



City of Bellevue

City Manager's Office

DATE: March 10, 2026

SUBJECT: State Legislative Update, February 2026

OVERVIEW:

February marks the second month of the 2026 Legislative Session, which is scheduled to end Thursday, March 12. In February, both chambers released their respective 2025–27 Supplemental Operating, Capital, and Transportation Budget proposals, each of which has received public hearings and is moving through its respective chamber. Through the end of session, lawmakers will focus on reconciling differences between the proposals to finalize supplemental budgets before adjournment.

Additionally, the Legislature spent the first part of February approving bills in their chamber-of-origin (the House of Representatives approved House bills; the Senate approved Senate bills). Legislators then used the second half of the February considering bills approved by the opposite chamber. To remain under consideration, bills must pass both chambers by March 6.

HOUSE AND SENATE BUDGET PROPOSALS:

Below are brief summaries of the released 2025-2027 Supplemental Operating, Capital and Transportation Budget proposals from the House of Representatives and Senate.

Supplemental Operating Budget Proposals

The 2025-2027 Supplemental Operating Budget proposals from each chamber largely maintain existing programs amid rising costs and revenue challenges. An updated revenue forecast in February projected \$827 million more than previously expected for the current biennium, though lawmakers still face a \$1.8 billion shortfall. The Senate proposes a \$79.3 billion budget, while the House proposes a \$79.2 billion budget.

Senate budget writers do not have a precise number for how much they would cut in the current two-year budget, but they shared that their plan would generate \$2.4 billion in savings over four years, with more than \$800 million of that coming from changes to the childcare program for low-income families. The House proposes spending reductions of that childcare program and estimates its total cuts in the current two-year budget at about \$1.1 billion.

On the revenue-raising side, both the Senate and House pull from the Governor's proposed budget by eliminating tax breaks for data centers, prescription-drug warehousing, and insurer exemptions. On the other hand, both chambers agree on rolling back last year's estate-tax increases, reducing near-term revenue by roughly \$45 million and significantly lowering proceeds in the next biennium. Both proposals also include long-term plans to unwind certain sales tax expansions, but those changes wouldn't take effect until 2030 (subject to the passage of the [millionaires tax proposal](#)).

Review the [Senate's proposed operating budget](#) and the [House of Representative's proposed operating budget](#) for a complete breakdown.

Supplemental Capital Budget Proposals

The 2025-2027 Supplemental Capital Budget proposals from both chambers focused on maintaining previously approved projects and strategically deploying the few remaining dollars. Budget writers in both the House and Senate emphasized that this year's capital budget required significant restraint, with most new local projects funded through housing accounts or Climate Commitment Act (CCA) dollars — not through traditional bonds. The chambers shared priority investments such as housing, climate resilience, clean energy, school modernization and flood preparedness.

The House proposal totals approximately \$910 million, including \$399 million in new debt-limit bonds, while the Senate proposal totals \$723 million, including \$382 million in new bonds. Both budgets leave \$5 million in bond capacity. The House uses \$239 million in account shifts to preserve bond capacity, whereas the Senate relies on a much larger \$1 billion in fund transfers from capital-dedicated cash accounts to the operating budget, backfilling capital accounts with CCA and other resources. Legislators are considering using bond resources to backfill the sweep from the Public Works Assistance Account.

Review the [Senate's proposed capital budget](#) and the [House of Representative's proposed capital budget](#) for a complete breakdown.

Supplemental Transportation Budget Proposals

The 2025-2027 Supplemental Transportation Budgets were developed on a bipartisan basis. While the February forecast shows higher revenues than assumed in the enacted budget due to recent fee and tax increases, revenues have declined for three consecutive quarters most significantly due to reduced fuel tax collections and lower-than-anticipated car and truck registration revenues.

The Senate proposes a \$17 billion budget, an increase of \$1.5 billion from the biennial budget, and the House proposes a \$16.5 billion budget. Neither budget relies on an increase in taxes or fees, though the Senate, through a separate bill, is proposing a new \$1 fee on an optional mobile driver's license. Both budgets utilize climate funding, with the House integrating \$42.5 million across various programs and the Senate explicitly dedicating \$40 million towards new CCA spending. The Senate balances over a 6-year horizon with issuance of bonds in each of the three biennia. The House only plans out 4-years and utilizes "resource smoothing" of the portfolio of local program capital projects, assuming \$227 million in project underspending in the 2025-2027 biennium.

Review the [Senate's proposed transportation budget](#) and the [House of Representative's proposed transportation budget](#) for a complete breakdown.

Association of Washington Cities' Budget Comparison

For further information on the supplemental budget proposals, the Association of Washington Cities (AWC) has created [budget comparison documents](#) for review.

Revenue Proposals

Moving into March, revenue proposals remain at the forefront, including the millionaires tax proposal, [Senate Bill 6346](#). As the bill has advanced through the legislative process, legislators and the governor have been integrating sales tax reductions to improve affordability. The current proposals would exempt hygiene products and diapers from sales tax, and would roll back the sales taxes on services that were enacted during the 2025 legislative session. These sales tax policy changes negatively impact local sales and use tax collections — across all

cities, the impact is greater than \$110 million. AWC asked members of the House to use a portion of the revenue generated by the income tax to mitigate these impacts. As amended by the House Finance Committee, the previously proposed investments in public defense have been reduced. Rather than allocating 7% of total revenues collected, it now proposes to allocate \$150 million to public defense, of which 10% or \$15 million is allocated to cities. The bill advanced from committee with several other amendments. A major change, led by Rep. Shaun Scott (D-Seattle) and supported by [13 representatives](#), eliminated a corporate tax break included in the original proposal.

POLICY PROPOSALS:

Business Access and Transit (BAT) Lanes: [House Bill 1980](#), sponsored by Rep. Janice Zahn (D-Bellevue), allows private employer transportation services to use certain business access and transit-only lanes in counties with populations over 2,000,000 under a fee-for-use, two-year pilot permit system initiated before 2035, contingent on public transportation provider approval and performance standards to protect transit operations. The bill requires public transportation providers, in consultation with local authorities and representatives of one or more labor organizations representing transit employees, to establish operational performance measures for affected lanes, jointly prepare annual performance reports with labor input, and revoke permits if those standards are not met. Permit revenues will first cover local administrative costs with the remainder supplementing existing funding for transit-only lane maintenance and improvements. The bill was unanimously approved by the House as one of the first bills to pass the chamber this session. The Senate Transportation Committee voted on and passed the bill on February 27.

STEP Housing Regulations: [House Bill 2266](#), sponsored by Rep. Strom Peterson (D-Edmonds), requires STEP housing types be permitted in certain zones: transitional and permanent supportive housing in residential zones and zones that allow hotels, and requires indoor emergency shelters and emergency housing in hotel-allowed zones and any additional zones needed to meet projected demand. The bill also only allows cities and counties to require operating agreements in certain circumstances. House Bill 2266 was voted out of the Senate Housing Committee on February 25 with minor amendments and is now in the Rules Committee.

Residential in Commercial Zones: [Senate Bill 6026](#), sponsored by Sen. Emily Alvarado (D-West Seattle), is Governor-request legislation that requires jurisdictions with a population of 30,000 or more, in a fully planning county, to allow residential uses in commercial and mixed-use zones and limits a city's ability to require ground floor commercial. The bill was approved by the House Local Government Committee on February 25 with amendments. Under the amended version, a jurisdiction cannot impose ground floor commercial or mixed-use requirements in more than 40% of the total acreage in areas zoned for commercial or mixed use, excluding transit-oriented development areas and areas that allow buildings of 85 feet. The amendment also prohibits such ground floor requirements on publicly subsidized affordable housing projects, extends the deadline for local governments to comply to 18 months, and bars noncompliant jurisdictions from imposing ground floor commercial or mixed-use requirements until they come into compliance. The House Appropriations Committee held a public hearing on the bill on February 27 where several cities testified as neutral and asked the committee to hold to the version that passed out of the House Local Government Committee and did not make further amendments. The Appropriations Committee is scheduled to vote on the bill on March 2.

Religious Property Housing Density Bonuses: [House Bill 1859](#), sponsored by Rep. Osman Salahuddin (D-Redmond), expands and standardizes density bonus requirements for affordable housing developments on properties owned or controlled by religious organizations. The bill reduces the requirement that 100% of units be affordable to low-income households by allowing projects to qualify if at least 50% of units are reserved for low-income households or at least 20% of units are reserved for very low-income households, clarifies income and affordability definitions, requires affordability requirements and other conditions to be maintained for at least 50 years even if the religious organization no longer owns the property, mandates that cities and counties develop implementing policies upon request from a religious organization, and clarifies that either the religious organization or an entity leasing the property for development is responsible for development-related fees and charges. The Senate Housing Committee voted and passed the bill unanimously on February 25 and on February 28, the Senate approved the bill on third reading on by a 48-1 vote. The Speaker signed the bill on February 28.

Affordable Housing Incentives: [House Bill 1717](#), sponsored by Rep. Mari Leavitt (D-University Place), creates a voluntary local-option sales and use tax remittance program to lower affordable housing development costs, requiring long-term affordability commitments, reporting, and tax recapture if projects fail to maintain compliance. The program begins January 1, 2027, and applies to qualifying projects that receive a certificate of completion on or before December 31, 2036. The Senate Ways & Means Committee is scheduled to vote on the bill on March 2.

Permit Review Streamlining: [House Bill 2418](#), sponsored by Rep. Davina Duerr (D-Bothell), standardizes and accelerates project permit review for residential housing in urban growth areas by vesting applications to the rules in effect at completeness, imposing coordinated timelines, and requiring fee refunds when deadlines are missed. The bill also mandates integrated permit processes by June 30, 2027, a single permit responsible official who must also coordinate State Environmental Policy Act review when the local government is the lead agency, and parallel timing and refund obligations for utilities and special purpose districts involved in permitting. The bill was placed on second reading by the Rules Committee on February 27.

Additionally, [Senate Bill 5729](#), sponsored by Sen. Chris Gildon (R-Puyallup), seeks to encourage construction of affordable housing by reducing permit fees. AWC and cities have been working with the proponents on this legislation to find a balanced approach to reducing unnecessary permit costs while maintaining appropriate guardrails. The House Local Government Committee voted the bill unanimously out of committee on February 25. Senate Bill 5729 is now in the Rules Committee.

Condominium Liability Reform: [House Bill 2304](#), sponsored by Rep. Jamila Taylor (D-Federal Way), is a trailer bill to last session's [House Bill 1403](#) and seeks to reduce barriers to condominium construction by expanding the number of condominium buildings and the sizes of those buildings that are covered under the program. The bill was passed unanimously out of the House on February 26 and will be delivered to the Governor for action in the coming days.

Tax Increment Financing Revisions: [House Bill 2451](#), sponsored by Rep. Davina Duerr (D--Bothell), addresses special district concerns while maintaining and tightening the tax increment financing (TIF) tool. The bill is a result of a stakeholder workgroup convened by AWC last year to discuss how TIF works, what the impacts are, and provide potential revisions to the tool. It makes multiple changes to local TIF rules to clarify project eligibility, require mitigation for affected taxing districts, restructure revenue apportionment, and limit the use of certain multifamily property tax exemptions in increment areas taking effect on or after June 2, 2026. The bill applies its changes prospectively, so existing increment areas are not modified. The bill

was unanimously voted out of the Senate Local Government Committee on February 23. The Senate Ways & Means Committee held a public hearing on February 26. AWC, Washington Fire Chiefs, and the Port of Tacoma described the bill as a carefully negotiated compromise that strengthens TIF while addressing concerns from other taxing districts. They highlighted that the bill preserves TIF as a growth-pays-for-growth tool but adds clearer “but for” standards, improved project analysis and transparency, and mandatory mitigation planning with arbitration to ensure fire, EMS, ports, and other districts are included early and protected from revenue impacts. The Senate Ways & Means Committee is scheduled to vote on the bill on March 2.

Electric Bicycle and Electric Motorcycle Regulation: [Senate Bill 6110](#), sponsored by Sen. Sharon Shewmake (D-Bellingham), narrows the definition of electric-assisted bicycles to exclude vehicles capable of exceeding 20 miles per hour on motor power alone and those designed to be easily modified to exceed existing motor power or speed limits, and direct the Department of Licensing to convene a work group to recommend a regulatory framework for electric motorcycles and similar vehicles by December 15, 2027. Notably, the bill does not include a definition of electric motorcycle. The House Transportation Committee held a public hearing on Senate Bill 6110 on February 26. Supporters of the bill, including Sen. Shewmake, local governments, and statewide associations, argued that rapidly emerging high-speed micromobility devices require clearer state-level distinctions between e-bikes and electric motorcycles, with Sen. Shewmake emphasizing that the bill deliberately defines what *is not* an e-bike and launches an expert work group to design an appropriate e-moto regulatory framework. Testimony from motorcycle, biking, parks, and city organizations uniformly backed the bill while urging amendments, many aligning with the House version, to add representation from recreational e-moto users, adopt an explicit e-motorcycle definition, and enable non-criminal enforcement for youth. Cities and recreation officials stressed that a patchwork of local rules is already emerging, parents often misidentify e-motos as e-bikes, and staff need consistent statewide guidance and education tools to manage safety, enforcement, and access on streets, trails and in parks. The committee is scheduled to vote on the bill on March 2.

Law Enforcement Facial Covering Restrictions: [Senate Bill 5855](#), sponsored by Sen. Javier Valdez (D-Seattle), prohibit law enforcement officers from wearing facial coverings while interacting with the public in the performance of their duties, while allowing limited exceptions for officers working as undercover operatives. On January 28, the Senate approved the bill on a party-line vote. In the House, the bill was placed on second reading on February 27.

Local Government Revenue Tools: [House Bill 2442](#), sponsored by Rep. April Berg (D-Mill Creek), authorizes new sales and use tax authority for services for children and families, authorizes a new county property tax levy for public health clinic expenses, expands uses of real estate excise tax uses to include nuisance abatement, expands uses of [House Bill 1590/House Bill 1406](#) funds, extends the maximum length of levy lid lifts, and expands uses of revenue from a county imposed rental sales tax. On February 17, the bill passed the House floor by a vote of 53-44. The Senate Ways & Means Committee held a public hearing on the bill on February 26 and is scheduled to vote on the bill on March 2.

Additionally, [Senate Bill 6027](#), sponsored by Sen. Alvarado (D-West Seattle), expands the uses of House Bill 1590/House Bill 1406 funds so local jurisdictions have additional flexibility to support affordable and supportive housing. The House Finance Committee held a public hearing on SB 6027 on February 26 and is scheduled to vote on the bill on March 2. It is anticipated that SB 6027 and HB 2442 will be harmonized or the elements of one will be incorporated into the other for final passage as they make similar changes to the same underlying statute.

March Look Ahead

Looking ahead to March:

- Opposite Chamber Fiscal Committee Deadline on March 2
- Opposite Chamber Deadline on March 6
- Session Adjourns – Sine Die on March 12
- Session Wrap-up Presentation to Council on March 24