



City of  
Bellevue

City Manager's  
Office

**DATE:** April 15, 2025

**SUBJECT:** State Legislative Update, March 2025

## **OVERVIEW**

Throughout March, legislators held public hearings, voted bills out of committee and off the floor, and worked on developing budgets. All bills, except for those considered “necessary to implement the budget (NTIB),” are subject to cutoff deadlines. NTIB bills will continue to advance as budget proposals are released.

The Washington State Economic and Revenue Forecast Council’s (ERFC) March forecast states that revenues for the 2025-27 biennium are projected to increase by 6.8 percent for a total of \$70.95 billion, which is \$479 million less than previously forecasted. Similarly, revenues for the 2027-29 biennium are projected to increase by 7.7 percent, which is \$578 million less than previously forecasted. These numbers combined indicate that state revenues are down by \$845 million. The report can be found [here](#).

The Legislature is under pressure to submit final operating, capital, and transportation budgets to the Governor before April 27 or risk going into a special session. The House and Senate have each released and approved their respective proposed Operating, Transportation, and Capital budgets for the 2025-27 biennium. Legislators are required to adopt a budget that balances over four years (through the 27-29 biennium). Budget writers will now begin negotiating and reconciling differences between the proposals.

Governor Bob Ferguson held a [press event](#) outlining five items that need to be included in any budget that he would be willing to sign into law:

- 1) The Budget Stabilization Account (commonly referred to as the Rainy-Day Fund) needs to remain intact/not be swept;
- 2) Forecasted revenue projections cannot be assumed to exceed 4.5 percent annually;
- 3) Investments in new programs should be minimal;
- 4) Budgets need to demonstrate cuts and savings; and
- 5) Revenue must be stable and constitutional (i.e. not rely on a wealth tax).

Legislators have been signaling for months that there is a lack of available funding. Budget writers have stated that the state faces a \$15 billion Operating Budget deficit over the next four years, largely driven by a nearly \$11 billion increase to maintain current programs and meet statutory requirements. Additionally, budget writers indicated that the Transportation Budget faces a \$1 billion shortfall through 2025-27, and a multi-billion-dollar shortfall over the next six years, largely driven by project cost increases. Both the House and Senate have proposed approximately \$6.5 billion in cuts, including delaying new statutory obligations such as the early

childhood education slots, and implementing reductions proposed by both Governor Ferguson and former Governor Inslee.

Overall, the House and Senate Budget Proposals differ in several ways:

- **Overall Investments:** The Senate proposal is generally larger than the House; Senate Democrats have proposed a \$78.5 billion operating budget for the 2025-27 biennium, marking a \$6.5 billion increase in spending. Approximately \$1.6 billion of the increase is dedicated to new policy investments with the remaining covering maintenance costs for current programs and to meet existing legal obligations. In comparison, House Democrats proposed a \$77.8 billion operating budget with \$920 million in new policy investments which is beyond what is needed to sustain current services and fulfill statutory requirements. Significant discrepancies in investments include special education in which the House spends \$482 million as opposed to the Senate's \$2.2 billion.
- **Reliance on Wealth Tax:** Both the House and the Senate are considering wealth tax proposals to address a projected budget shortfall. The House's proposal relied on the wealth tax to generate approximately \$2 billion per year, totaling around \$8 billion over four years. The Senate relied on the wealth tax to generate \$4 billion annually, amounting to approximately \$16 billion over four years. Governor Bob Ferguson has expressed opposition to implementing a wealth tax, indicating he would veto any budget that relies on it. Any final budget proposal will likely include a much more limited wealth tax. Consequently, legislators are exploring alternative revenue sources, including taxes on vaping products ([House Bill 2068](#) and [Senate Bill 5803](#)) and storage unit rentals ([House Bill 1907](#) and [Senate Bill 5711](#)) to address the budget deficit
- **Budget Stabilization Account:** The House budget proposal maintains the Budget Stabilization Account, ending the first fiscal year with \$1.7 billion in total reserves — nearly all of it in the rainy-day fund — and growing to \$3.2 billion by the end of the 2025-27 biennium. In contrast, Senate Democrats propose withdrawing \$1.6 billion from the rainy-day fund to help balance their budget, leaving \$95 million in reserves by June 30, 2026. Accessing these reserves requires a 60 percent vote in the Senate; with 30 members, Senate Democrats have the votes needed to authorize the withdrawal without Republican support.
- **Collective Bargaining Agreements:** The House budget fully funds all negotiated collective bargaining agreements without imposing pay cuts or mandatory furloughs for state employees. The Senate proposal includes funding for these agreements but incorporates several cost-saving measures to address the budget shortfall. One being a 5 percent salary reduction for state employees over one year beginning July 1, which is equivalent to approximately 13 unpaid furlough days in the fiscal year. Additionally, the Senate proposes increasing the employee share of health care premiums.

- Transportation Revenues:** Both the House and Senate propose increasing the gas tax, \$0.09 and \$0.06, respectively, while indexing gas tax to inflation, and both support other fees to fund transportation ([Senate Bill 5801](#) – [Summary Document](#) and [House Bill 2043](#) – [Summary Document](#)). Some of the other revenue components that are in one proposal but not the other include a highway use fee based on a car's miles per gallon, an electric vehicle fee, a luxury vehicle tax, a large event fee, rental car tax increase, and more. Transportation budget writers are anticipated to reach an agreement on a combined list of transportation revenues. The Senate proposes to invest in new transportation projects while the House does not. Given the direction from the Governor, it's unlikely investments in new transportation projects will be included in a final budget.
- Transfer from Operating to Transportation:** The Senate proposes significant structural revisions to the state's budget. In the 2025-27 biennium, transportation investments are used to reduce pressure on the Operating Budget. In return, the Senate proposes redirecting 0.3 percent of state sales tax collections — approximately \$800 million annually — from the Operating Budget to the Transportation Budget in the 2027-29 biennium to support ongoing transportation needs. The proposal also includes a \$0.06 increase in the state gas tax, with annual adjustments for inflation, estimated to generate \$1.5 billion over six years. The House proposal includes a \$0.09 gas tax increase, also indexed to inflation, projected to raise \$1.8 billion over the same period.
- Public Works Assistance Account:** Both the House and Senate budget place the Public Works Assistance Account (PWAA) at risk, though in different ways. The House proposes diverting \$288 million from the PWAA to the General Fund while temporarily backfilling the account with bond proceeds to meet existing project commitments. The Senate would redirect the PWAA's dedicated revenue streams to support bond-backed funding for state-owned culvert projects in the General Fund. This approach would effectively eliminate ongoing funding for the PWAA, severely limiting its future ability to support local infrastructure projects. These proposals reflect differing strategies for managing fiscal pressures, with the House taking a temporary diversion approach and the Senate proposing a more permanent restructuring of PWAA resources.
- Other Revenue Generating Measures:** The Senate proposed a total of \$17 billion in new revenue while the House proposed a total of \$5.2 billion. Both the House and Senate propose lifting the cap on property tax levy growth ([Senate Bill 5798](#) and [House Bill 2049](#)). The House revenue proposal includes a 1 percent B&O tax surcharge on business income above \$250 million, increasing the rate from 1.5 percent to 2.5 percent for roughly 400 of the state's largest businesses ([House Bill 2045](#)). The Senate's proposal does not include a B&O increase but proposes a 5 percent payroll tax on wages above the \$176,100 Social Security threshold for employers with payrolls over \$7 million ([Senate Bill 5796](#)). This payroll tax is expected to generate \$2.3 billion annually to fund education, healthcare, and social services. The Senate also proposed repealing 20 tax exemptions where the public policy objective was not met ([Senate Bill 5794](#)); this proposal seems likely to advance. The Senate proposal to reduce the state sales tax to

6 percent from 6.5 percent ([Senate Bill 5795](#)), however, is less likely to be included in the final budget given the Governor's direction on the wealth tax.

As negotiations move forward, budget writers will face the challenge of reconciling significant policy and fiscal differences between the House and Senate proposals while adhering to the Governor's conditions for a final agreement. With a substantial operating deficit, rising transportation costs, and diverging revenue strategies, the coming weeks will be critical. Lawmakers must strike a balance between fiscal responsibility, program sustainability, and long-term structural reform while delivering a budget that not only balances over the four year requirement period but earns the Governor's approval.

## **CITY HIGHLIGHTS**

**Funding Request Updates:** Given the budget rollouts, below is a reminder of the City's funding requests for this session.

- **I-405/167 Corridor:** Both the House and Senate Transportation Budget proposals allocate the \$94 million needed to finish components of the I-405/167 Corridor that are already under construction.
- **Grand Connection:** The City requested that \$50 million be included in any transportation package for the Grand Connection. New transportation revenue was initially proposed by the House but was fully utilized for existing projects, leaving no inclusion of funding for the Grand Connection in the House Proposed Transportation Budget. Because of funding transfers in the Senate's new transportation revenue proposal, it includes \$700 million in new projects which could include the Grand Connection. If included in the final Transportation Budget, the Washington State Department of Transportation (WSDOT) would be tasked with recommending how much funding is allocated to each new project and in which years for the Legislature's discussion in 2026. Additionally, the bill authorizing new transportation revenues, Senate Bill 5801, makes a minor Bellevue-specific modification to the laws on tax increment financing to allow the financing tool to be used on the Grand Connection project.

The City has also requested \$900,000 in the Capital Budget for the Downtown Integration/City Hall Plaza component of the Grand Connection project. The House Capital Budget Proposal includes \$250,000 for the project, while the Senate does not include the project.

- **SR 520/124th Interchange:** The City is requesting \$225-275 million be included in any transportation package that is developed for construction of the interchange at SR 520/124th. Similar to the Grand Connection project, the House Proposed Transportation Budget did not include any funding for SR 520/124th. However, the Senate includes this project on the list of new projects that could receive funding. If included in the final Transportation Budget, WSDOT would be tasked with recommending how much funding is allocated to each new project and in which years for the Legislature's discussion in 2026.

- **Digital Permitting:** The City is joining other communities in requesting \$2.7 million from the Operating Budget for the eCityGov Alliance to improve digital permitting. The funding was not included in either Operating Budget proposal. The eCityGov Alliance testified before the [House Appropriations Committee](#) and [Senate Ways & Means Committee](#), asking funding be included; however, neither committee amended their budget proposals to add it in. Given the significantly constrained funding in the Operating Budget, it is unlikely funding would be received this session.
- **Mountains to Sound Greenway:** In 2024, the Legislature granted Bellevue's request to allocate \$6.6 million during 2025-27 for the Mountains to Sound Greenway Project. The House Proposed Transportation Budget wants to delay this funding until post-2031. The City's Intergovernmental Policy Advisor, Lacey Jane Wolfe, [testified](#) before the House Transportation Committee requesting that the committee reconsider the allocation postponement. In her comments, she shared that if the funding is not allocated in 2025-27, Bellevue would lose up to \$8 million in matching federal funding. Following the hearing, the Committee, at the request of Rep. Janice Zahn (D-41st), amended the proposal to allocate the \$6.6 million 2025-27 for the Mountains to Sound Greenway project.

## **POLICY HIGHLIGHTS**

There are many city-related bills that did not make it past the March 12 House of Origin Cutoff and are no longer under consideration. Below are a few noteworthy bills that are considered "dead" with the passing of cutoff deadlines.

- [House Bill 1195](#) – STEP housing
- [House Bill 1380](#) – Safe Spaces Act
- [House Bill 1160](#) – Local design review
- [House Bill 1254](#) – Implementing Wildland Urban Interface Code
- [House Bill 1443](#) – Mobile dwelling units
- [House Bill 1339](#) – Even numbered year elections
- [House Bill 1710](#) – Voting Rights Act
- [House Bill 1175](#) – Neighborhood cafes
- [Senate Bill 5052](#) – Law enforcement contact with juveniles
- [Senate Bill 5197](#) – Compliance with the Growth Management Act
- [Senate Bill 5614](#) – Impact fees
- [House Bill 1113](#) - Accountability and access to services for individuals charged with a misdemeanor.
- [Senate Bill 5729](#) - Encouraging construction of affordable housing by streamlining the permitting process.
- [Senate Bill 5071](#) - Updating the endangerment with a controlled substance statute to include fentanyl or synthetic opioids.
- [House Bill 1969](#) - Law enforcement aviation support grant program.
- [Senate Bill 5156](#) - Elevator standards in smaller apartment buildings
- [Senate Bill 5749](#) - Housing development opportunity zones.

Below are bills that advanced this month and remain under consideration.

### **Homelessness and Human Services**

Rent Stabilization: [House Bill 1217](#), sponsored by Rep. Emily Alvarado (D-34), introduces similar rent stabilization measures and tenant protections under the Residential Landlord-Tenant Act and Manufactured/Mobile Home Landlord-Tenant Act. It caps annual rent and fee increases at seven percent, with exemptions for newer units, public or nonprofit housing, and shared housing arrangements. For manufactured/mobile home lots, additional exemptions include a one-time rent increase of up to ten percent upon transfer of a rental agreement. The bill requires 180 days' notice for rent increases exceeding three percent and caps late fees at five percent of monthly rent. Violations are enforceable under the Consumer Protection Act, and tenants are protected from eviction or reporting for nonpayment of unlawfully increased rent. The bill passed out of the Senate Housing Committee on March 26 with a striking amendment that makes several changes, including decreasing the cap for mobile homes from seven to five percent.

### **Safety**

Public Safety Funding: One public safety funding proposal remains under consideration: [House Bill 2015](#). Sponsored by Rep. Debra Entenman (D-47th LD), and developed by the Members of Color Caucus, HB2015 establishes mechanisms to enhance funding for local law enforcement recruitment, retention, training, and public safety initiatives. The bill has undergone several changes throughout the last month such as preventing grant funds from being used for lateral hires, clarifying that the sales tax can be imposed if a jurisdiction is eligible for the grant (as opposed to a grant recipient), and more. Click [here](#) to view bill changes.

Expanded Weapon-Free Zones: [Senate Bill 5098](#), sponsored by Sen. Javier Valdez (D-46th LD), expands weapon-free zones to include parks, public buildings, and county fairs. The bill prohibits weapons in park facilities where children are likely to be present, public buildings owned or leased by governmental entities, and county fairgrounds during public hours, with exceptions for gun shows. It requires municipalities to post signage at common access points to notify the public of these restrictions. Violations are classified as gross misdemeanors, and exemptions are provided for law enforcement, military personnel, and certain ceremonial activities. A public hearing was held in the House Civil Rights & Judiciary Committee on [March 18](#). The City of Tacoma, Washington Chapter of the American Academy of Pediatrics, Grandmothers for Gun Responsibility, and others testified in support of the bill, as areas where children are likely to be present should be safe and free from the risk of accidental discharge. The National Rifle Association, Washington State Association of Counties, and others testified in opposition because of the expanded limitations to open carry laws and the additional cost burden for counties to comply.

### **Planning/Land Use/Housing**

Lot Splitting: [House Bill 1096](#), sponsored by Rep. Andrew Barkis (R-2nd LD), mandates that cities integrate administrative approval of lot splits. A public hearing was held in the Senate



Housing Committee on [March 14](#). City of Redmond, City of Kent, the Sightline Institute, and others testified in support of the bill, stating that it creates further opportunities to increase housing supply and lower costs for first-time homeowners. The Department of Commerce (Commerce) and the Sno-King Water District Coalition testified “other.” Commerce believes this bill to be a helpful piece of legislation that establishes processes and defines lot splitting. Sno-King Water District Coalition expressed concerns for increased development near aquifer recharge areas and the resulting potential increase in pollution. There was no testimony in opposition. The bill was voted out of committee on March 26 and is awaiting a vote on the Senate floor.

Transit-Oriented Development (TOD): [House Bill 1491](#), sponsored by Rep. Julia Reed (D-36th LD), requires cities to adopt regulations facilitating TOD in designated "station areas," including minimum floor area ratios and affordable housing requirements. It preempts local restrictions, limits parking mandates, and provides exemptions from the State Environmental Policy Act for qualifying developments. A public hearing was held in the Senate Housing Committee on [March 14](#). The Office of the Governor, City of Issaquah, Futurewise, and many others testified in support of the bill. They expressed support for the bill as it leverages transit investments while encouraging mixed-use housing development. The City of Lynnwood, Commerce, Washington Realtors, and NAIOP Washington testified “other,” with concerns around the affordability requirements in the bill. Adding such requirements might deter development, and it was noted that local jurisdictions are already competing against other projects for development.

The bill passed out of committee on March 26 with a striking amendment that updates the definition of major transit stop. It requires cities to allow for greater building height and increased density in bus station areas and to build with mass timber products. Ten percent of all residential units must be workforce housing if they are family units with more than two bedrooms. The bill makes deed restrictions around MFTE tied to TOD and makes other clarifications to the program. Lastly, it requires a local government to reduce impact fees by 50 percent if a project is within a station area and claims the MFTE program to the TOD affordability requirements.

## **Transportation**

Transit Lane Access: [House Bill 1980](#), sponsored by Rep. Janice Zahn (D-41st LD), allows private employer transportation services to apply for access to BAT lanes in King County. The bill had a public hearing on [March 20](#) in the Senate Transportation Committee. The Committee heard supporting testimony from the Bellevue Chamber of Commerce, the City of Bellevue, and TechNet. Councilmember Jared Nieuwenhuis testified in support of the bill. Click [here](#) to view his testimony on TVW. It was highlighted that the bill will reduce roadway congestion, lower emissions, and create stable travel times for the workforce. Washington State Transit Association testified "other," stating that, with continued work with the bill sponsor, this legislation will save ride time and provide certainty, timeliness, and integration for the transit system. There was no testimony in opposition. However, some Senators would prefer to authorize a pilot rather than a permanent program.

## **Climate and the Environment**

Recycling Reform Act: [Senate Bill 5284](#), sponsored by Sen. Liz Lovelett (D-40th LD), establishes extended producer responsibility (EPR) programs for packaging and paper products to improve solid waste management in Washington. Both bills require producers to join or form Producer Responsibility Organizations (PROs) by 2026 to manage the lifecycle of their products, including recycling, composting, and waste reduction efforts. A public hearing was held in the House Environment & Energy Committee on [March 17](#). The City of Spokane, Washington Department of Ecology, Association of Washington Cities, and many others testified in support of the bill because it shifts the financial responsibility of recycling onto the producers, expands curbside services, and increases recycling rates. The Committee heard opposing testimony from Waste Management, the Washington Retail Association, the Association of Washington Business, and others. They opposed the bill because it would result in increased costs being passed down to consumers and urged the legislature to conduct a needs assessment before creating a mandate. Washington State Association of Counties and the Coalition for Protein Packaging testified "other," with funding concerns and an amendment request to comply with federal preemption for protein packaging. The bill was voted out of committee on March 31 with several amendments around the responsibilities of PROs and Ecology and more. Click [here](#) to view the changes.

## **APRIL LOOK AHEAD**

- Opposite House Cutoff – April 16
- Last Day of Regular Session – April 27