



City of
Bellevue

City Manager's
Office

DATE: November 12, 2025

SUBJECT: State Legislative Update, October 2025

OVERVIEW

Legislators are now working in earnest to prepare for the 2026 Legislative Session. In October, several committee work sessions were held and legislators began circulating bill proposals for the 2026 session.

November 4 Election Preview

Four of the nine legislative positions for voters to consider on November 4 are competitive, and will determine the make-up of the 2026 Legislature, as well as be an early indicator of voter sentiment on the recent tax and policy efforts by Democrats. [Click here](#) to read recent media on these races.

The Senate seat in the 26th Legislative District (Kitsap Peninsula, Gig Harbor) is anticipated to be the closest race. Moderate Democrat Deb Krishnadasan, who was appointed to the seat, is being challenged by moderate Republican Michelle Calider, who currently serves in the House of Representatives.

Additional races to watch include: the Senate seat in the 5th Legislative District (Issaquah, East King County) where appointed Democrat Victoria Hunt is being challenged by moderate Chad Magendaz; the Senate seat in the 48th Legislative District (Bellevue, Kirkland, Redmond) where appointed Democrat Vandana Slatter is being challenged by Democrat Amy Walen, who currently services in the House of Representatives; and the 33rd Legislative District House seat (SeaTac, Des Moines, and Kent) where appointed Democrat Edwin Obras is being challenged by Democrat Kevin Schilling.

State Budget Status

The Governor and the Legislature are discussing how to balance the state's budget. As a reminder, the September revenue forecast estimated a \$412 million decrease in revenue for the 2025-27 biennium, pushing the deficit through 2029 to \$903 million. To balance this shortfall, the Governor and legislators will evaluate whether to make budget cuts, increase taxes, or a combination thereof.

In October, progressive Democrats publicly suggested preference to increase taxes over making budget cuts in the next session. These include an income tax on those with a gross income exceeding \$1 million, a wealth tax that would impose a 1 percent tax on worldwide financial assets (e.g., stocks, bonds, mutual funds) held by individuals exceeding \$50 million, or a 5 percent tax on payroll expenses for employers whose payroll is at least \$7 million. While some select legislators are highlighting these proposals, the Legislature increased taxes significantly in the last session and traditionally does not increase taxes during short sessions. By way of background, all members of the House of Representatives and half the members of the Senate face re-election in 2026. Here are some links to media coverage of statements about taxes and the budget:

- [Washington State Standard](#): *Washington State Democrats look at imposing income tax*

- on higher earners.
- [Washington State Standard](#): *Washington Governor Ferguson skeptical of tax increases in 2026.*

The next revenue forecast will be out in mid-November. Some legislators have indicated that the budget shortfall may become greater with an updated forecast.

Following the release of the November revenue forecast, Governor Ferguson will share his proposed supplemental operating, capital, and transportation budgets in mid-December, making mid-biennial adjustments to the state's 2025-27 budgets. The Office of Financial Management is currently evaluating budget requests and adjustments put forward by state agencies.

Department of Revenue (DOR) Updates

DOR Director Announces Retirement

Department Director Drew Shirk announced his retirement effective December 31. Shirk was previously appointed to his position by former Governor Jay Inslee and subsequently reappointed by Governor Bob Ferguson. When he accepted the reappointment, he did so with the intention of retiring in one year. His replacement has yet to be announced.

Guidance and More Litigation for New Sales Tax on Services

On October 1, [Senate Bill 5814's](#) new sales tax on services took effect. This requires businesses to begin collecting sales tax on the following services: advertising services, live presentations, information technology services, custom website development services, temporary staffing services, and more. DOR has continued to release [guidance](#) on the implementation of this new tax. The DOR [presented](#) before the House Finance Committee on October 14 to offer example scenarios on how and when the tax applies to these newly included services. This updated and expanded list of services is expected to generate new sales tax revenues upwards of \$109 million for cities in the first full year of implementation.

The Legislature is expected to consider several bills during the 2026 legislative session to make changes to these new taxes, including both technical/implementation changes and substantive changes mitigating the impacts of the new taxes on nonprofits, small businesses, and others.

Additionally, litigation challenging the constitutionality of the new taxes remains under consideration. On September 9, Comcast filed a suit in Thurston County Superior Court challenging the new advertising tax provisions of Senate Bill 5814, arguing that the tax is unconstitutional, in part on the basis that the bill violates the Internet Tax Freedom Act (ITFA) by discriminating against digital advertising over traditional forms of media.

A second lawsuit was filed by Security Services Northwest, a Sequim-based company, arguing that the new law's implementation moved too quickly and violated due process.

If the Court places a moratorium or finds any of the new taxes in SB 5814 unconstitutional, there will be impacts on the state's 2025-27 Operating Budget. The budget relied on \$1.1 billion to be generated from these new taxes.

Opportunities for Public Comment

Model Public Records Act Rulemaking: State Attorney General Nick Brown has put forth [changes](#) to the model rules that guide governments' responses to Public Records Act requests.

These changes represent an effort to combat backlogs and delayed responsiveness to public records requests and to uphold government transparency. Proposed rules include sorting requests between simple and complex tracks, providing records with an initial five-day response when it is a single, specific record, and addressing the need for making public records accessible for search and production. A formal rulemaking process is underway with a public hearing to be held on Nov. 6.

Housing Accountability Act Implementation: In 2025, [Senate Bill 5148](#) (Housing Accountability Act) was adopted, establishing a voluntary and selected comprehensive review process for housing element requirements and regulations in the Growth Management Act (GMA). This allows the Department of Commerce (Commerce) to select up to ten cities or counties a year for review of housing elements. If found to be out of compliance with state law, local governments may be ineligible for certain state infrastructure grants and loans and must work with Commerce to improve availability of affordable housing or moderate-income housing development. Commerce created a [Draft Selected Review Criteria and Procedures](#) for review and public comment open for feedback through Nov. 14. [A virtual public comment session](#) is scheduled to take place Nov. 4. Commerce expects to finalize these procedures in December.

Housing/Land Use Emerging Issues

Housing Funding and Incentives: Governor Bob Ferguson indicated that one of his top priorities in budget development is to increase the Housing Trust Fund. Additionally, several legislators continue to discuss ways to generate money for affordable housing through real estate excise taxes, land banking, and expanding tax increment financing for affordable housing. There are some discussions around a proposal to make modifications to the parking lots-to-people tax incentive that only applies to cities with a population over 150,000.

Abundant Housing Proposal: Many Democrats have referenced the book [Abundance](#) by Ezra Klein and Derek Thompson to reduce regulations or “cut red tape” to expedite the construction of housing, clean energy projects, and other endeavors of interest. Stemming from these concepts, the Governor’s Office has begun circulating a proposal to pilot reducing regulations for housing projects, such as SEPA, stormwater regulations, tax exemptions, building code compliance, and design reviews.

Local Government Permitting: The 2026 Legislature is inclined to make further changes to permitting and renegotiate the timelines established in [Senate Bill 5290](#) that most jurisdictions recently implemented. In a work session earlier this month, the House Local Government Committee delved deeper into recent permitting legislation while Commerce offered insights into implementation and performance reporting. Commerce reported that they submitted a \$3 million request to the Governor’s Office to continue a grant program to local jurisdictions for permit review and permit system modernization. Recommendations to improve permit processing timelines that were outlined at the work session include clear application checklists, pre-application conferences for complex projects, on-call permitting assistance and coordinator positions, and imposing reasonable fees. Some bottleneck areas contributing to delays were time needed for staff familiarity of new codes, fluctuating permit volumes, multiple reviews, and communication across departments.

Land Use Mandates: The Legislature may consider a series of proposals that continue recent trends of mandating land use changes at the state level. Influential think-tank Sightline has announced that one of their priorities for the upcoming legislative session includes mandating that mobile dwelling units be allowed on all lots ([HB 1443/SB 5332](#)). Additionally, Sen. Jesse

Salomon indicated that he plans to pursue legislation mandating objective development regulations ([SB 5613](#)). A proposal being developed mandates upzones along significant transportation corridors (e.g. Aurora Avenue) that would correlate with the width of the roadway.

Subdivision Reform: The Association of Washington Cities (AWC) and the Master Builders Association have been meeting to discuss legislation making changes to the subdivision statutes. The group discussed providing clear guidance around cities that choose to require a pre-application conference, updating the definitions of “lot” and “block,” encouraging efficient review processes including concurrent review, and clear language on what administrative personnel are empowered to make decisions related to subdivisions.

Economic Development Emerging Issues

Tax Increment Financing (TIF): AWC continues interim discussions on tax increment financing. In October, the group focused on concepts to address concerns raised by special-purpose taxing districts while still allowing the tool to be utilized. Some concepts include requiring all taxing districts to be consulted (but not have veto authority) when a tax increment financing area is developed, requiring mitigation if a taxing district is already at its highest levy rate, and exempting levy lid lifts from tax increment financing. Separately, the Governor’s Office and other stakeholders are exploring tax increment financing to support affordable housing.

Climate/Environment Emerging Issues

Plastic Bag Ban: Rep. Beth Doglio (D-Olympia) held a second workgroup discussion on October 31 to continue developing draft legislation to ban all plastic bags. In 2020, when plastic bags were initially banned, retailers were allowed to offer thicker plastic bags for a 5-cent fee. There are now discussions regarding a bill that would ban thicker plastic bags entirely and charge a fee on paper bags. Considerations during recent stakeholder discussions included exemptions such as thin single-use plastic bags when it makes sense to prevent contamination or takeout that is mostly liquid from spilling. The Washington State Department of Social and Health Services has flagged that clarification is needed to ensure that Electronic Benefits Transfer (EBT) customers are entirely exempt from fees on bags. Looking ahead, policymakers are reaching out to stakeholders and continue to develop proposed language.

Wildfire Funding: Public Lands Commissioner Dave Upthegrove is requesting \$60 million for wildfire funding with the potential for some funds to be derived from the Climate Commitment Act account. By way of background, [House Bill 1168](#) committed lawmakers to direct \$500 million over eight years to wildfire first response and prevention, forest health measures, and fire resilience initiatives focused on buildings and property. In the face of the tight fiscal constraints, the Legislature provided roughly half of the funding amount compared to the last two budget cycles. Commissioner Upthegrove’s request would bring funding for the current two-year budget back to previous levels. About 66 percent of the funds from the current budget provided for fire programs were sourced from Climate Commitment Act dollars.

Wastewater Treatment Plant Nutrient Regulation: The Department of Ecology is proposing new regulations for wastewater plants related to nutrient discharges that require facility upgrades projected to cost more than \$10 billion, resulting in increased utility bills for Washingtonians. AWC asked mayors to sign on to a letter to Governor Ferguson requesting that he support a collaborative process led by the Ruckelshaus Center in his proposed budget. This proposed process would gather all affected parties to work towards an outcome that is

protective of Puget Sound and financially sustainable for ratepayers and residents. Bellevue's Mayor Robinson has signed the letter.

Criminal Justice Emerging Issues

Public Safety Sales Tax Implementation: The Criminal Justice Training Commission (CJTC), which is implementing [House Bill 2015](#) that authorizes \$100 million in grants to allow cities to council manically increase their sales tax to fund public safety, has reported that they've received requests from 11 cities and two counties to verify their compliance with the requirements for eligibility. In every instance, these jurisdictions received a "conditional approval" along with a list of next steps to come into compliance within 180 days. AWC is hosting a webinar with information on how to meet HB 2015 requirements on **November 19**. [Click here](#) to register.

Legislative Work Sessions

House Finance Committee: On October 14, the Committee convened to hear an overview of the Economic and Revenue Forecast Council and a summary of the latest revenue forecast. In addition, the Department of Revenue presented on the application and function of [Senate Bill 5814](#). [Click here](#) to watch the work session on TVW.

House Local Government Committee: On October 15, the Committee held a work session on Environmental Policy Act (SEPA) impacts on local governments and land use. The Committee received an update from the State Building Code Council, as well as a review of recent local government permitting legislation and implementation including a presentation from the Department of Commerce on [Senate Bill 5290](#). [Click here](#) to watch the work session on TVW.

Senate Ways & Means Committee: On October 16, the Committee conducted a work session on H.R. 1, also known as the "One Big Beautiful Bill Act," and the resulting implications of those federal changes as they apply to Medicaid and food assistance programs. [Click here](#) to watch the work session on TVW.

Senate Transportation Committee: On October 16, the Committee held a work session on the Transportation budget and revenue, traffic safety updates, and newly proposed transit and active transportation grant programs. [Click here](#) to watch the work session on TVW.

House Consumer Protection & Business Committee: On October 21, the Committee conducted a work session on earthquake insurance risks to commercial properties. They also heard a presentation from the Washington State Institute for Public Policy on cannabis-related studies and Initiative 502 research and reports. [Click here](#) to watch the session on TVW.

House Community Safety Committee: On October 29, the Committee convened for a work session on the surveying and assessment of crisis response systems in Washington, as well as policy and funding recommendations. [Click here](#) to watch the session on TVW.

Look Ahead

Looking ahead to November and beyond, here are some key dates:

- **November 4** – General Election
- **December 1** – 2026 Legislation can be pre-filed
- **December 4–5** – House & Senate committee assembly days

- **December 8** – Special Bellevue City Council meeting with legislators from the 41st and 48th legislative districts
- **Mid-December** – Governor Ferguson's first budget release
- **January 12, 2026** – Start of the 60-day legislative session
- **January 21-22, 2026** – AWC's City Action Days
- **February 12, 2026** – AWC's Mayors Exchange in Olympia
- **March 12, 2026** – Scheduled end of the legislative session