Court	Mental Health Tax	26,221	Operations	Change Mental Health program to dedicated Mental Health Court
5070	Facilities	Capital Maintenance	37,258	Operations & Salaries/Benefits	Increase transfer from Capital for Park maintenance
Total Other Funds			63,479		
Total 2027 Preliminary Increase			1,309,410		

Contract attorneys also requested an additional 10% rate increase in the Superior Court contracts for 2027. We are currently reviewing the proposal and will provide the Board with the cost analysis during the October 7 budget meeting, which the attorney representatives will be attending.

REVENUE ASSUMPTIONS

For the General Fund, sales and use tax continues to run above 2025 collections and is up approximately 9% year to date. The 2027 projection assumes a 10% increase over 2025 actuals of \$11.0 million, or about \$12.1 million. Department of Revenue Quarterly Business Review data for unincorporated Lewis County shows taxable retail sales of \$230.6 million in the fourth quarter of 2025, up \$37.1 million, or 19.1%, from \$193.5 million in the fourth quarter of 2024. The largest industry gain was construction of buildings, which rose from \$18.6 million to \$34.2 million, or 83.9%. Total construction increased 23.9%. Other large dollar increases were in health, education, and related services and in miscellaneous retail. That local strength supports a 10% 2027 assumption; economic changes can drive fourth-quarter construction activity, so these estimates will be reviewed again with the third-quarter revision.

Investment interest is held flat to the 2026 budget at \$3.7 million, as recommended by the Treasurer, and will be revised in the third quarter after the 2025 and 2026 reconciliations are complete. For reference, 2025 investment earnings were \$3,608,469.

The 2027 property-tax revenue estimate in the General Fund does not include a 1% levy increase, new construction allowed under state statute, or available banked capacity. The County Assessor will provide detailed estimates and any refunds for the final budget in early to mid-November. Under RCW 84.55.005–.0101, no local government may increase its regular property-tax levy by more than 1% each year, and the County is limited to the lesser of 1% or the rate of inflation (implicit price deflator). If inflation falls below 1%, the County may adopt a resolution of “substantial need,” allowing an increase to the levy (or banking of unused capacity) up to the full 1%. The BOCC will consider final 2027 levy decisions for the General and Road Funds at the hearing on December 7.

The General Fund preliminary budget includes \$1,193,831 of traffic-policing reimbursement from the Road Fund at the 2026 revised level, as the BOCC directed on June 10. The Road Fund preliminary budget does not yet include that payment and must be adjusted before adoption if the Board continues the practice. RCW 36.33.220 and RCW 36.82.040 allow a county to use road property-tax revenue for services in the unincorporated area, including traffic law enforcement. If the BOCC continues the \$1,193,831 reimbursement, the Road Fund expenditure budget should be increased by that amount before the final budget. If the Board does not continue it, General Fund Sheriff revenue should be reduced by \$1,193,831. This will have a significant impact on the General Fund.

An option to offset the Road Fund impact of the \$1,193,831 traffic-policing reimbursement is to assign REET 1 and/or REET 2 to a 2027 Road capital project already listed in the TIP, leaving Road levy available for the reimbursement. After HB 1791, both REET 1 and REET 2 may be used for streets, roads, and bridges; they may not be used for Sheriff operations or routine road maintenance. REET collections are volatile, and both REET funds already appropriate more than 2027 projected revenue, so any backfill should be a one-time project substitution rather than an ongoing operating plug. If the Board directs this offset, staff will identify a qualifying TIP project of approximately \$1.2 million before the final budget and present the REET and Road Fund adjustments together.

RECOMMENDED FUND BALANCE – GENERAL FUND (CURRENT EXPENSE)

The 2027 General Fund preliminary budget estimates use of \$3,683,317 in fund balance, leaving an estimated ending balance of \$12.6 million. Best practice is a General Fund balance equal to at least two to three months of operating expenditures (roughly \$8–12 million for Lewis County). Actual use of fund balance is often less than budgeted because of vacancies, unspent appropriations, and unanticipated revenue.

OTHER FUNDS

Other funds (special revenue, debt service, capital acquisition and maintenance, enterprise, and internal service) project 2027 revenues of \$130,602,792 and expenditures of \$132,475,938. Changes from the 2026 revised budget reflect completion of capital projects and Transportation Improvement Plan (TIP) adjustments, including completion of all ARPA-funded projects at the end of 2026. A full presentation of the Roads TIP will be given at the budget meeting on September 23.

TRANSPORTATION: ROAD FUND IMPACTS

Lewis County's Road Fund supports maintenance and improvement of county roadways and bridges. Counties remain the primary owners of Washington's local road network. The 2025 Washington State Association of County Engineers / County Road Administration Board study found the 39 counties manage more than 39,000 centerline miles — over half of the roadway system managed by cities, counties, and the State. WSAC continues to report that counties are responsible for roughly 60% of statewide road centerline miles and about 45% of the state's bridges, while receiving a much smaller share of Motor Vehicle Fuel Tax (MVFT) distributions.

STATE FUNDING OUTLOOK

MVFT distributions to counties have been flat to slightly down for a decade, even as the state fuel-tax rate has risen, because of higher vehicle efficiency and lower gallons sold. The Economic and Revenue Forecast Council's June 2026 transportation forecast reduced 2025–27 distributions to counties by about \$5.8 million from the prior forecast. Property tax — the largest local road-fund source — remains capped at 1% plus new construction, so purchasing power does not keep pace with asphalt, labor, and bridge costs. Annexations and incorporations further shrink the unincorporated tax base that supports the Road Fund.

PRELIMINARY 2027 BUDGET OUTLOOK

- Lewis County continues to face structural General Fund pressure despite significant reductions over the past several years. With no new local revenue and rising costs in mandated services for public defense, employee compensation, and Jail medical, current service levels cannot be sustained without further tradeoffs.
- Washington State is entering the 2027 legislative session with a projected operating shortfall. OFM has warned agencies of significant 2027–29 gaps in both the operating and transportation budgets; House fiscal staff have cited an unrestricted Near General Fund–Outlook (NGFO) shortfall on the order of several billion dollars for 2027–29. The State's narrowed outlook may reduce shared revenues and put pressure on pass-through programs, including foundational public health services. The Governor has indicated he will not propose new taxes and will rely on spending restraint.

- Although the State increased statewide Office of Public Defense (OPD) improvement funding by approximately \$8.3 million annually, Lewis County's incremental share is only \$106,728 — far short of the approximately \$2.6 million the County spends to provide public defense. Compounding that gap, the Washington Supreme Court issued new public defense caseload standards on June 9, 2025, effective January 1, 2026, and phased in over 10 years (minimum 10% annual reduction toward the new limits). This remains an unfunded mandate and will further constrain resources available for other general government services. Effective January 1, 2026, the Washington Supreme Court reduced maximum annual caseloads for full-time public defense attorneys from 150 felonies to 47 felony case credits and from 400 unweighted (or 300 weighted) misdemeanors to 120 misdemeanor case credits.
- Rising costs for general liability insurance and property insurance, healthcare, and utilities continue to impact expenditures. Following the most recent Self-Insurance program review, Washington Counties Risk Pool rates are expected to increase again. General Liability allocations alone have risen from \$1.4 million in 2023 to \$3.4 million in 2026. Those costs are allocated to all offices and departments and affect every budget.
- The Law and Justice Council, reconvened under Lewis County Code 9.20, is reviewing criminal-justice system needs and the advantages and disadvantages of a voter-approved public safety sales and use tax under RCW 82.14.450. The Council will report its findings to the BOCC in early 2027.

If the Board later placed a proposition on a primary or general election ballot and voters approved it, state law would allow a county rate of up to 0.3% (30 cents on a \$100 taxable purchase). Combined city-plus-county public safety rates may not exceed 0.3%. A county-imposed tax is shared 60% to the county and 40% to cities on a per-capita basis. At least one-third of the revenue must be used solely for criminal justice purposes; remaining proceeds must follow the purposes stated on the ballot. Motor-vehicle sales and the first 36 months of vehicle leases are exempt.

- In 2026, Opioid Settlement funds supported 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 levels are not sufficient to sustain all of those programs into 2027. Additional payments may arrive, but the timing of the most recent distribution remains uncertain. Known ongoing payments are projected at approximately \$230,000 per year. The Board has directed those funds toward a portion of continued SUD treatment in the County Jail for 2027.

NEXT STEPS

- September 23 and 29, and October 7 – Budget meetings with County Officials, BOCC
- October–November – Budget working sessions for final 2027 decisions
- November 10 – Public meeting on the 2027 budget at 5:30 p.m. in the BOCC Hearing Room
- December 7 – Statutory public budget hearing per RCW 36.40.070 and .071

Figure 1. General Fund

Dept. #	General Fund Departments/Offices	2026 Revised Budget Rev	2026 Revised Budget Exp.	2027 Proposed Preliminary Anticipated Rev	2027 Proposed Preliminary Exp.
001	COMMISSIONERS	612,000	1,808,612	465,000	1,301,831
002	AUDITOR	865,284	1,820,847	886,784	1,894,099
003	ELECTIONS	256,000	673,486	259,000	690,110
004	ASSESSOR	15,200	2,829,819	20,100	2,788,814
005	HUMAN RESOURCES	-	664,290	-	674,513
006	TREASURER	40,232,442	1,242,976	41,516,888	1,159,698
007	CLERK	466,236	1,520,990	499,736	1,627,337
008	SUPERIOR COURT	112,691	2,199,269	114,691	2,208,231
009	DISTRICT COURT	1,909,937	2,440,237	1,696,937	2,428,089
010	PROS ATTORNEY	531,776	4,308,718	531,776	4,765,029
014	COURTS: INDIGENT DEFENSE	297,790	2,929,940	297,790	2,584,412
015	COUNTY ADMINISTRATION	59,900	406,962	59,900	417,967
016	COURT SECURITY	-	202,983	-	202,983
020	CIVIL SERVICE	-	21,057	-	21,064
021	SHERIFF	1,495,309	11,093,331	1,529,960	11,835,343
022	JAIL	521,025	11,178,509	541,150	11,436,340
023	JUVENILE	711,427	5,050,731	680,001	5,232,605
051	AIR POLLUTION CONTROL	250	32,402	250	32,489
052	ANIMAL SHELTER	248,729	629,985	123,975	660,070
053	BOUNDARY REVIEW BOARD		1,784		-
054	SENIOR SERVICES	5	100,000	5	100,000
060	CORONER	144,490	1,002,553	141,000	1,012,879
070	WSU EXTENSION	-	188,846	-	205,560
080	BOARD OF EQUALIZATION	-	13,413	-	13,510
082	STATE EXAMINER		123,800		140,000
083	WACO & WASC		35,780		41,000
099	INDIRECT COST ALLOCATION		(2,452,389)		(2,425,796)
901	GENERAL FUND OP TRANSFERS	326,975	2,123,831	-	2,000,083
	Grand Total	48,807,466	52,192,762	49,364,943	53,048,260
	Change in Fund Balance		(3,385,296)		(3,683,317)

Figure 2. All Funds

Fund #	Fund Name	2026 Revised Rev. Budget	2026 Revised Exp. Budget	2027 Proposed Prelim. Rev.	2027 Proposed Prelim. Exp.
0010	GENERAL FUND	48,807,466	52,192,762	49,364,943	53,048,260
1010	EMERGENCY MANAGEMENT	550,805	492,519	513,399	560,892
1030	VETERANS	450,604	427,140	476,210	542,882
1040	SOCIAL SERVICES	7,125,720	4,724,416	7,197,263	4,524,889
1050	LAW LIBRARY	39,000	38,123	39,000	35,320
1060	SW WASHINGTON FAIR	1,747,795	1,813,733	1,605,050	1,605,050
1070	COMMUNICATIONS	5,470,996	7,180,001	6,207,378	4,535,684
1080	TREASURER'S O&M	92,500	175,313	92,500	183,226
1090	DRUG CONTROL	-	25,000	-	5,832
1100	CD-MH-TC SALES TAX	4,586,275	4,476,492	3,494,198	3,933,413
1110	TREASURER'S INVESTMENT POOL MAINT	80,000	87,725	120,000	101,128
1120	NOXIOUS WEED CONTROL	435,900	522,741	417,600	517,132
1130	SELF INSURANCE RESERVE	-	-	-	-
1160	PARKS & RECREATION	-	-	-	-
1170	ROADS	48,146,087	53,154,542	45,878,039	47,628,387
1210	COMMUNITY DEVELOPMENT	3,000,000	2,922,499	3,142,863	3,002,315
1220	CHE RVR BASIN FLOOD CNTRL AUTH	370,770	362,755	359,485	359,485
1250	FLOOD CONTROL ZONE DIST	95,629	95,629	77,990	77,990
1260	COWLITZ RIVER BASIN SUBZONE	154,100	154,100	50,924	50,924
1280	PATHS & TRAILS	20,000	178,000	20,000	192,000
1300	DISTRESSED COUNTIES	2,210,000	2,240,000	2,210,000	1,640,000
1320	REET E-TECHNOLOGY	16,500	-	16,500	-
1370	CRIME VICTIM/WITNESS ASSISTANCE	120,000	241,218	120,000	143,571
1380	DISPUTE RESOLUTION	15,300	13,800	15,300	13,800
1400	COMM DEVLPMNT BLOCK GRANT	1,725,820	1,725,820	111,385	111,385
1410	COVID-19 RESPONSE	-	-	-	-
1420	AMERICAN RESCUE PLAN ACT	1,046,262	1,379,686	-	-
1450	DISPUTE RESOLUTION CENTER	15,800	13,800	15,800	13,800
1470	DISP RES COURT FACILITATOR	9,620	9,620	9,620	9,620
1500	GRANT AWARD (SHERIFF)	22,500	41,986	15,000	42,070

1520	ANIMAL SHELTER DONATIONS	21,075	155,624	17,500	15,000
1580	ELECTION RESERVE	104,000	104,934	104,000	104,934
1590	AUDITOR'S O&M	104,600	89,666	106,000	91,233
1600	CRIMINAL DRUG INVESTIGATION	10,000	100,000	10,000	100,000
1610	PAO DRUG ENFORCEMENT	-	30,000	-	30,000
1900	PUBLIC HEALTH	3,247,112	3,326,946	3,542,053	3,542,053
1910	FOUNDATIONAL PUB HEALTH SRVCS	1,458,319	1,458,319	1,201,715	1,201,715
1980	TOURISM PROMOTION	1,178,561	1,066,684	1,189,445	1,029,801
2120	2012 DEBT SERVICE	737,450	737,450	741,600	741,600
2150	2015 DEBT SERVICE	-	-	-	-
2200	2020 DEBT SERVICE	-	-	-	-
2210	2021 DEBT SERVICE	606,901	606,901	605,250	605,250
2230	2023 DEBT SERVICE	723,990	723,990	723,988	723,988
3010	CAPITAL MAINTENANCE & REPAIR	3,206,926	2,779,354	1,062,264	2,354,870
3100	CAPITAL FACILITIES PLAN	1,835,019	3,582,372	2,000,200	2,459,437
3110	REET 1	2,056,000	2,334,144	3,371,000	4,160,000
3120	REET 2	1,000,000	1,903,088	1,000,000	2,016,401
3250	GEN GOV CAPTL CONSTRUCTION	-	213,053	-	-
3300	COMMUNICATIONS BLDG AND EQUIP	3,902,250	3,381,202	996,250	2,100,000
3350	TECHNOLOGY REPLACEMENT FUND	112,903	780,763	112,903	109,274
3400	BROADBAND INFRASTRUCTURE	1,582,395	1,582,395	-	-
3450	JAIL CAPITAL IMPROVEMENTS	-	673,381	-	-
3500	HOMELESS SHELTER CAPITAL	90,000	90,000	90,000	90,000
4010	SOLID WASTE	4,804,176	4,612,100	5,159,160	5,134,065
4020	SW CAPITAL RESERVE	360,469	135,950	409,995	447,000
4050	PACKWOOD AIRPORT	1,157,534	1,255,961	125,212	121,899
4070	SOUTH COUNTY AIRPORT	981,032	1,059,030	1,386,435	1,435,466
4100	MIDDLEFORK WATER-SEWER SYSTEM	607,800	606,037	451,765	455,869
4150	SOLID WASTE DISPOSAL DIST #1	11,202,850	10,855,454	11,440,000	11,568,273
4200	WATER UTILITY-VADER	662,969	696,113	618,380	618,380
5010	EQ RENTAL & REV-FLEET	6,869,776	7,366,844	7,360,000	7,191,059
5060	PITS & QUARRIES	462,000	420,000	462,000	421,437

5070	FACILITIES	5,040,581	5,146,971	5,304,039	5,355,533
5100	COUNTY INS - WORKERS' COMP	831,668	920,946	824,980	750,927
5120	RISK MGMT GENERAL LIABILITY	5,039,824	4,393,799	4,236,919	3,934,795
5140	RISK MGMT UNEMPLOYMENT	-	170,378	-	100,599
5160	RISK MGMT LEOFF 1	255,000	532,662	255,000	100,000
5200	RADIO SERVICES	-	-	-	-
5400	INFORMATION SERVICES	3,331,498	3,253,498	3,489,235	3,534,285
	Grand Total	189,940,127	201,835,429	179,967,735	185,524,198
	Budgeted use of Fund Balance		(11,895,302)		(5,556,463)