



City of
Bellevue

City Manager's
Office

DATE: September 9, 2025

SUBJECT: State Legislative Update, August 2025

August Primary Results

The August 5 primary election included nine legislative seats created by vacancies, which offered an early snapshot of voter sentiment heading into the November general election. Click [here](#) to see the results of the state legislative races.

At a high level, Democratic appointees performed well, with incumbents such as Senator Victoria Hunt (5th Legislative District - Issaquah), Senator Vandana Slatter (48th LD - Bellevue), and Representative Janice Zahn (41st LD - Bellevue), easily winning their races. However, one notable exception is the 26th LD (Gig Harbor/Kitsap County), where Democratic appointee Deb Krishnadasan was trailing Republican Representative Michelle Caldier by 100 votes on election night and has now pulled ahead by a few hundred votes. This will be a key race to watch in the general election.

Primary results indicate continued Democratic control of the Legislature and suggest a potential shift in policy direction heading into 2026. Several key races may shape the balance and priorities of the next session:

- 48th LD: Senator Slatter's lead over Rep. Amy Walen indicates possible changes in voter preferences in East King County; however, low turnout and polling suggest the general election could yield a different result.
- 33rd LD: A race that reflects differing approaches within the Democratic party, with a close outcome expected in November.
- 26th LD: A competitive primary signals that the general election could be closely contested and may impact the overall composition of the Senate.

For cities, the implications are two-fold: first, legislative control is unlikely to shift, which means broad policy directions on housing, climate, and tax policy will likely stay the course. However, the competitiveness of certain races reflects increased voter engagement and issue sensitivity, particularly around public safety, affordability, and local taxation.

2026 Supplemental Budget Underway

State agencies are actively developing their Agency Budget Requests to submit to Governor Bob Ferguson by September 15. Once submitted, budget requests will be available at [this link](#). Utilizing feedback from state agencies and other stakeholders,

Governor Bob Ferguson will release a 2026 Supplemental Budget proposal in December. His proposal will serve as the starting point for budget discussions during the 2026 session.

The next state revenue forecast will be released in September. By way of background, the June forecast anticipated a decline by approximately \$720 million over the four-year budget outlook. Whether and how to backfill federal cuts to Medicaid, food assistance, and other services is likely to be heavily debated this session. At recent political events, the governor has indicated that it would be challenging to backfill all the federal cuts while maintaining a responsible budget.

As state agencies are developing their budgets, challenges are emerging. One significant forthcoming issue is a significant decline in Model Toxic Control Account (MTCA) revenues. Revenue for the Model Toxics Control Act (MTCA) primarily comes from the Hazardous Substance Tax (HST), which is levied on the first possession of hazardous substances within the state, including petroleum products, certain pesticides, and industrial chemicals. Over 90 percent of revenue is generated from a per-barrel tax on petroleum products. However, current revenue projections show a declining trend, driven by falling oil prices and reduced fuel consumption. MCTA revenue is a primary funding source for Department of Ecology staff, so this decline could place more strain on the state's general fund and result in less revenue available for stormwater and other environmental clean-up efforts funded with this revenue source.

Medicaid Impacts on State Budget

Recent changes to federal law under [House Resolution 1](#) (H.R. 1), also known as the "One Big Beautiful Bill Act," have introduced new requirements and limitations to Medicaid, raising concerns about how these changes will affect coverage and state budgets.

Medicaid is a joint federal-state program that provides health coverage to certain low-income groups. While some populations and services are mandatory, such as hospital care for children and disabled individuals, states can choose to expand coverage with federal approval. Like most states, Washington shares the cost of Medicaid with the federal government, typically splitting expenses evenly.

Under the Affordable Care Act, states were allowed to expand Medicaid to include low-income adults without children, with the federal government covering 90 percent of the costs for this group. H.R. 1 targets this expanded population with new eligibility rules. Starting in 2027, individuals in this group must work, volunteer, or attend school for at least 80 hours per month to maintain coverage, unless they have serious health

conditions or dependent children. States can request a delay in implementing this rule until 2029.

Additional changes include mandatory cost sharing for those with incomes above the poverty line, capped at \$35 per service and 5 percent of family income, beginning in 2029. Eligibility reviews will also become more frequent, shifting from annual to every six months. For long-term care services, the value of a person's home will be capped at \$1 million starting in 2028. Furthermore, taxes on healthcare providers will be reduced over time, and states will be restricted from introducing new ones. Payments to hospitals under Medicaid managed care will also be limited to Medicare rates, which could reduce funding for providers.

Although these changes do not directly affect traditional Medicaid groups like children and disabled individuals, they could lead to reduced enrollment among the expanded population. The Washington State Health Care Authority [recently shared](#) estimates that between 200,000 and 320,000 people could lose coverage, with the state projected to lose billions in federal funding between 2025–2034.

The state legislature will need to decide how to respond. Options include increasing funding to manage administrative burdens, creating state-funded programs for those who lose coverage, subsidizing cost-sharing requirements, or supporting healthcare providers financially. Alternatively, the legislature may choose not to take action. The full impact of H.R. 1 will depend on these policy decisions and how they align with other priorities for the 2026 legislative session. For more information, see [this](#) article from the Washington Research Council.

New Secretary of Department of Social and Health Services Appointment

On August 14, Governor Bob Ferguson appointed Angela Ramirez to be the new Secretary of the Department of Social and Health Services after an extensive national search, including candidates from more than 11 states. Ramirez formerly worked at all levels of government, including working as a Special Assistant to the President in the White House, serving as senior staff on the Biden Presidential Transition, and more recently as deputy chief of staff, then followed by chief of staff at the U.S. Department of Health and Human Services (HHS).

Governor Ferguson's Response to Letter from U.S. Attorney General

In early August, U.S. Attorney General Pamela Bondi sent a [letter](#) to Governor Bob Ferguson, among other states, indicating that there may be legal or funding consequences if Washington State does not modify policies, such as the Keep Washington Working Act, to comply with federal immigration enforcement. On August

19, Governor Bob Ferguson held a [press conference](#) in response to the letter, indicating that he plans to defend the state against any legal action and will not otherwise modify the state's policies. Attorney General Nick Brown and Governor Ferguson have consistently defended the Keep Washington Working Act, which was passed by the Legislature in 2019 and limits state and local law enforcement from assisting federal immigration enforcement efforts. Click [here](#) to read the governor's response letter.

Department of Commerce Housing Regulations

The Department of Commerce has completed rulemaking to implement over [24 pieces of housing-related legislation](#) enacted between 2019 and 2024. Commerce initiated rulemaking in June 2023, and final rules take effect Sept. 20. Click [here](#) to view the rules.

Paid Family Medical Leave Act Rulemaking

The Legislature approved House Bill 1213 during the 2025 Legislative Session, making changes to the state Paid Family Medical Leave Act. The Employment Security Department is now conducting rulemaking to implement the changes. A stakeholder meeting was held on August 28. [Click here](#) to view details.

New House of Representatives Policy on Public Records

On July 30, a new policy was issued that allows lawmakers in the House of Representatives to auto-delete records within 30 days. Only prime sponsors of legislation are required to retain emails sent to or from their office regarding those bills. Emails not sent or received by the prime sponsor are considered transitory and can be deleted at any time. While the Senate is not currently pursuing an auto-delete policy, there are growing concerns about email storage capacity and outdated records management.

By way of background, state news outlets sued the Legislature in 2017 for withholding records from the public and won at the subsequent trial and state Supreme Court. It was in 2018, during the ongoing lawsuit, that lawmakers passed an exemption for themselves which then-Governor Jay Inslee vetoed.

State agencies are fighting a legal battle of their own related to auto-deleting work-related messages in Microsoft Teams after seven days, which limits their capability to search and locate records in response to public record requests. Earlier this year, Governor Ferguson suspended the auto-delete policy in Teams for six months after the state settled a public records lawsuit for \$225,000.

Workgroup on Tax Increment Financing

The Association of Washington Cities is convening an interim work group to discuss tax increment financing. Washington State approved the use of tax increment financing in 2021, becoming the 49th state to allow the economic development tool. Over the past several legislative sessions, special-purpose taxing districts (namely fire districts, port districts, and hospital districts) have expressed concerns about the impacts of tax increment financing on their revenue streams. This month, the work group met with the Department of Revenue and the Washington State Treasurer's Office. Through discussions, it is becoming clear that the relatively new law is potentially being implemented inconsistently across the state. Subsequent meetings are scheduled to develop a consistent understanding of how the tool should be implemented. Legislation may be needed during the 2026 legislative session to ensure consistent understanding and to protect and retain the tool for years to come.

Barriers to Housing Development on Commercial Properties

The 2025-27 Operating Budget included funding for Lieutenant Governor Denny Heck to identify strategies to help public and private developers overcome obstacles to build multifamily housing on existing commercial properties. This work was prompted in part by Senator Emily Alvarado's [Senate Bill 5755](#) and Senator Jeff Wilson's [Senate Bill 5749](#) — two ideas to incentivize redevelopment of vacant and underutilized commercial properties into multifamily, mixed-use communities. The Lieutenant Governor's Office is conducting an [online survey](#) to begin collecting input from stakeholders. Additionally, Lieutenant Governor Heck convened a roundtable with mayors and subject matter experts to identify and understand the challenges facing cities. Mayor Lynne Robinson and staff attended the roundtable.

Look Ahead

- September 16 – Agency decision packages due to the governor
- September 23 – Economic and revenue forecast review
- November 4 – General Election
- 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