



City of Bellevue

City Manager's Office

DATE: May 12, 2026

SUBJECT: State Legislative Update, April 2026

May Filing Week: Candidate filing window opened May 4 at 8:00 a.m., and closed May 8 at 5:00 p.m. All 98 House seats and 24 of 49 Senate seats are up for election. In addition to legislators seeking re-election, 14 House seats and five Senate seats are open due to retirements or members seeking other offices. Several notable open seats have emerged from retiring incumbents, including Rep. Timm Ormsby (D-3rd LD), Rep. Suzanne Schmidt (R-4th LD), Rep. Mike Volz (R-6th LD), Rep. Jenny Graham (R-6th LD), Rep. Steve Tharinger (D-24th LD), Rep. Michelle Valdez (R-26th LD), Rep. Larry Springer (D-45th LD), Rep. Sharon Wylie (D-49th LD), Sen. Rebecca Saldana (D-37th LD), Rep. Carolyn Eslick (R-39th LD), Sen. Sharon Shewmake (D-42nd LD), Sen. Steve Conway (D-27th LD), Sen. Matt Boehnke (R-8th LD), and Sen. Judy Warnick (R-13th LD). All have announced that they will not seek re-election and either plan to retire or pursue a position outside the Legislature. In many cases, members serving in the House of Representatives are choosing to run for the Senate, creating more open seats in the House.

Five of the nine Washington Supreme Court seats are on the ballot, a detail of relevance given that the Court will ultimately rule on the constitutionality of the millionaire's tax, making judicial races unusually prominent in this cycle's political conversation. Additionally, nine of Washington's ten congressional seats are contested, with the 4th Congressional District representing the only open seat following Rep. Dan Newhouse's retirement. The 3rd Congressional District is shaping up as a competitive race with candidates from both parties and an intra-party Democratic challenge.

The ideological fault lines within the Democratic caucus are expected to play out visibly in several legislative primary races where incumbent Democrats face challenges from within their own party. The outcome of those intra-party contests will signal the direction of the caucus on issues including housing, taxation and local government authority heading into 2027.

State Credit Rating: On April 24, Moody's revised Washington's financial outlook from stable to negative, stopping short of lowering the state's triple-A bond rating but issuing a formal warning that the rating is at risk if current state budgeting practices continue. The agency's concern centers on a recurring pattern of spending more than the state takes in and filling the gap with reserves and one-time maneuvers. Total reserves are projected to fall from \$2 billion last July to just \$558 million by July 2027, well below State Treasurer Mike Pellicciotti's recommended floor of 10% of general fund revenues. Not all credit analysts share that level of alarm, though. S&P Global issued its own report maintaining a stable outlook, acknowledging that draining reserves could limit the state's flexibility in a downturn but concluding that the state remains well-positioned to maintain its credit stability.

Legal Challenge to the Income Tax: As expected, a legal challenge has been filed against the millionaire's tax, [Senate Bill 6346](#), that was approved by the 2026 Legislature and is assumed in the four-year budget outlook to provide approximately \$3 billion annually beginning in 2029. The income tax is scheduled to take effect January 1, 2028, with payments due the following year. Revenue uses include expanding the Working Families Tax Credit to an estimated 810,000 lower-income households, dedicating 5% of annual proceeds to the Fair Start for Kids Act beginning in 2029, exempting businesses grossing less than \$300,000 from the state's main business and occupation tax, as well as eliminating sales taxes on diapers, personal care products, and many over-the-counter drugs starting January 1, 2029.

The Citizen Action Defense Fund has filed a legal challenge against SB 6346 in Klickitat County Superior Court arguing it is unconstitutional under the 1933 Culliton precedent, which held that income is property under the state constitution and is therefore subject to the uniformity clause, meaning that the same rate would need to apply to all income levels. Former Attorney General Rob McKenna is leading the litigation. Senate Majority Leader Jamie Pedersen, the bill's prime sponsor, acknowledged the challenge was "expected and welcomed," noting that a central purpose of the legislation was to invite the Supreme Court to revisit the century-old precedent.

Separately, Brian Heywood of Let's Go Washington filed a referendum on the day of signing, but because the law contains a "necessity clause" preventing a referendum, the Secretary of State's Office formally rejected the filing. Heywood proceeded to bring litigation to remove the language and has indicated he will pursue an initiative to derail the law either this year or next if the referendum route fails. The Supreme Court issued their ruling on May 4, denying the request to pursue a referendum. Those seeking to overturn the proposal by voter may still utilize the initiative process, but that path to challenging the law requires twice as many signatures to advance.

SB 6346 has a direct connection to local government revenues. The bill's sales tax reductions, including the elimination of sales taxes on diapers, personal care products, over-the-counter drugs, and most retail sales taxes on services beginning January 1, 2029, will reduce local sales tax collections, as local sales taxes are tied to the state base. The Legislature acknowledged this impact directly in Section 1(12) of the bill, which states the Legislature's intent is to create a City and County Fiscal Health Account for future transfers from the general fund to mitigate a portion of the revenue loss to local governments. Any transfers to local governments from this account would be unrestricted and available for general use. However, this is currently a statement of legislative intent only, not an enacted appropriation. The final budget's four-year outlook (FY 2027–29) does include a line item titled "Local Government Fiscal Health" with an intent to transfer \$200 million from the general fund to the new account. If the law is struck down by the courts, both the sales tax reductions and the associated local fiscal health mitigation would not take effect.

Legal Challenge to the LEOFF 1 Pension Transfer: On April 30, retired police officers and firefighters filed a federal class action lawsuit challenging [House Bill 2034](#), approved during the

2026 session. The legislation dissolves the existing LEOFF 1 fund in mid-2029 and reconstitutes it at 110% of projected member obligations, freeing up an estimated \$3.9 billion in surplus, \$880 million of which was earmarked to replenish the Budget Stabilization Account that state credit rating agencies flagged as dangerously low. The system is available to police officers and firefighters hired before Oct. 1, 1977. A separate pension fund, unaffected by the new law, covers those who started work after that date. There are approximately 6,000 members in the plan. The plan was funded 80% by the state, and 20% by local governments and plan members. The Office of the State Actuary, in its fiscal note on the legislation, warned that restructuring elevates the probability of an unfunded liability emerging by 2045 from 5% to 40%. The legal challenge argues that the bill violates state contract law and that the funds within the pension account can only be spent on the account's beneficiaries.

Association of Washington Cities (AWC) Legislative Priorities Committee (LPC): The LPC met on May 1 to begin developing AWC's 2027 Legislative Agenda. Councilmember Sumadiwiryra represents Bellevue on the LPC. The LPC will continue meeting throughout the spring and summer to develop a draft agenda for consideration by the AWC Board in September. At this initial meeting, committee members reflected on the 2026 Legislative Session, expressing a consistent concern that cities are being left out of key legislative discussions, particularly on land use, tax policy, public safety, and other high-impact issues. There was also broad concern about the pace and volume of land use changes, with members noting that continual policy shifts make long-term planning difficult for cities, create uncertainty for local builders, and consume significant local government resources. Members emphasized the importance of greater predictability and more meaningful engagement with cities before major policy proposals are advanced.

Looking ahead to 2027, the Committee coalesced around elevating **financial stability and city budgets** as a central priority. Members emphasized the need for a focused and disciplined fiscal strategy, recognizing that many policy issues — including public safety, infrastructure, and economic development — ultimately tie back to city revenue capacity and long-term budget sustainability. There was strong alignment around prioritizing revenue, defending against unfunded mandates, and pursuing both short-term mitigation strategies and longer-term structural reforms to improve the stability of city budgets.

Members also discussed the impacts of recent state tax policy decisions, with specific discussion of the impacts of the adopted Millionaires' Tax (SB 6346). In addition to advocating for full mitigation of these impacts, members emphasized the need for a broader conversation around long-term budget stability for cities. This includes exploring structural tax reform, potential statewide workgroups to evaluate new fiscal models, and identifying a small number of widely supported, high-impact priorities that can unify cities. There was also interest in improving legislative process and accountability, including earlier stakeholder engagement and tools to better track and communicate how legislative actions impact cities.

Other major themes and topics that were raised included rising utility rates and underlying regulatory drivers, public safety funding pressures (including police staffing and public defense),

infrastructure and Public Works Assistance Account protection, flexibility in existing revenue tools (such as lodging tax), emerging policy areas like short-term rentals and [kratom](#), and the need for state investment in local government technology to improve permitting timelines and service delivery.

Department of Housing Task Force: In December 2025, Governor Ferguson signed [Executive Order 25-12](#), creating the Washington State Task Force on the establishment of a Department of Housing. The Task Force is charged with developing recommendations for a new cabinet-level housing agency focused on expanding housing supply, better aligning state housing programs and addressing housing needs across Washington. The Task Force must deliver a final report to the governor and Legislature by November 15.

The Task Force includes 19 members appointed by state leaders, representing the Governor's Office, key state agencies, the Legislature, AWC, Washington State Association of Counties, housing authorities, tribal governments, and both nonprofit and for-profit housing development sectors. Task Force meetings are held virtually on the second Wednesday of each month, with the next meeting scheduled for May 13.

A new Department of Housing could fundamentally reshape how the state develops, funds and enforces housing policy. Cities would need to engage with a new agency, understand its regulatory authority, and monitor whether its creation shifts more state housing mandates onto local governments. [Click here](#) to learn more.

Paid Family & Medical Leave: Governor Ferguson signed [House Bill 2345](#) on March 11, making technical changes to Washington's Paid Family and Medical Leave (PFML) program in response to IRS guidance issued last year pertaining to state-run paid leave programs. The legislation was requested by the Employment Security Department (ESD).

The core change is a technical accounting adjustment that moves employer contributions from the medical leave portion of the program's premiums to the family leave portion. Total premium contributions for both workers and employers are unchanged for the current year. Without the adjustment, certain medical leave payments from the state would have been subject to federal employment taxes such as Social Security, creating tax liabilities of up to \$30 million annually that would have either been drawn from the state's Paid Leave Trust Fund or passed on to employers. Because employer contributions for paid family leave are not subject to federal employment taxes, shifting employer contributions from the medical to the family leave side eliminates that federal tax exposure.

The new law will affect the 2027 premium rate split but does not change the current premium rate or contribution structure. ESD will announce the 2027 premium and detailed premium calculations by mid-November for employer implementation. ESD has noted it will provide additional guidance to employers on implementing the new premium split later this year.

Policy Highlights

Liability Reform Recommendations: Liability reform was a significant topic during session, with multiple bills considered addressing civil liability exposure for public and private entities across multiple policy areas, including housing development, public safety and infrastructure. The Legislature allocated \$50,000 to the Office of the Administrative Hearings for the purpose of exploring, reviewing and considering options to improve existing systems and processes related to adjudicating claims for tortious conduct against the state or its political subdivisions. A report from this committee is due November 1, 2026.

E-Motos – Department of Licensing Workgroup: [Senate Bill 6110](#), sponsored by Sen. Sharon Shewmake (D-Bellingham), was signed by Governor Ferguson on March 23, with an effective date of June 11. It addresses the growing use of high-powered electric motorcycles, commonly called "e-motos", that are frequently marketed as similar to electric-assisted bicycles but are significantly faster and more powerful, creating confusion about how each type of vehicle should be regulated.

SB 6110 does not define "e-moto", which cities had hoped to see enacted this session, but takes an important first step by updating the definition of electric-assisted bicycle to explicitly exclude two categories of vehicles: any vehicle capable of exceeding 20 miles per hour on its electric motor alone, and any vehicle designed or easily configured by the manufacturer or seller to fall outside the legal definition of an e-bicycle. The bill directs the Department of Licensing to convene a stakeholder workgroup representing transportation, safety, state, local and tribal government, law enforcement, parks, trails, bicycles, and motorcycles. The workgroup must submit an interim report with recommendations and draft legislation defining "e-moto" to the Legislature and governor by December 15, with a final report due by October 31, 2027. AWC staff and city members will actively participate in the workgroup.

Court Unification Task Force: The Legislature passed [House Bill 1909](#), sponsored by Rep. Jamila Taylor (D-Federal Way), effective June 11. It establishes a nearly 40-member Court Unification Task Force to conduct a comprehensive review of the current court structure, which includes separately managed supreme, appellate, superior, district, and municipal courts, and evaluate whether centralizing some or all court administration would improve access, consistency and cost efficiency for those navigating the legal system.

The Legislature found that Washingtonians face real barriers from the current fragmented structure, including inconsistent local court rules, uneven adoption of technology for remote filing and hearings, and funding disparities that produce inequitable outcomes across jurisdictions, particularly for rural residents, low-income litigants, and those relying on public defenders. The bill was also prompted in part by the mounting pressure cities and counties face in funding their share of courts as new indigent defense standards take effect. The Task Force is co-chaired by the Chair of the House Civil Rights and Judiciary Committee and the Chief Justice of the Washington Supreme Court. It must submit a preliminary report by June 30, a final report by June 30, 2027, and the authorizing statute expires December 31, 2029. The Task

Force may form subcommittees on topics including court technology, capacity and funding, and small and rural courts.

AWC appoints three city members to the Task Force, one representing a city of 500,000 or more, one representing a city between 100,000 and 500,000, and one representing a city under 100,000, ensuring cities of all sizes have a direct voice in the process. Cities that operate municipal courts have a direct financial and operational stake in whatever the Task Force recommends. Municipal courts are primarily city-funded and handle the bulk of traffic infractions, misdemeanor offenses, and civil violations arising from city code enforcement. Any restructuring that consolidates municipal courts into district courts could shift costs and responsibilities in ways that significantly affect city budgets and the ability to prosecute local ordinance violations.

Sheriff Standards Law Partially Blocked by Court: [Senate Bill 5974](#), sponsored by Sen. John Lovick (D-Mill Creek), establishes standards for county sheriffs, police chiefs, and town marshals, and extends to elected law enforcement executives the same certification requirements that already apply to rank-and-file officers. Governor Ferguson signed the bill into law on April 1, but it has since been blocked by two separate preliminary injunctions from a Thurston County judge, leaving it effectively on hold as the state prepares to appeal.

On April 29, Thurston County Superior Court Judge Christine Schaller issued the first injunction in a lawsuit brought by four eastern Washington sheriffs. That ruling blocked Section 9 of the bill, which is the decertification and removal provisions, along with the new candidate eligibility requirements, including the minimum age of 25 and five years of law enforcement experience requirement.

On May 2, Judge Schaller issued a second injunction in a separate case brought by the Washington State Sheriffs' Association and two candidates for sheriff. Neither would meet the five-year experience requirement under the new law. Though both cases were randomly assigned to the same judge, Schaller noted the cases raised overlapping but distinct challenges and said her Friday ruling was made independently of her Wednesday decision.

The state constitution, she found, sets only limited eligibility requirements for county sheriffs as constitutionally created positions, and only a constitutional amendment, not legislation, can impose additional qualifications for those offices. Schaller contrasted the new sheriff standards with every other elected county position in the state, which requires only residency and voter registration to file, and noted that no similar professional qualifications are imposed on legislators or the governor. While acknowledging that the Legislature's stated goals of professionalism and public trust in law enforcement were reasonable, Schaller concluded that the approach taken suggested the Legislature did not trust Washington voters to make those judgments themselves at the ballot box.

The state, represented by an assistant attorney general, defended the Legislature's authority to impose eligibility criteria and argued the law did not determine the outcome of any election but simply established a baseline qualification standard. The state intends to appeal both rulings.

Automated License Plate Readers (ALPR): [Senate Bill 6002](#), sponsored by Sen. Yasmin Trudeau (D-Tacoma) with a companion House bill sponsored by Rep. Osman Salahuddin (D-Redmond), passed and was signed into law with an emergency clause, taking effect immediately. The law creates the state's first regulatory structure for ALPR systems. Key provisions include:

- ALPR data must be deleted within 21 days, with specific shorter retention periods for parking enforcement (12 hours), commercial vehicle enforcement (four hours), and traffic studies (30 days);
- ALPR use is prohibited for immigration investigation or enforcement, tracking protected activities such as free speech, or collecting data near protected health care or immigration facilities;
- data is generally exempt from public records disclosure except for research purposes;
- and by July 1, 2027, the state Attorney General must develop model ALPR policies, which agencies must adopt by December 2027.

The bill was prompted by multiple concerns, including federal immigration enforcement agencies accessing ALPR data in potential violation of the Keep Washington Working Act, a Skagit County court ruling that ALPR data is a public record subject to broad disclosure (prompting a surge of records requests), and documented cases of ALPR data being misused to stalk individuals. AWC worked with the Legislature and bill sponsors to refine the bill to balance privacy concerns with public safety needs.

More than 80 cities, six counties, and three tribal governments in Washington contracted with Flock Safety and other ALPR vendors as of 2025. Cities operating ALPR systems must now comply with the new data retention, use, and sharing requirements. All agencies must adopt Attorney General model policies by December 2027.

May Look Ahead

- Candidate filing on May 4 – May 8
- [East King Chambers Coalition's Legislative Wrap-up on May 5](#)
- Last day to file a declaration of candidacy on May 8
- Final day to withdraw from the ballot on May 11