



City of
Bellevue

City Manager's
Office

DATE: December 9, 2025

SUBJECT: State Legislative Update, November 2025

In November, the Economic and Revenue Forecast Council released the latest revenue estimates, providing additional information to help shape budget discussions. State lawmakers will return to Olympia for Committee Assembly Days during the first week of December 1 and can begin pre-filing bills. Committee schedules, agendas, and TVW links can be found [here](#).

In mid-December, Governor Bob Ferguson will release his proposed supplemental operating, capital, and transportation budgets, making mid-biennial adjustments to the state's 2025-27 budgets (Fiscal Year July 1 – June 30, 2027). The Office of Financial Management is currently evaluating budget requests and adjustments put forward by state agencies.

November Revenue Forecast

After multiple revenue forecasts noting that the state is facing a budget shortfall this upcoming session, the November Revenue Forecast brought some good news — the shortfall did not get any worse. The Economic and Revenue Forecast Council unanimously adopted the [latest revenue forecast](#) on November 18. Click [here](#) to watch the presentation to the Council on TVW. This latest update estimates collections for the 2025-27 biennium to be \$74.5 billion, an increase of \$105 million from the September forecast or an approximately \$300 million shortfall for the current biennium.

After the forecast was released, Governor Ferguson [issued a statement](#) stating, "Our state continues to face significant budget challenges, and this latest forecast does not change that. That said, this forecast was not as bad as we feared it might be. This forecast does not change the scale of the problem that my team and I have been working on as we develop my first budget."

Republicans responded to the revenue forecast, noting that the economic outlook noted a significant slowing in job growth. Republicans assert that the lack of job growth could be an early indicator of a recession, and that recently enacted taxes are the cause of the slow down. [Click here](#) to read the statement from House Republican budget writer, Rep. Travis Couture, or listen to [this podcast](#) from the Senate Republican caucus.

The Transportation Economic and Revenue Forecast Council adopted the [latest forecast](#) on November 14. Click [here](#) to watch the presentation to the Council on TVW. The revenue forecast projects a \$67 million decrease in the current biennium due to lower gas consumption and lower vehicle and truck registrations. The forecast is decreased by \$87 million for the 2025-29 period compared to September.

State Budget Status

Operating Budget Requests: In the first week of November, [several media outlets](#) reported that Senate Ways & Means Committee Chair June Robinson (D-Everett) said she would not accept Operating Budget requests for the 2026 Legislative Session. Given declining state revenues, this does not come as a surprise; however, Senator Robinson's comments apply only to the state Operating Budget and not the state Capital or Transportation budgets.

Capital Budget: The Capital Budget is largely funded through bonds with a portion of the Operating Budget dedicated to paying off those bonds each year; there is approximately a \$300 million bond capacity for the mid-biennial adjustment to the capital budget. Bonds typically fund community projects throughout the state.

In addition to bond revenues, there are several revenue streams dedicated to grant programs appropriated through the Capital Budget. One such stream is the hazardous substance tax, which funds three Model Toxic Control Act (MTCA) accounts. These accounts are focused on preventing pollution, cleaning up contaminated sites, protecting water resources, improving air quality, and responding to oil spills and threats from emerging contaminants like per- and polyfluoroalkyl substances (PFAS). Based on recent revenue forecasts, the MTCA Operating Account currently has a projected shortfall of \$20 million this biennium. To compensate, Ecology is implementing cost reduction measures that prioritize its core environmental programs while cutting vacant positions, eliminating new work, and reducing or eliminating grant and interagency contract funding. The Legislature will determine how to further address this shortfall this session.

Transportation Budget: In November, Transportation budget writers and representatives from Governor Ferguson's Office spoke at a [Washington Highway Users Federation](#) (WHUF) meeting on the transportation budget status. For the first time in several legislative sessions, the Transportation Budget is not facing an urgent shortfall heading into the 2026 session. However, the 10-year transportation spending plan has a \$500 million shortfall based on current project estimates.

During the 2025 session, \$600 million was transferred from the Transportation Budget to the Operating Budget to support the current biennium's budgets, with a commitment that a portion of sales tax revenues would be deposited into the Transportation Budget in 2027-29 and years thereafter. During the WHUF meeting, Transportation Budget writers expressed concern that this commitment would not be honored, given the challenges the Operating Budget faces. Legislators noted that they have some remaining bond capacity that they could access to allocate additional funds in the current supplemental budget; there was some commentary, but no commitments, that the bonding capacity could be used to fund transportation maintenance and preservation.

Governor Ferguson's representative noted that the governor's transportation priority is preservation and maintenance, with a particular emphasis on bridges. It was shared that of the Washington State Department of Transportation's (WSDOT) 3,000 bridges, 80 need

replacement. Transportation Budget writers shared the governor's emphasis on preservation and maintenance.

Additionally, there was a collective recognition that the gas tax will need to be replaced with an alternative revenue source (vehicle fee, [road usage charge](#), [tolling](#), etc.), but that no action to make a change is anticipated in 2026. Budget writers also discussed re-evaluating how best to replace 13 ferries, reducing regulatory obstacles to allow transportation projects to be completed quickly, and improving driver behavior to improve traffic safety.

Revenue Discussions: Representative Shaun Scott (D-Seattle) and Senator Rebecca Saldana (D-Seattle) have announced their intention to introduce a tax proposal during the 2026 session like Seattle's JumpStart tax, which is a tax on both the largest and wealthiest companies. The proposal would create the "Well Washington Fund" and could raise as much as two billion dollars a year to help fund higher education, health care, cash assistance programs, and energy and housing programs.

Emerging Issues

Artificial Intelligence Bargaining: The Legislature is expected to revisit whether public sector unions should have the right to bargain over their employers' adoption of artificial intelligence (AI) technology. At the center of this discussion is [House Bill 1622](#), which would require government employers to negotiate with unions before implementing AI tools that impact wages or employee performance evaluations. The bill passed the House during the 2025 session but stalled in the Senate, largely due to opposition from business groups and city officials who argue that such a mandate could tip the balance of power too far toward workers and slow workplace innovation. The bill's sponsor, Rep. Lisa Parshley (D-Olympia), recently presented the proposal to the state's AI Task Force, emphasizing that existing laws, such as a 2002 statute prohibiting bargaining over technology for certain state employees, are outdated given the transformative nature of AI. Meanwhile, a September directive from the Office of Financial Management already requires agencies to give union-represented employees six months' notice before deploying generative AI that affects wages, hours, or working conditions, and mandates human review for employment-related decisions. AI governance will likely remain a contentious issue heading into the next session.

Authority to Establish Single-City Fire Protection Authority: Initiated by interest from the City of Washougal, the Association of Washington Cities convened a group of cities to review allowing cities to create a single-city fire protection authority without giving up any property tax levy authority. Current law allows the creation of a single-city fire authority but requires a reduction to property tax levies. The current law and this new concept require 50 percent voter approval; 60 percent voter approval if a fire benefit charge is imposed.

Plastic Bag Ban: Rep. Beth Doglio (D-Olympia) held a workgroup discussion on November 26 to continue drafting legislation to ban all plastic bags. When plastic bags were initially banned in 2020, retailers were allowed to offer thicker plastic bags for a 5-cent fee. A bill banning the use of thicker plastic bags and charging a fee on paper bags is now being discussed to reduce the

environmental impact of single-use plastics. Considerations included the phase out timeline of plastic bags, fee exemptions for Supplemental Nutrition Assistance Program (SNAP) recipients, and the implementation timeline in the latest draft, currently set for 2028. Looking ahead, policymakers are reaching out to stakeholders and continuing to develop proposed language. Rep. Doglio has indicated that Rep. Parshley will carry the bill development.

Energy Availability:

A recent [report](#) commissioned by Energy and Environmental Economics (E3) shows that the northwest faces a major reliability gap in the electrical grid beginning as soon as next year. The report projects that demand for electricity will grow by three percent annually and estimates that to meet demand, four to five times more generation capacity is needed every year which is more than has ever been achieved in the Pacific Northwest. Republicans have cited the move toward an all-electric future while simultaneously urging utilities to leave natural gas behind as exacerbating factors for demand imbalance.

Legislative Work Sessions

Joint Transportation Committee: On November 20, the Joint Transportation Committee convened for a work session to hear updates about the transportation impacts of the lower Snake River dam removal-project, the alternative sidewalk funding study project, regulating emissions from ocean-going vessels, and transportation challenges and successes in Washington counties. [Click here](#) to watch the session on TVW.

Wednesday, December 3:

- [Joint Transportation Committee](#)
Work Sessions on transit-oriented development policies, route jurisdiction transfer and transportation planning.
- [Joint Committee on Energy Supply, Energy Conservation, and Energy Resilience](#)
Work sessions on electric transmission reports and activities.

Thursday, December 4:

- [House Community Safety Committee](#) – Work sessions on recent crime trends in Washington and the US; and law enforcement operations and effectiveness.
- [House Environment and Energy Committee](#) – Work sessions on MTCA and utility wildfire risk.
- [House Housing Committee](#) – Work sessions maximizing existing housing stock and land banking and shared homeownership models.
- [Senate Law & Justice Committee](#) – Work sessions on agency updates and defense caseload standards.
- [House Finance Committee](#) – Work sessions on working families tax credit, implementation of Senate Bill 5814, and an update on Antio-related legislation.
- [Senate Local Government Committee](#) – Work sessions on form-based codes, hearing examiners, childcare facility siting, and street standards and frontage improvements.

- [House Appropriations Committee](#) – Work sessions on juvenile rehabilitation system capacity, behavioral health system capacity, federal funding update, and 2026 session budget preview.
- [House Transportation Committee](#) – Work sessions on ferries vessel and terminal electrification, WSDOT highway maintenance program, bridge strikes and the WSDOT response.
- [Senate Transportation Committee](#) – Work sessions on state highway preservation needs.
- [Senate Ways & Means Committee](#) – Work sessions on economic and revenue forecast update, caseload forecast update, fire season update, 2026 session budget preview, fiscal impact of state tort payments, Water in Washington: present conditions and future challenges, and an overview of law enforcement officers' and fire fighters' retirement system plan 1 (LEOFF 1).

Friday, December 5:

- [Senate Human Services Committee](#) – Work sessions on the impact of House Resolution 1 on Medicaid relating to the intellectual and developmental disability community and SNAP, as well as juvenile rehabilitation caseloads.
- [Senate Housing Committee](#) – Work sessions on mixed-use property development, State Building Code Council update, overview of housing supply and affordability trends, and a covenant homeownership update.
- [House Local Government Committee](#) – Work sessions on integrating special purpose districts into the Growth Management Act (GMA), subdivision reform, comprehensive plan update check-in, and a permitting practices overview.
- [House Technology, Economic Development, & Veterans Committee](#) – Work sessions on an overview of global trade, tariff impacts, and Department of Commerce agency-request legislation, and updates on state emergency management and disaster planning strategies.

December Look Ahead

Looking ahead to December and beyond there are some key forthcoming dates:

- **December 1** – 2026 Legislation can be pre-filed
- **December 4–5** – House and Senate committee assembly days
- **Mid-December** – Governor Ferguson's first regular budget release
- **January 12, 2026** – Start of the 60-day legislative session
- **January 21-22, 2026** – Association of Washington Cities: City Action Days
- **March 12, 2026** – Scheduled end of the legislative session