

## 2026 Budget Hearings Follow Up

In April 2025, the General Fund’s revenue and expenditure forecast highlighted a structural deficit of \$8 million dollars for fiscal year 2026. Planning processes began with deep-dives into departmental budgets, meetings with employing officials, and a plan to hold departmental spending to 2025 levels – which meant employing officials needed to solve for \$4 million dollars. The Board approved a plan to fill as much as \$2 million dollars of the projected deficit with fund balance. Some of the deficit was left unsolved due to the likelihood of change in the revenue forecast throughout the year.

Departments submitted 2026 budgets achieving targeted cuts. Paired with significant changes to retirement costs, benefits costs, jail medical, and legislative changes, the deficit to fill with fund balance was estimated to be \$2.8 million. The budget was submitted with one-time revenues and one-time expenditures. The General Fund reserves are healthy, an estimated \$37 million; well over the local government best practice minimums of two months operating revenues or \$23 million.

The Commissioners must decide to adopt the budget as submitted and summarized above, or to make additional changes to the budget before adoption. Below is a summary of key discussion topics and decision points to aid in that process.

### Key Items Reviewed

#	Item	Summary
1	2026 Budget Submissions	All departments met their fiscal impact target for 2026, totaling \$4M, via spending reductions and/or revenue increases. Interfund rate proposals were flat for the General Fund. 25.15 positions were removed from the 2026 budget, and 4.15 positions were moved out of the General Fund into special revenue funds or grants.
2	6-Year Forecast	Kitsap County is currently facing a structural budget deficit. In 2026, submitted expenditures exceeded revenues by \$2.8M, that number grows to \$16.2M in 2031 if no action is taken. The Commissioners can continue to make expenditure reductions and/or explore revenue options to change this trajectory. The root cause of the forecasted trajectory is cautious sales tax growth, declining interest earning revenues and the 1% cap on property tax revenues. Property taxes in 2026 will bring in \$635,000 more to support the Sheriff’s Office, the courts, parks, and most typical government services.
3	Analysis & Follow-up	<ul style="list-style-type: none"> <li>a. Headcount history report - previous 10 years. Large growth occurred in Sheriff, Facilities, and Public Defense.</li> <li>b. Insurance costs – The Employer Benefits Fund has experienced cost escalations of 53% or \$9M over the last three years. Jail medical contract and other self-insurance programs such as liability and workers compensation programs.</li> </ul>

## Key Items Reviewed - continued

3	Analysis & Follow-up	<ul style="list-style-type: none"> <li>c. 1/10<sup>th</sup> of 1% Sales Tax for MH/CD/TC - funding awards for some County programs are not covering all costs – Sheriff, Prosecutor, Superior Court</li> <li>d. Sheriff’s Office budget &amp; overtime costs HB 2015 Grant program – law enforcement funding</li> <li>e. School Resource Officers and school district funding</li> <li>f. Kitsap 911 costs</li> <li>g. Professional services contracts in GA&amp;O – KEDA, McBride Public Affairs, WA Wildlife &amp; Recreation Coalition, WSU Extension, Humaine Society, Public Health</li> <li>h. Current expense property tax levy analysis - Washington State counties</li> <li>i. Extension of hiring freeze into 2026 – parameters and estimated savings</li> <li>j. Collect and maintain a list of unfunded mandated costs by departments</li> <li>k. Future plan design changes for medical benefits</li> <li>l. Real estate excise tax and on-going maintenance costs – legislative change</li> <li>m. Review capital plans and budget impact after departmental presentations.</li> </ul>
4	Adjustments for One-time Spending	<ul style="list-style-type: none"> <li>a. One-time expenditure of \$84,000 for Parks only included in submission for communication purposes. Remove from operating budget and consider as part of a future budget amendment or review different funding sources.</li> <li>b. Debt payoff – review the 2026 operating budget if the debt payoff was completed in 2025 on an amendment.</li> </ul>
5	Sheriff’s Office Budget Presentation	Detailed presentation on the impacts of the Sheriff’s Office Budget.
6	Revenue Options	<ul style="list-style-type: none"> <li>a. Property Tax Levy Lid Lift – voter approved</li> <li>b. Public Safety Sales Tax – 1/10<sup>th</sup> -3/10<sup>th</sup> - voter approved</li> <li>c. HB 2015 – Public Safety Funding – councilmanic</li> <li>d. Move additional Jail/Juvenile Sales Tax</li> </ul>
7	Late Submissions from Sheriff’s Office - Revenues	<ul style="list-style-type: none"> <li>a. Transfer ongoing cash from Health Care Authority grant – previously paying for contract medical services related to opioid treatments separate of main Everhealth contract ~\$500K annually – expectation that grant will continue</li> <li>b. Consider two-year grant revenues from new Medical Assistance Program. Billings have been estimated to be \$400,000 in 2026 &amp; 2027 through the end of the contract.</li> </ul>
8	Real Estate Excise Tax & Capital Plans	Review operating transfers requested as part of capital plans

## Decision Points

#	Item Discussed	Analysis/Results	Estimates	Decision
1	Budget Fixes - Various	Due to calls for status quo budget and increasing mandatory demands on services some areas could benefit from right sizing the budget for 2026 and beyond	\$800,000 in total fixes – Indigent Defense contract services; Superior & District Court interpreter costs and special legal services; Jury costs; Medical Examiner; use 2025 forecast as basis for corrections	Approved
2	Website Funding	Can integrate website cost into IS model to spread costs across county	\$65k per year for general fund \$68K per year to other funds	Approved
3	Bond Payoff – GA&O	Consider moving the payoff forward to 2025; show in forecast model	Can potentially review in 2026 as budget amendment – removing one-time spend to bring 2026 budget into balance	Delayed
4	Aggravated Murder Grant Money	<ul style="list-style-type: none"> <li>a. Pre-Trial Services part-time position</li> <li>b. Extend the limited term Human Trafficking Coordinator position</li> <li>c. Sheriff Overtime</li> </ul>	\$350,000 from State. 0.5 FTE Pre-Trial Services \$55k (Limited Term) 0.75 FTE Human Trafficking \$95k (Limited Term) \$200k towards Detective’s facilities improvements (One-time transfer)	Approved
5	Real Estate Excise Tax & ESHB 1791	Legislative change related to allowable use and maintenance	Restore \$125,000 extra help budget for maintenance in parks summer program.	Approved
6	Jail/Juvenile Sales Tax	Annual Capacity vs Capital Maintenance Costs <ul style="list-style-type: none"> <li>a. Corrections Officers/OT</li> <li>b. Jail Medical Costs</li> </ul> Could allocate more sales tax on an ongoing basis into the General Fund without hurting the fund.	\$1.5M additional capacity beginning in 2026 - debt service payment sunset. The fund will be able to support as much as \$3M - \$3.5M in ongoing maintenance and construction projects without changing operating transfers that support the Sheriff’s Office. Idea to use funds to support double-filling of positions due to extended staff leaves.	Approved \$400K Ongoing

## Decision Points - continued

#	Item Discussed	Analysis/Results	Estimates	Decision
7	Recalculate Sheriff's Office Fiscal Impact Target	10/13/2025 - Sheriff's Office proposed additional revenues previously not included in budget submission	Review the following - Overtime budget, positions to be eliminated, increases requested in supplies/services	Complete
8	New Revenue Options	Presentation on revenue options for the General Fund	Property Tax Levy; Public Safety Sales Tax; ESHB 2015 1/10 <sup>th</sup> of 1%	Complete
9	Capital Plans & Operating Budgets	Capital Plan requests from Public Works & Parks exceeding ongoing REET revenues	Revenues exceed expenditures by estimated \$2.1M (less cash planned for Courthouse Parking Lot Phase 0)  Departments to scale back capital plans to fit within ongoing revenues	Complete