



City of
Bellevue

City Manager's
Office

DATE: May 13, 2025

SUBJECT: State Legislative Update, April 2025

Overview

The 2025 Legislature convened for a 105-day session beginning on January 14 and concluded on April 27. Legislators had the challenging task of balancing the budgets, which came down to the final hours of the session before coming to an agreement, as well as considering various policy proposals. A total of 2,387 pieces of legislation were introduced this session, and the Legislature approved 431 bills.

Together with the City Council, the City's intergovernmental relations team weighed in on over 65 different bills, signing in or testifying over 110 times. In addition to proactively advancing the City's funding requests and policy bills, the City's advocacy efforts led to specific amendments being adopted into over a dozen different bills. Legislators and other stakeholders increasingly recognize Bellevue's contributions to statewide policymaking.

As the first year of the legislative biennium, the Legislature established new committee structures, committee chairs, and selected new leadership. The Democrats held the majority in the House of Representatives (59-39) and the Senate (30-19). This meant Democrats had a 60 percent majority of each chamber, allowing them to approve bonds and transfers out of the budget stabilization account without support from Republicans. It also allowed Democrats in the House to adopt new rules that limit the length of debate on the House floor and limit the ability for staff from the Governor's Office to access the floor. The Legislature also welcomed 24 new "freshman" legislators, which led to different outcomes on policy issues that had been perennially considered, such as rent stabilization, recycling reform, and unemployment benefits when workers strike.

Governor Bob Ferguson was inaugurated as the 24th Governor of Washington State in early January. Much of the legislative session was marked by tensions between the Governor and the Legislature, with the Governor finding himself aligned with Republicans and moderate Democrats.

Budget challenges and revenue proposals dominated the session with legislators signaling a lack of available funding. Budget writers 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, state revenue growth slowed. Between fiscal year 2022-24, revenues grew 5.2 percent annually; starting in fiscal year 2025, the annual growth rate is expected to reduce to 3.5 percent.

Initial budget proposals released from the House of Representatives and the Senate relied significantly on a wealth tax proposal, which proposed taxing financial intangible assets over \$50 million.

Governor Ferguson responded to initial budget proposals, outlining several criteria that had to be met in any final budget submitted to his office. 1) The Budget Stabilization Account (commonly referred to as the Rainy Day Fund) would need 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).

In mid-April, budget leaders unveiled a revised [revenue package](#) aimed at addressing the criteria outlined by Governor Ferguson. While the original package sought to raise approximately \$16 billion over the four-year outlook, the revised proposal raised \$12 billion in revenue. Shortly after, Governor Ferguson issued a [statement](#) criticizing the revised revenue package. Legislators further refined their revenue proposals to reduce the total amount of revenue raised to \$9.5 billion over the four-year outlook in the final days of the session, passing budgets on the final day of the legislative session.

Below are brief summaries of the budgets as adopted by the Legislature. A table outlining each revenue proposal that was adopted by the Legislature is included at the end of this document. The Governor has until May 20 to sign the budgets and revenue proposals into law. The Governor cannot veto specific sentences but can veto full sections or entire bills.

2025-27 Operating Budget:

The final 2025-27 Operating Budget relies on a combination of program cuts and \$4.4 billion in revenue from new tax increases. Over the four-year outlook, the new taxes will generate \$9.5 billion in revenue. The budget leaves \$2.3 billion in reserves, including \$2.1 billion in the Budget Stabilization Account, often referred to as the Rainy Day Fund. Notable components of the proposed Operating Budget include:

- All state-shared revenues are maintained, including liquor profits and taxes, cannabis taxes, county criminal justice assistance, and the city-county assistance account
- \$288 million is swept from the Public Works Assistance Account
- \$27.2 million is allocated to the Office of Public Defense for grants to counties and cities (cities receive about 10 percent of these funds)
- \$18 million for legal aid for indigent immigrants
- \$25 million for utility assistance for low-income households
- \$60 million in community reinvestment grants
- \$62 million for the building, operation, and maintenance of permanent supportive housing costs; \$117 million for the operation of homelessness housing programs, including shelter; \$100 million for Consolidated Homelessness Grants; \$90 million to house individuals residing in encampments
- \$200 million for the Covenant Homeownership Program

- \$18 million in Growth Management Act Implementation Formulaic Grants (\$20 million was previously allocated)
- \$2.75 million for World Cup enhanced public safety

2025-27 Capital Budget: The 2025-27 Capital Budget appropriates \$4.5 billion in new bond capacity and \$7.5 billion in total funds including cash, federal funds, and other revenue sources. The Capital budget provides investments in infrastructure that are relevant to local governments, including:

- \$605 million for the Housing Trust Fund
- \$365 million for the Public Works Assistance Account to finance infrastructure projects for cities, counties, and special purpose districts
- \$81 million for the Community Economic Revitalization Board to assist communities with financing publicly owned economic development infrastructure improvements to encourage new business development and expansion.

2025-27 Transportation Budget: Prior to the session, budget writers indicated that the Transportation Budget faced a \$1 billion shortfall in 2025-27 alone, and a multi-billion-dollar shortfall over the next six years, largely driven by increases in project costs. The House and Senate each released transportation budget proposals that relied on an increase in the gas tax and other increases in fees. The House budget proposal maintained a traditional budget structure that honored historic revenue and programmatic allocations, while the Senate proposed some structural changes. The Senate's proposal included shifting the responsibility to pay for culvert replacements from the Transportation Budget to the Capital Budget and dedicating a small percentage of sales tax revenues that have traditionally been allocated to the Operating Budget to instead be allocated to the Transportation Budget.

The final Transportation Budget adopted by the Legislature increased the fuel tax and other fees to generate \$3.2 billion over the next six years. Additionally, the state transfers a portion of state sales tax revenue (.1 percent of 6.5 percent) to the Transportation Budget starting in fiscal year 2028 to generate additional money. This is more money for transportation than was proposed by the House, and less money than what was proposed by the Senate. As a result, the final transportation budget does not fund any new projects but also does not delay projects as significantly as was proposed by the House earlier in the session.

City of Bellevue Highlights

Funding Requests: Below are the outcomes of Bellevue's funding priorities in 2025:

- **I-405/SR 167 Corridor:** The City of Bellevue joined other communities in successfully advocating for the additional funding needed to complete the portions of the I-405/SR 167 Corridor already under construction. The Legislature allocated the necessary funding for four time-sensitive projects to proceed as scheduled:
 - \$45 million for the Renton to Bellevue Widening and Express Toll Lanes current project.
 - \$47 million for Brickyard to State Route (SR) 527 Improvements.
 - \$1 million for the NE 85th Street In-line Station.

- \$1.1 million for the SR 167 Corridor Improvements Project.
- **Grand Connection:** The City requested that \$50 million for the Grand Connection be included in any transportation package. Legislators expressed excitement about the project. The Senate's proposed Transportation Budget included new funding for projects and listed the Grand Connection as a potential recipient of new funding. However, the final transportation budget does not fund any new projects but also does not delay projects as significantly as was proposed by the House earlier in the session.

While there was not enough funding to allocate \$50 million, the Legislature did make a Bellevue-specific modification to the laws on tax increment financing to allow the financing tool to be used on the Grand Connection project. This language was included in a [Senate Bill 5801](#).

Additionally, the City requested \$900,000 in the Capital Budget for the Downtown Integration Project on City Hall Plaza. The final Capital Budget includes \$250,000 for the project. While the most stable for revenue availability, there was a high demand for projects to be funded in the budget. Budget writers received ten requests for every one that they were able to fund.

- **SR 520/124th Interchange:** The City joined stakeholders in requesting that \$225-275 million be included in any transportation package for the construction of the interchange at SR 520/124th. The Senate's proposed Transportation Budget included new funding for projects and listed the SR 520/124th Interchange as a potential recipient of new funding. However, similar to the Grand Connection project above, the final Transportation Budget did not include any funding for new projects, including the SR 520/124th Interchange.
- **Digital Permitting:** The City joined other communities to request \$2.7 million in the Operating Budget for the eCityGov Alliance to improve digital permitting. Given the significantly constrained funding in the Operating Budget, this request did not receive funding this session.
- **Mountains to Sound Greenway:** In 2024, the Legislature allocated \$6.6 million in 2025-27 for the Mountains to Sound Greenway Project. The House Transportation Budget proposal threatened to delay this funding until after 2031. The City expressed concern with the delay, highlighting that such a delay would put federal funding allocated to the project at risk. The final Transportation Budget maintains the \$6.6 million in the 2025-27 biennium for the project to allow it to proceed forward as scheduled.

Policy Proposals: Below are the outcomes of policy proposals, categorized to be consistent with the Council's Strategic Target Areas and 2025 Legislative Agenda.

High Performance Government

Property Tax Levy Growth: Efforts to modify the existing one percent cap on property tax levy growth faced considerable debate during the legislative session. A coalition of local

governments and labor organizations advocated for allowing local councils greater flexibility to increase levy growth in line with rising service costs. Several proposals, including [House Bill 2049](#)/[Senate Bill 5812](#), [Senate Bill 5798](#), and [House Bill 1334](#) were considered. However, these proposals encountered substantial opposition from businesses and a significant number of public commenters, with over 40,000 individuals registering their disapproval during public hearings. Republicans also voiced strong objections. While the discussion gained prominence as Democrats explored revenue options for their budget plans, the proposed changes ultimately did not pass. Governor Ferguson's indication of a likely veto on any property tax increase led legislators to approve a revised version of House Bill 2049. This final version did not alter the local property tax levy growth limitations, focusing instead on adjustments to voter-approved property tax levies for school district enrichment programs.

State Shared Revenues: The Legislature honored state-shared revenues, appropriating \$98.9 million in liquor profits, \$88 million in liquor taxes, \$44.2 million in cannabis revenues, \$60.3 million (a slight increase) in the municipal criminal justice assistance account, and \$43.8 million in City-County Assistance to be districted to cities and counties based on a variety of formulas.

Revenue Flexibility: The Legislature approved [House Bill 1791](#), sponsored by Rep. Dave Paul (D-10th LD), which removes prior restrictions on using REET funds for operations and maintenance of capital projects and explicitly allows their use for planning, acquisition, construction, and improvement of facilities for affordable housing and homelessness. The bill was signed by the Governor on April 24 and goes into effect on July 27, 2025.

Artificial Intelligence Regulation: The Legislature considered, but did **not** pass [House Bill 1622](#), sponsored by Rep. Lisa Parshley (D-22nd LD), which would have required employers to bargain over the adoption or modification of artificial intelligence (AI) technologies that impact wages or performance evaluations. It will likely be reconsidered during the 2026 Legislative Session.

Contracting and Procurement: The Legislature enacted several new proposals impacting public works contracting and procurement:

Public Works Bidding Requirements: [House Bill 1549](#), sponsored by Rep. Mary Fosse (D-38th LD), modifies responsible bidder criteria for public works projects to enhance compliance with apprentice utilization and training requirements. The bill requires bidders on projects subject to apprentice utilization requirements to submit an apprentice utilization plan, with templates developed or approved by the Department of Labor and Industries (L&I), and exempts bidders who met utilization requirements on their previous project. It revises training requirements to focus on recent public works experience or completion of specific training, and mandates contracting agencies verify compliance using publicly available information. L&I must publish compliance records and maintain training completion data. Sections of the bill take effect in 2026 and 2027, with phased expiration dates. The bill was signed by the Governor on April 16 and goes into effect on July 27, 2025.

Subcontractor Licensing Requirements: [House Bill 1633](#), sponsored by Rep. Natasha Hill (D-3rd LD), tightens requirements for subcontractor listing and licensing in public works bidding. The bill requires subcontractor names for HVAC, plumbing, and electrical work to be submitted “at” the published bid submittal time rather than “within one hour after.” Prime contract bidders must provide proof of licensing for listed subcontractors, with errors in proof of licensing corrected within 48 hours of submission. It removes outdated provisions, including legislative intent language and reporting requirements, and eliminates licensing as a specific reason for substituting a subcontractor.

Design-Build Bonding: [House Bill 1967](#), sponsored by Rep. Janice Zahn (D-41st LD), clarifies bonding requirements for design-build public works contracts by exempting non-construction services and aligning bond amounts with construction costs. The bill specifies that performance and payment bonds are required only for the construction portion of the contract and must be in an amount no less than the value of that portion. It also provides procedural clarity regarding the timeline for bond submission. The bill was signed by the Governor on April 21 and goes into effect on July 27, 2025.

Vibrant Economy

Tax Increment Financing: In addition to approving the Bellevue-specific modification to tax increment financing statutes to support the Grand Connection project, the Legislature directs the Department of Commerce to convene a work group to develop a common understanding of tax increment financing and make recommendations on improvements and reforms to the economic development tool.

Childcare: The Legislature has been attempting to address the shortage of childcare services, as well as the high cost of childcare. Rather than increasing funding for subsidized childcare services, as has been done in years past, the Legislature opted to pass policies with the goal of removing red tape for childcare providers. They passed [Senate Bill 5509](#), which establishes childcare centers as an outright permitted use in all zones except industrial, light industrial, and open space. They also passed [Senate Bill 5655](#), which changes the way occupancy requirements are determined for a childcare center that operates in a dedicated space within an existing building that has more than one use. While a seemingly insignificant change, it allows more flexibility to provide childcare services in existing facilities.

In addition to these policy changes, the capital budget allocates \$87 million to Early Learning Facilities grants; of that amount, \$51 million is available through a [competitive grant process](#).

Safe & Efficient Transportation

Fuel Tax Revenue Sharing: As part of the final Transportation Budget and associated revenue, the Legislature imposed a 6-cent gas tax increase to the current 49.4 cent rate. The entire higher rate is then inflated 2 percent each year. Of the increased amounts (both the 6-cent and inflationary increases), 2.5 percent is distributed to cities and 2.5 percent is distributed to

counties. This revenue-sharing with locals is significant since recent packages have not provided local distributions. The Legislature considered but did not advance alternative transportation revenue sources, such as a road usage charge or highway fee.

Shared Streets Framework: The Legislature approved [Senate Bill 5595](#), sponsored by Sen. Emily Alvarado (D-34th LD) establishing a framework for “shared streets” where pedestrians, bicyclists, and vehicles share roadway space under modified traffic rules. It allows local authorities to designate nonarterial highways as shared streets, provided they develop procedures for doing so, and permits state highways to be designated as shared streets only if they are primary roads through a central business district. Key provisions include modified right-of-way rules, exemptions from certain existing traffic regulations, and the ability for local authorities to set speed limits as low as 10 miles per hour without requiring a traffic study.

Transit Lane Access: The Legislature considered but did **not** pass [House Bill 1980](#), sponsored by Rep. Janice Zahn (D-41st LD), would have allowed private employer transportation services to apply for access to business access and transit (BAT) lanes in King County. The City supported this legislation and provided public testimony several times. However, behind-the-scenes pushback from transit unions resulted in the bill stalling in the Senate Transportation Committee. The bill will carry over for consideration in the 2026 Legislative Session.

High Quality Built & Natural Environment

Utility Infrastructure: The primary source of infrastructure funding for local governments is the Public Works Assistance Account (PWAA), also referred to as the Public Works Trust Fund. The account is funded through a combination of revenue sources, including a statutory allocation of a percentage of certain taxes, repayments from local government loans, and interest earned. It also receives funding from bond proceeds when authorized by the Legislature. PWAA is a stable account often raided when the state faces budget challenges. The 2025 session was no exception. Both the House and Senate budget proposals included sweeps of funds from the PWAA. Due to the advocacy of local governments around the state, this concept did not advance.

In the 2025-27 budget the Legislature transferred \$288 million from the PWAA to the state’s general fund. All the revenues remain intact and the Legislature provided additional bond authority of \$100 million for the 25-27 biennium. Overall, the Legislature did not make new investments in infrastructure resources but also didn’t eliminate existing resources.

Housing: Continuing efforts from prior sessions, the Legislature dedicated attention to the issue of housing affordability. Throughout the session, Democrat lawmakers concentrated on three key pillars:

- 1) enhancing housing stability for renters (stability),
- 2) increasing the overall housing supply (supply), and
- 3) expanding financial subsidies for housing development (subsidy).

As a result of this emphasis, the Legislature passed [House Bill 1217](#), regulating rent increases.

To address housing supply, the Legislature continued its trend of focusing on local government mandates (detailed below under land use). Additionally, the Legislature made significant investments in the state's Housing Trust Fund, allocating substantial resources to subsidize the construction of affordable housing units across Washington. Here are some highlights:

- \$605 million for the Housing Trust Fund.
- \$90 million for Connecting Housing to Infrastructure (CHIP) grants to local governments.
- \$14.7 million for recovery residences grants.
- \$9 million for youth shelters and housing.
- \$5 million for low-income home rehabilitation grants.

After years of struggling with how best to reform condominium liability laws to spur greater homeownership opportunities, the Legislature enacted [House Bill 1403](#), sponsored by Rep. Jamila Taylor (D-30th LD). The bill introduces changes to implied warranties, express warranties, and the applicability of construction standards for condominiums and multiunit residential buildings. It provides an express warranty alternative for certain condominiums, exempts accessory dwelling units from specific construction standards, and includes transitional provisions phasing in new definitions and standards by 2028.

Land Use: Land use reform has been a top priority for legislators; many of the bills that passed are concepts that have circulated for several sessions. This includes density around light rail and bus rapid transit stops, state review of housing elements, zoning impacting childcare facilities, subdivision reform, and parking requirements.

Transit Oriented Development: The multi-year debate on state-mandated zoning and affordability requirements around light rail and bus rapid transit stops continued in 2025. At the beginning of the session, there were competing bills that focused on the issue of transit-oriented development (TOD). [House Bill 1491](#), sponsored by Rep. Julia Reed (D-36th LD), was ultimately approved by the Legislature. The final version of the bill 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 requirements, and provides exemptions from the State Environmental Policy Act for qualifying developments. It also requires a city to reduce certain impact fees by 50 percent if the project is within a station area and claiming the new 20-year Multifamily Tax Exemption. These changes need to be implemented at each impacted jurisdiction's five-year comprehensive plan check in (for Puget Sound jurisdictions, that is in 2029).

A study was funded during the 2024 Legislative Session for the Joint Transportation Committee to provide recommendations on transit-oriented development policies. This study is due June 30, 2025. It's unclear whether the release of the report will ignite concerns around the newly passed legislation.

Housing Accountability Act: [Senate Bill 5148](#), sponsored by Senator Jessica Bateman (D-22nd LD), introduces state oversight of housing elements and development regulations adopted by counties and cities under the Growth Management Act.

Jurisdictions may voluntarily submit their plans to the Department of Commerce for compliance review, with decisions issued within 90 days. The Department must publish minimum compliance standards within six months of the bill's effective date and may conduct mandatory targeted reviews for up to ten jurisdictions annually based on housing production or diversity criteria.

Child Care Zoning: [Senate Bill 5509](#), sponsored by Sen. Emily Alvarado (D-34th LD), mandates that cities, towns, and code cities allow child care centers as a permitted use in all zones except industrial, light industrial, and open space zones. Reasonable restrictions, such as requirements for pickup and drop-off areas, may be imposed. The timeline on when jurisdictions must comply depends on when a jurisdiction is required to update its comprehensive plan.

Unit Lot Subdivisions: [Senate Bill 5559](#), sponsored by Sen. Liz Lovelett (D-40th LD), streamlines the subdivision process for residential developments by introducing provisions for "unit lot subdivisions" and clarifying related procedures and requirements. The bill requires cities and towns in counties to adopt regulations allowing unit lot subdivisions, mandates clear and objective standards for subdivision approval, and establishes specific implementation deadlines depending on when a jurisdiction is required to update its comprehensive plan.

Lot Splitting: [House Bill 1096](#), sponsored by Rep. Andrew Barkis (R-2nd LD), facilitates administrative lot splitting to expand middle housing and affordable ownership opportunities in cities. The bill allows residential lots to be split into two through a streamlined administrative process without pre-decision public hearings, provided conditions such as compliance with development regulations, mitigation of renter displacement, and restrictions on further splitting are met. The bill establishes specific implementation deadlines depending on when a jurisdiction is required to update its comprehensive plan.

Preemption on Parking Requirements: [Senate Bill 5184](#), sponsored by Sen. Jessica Bateman (D-22nd LD), mandates the amount of parking that cities can require for new development. Residential parking is capped at 0.5 spaces per multifamily dwelling unit and one space per single-family home, while commercial parking is capped at two spaces per 1,000 square feet. No parking may be required for residences under 1,200 square feet, affordable housing, senior housing, licensed childcare centers, small commercial spaces, and certain mixed-use buildings. Accessible parking requirements under the ADA remain unaffected. Cities and counties with populations under 30,000 are exempt, and jurisdictions may request variances based on safety studies certified by the Department of Commerce.

Environmental Stewardship

Recycling Reform Act: After several years of consideration, the Legislature approved [Senate Bill 5284](#), sponsored by Sen. Liz Lovelett (D-40th LD), establishes an extended producer responsibility (EPR) program for consumer packaging and paper products to enhance recycling and reduce waste. Producers must join or form producer responsibility organizations (PROs) to implement and finance statewide programs for waste reduction, recycling, and composting, meeting performance targets for recycling rates, source reduction, and postconsumer recycled content. The bill also requires curbside recycling in urban areas by 2030, mandates equity considerations to reduce service disparities, and includes penalties for noncompliance.

Community Safety & Health

Public Safety Funding: During his campaign and subsequent entry into office, Governor Bob Ferguson pledged to dedicate \$100 million to law enforcement hiring grants. This initiative was advanced to the Legislature through proposals introduced by Republican Senator Jeff Holy and Representative Hunter Abell, [Senate Bill 5060](#) and [House Bill 1435](#). Separately, the Democrat Members of Color Caucus proposed an alternative framework for these grants in [House Bill 2015](#), suggesting that the allocation of grant funding be contingent upon adherence to specific law enforcement training and operational standards, as well as a requirement for local jurisdictions to have established a dedicated local tax to ensure the grants' long-term funding.

After much debate, the Legislature adopted HB 2015, creating a new state grant program and a new councilmanic local sales tax option for funding public safety programs. The final budget allocates \$100 million to the grant program. The bill also allows cities and counties to each councilmanically impose a new .01 increase in the sales tax to fund criminal justice programs.

Basic Law Enforcement Academy: The budget funds 23 Basic Law Enforcement Academy courses in 2026 and 2027, with two per year in each of the four regional training academies in Arlington, Pasco, Spokane, and Vancouver, and the remainder at the main campus in Burien. The Legislature also reinstated the requirement that cities pay 25 percent of the cost of each officer's training. This is a reduced investment from what the Legislature allocated in the 2023-25 budget but is similar to amounts allocated to law enforcement training prior to 2023.

Co-Responders: The Legislature maintained investment levels for co-responder programs by allocating \$4 million to the Association of Washington Cities to provide grants to create alternative response team programs throughout the state. Additionally, the Legislature approved [House Bill 1811](#), sponsored by Rep. Osman Salahuddin (D-48th LD), which enhances behavioral health crisis response by integrating co-response teams and establishing statewide training programs. It defines "co-response" as a multidisciplinary partnership between first responders and human services professionals to address behavioral health crises and complex medical needs, restricts regional crisis lines from dispatching law enforcement, and expands peer support privilege protections to co-response professionals. The bill also directs the University of Washington School of Social Work to establish a crisis responder training academy by January 1, 2026, with statewide expansion by January 1, 2027, offering optional certification

in best practices for crisis response.

Thriving People & Communities

Behavioral Health Investments: There continues to be bipartisan recognition that addressing behavioral health (mental health and substance use) is a key element to improving public safety. Consistent with recent budgets, the Legislature continued to make significant investments in the state's behavioral health system, including \$78.5 million for assertive community treatment (PACT) teams, \$17 million for substance use disorder peer supports, and \$61.2 million to support the housing needs of individuals with behavioral health disorders including crisis response teams, housing programs, recovery navigators, stabilization teams, and more. These investments are all part of a larger vision for the state's behavioral health system to become more community-based and less centered on state facilities.

Individuals also find themselves interacting with the state's behavioral health system if they are suspected of committing a crime, and a court determines that they are incompetent to stand trial. The recent *Trueblood* court settlement found that the state failed to provide timely competency evaluations and restoration services to such individuals. The state allocated \$14.3 million to improve the timeliness of competency evaluation services in local jails, among other investments to comply with *Trueblood*.

Public Camping Ordinances: [House Bill 1380](#), sponsored by Rep. Mia Gregerson (D-33rd LD), did **not** pass in 2025. It would have established a framework for regulating the use of public property by individuals experiencing homelessness, requiring that such regulations be "objectively reasonable" in terms of time, place, and manner. This bill was modeled after an Oregon law passed in response to the Grants Pass decision in the Ninth Circuit (overturned). Throughout the session, the Association of Washington Cities and individual communities voiced strong opposition to the bill.

The bill applies to laws enacted by cities, towns, code cities, counties, and the state, including those governing capitol building lands. It allows individuals to challenge such laws in court or assert an affirmative defense if enforcement is unreasonable, prohibits claims for monetary damages, and includes an emergency clause making the bill effective immediately upon enactment. The bill is expected to come up again during the 2026 session.

May Look Ahead

- Official Candidate Filing Week opens – May 5
- Council Presentation on State Government Relations – May 13
- Association of Washington Cities Legislative Priorities Meeting (SeaTac) – May 16
- Governor's final day to sign bills into law – May 20
- Association of Washington Cities 2025 Legislative Session Recap ([register](#)) – May 22

Revenue Proposal	2025-27	Total 4-Year																											
<p>Capital Gains & Estate Tax - SB 5813</p> <ul style="list-style-type: none"> Applies an additional 2.9% excise tax on an individual's Washington capital gains exceeding \$1m (current rate is 7% making the total 9.9%); 7% rate is maintained for capital gains between \$250,000 and \$1 million. Increases the estate exclusion amount to \$3m (current exclusion is \$2.193m) and then increases it annually with the Seattle CPI. Increases the tax rates for Washington taxable estates of descendants dying on or after July 1, 2025: <table border="1"> <thead> <tr> <th>Washington Taxable Estate Value</th><th>Current Rate</th><th>New Rate</th></tr> </thead> <tbody> <tr> <td>\$0 to \$1,000,000</td><td>10%</td><td>10%</td></tr> <tr> <td>\$1,000,000 to \$2,000,000</td><td>14%</td><td>15%</td></tr> <tr> <td>\$2,000,000 to \$3,000,000</td><td>15%</td><td>17%</td></tr> <tr> <td>\$3,000,000 to \$4,000,000</td><td>16%</td><td>19%</td></tr> <tr> <td>\$4,000,000 to \$6,000,000</td><td>18%</td><td>23%</td></tr> <tr> <td>\$6,000,000 to \$7,000,000</td><td>19%</td><td>26%</td></tr> <tr> <td>\$7,000,000 to \$9,000,000</td><td>19.5%</td><td>30%</td></tr> <tr> <td>\$9,000,000 and up</td><td>20%</td><td>35%</td></tr> </tbody> </table> <ul style="list-style-type: none"> Qualified Family-Owned Business Interest may be deducted from the taxable value of an estate if the deduction is less than \$2.5 million, the business interest exceeds 50% of the decedent's estate, the heir must continue the business for three years from the date of death. 	Washington Taxable Estate Value	Current Rate	New Rate	\$0 to \$1,000,000	10%	10%	\$1,000,000 to \$2,000,000	14%	15%	\$2,000,000 to \$3,000,000	15%	17%	\$3,000,000 to \$4,000,000	16%	19%	\$4,000,000 to \$6,000,000	18%	23%	\$6,000,000 to \$7,000,000	19%	26%	\$7,000,000 to \$9,000,000	19.5%	30%	\$9,000,000 and up	20%	35%	\$321.6 million	\$635.5 million
Washington Taxable Estate Value	Current Rate	New Rate																											
\$0 to \$1,000,000	10%	10%																											
\$1,000,000 to \$2,000,000	14%	15%																											
\$2,000,000 to \$3,000,000	15%	17%																											
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\$6,000,000 to \$7,000,000	19%	26%																											
\$7,000,000 to \$9,000,000	19.5%	30%																											
\$9,000,000 and up	20%	35%																											
<p>B&O Increases, Advanced Computing Surcharge Cap - HB 2081</p> <ul style="list-style-type: none"> B&O on businesses with a gross income over \$5 million is increased to 2.1 percent beginning October 1, 2025. B&O on businesses in the following categories is increased to .5% (currently these categories have a variety of rates between .471% and .484%): manufacturing, extracting, wholesaling, retailing, radioactive waste cleanup, retail of digital goods, research and development by nonprofits, insurance agents, childcare, treatment of chemical dependency, salmon canners, commercial airplanes or components of airplanes or tooling used in airplane manufacturing, printing materials and publishing of periodicals and magazines 	\$2.066 billion	\$5.622 billion																											

<p>other than newspapers, highway and government contractors, cold storage warehousing, and radio and television broadcasting.</p> <ul style="list-style-type: none"> • B&O increase to 1.8 percent for contests of chance. • B&O tax of .5% on businesses with at least \$250 million in Washington taxable income; the tax is only on income in excess of \$250 million and is in addition to other B&O taxes paid. Exempted: income related to manufacturing activities, the sale of food, food stamp purchases, prescription drugs, petroleum products, fuel, timber, and timber products. Farmers and financial institutions are exempt. Taxpayers who pay an advanced computing charge (below) are exempt. • B&O tax on financial institutions is increased to 1.5%. • Under current law, advanced computing businesses with a worldwide revenue in excess of \$25 billion are subject to a 1.22% advanced computing surcharge, and the total amount is capped at \$9 million per year per taxpayer. The tax is increased to 7.5% and the amount per taxpayer is capped at \$75 million per year per taxpayer. By FY 2028, the number of enrollments in computer science in 4-year state universities must increase. 		
<p>Excise Tax on Zero-Emission Vehicle (ZEV) Credits HB 2077</p> <ul style="list-style-type: none"> • <i>Background:</i> Consistent with the Federal Clean Air Act (CAA), Washington has adopted California’s emission standards for new motor vehicles. Manufacturers are required to sell a specified percentage of vehicles that are ZEV or obtain credits equal to that percentage (e.g. 22% in 2025; 35% in 2026; 43% in 2027). Manufacturers can trade credits with other manufacturers and can “bank” credits for up to 4 years for use in a future year, and can be transferred to another state that has adopted California’s emission standards. • 2% excise tax is imposed on ZEV credits sold from one manufacturer to another. • 10% excise tax is imposed on ZEV credits once carried over by a manufacturer to be used in a future model year • Exemptions: Credits transferred to other states are not taxed. Manufacturers with credits under 25,000 for a specific model year. 	\$54.5 million	\$54.5 million
<p>Retail Sales on Services, Nicotine, and Pre-Payment - SB 5814</p>	\$1.46 billion	\$2.993 billion

<ul style="list-style-type: none"> • The following services are classified as “retail” and subject to retail sales and use tax <i>and</i> retailing B&O tax. <ul style="list-style-type: none"> ○ Investigation, security services, security monitoring services, and armored car services, including background checks, security guard and patrol services, personal and event security, armored car transportation of cash and valuables, and security system services and monitoring. This does not include locksmith services. ○ Temporary staffing services (excludes hospitals) ○ Custom software and customization of prewritten computer software ○ Imposes a sales tax on digital automated services, which is any service that primarily involves the application of human effort by the seller, and the human effort originated after the customer requested the service; excludes telehealth and telemedicine services. • Imposes a 3% B&O tax on gross income derived from advertising, which excludes web hosting services and services rendered in respect to printing, publishing, radio, and television. • Imposes a 3% B&O tax on gross income derived from high technology services (IT consulting, custom website development, IT training services and technical support). • Expands the definition of nicotine products to include products that contain nicotine, whether derived from tobacco or created synthetically, and subjects them to the "other tobacco products" tax • Requires taxpayers who file a monthly combined excise tax return with \$3m or more taxable retail sales during the 2026 calendar year to make a one-time prepayment of state sales tax, which must be paid June 25, 2027. 		
<p>Repealing Tax Preferences – SB 5794</p> <ul style="list-style-type: none"> • A B&O tax (.5%) and retail sales tax (6.5% + local sales tax) are imposed on the sale of precious metals (gold, silver, platinum, rhodium, and palladium) and bullion. • A B&O tax is imposed on the gross receipts from the rental or lease of individual self-service storage space at self-storage facilities; 1.5% for businesses with a taxable income of less than \$1 million and 1.75% for businesses with a taxable income over \$1 million. 	<p>\$148.5 million</p>	<p>\$236.7 million</p>

Liquor License Fee Increase - [SB 5786](#)

- License fees for a variety of liquor-consumption activities are increased by 50%.

Marriage License Fee/Domestic Violence Support – [HB 1498](#)

- Imposes a new \$100 fee on marriage licenses

Discover Pass Increase – [SB 5390](#)

- Increases the cost of a Discover Pass from \$30 to \$45.

Mortgage Fee – [SB 5686](#)

- Imposes an \$80 fee for each residential mortgage loan originated, with the exception of reverse mortgage loans issued to seniors over 61.

Public Safety Sales Tax – [HB 2015](#)

- Authorizes cities and counties to each impose a .01 sales tax increase to fund public safety.

School Enrichment Levies – [HB 2049](#)

- *Background:* Schools are funded through state funding and local property tax levies. Local enrichment levies are voter-approved property tax increases to fund elements beyond basic education. The levy is capped at the lesser of \$2.50/\$1,000 AV or a per student amount (depending on school size is either \$3,149.60 or \$3,779.62). The per student amount increases by the Seattle CPI each year. It is that amount that this bill increases, thereby allowing larger local enrichment property tax levies until 2031.
- The bill increases the per student amount to be the Seattle CPI plus \$500 in 2026. For smaller school districts, the increase in 2027-2030 is 3.3 percent above the Seattle CPI. In 2031, all school districts have a maximum per student limit of \$5,035.
- The bill creates a work group and report back on changes to school funding formulas. If state funding does not increase to fund education at a similar pace, schools will be increasingly funded with local levies.

Transportation Revenues – [SB 5801](#) – [Summary Document](#)

- 6-cent increase in the fuel tax in 2026; indexed to 2% increases starting in 2027. Cities and counties each receive 2.5% of the revenue generated

- 3-cent increase in diesel tax in 2026; another 3-cent increase in 2028, and then a 6-cent increase indexed to 2% increase starting in 2029. Cities and counties each receive 2.5% of revenue generated
- \$30 per ton truck weight fee; indexed to 2% increases starting in 2027.
- Passenger weight fee increase for heavier vehicles
- \$4.50 registration filing fee and the \$5.50 title filing fee increased to \$6 and \$6.50, respectively (funding largely retained by counties)
- \$15 title fee increased to \$18; \$8 registration service fee to \$11
- \$6 abandoned RV fee increased to \$8
- Sales tax on motor vehicles increased from .3% to .5%
- Increase in rental car tax from 5.9% to 11.9%, and then adjusted down to 9.9% and applies the increased tax to peer-to-peer car transactions
- 0.5% sales and use tax on RVs
- 8% tax on the portion of the selling price on the value of a vehicle that exceeds \$100,000 and is under 10,000 pounds
- 10% tax on the portion of the selling price on the value of a non-commercial aircraft exceeding \$500,000
- \$1 tire replacement fee increases to \$5
- The penalty for speeding in a work zone is \$125 for a first offense (as opposed to \$0)
- \$9 per year fee for driver's licenses is increased to \$10; and \$1 each year for three years thereafter
- Require transit and ride share vehicles to pay bridge tolls
- Increase 50-cent ferry fare surcharge to \$1 for capital vessels; additional 10 cent increase in 2029
- Impose credit card surcharge on ferry fares