



City of
Bellevue

City Manager's
Office

DATE: October 14, 2025

SUBJECT: State Legislative Update, September 2025

The past month has brought several updates from agencies delivering decision packages to the governor for budget development, the release of gloomy revenue forecasts, and emerging topics work sessions ahead of the 2026 Legislative Session. Legislators are now working in earnest to prepare for next legislative session.

September Revenue Forecast

The Economic and Revenue Forecast Council unanimously adopted the [latest revenue forecast](#) on September 23. Click [here](#) to watch the presentation to the Council on TVW. This latest update estimates a further \$412 million decrease in revenue for the 2025-27 biennium, pushing the deficit to \$903 million through 2029.

After the forecast was released, Governor Bob Ferguson [issued a statement](#) in which he noted that while the forecast is disappointing, he was unsurprised by its challenging nature. He highlighted that roughly 28 percent of the state's budget consists of federal investments and that the Trump administration's cuts to state program funding, such as Medicaid and food assistance, will have adverse impacts across the state. As the budget develops, he emphasized that his focus will be on crafting a balanced budget that maintains core state services.

Republicans [responded](#) to the revenue forecast, criticizing recent state spending and tax increases while highlighting that the shortfall could become even greater pending the outcome of legal challenges against the state's recently enacted taxes.

The Transportation Economic and Revenue Forecast Council adopted the [latest forecast](#) on September 26. The revenue forecast projects a \$144 million decrease through 2029; however, the projections show the state will collect approximately \$61 million more in transportation revenue than was expected when the Legislature passed the 2025-27 budget in April.

Recent Governor Actions

Washington Office of Financial Management (OFM) Report on Federal Tariff Impacts

At a [press conference](#) on September 4, Governor Ferguson discussed a new report from OFM outlining the potential impacts of federal tariffs at the state level. As of August 7, the tariffs rate was at 18.6 percent, the highest rate since 1933. As of the Economic and Revenue Forecast Council meeting on September 9, tariff rates were reported to be stabilizing at those same levels, between 15-20 percent. The [report](#) highlights that quarterly state GDP growth could decline by 1.2 to 1.8 percent over the next four years and forecasts over \$2 billion in losses to general fund revenue by 2029 if these tariffs are fully realized.

This past May, Governor Ferguson filed an amicus brief in support of a multi-state lawsuit challenging the Trump administration's authority to unilaterally adopt tariffs without Congress' approval. Lower courts have upheld the interpretation that the tariffs are illegal, and the federal Court of Appeals has also ruled them unconstitutional in a 7-4 vote. After appealing the decision, the U.S. Supreme Court is set to hear the case come November.

Labor Executive Order

At the Washington Building and Construction Trades Council convention on September 9, Governor Ferguson signed an [executive order](#) that requires major state-funded public works projects over \$35 million to have Project Labor Agreements for their workers. These collective bargaining agreements allow all workers, regardless of union status and including subcontractors, to receive protections, benefits and fair pay. By outlining terms at the outset and utilizing grievance arbitration, workers are protected from wage theft and misclassification and provided predictability. The agreements also establish dispute processes for workers, while restricting strikes and lockouts with the aim of keeping projects on track for completion.

Immigrant Communities

On September 25, the governor signed an [executive order](#) and issued a [press release](#) creating an Immigration Sub-Cabinet, directing state agencies to review their data collection, sharing and retention policies to ensure that they are protecting the privacy and safety of all residents.

Supreme Court to Make Ruling on Natural Gas Policies

Initiative 2066 (I-2066), approved by voters last November, repealed provisions of House Bill 1589, thereby allowing natural gas to remain an energy source. After voters approved the Initiative, King County Superior Court ruled that the initiative was overly broad and violated the state's single-subject rule. A final decision on the constitutionality of I-2066 will be made by the state Supreme Court, though a date for the hearing has not yet been scheduled.

By way of background, during the 2024 legislative session, [House Bill 1589](#) passed into law, directing large combination utilities that serve more than 800,000 customers to develop actionable plans that reduce natural gas use and increase electrification. I-2066 strikes certain functions of HB 1589 such as the requirement that large combination utilities assess the costs and benefits of replacing natural gas pipelines, infrastructure projects and utility end uses with electric alternatives.

Association of Washington Cities (AWC)

The AWC Board of Directors has approved the Association's 2026 legislative agenda, as recommended by the AWC Legislative Priorities Committee (LPC). Bellevue Councilmember Jared Nieuwenhuis represented Bellevue on the committee.

A summary of their priorities and significant issues, as well as the issues that the Association supports, can be found [here](#). The top four priorities are:

- increase state support and funding for **indigent defense**;

- advocate for sustainable revenue tools and traffic safety for local **transportation**;
- support tools and implementation of recent legislation that increases **housing supply**;
- preserve **state shared revenues** that stabilize local budgets.

Governor's Budget Development

Agency request packages were due to Governor Ferguson by September 15 and are available for viewing on the [OFM](#) website. Below is a list of noteworthy agency requests including:

- *The Department of Labor & Industries* has put forth a proposal for a 4.9 percent average increase to workers' compensation rates to help cover the costs of benefits, medical care and wage replacement.
- *The Department of Revenue* is requesting procedural clarification legislation for targeted underdeveloped urban areas tax deferral, as well as standardized procedures for local real estate excise tax and lodging tax changes.
- *The Department of Natural Resources* is asking for at least \$44.8 million more in funding for wildfire suppression due to increased severity.
- *The Department of Health* has requested authority to charge a fee for accreditation services, creating a funding source for opioid treatment programs.

The Governor's Office will evaluate these proposals and release 2026 Supplemental Budget proposals in December, which will serve as the starting point for budget discussions during the upcoming 60-day legislative session.

Emerging Issues

Permitting Timelines: The Department of Commerce released a [report](#) on local permitting. In 2023, the Legislature passed [Senate Bill 5290](#), amending the state's Local Project Review Act and including a requirement that local governments report annually to Commerce on their permit process. The first data from the report showed that multifamily housing permits took on average 88 percent longer to process than the statute standard. Preliminary subdivision took 199 percent longer to process. Almost half of all permits were processed more than 90 days late.

Since the release of the report, the [Seattle Times published an Op-Ed](#) criticizing cities on the amount of time it takes to issue permits. The Senate Housing Committee discussed this report in their work session on September 16. The cities of Auburn and Bellevue presented changes they've made to their permit process and recommended transitioning from paper to digital systems and implementing standardized review processes as key reforms.

Subdivisions: The Master Builders Association has engaged AWC to develop legislation reforming subdivisions. Cities and builders are discussing three concepts: 1) administrative approval of long and short plats; 2) making pre-application conferences optional (cities could no longer require them); and 3) mandating that cities allow concurrent review of civil plans and subdivision plans. There is strong legislative interest in advancing a bill to streamline subdivision approvals this session that make these concepts challenging for cities to outright oppose.

Nutrient Regulation of Wastewater Treatment Plants: The Department of Ecology is conducting rulemaking to regulate nutrient effluent from wastewater treatment plants in the Puget Sound. Several wastewater treatment plants have indicated that the cost of complying with the proposed regulations will require utility rates to increase by several hundred dollars per month. AWC is developing a letter to Governor Ferguson asking that the Ruckelshaus Center be tapped to lead a collaborative process that improves water quality in a cost-conscious manner.

Artificial Intelligence Task Force: The Legislature approved [ESSB 5838](#) during the 2024 Legislative Session, establishing an [Artificial Intelligence \(AI\) Task Force](#), to be administered by the Attorney General's Office. The function of the task force is to assess uses and current trends of AI and provide the Legislature with recommendations on potential guidelines and policy suggestions for the development, deployment, and use of AI systems. A [preliminary report](#) was released December 2024 with a final report due to the governor and Legislature by July 1, 2026.

Plastic Bag Ban: Rep. Beth Doglio held a workgroup discussion about potential legislation to make changes to the statewide plastic bag ban. In 2020, the Legislature banned single-use plastic bags in favor of the use of thicker multi-use plastic bags and required retailers to charge an 8-cent fee per bag, increasing to 12 cents in 2026. Amendments under [House Bill 1293](#) delayed a scheduled increase in bag thickness and introduced a new 4-cent penalty on thicker reusable bags, though enforcement remains unclear. Looking ahead, policymakers are exploring options to strengthen the law, including a potential statewide ban on all plastic bags (regardless of thickness) and increased fees on paper bags to maintain revenue levels. Oregon and California have recently updated their legislation, with Oregon banning plastic bags entirely and California expanding its scope to include produce bags and eliminating thick plastic bags.

Tax Increment Financing (TIF): AWC is convening an interim work group to discuss TIF. This month, the group began discussing various changes to TIF to address concerns raised by taxing districts. Potential changes include modifying the mitigation mandate and requiring regular re-evaluation points, excluding taxing districts from tax increment financing areas if a certain amount of their assessed valuation is included within TIF areas, adjusting the "but for" criteria, adjusting the requirements around how TIF-funded projects are identified, and clarifying that TIF ends when funds are no longer needed.

Public Defense Caseload Standards: On September 4, AWC [submitted a letter](#) to the Washington State Supreme Court regarding recently approved public defense caseload standards that eventually reduce caseloads to 47 felony case credits and 120 misdemeanor case credits. Additionally, the Washington State Association of Counties is actively litigating against the State of Washington to legally mandate an increase of state funding for public defense. This active litigation could lead to a settlement that forces the Legislature's hand to allocate funding to public defense. Either way, the Legislature is likely to discuss funding and workforce development for public defenders.

Public Safety Sales Tax Implementation: The Criminal Justice Training Commission (CJTC) is in the process of implementing [HB 2015](#), authorizing \$100 million in grants and allowing cities to councilmanically increase their sales tax to fund public safety. The CJTC has taken two notable actions: 1) rejection of King County's request for certification to impose the sales tax in a 13-page letter and 2) issuance of guidance requiring cities that contract with another agency to provide public safety services to jointly apply to the CJTC for certification.

Legislative Work Sessions

Senate Housing Committee: On September 16, the committee convened to hear about financing and decreasing barriers to constructing affordable housing, which is available to watch on [TVW](#). The work session included an overview of Payment In Lieu Of Taxes (PILOT) program (a variation of the MFTE) and the 20-year MFTE program available in the state. The Committee also discussed impact fees, permit processing timelines, Seattle's Partnership for ADU Development (PAD) pilot and community land trust models.

Senate Law & Justice Committee: On September 18, the committee held a work session on the eviction process, theft and vandalism of critical infrastructure, and standards for law enforcement personnel. [Click here](#) to watch the work session on TVW.

House Environment and Energy Committee: On September 29, the committee conducted a work session on the State Environmental Protection Act and Carryout Bags. [Click here](#) to watch the work session on TVW.

Senate Human Services Committee: On September 30, the committee conducted a work session on child welfare dependency. [Click here](#) to watch the work session on TVW.

House State Government & Tribal Relations Committee: On September 30, the committee conducted a work session on Keep Washington Working. [Click here](#) to watch the work session on TVW. The Attorney General and the Office of the Governor both presented to the Committee.

October Look Ahead

- **November 4** – General Election
- **December 1** – 2026 Legislation can begin to be pre-filed
- **December 4–5** – House & Senate committee assembly days
- **Mid-December** – Governor Ferguson's first regular budget release
- **January 12, 2026** – Start of the 60-day legislative session