



City of Bellevue

City Manager's Office

DATE: April 14, 2026

SUBJECT: State Legislative Update, March 2026

OVERVIEW

The legislative session convened on January 12 and adjourned 60 days later on March 12. During the short session, lawmakers focused on two primary responsibilities: adopting supplemental operating, capital, and transportation budgets; and debating and advancing legislation.

From a city perspective, the results of this past session indicate several trends:

- Continued its pattern of passing land-use mandates without attached funding. However, in refining several proposals, lawmakers incorporated more city input than they have in recent years.
- Declined to offer broad financial support for cities facing budget pressures, though it did pass a modest fiscal-flexibility measure ([House Bill 2442](#)) that introduces a few new revenue options that may help a small number of municipalities.
- Preserved most, though not all, state accounts that share funds with cities. However, the Legislature did not fully compensate for the expected financial losses that will occur once sales tax exemptions tied to the millionaires' tax go into effect.

The session was largely defined by Democrats' push to overhaul the state's tax structure. That effort culminated in final legislative approval of the millionaires' tax ([Senate Bill 6346](#)), which imposes a new 9.9% tax on household income above \$1 million.

Democratic leaders advanced a slate of bills aimed at insulating the state from shifting federal policies. Lawmakers approved measures restricting the release of voter data, prohibiting law enforcement officers from concealing their identities while performing official duties, and anchoring vaccine guidance to state-level health authorities rather than federal directives. Additionally, the budget allocates \$380 million to food assistance and Medicaid to counter funding reductions from the federal government. Democratic leaders described these actions as necessary to protect civil rights and public health.

In total, legislators introduced 1,238 bills during the session and enacted 268 into law. Despite declaring the short session largely successful, Democratic leaders acknowledged that several major issues remain unresolved and are likely to resurface next year. These include regulating data centers more comprehensively, managing rising legal costs facing the state, stabilizing funding for public defense, revisiting public school funding, and securing long-term funding for ferry construction.

For Republicans, the session was largely defined by opposition. With limited leverage as the minority party, lawmakers relied heavily on procedural tactics and amendment strategies to slow or challenge Democratic priorities. That approach was most visible during the marathon House debate over the income tax bill, which stretched more than 24 hours and ranked among the longest floor debates in state history.

SUPPLEMENTAL BUDGETS

Legislators' budget work focused on making mid-biennial adjustments to the biennial budgets adopted during the 2025 session. The state's fiscal biennium begins July 1, 2025 and ends June 30, 2027. Funding from the millionaires' tax (Senate Bill 6346) will not be available within this timeframe; if implementation proceeds without successful legal challenges, funding from that proposal will be available in 2028, impacting the 2027-29 budget.

2025-27 Supplemental Operating Budget: The legislative session commenced with lawmakers confronting a persistent multiyear challenge - balancing the state's Operating Budget. Expenditures associated with state programs, many of which were expanded in recent years, continued to rise while revenue growth softened. Additionally, changes to federal policies meant fewer resources were available for state services. The primary task of the short session was updating the 2025-27 biennial budget to account for these changes.

Although the February revenue forecast offered slightly improved expectations due to stronger than anticipated early collections from tax measures enacted in 2025, state economists cautioned that the cost of maintaining existing programs in K–12 education, health care, and long-term care costs continues to outpace projected revenues. Budget writers indicated early in the legislative session that they would not entertain requests for new projects or programs, and that their focus would remain on funding existing programs. The state also faces approximately \$1 billion in legal settlements for various claims that have been brought against the state for wrongdoing.

The supplemental operating budget authorizes an additional \$2.3 billion in spending, bringing the biennial budget to \$80.2 billion. To achieve a balanced Operating Budget, legislators relied on a combination of targeted program reductions, inter-account transfers, and new revenues generated by eliminating select tax preferences, including those affecting data centers, prescription drug wholesalers, and insurance carriers.

The enacted budget uses \$880 million from the Budget Stabilization Account and transfers an additional \$375 million from the Public Works Assistance Account (PWAA) to the state general fund. The Budget Stabilization Account is backfilled using excess funds from the LEOFF 1 retirement system, and the PWAA is backfilled with capital budget bond revenues. For a full list of account transfers and legislation impacting revenue, [click here](#).

Despite these adjustments, the state faces a projected \$878 million deficit in fiscal year 2027 — a challenge for next year's legislature, pending updated revenue forecasts. This deficit would significantly expand if the high earner income tax were invalidated by the courts or overturned by voters. The only reason the state is not required to have a four-year balanced budget is that it utilized the Budget Stabilization Account during this biennium, which temporarily exempts it from the statutory four-year balance requirement.

Local Government Fiscal Health: In the four-year outlook, budget writers included language outlining their intent to transfer \$200 million from the state's general fund to a new account called Local Government Fiscal Health. The intent of this allocation is to help offset some of the local tax reductions from the implementation of the sales tax exemptions included in Senate Bill 6346, the high-earner income tax. This amount fully mitigates local jurisdictions for the exemptions on hygiene products, diapers and other baby products, and over-the-counter medications. It does not mitigate the impact on local jurisdictions from repealing the sales tax on services enacted in 2025; cities began receiving increased sales tax collections from that tax

change in Q1 of 2026. The \$200 million would be shared between cities, counties, and transit agencies via a formula that is yet to be determined.

Other notable expenditures in the supplemental operating budget include:

- Roughly \$1 billion to cover the state's self-insurance liability costs.
- \$15 million for grants to permanent supportive housing providers for operations, maintenance and service costs.
- \$25 million for Immigrant, Refugee, and New Arrival Supports.
- \$18 million for state employee collective bargaining agreements.
- \$82.4 million to the Disaster Response Account.

To view the summary of expenditures and reductions included in the supplemental operating budget, [click here](#). To view the text of the supplemental budget, [click here](#).

Millionaires' Tax: [Senate Bill 6346](#), which imposes a new 9.9% tax on household income above \$1 million also exempts hygiene products, diapers, and over-the-counter medications from sales taxes; expands those eligible for the small-business business and occupation (B&O) tax exemption and the working families tax credit; and removes the B&O tax surcharge on food wholesalers, health care services, hospitals and prescription drug resellers. The bill also proposes removing a sales tax on services enacted in 2025. The bulk of the funding generated – which is projected to raise between \$2.7 billion and \$3.8 billion per fiscal year – would largely go into the state general fund with 5% dedicated to the state's childcare/early learning fund. Intent language is included directing some of that funding to fully fund free breakfast and lunch in K-12 public schools. Supporters argued the measure begins to address Washington's long-standing reliance on regressive revenue sources, while Republicans warned it could open the door to broader income taxation. The bill is expected to be legally challenged, with opponents arguing that income is property and, therefore, a tax that does not apply to all taxpayers is not uniform and not in conformance with the State's constitutional requirement that all property taxes be uniform. The State Attorney General Nick Brown will defend the constitutionality of the law and will likely argue that income is not property, but a stream of revenue. In addition to enacting the above high-earner income tax, the Legislature also repealed increases to the state estate tax that were enacted in 2025, citing that the increases had made Washington State an outlier amongst other states.

2025-27 Supplemental Transportation Budget: Transportation Budget writers faced another challenging year in developing a balanced budget that meets the state's transportation needs now and into the future. In the 2025 session, the Legislature adopted a 6-cent fuel tax increase and a variety of other fee increases. This resulted in an estimated \$4.4 billion increase in revenue for the next three biennia. However, in the last three revenue forecasts, that estimate has been lowered by \$843 million. Said otherwise, 20% of the projected increase in resources from the 2025 session's fee increases have been offset by decreased projections since then. The primary reason for the lower projection is declining fuel consumption. Fuel tax collections represent 40% of the total forecasted revenues, which limits overall available transportation resources.

In developing the supplemental transportation budget, the top priority for Governor Ferguson and Democrats and Republicans from both chambers was increasing investments in preservation and maintenance of the state's highway system, including ferries. The supplemental transportation budget appropriates \$16.6 billion, an increase of \$1.2 billion over the biennial budget. Of the total, \$10.2 billion (61%) is dedicated to capital projects and programs and \$6.4 billion (39%) to operating programs. The budget includes \$1.5 billion in new

bond authority, sufficient to provide capacity for \$200 million in highway maintenance, \$1.3 billion in highway preservation and \$28 million in ferries preservation through the 2029-31 biennium. Additionally, to provide clarity and certainty for long-term planning, the supplemental budget plans for the next 3-biennia, through 2031. Click [here](#) to access Supplemental Transportation Budget documents.

Highway Preservation and Maintenance: For the current biennium, the supplemental budget allocates an additional \$40 million for the WSDOT Highway Maintenance Program and \$300 million for the Highway Preservation Program. In addition to these amounts, there is \$65 million in federal funding for state highway flood recovery and \$45 million for local highway flood recovery (\$30 million for county and \$15 million for city). These funds are specified for transportation infrastructure damaged during the December 2025 weather events.

Ferries: The state's ferry system includes 20 marine terminals and 21 car and passenger ferries with an average age of over 33 years. The supplemental budget allocates an additional \$4 million for preservation of ferries in the current biennium and doubles that amount in each subsequent biennia, for a total of \$28 million over 6 years. The budget advances \$29 million of previously allocated Climate Commitment Act resources to complete the construction of new hybrid electric ferries, with the first ferry anticipated to be delivered by 2030.

In contrast to the governor's budget, which provided funding for three new ferries, the supplemental budget allocates \$750,000 to the Joint Transportation Committee to convene a work group to consider options for long-term, financially sustainable vessel preservation and replacement. The work group's initial report is due to the governor and Legislature by December 15. The budget also includes \$500,000 for a feasibility study regarding the establishment of state owned or leased dry dock facilities which would enable WSDOT to control scheduling for maintenance of the ferry fleet.

Local Project Impacts: The supplemental budget makes no new investments in transportation projects at the state or local level. However, the budget includes intent to increase funding by \$107 million for the Regional Mobility Grant Program and the Rideshare Grant Program in the next two biennia. The application window for the Regional Mobility Grant Program is already open, and the signal of increased investment means there will be additional funding awarded in the upcoming cycle. Click [here](#) to learn more about the Regional Mobility Grant Program.

The final budget also incorporates the budgeting tool referred to as "resource smoothing" which assumes an \$180 million underspend of the Local Programs project list for the current biennium. This amount is invested elsewhere in the budget.

Traffic Safety & Enforcement: The biennial budget reduced funding for the Washington State Patrol (WSP) due to staff vacancies and the supplemental budget restores \$2.7 million of that reduction. An additional \$11 million is provided to WSP for capital and operational improvements. Other traffic safety-related investments include:

- \$250,000 for WSDOT to develop a Megaproject Safety Program implementation plan.
- \$234,000 to report crash data and wrong-way driving violations at locations where wrong-way driving prevention strategies have been implemented.
- Establishment of an older driver reduced fee identicaid program for currently licensed drivers aged 70 years or older who wish to replace their driver's license with an identicaid or an enhanced identicaid.
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Looking Ahead: The supplemental transportation budget makes relatively few changes to the underlying budget and signals intent to make more sweeping changes in the 2027-29 budget. Minimal funding is provided to complete studies and provide recommendations on a variety of issues, including:

- \$100,000 for the Joint Transportation Committee to facilitate review of the long-term financial sustainability of the transportation budget.
- \$640,000 for the Joint Transportation Committee to continue to oversee a Climate Emission Reduction Account investments tracking tool.
- \$400,000 for a report on the state's maintenance and preservation needs, including recommendations for a sustainable and integrated delivery plan and a public education program on investment needs and options.

2025-27 Supplemental Capital Budget: The state's Capital Budget funds infrastructure and building construction for state and local communities through direct appropriations and grant programs. A percentage of the operating budget is dedicated to paying bonds issued to fund the budget. Of the three budgets, revenues in the capital budget were the most stable although not as ample as in previous years when there was an influx of federal funding from the American Rescue Plan Act (ARPA). The supplemental capital budget relies on debt limit bond capacity, Climate Commitment Act (CCA) accounts, and minimal other cash resources.

The supplemental Capital Budget authorizes \$889 million in new expenditures for a total of \$8.5 billion over the 2025-27 biennium. To help balance the operating budget, the capital budget transferred roughly \$1 billion in cash resources typically dedicated to capital purposes. These resources included capital gains, public works and higher education building accounts, described in more detail below. To view the supplemental budget and the associated project lists and grant programs, [click here](#).

Notable investments in the final Capital Budget include:

- The operating budget utilized \$375 million of the Public Works Assistance Account (PWAA) resources and the capital budget backfills the account with \$279.5 million of bond funding. There is \$100 million in existing bond backfill and the capital budget allocates \$10 million for emergency grants to local governments for public works projects impacted by the December 2025 flooding event. This brings the total amount of funding available in PWAA to \$389.5 million.
- An additional \$123 million in Housing Trust Fund investments which includes \$50 million for multifamily/rental units, \$40 million for preservation and \$55 million for homeownership.

CITY HIGHLIGHTS

Below are the outcomes of Bellevue's 2026 Legislative Agenda this session:

- **Economic Prosperity and Partnership:** The City of Bellevue continues to be a partner to state legislators in policymaking. While the Legislature considered a payroll tax this year ([House Bill 2100](#)), the bill was not given serious consideration given the emphasis on the high-earner's income tax. As the Legislature engaged in its policy making on the high-earner's income tax, several of Bellevue's local legislators were instrumental in raising concerns about the impact of sales tax exemptions on city budgets. The \$200 million planned for cities in the 2027-29 budget is a result of their advocacy.
- **Affordable Housing:** Local governments have consistently emphasized that meeting housing needs across all income levels will require significantly greater investment in housing serving households at 50% of area median income (AMI) or below.

The state's primary tool for funding affordable housing production is the Housing Trust Fund. In his capital budget proposal, Governor Ferguson recommended investing \$275 million in the program — an unusually large investment for a supplemental budget year. While the Legislature did not fully fund the governor's proposal, it approved \$123 million in increased funding for the program, increasing the biennial total to more than \$900 million, reflecting continued legislative commitment to affordable housing development. Even with this investment, however, the Housing Trust Fund alone will not produce the level of housing needed for Washington State to meet its housing supply goals.

Several proposals were introduced this session that would have provided new local revenue options to support housing production; however, none advanced during the short session. These included proposals to:

- Allow local governments to impose a tax on short-term rentals ([House Bill 2559](#)).
- Authorize all jurisdictions to seek voter approval for an additional 0.25% percent real estate excise tax, similar to authority currently available to San Juan County ([House Bill 1480](#)).
- Allow local governments to waive local sales and use taxes on affordable housing construction ([House Bill 1717](#)).
- Modify existing incentives to support redevelopment of parking lots and underutilized sites into housing ([Senate Bill 5755](#)).

The Legislature did, however, provide additional flexibility in how existing housing-related revenues may be used. In recent years, lawmakers created two local-option sales tax tools to support housing investments: 1) a sales tax credit that cities can use to fund affordable housing ([House Bill 1406](#) from 2019), and 2) a locally enacted councilmanic sales tax dedicated to housing and related services ([House Bill 1590](#) from 2020). Both programs included statutory restrictions on how revenues could be spent. This year, the Legislature approved [Senate Bill 6027](#) and [House Bill 2442](#), expanding flexibility by allowing these funds to be used for rental assistance, providing jurisdictions with additional tools to address housing affordability.

The governor also continued to advance his executive order establishing a Washington State Department of Housing. An advisory committee has been formed and has begun meeting to guide the development of the new agency with the Association of Washington Cities (AWC) serving as a participant. As part of this effort, a [survey](#) is currently being circulated to gather stakeholder input on the mission and role of the future agency. The survey includes several questions about how the agency should interact with cities in advancing housing policy, including topics related to land use and permit reform. Local governments are encouraged to participate and provide input and City of Bellevue staff are currently preparing to submit comments

- **Streamlined Permitting:** In recent years, the Legislature has pushed local governments to reduce permitting timelines. Bellevue, alongside other jurisdictions, requested funding in the supplemental operating budget to support eCityGov. However, budget writers did not entertain requests for new investments given the budget shortfall.

In addition to land use mandates, lawmakers also focused on local permitting processes. In 2023, the Legislature adopted [Senate Bill 5290](#), establishing permit review timelines for local governments. While jurisdictions may set their own timelines, they must meet statutory performance requirements. The law also requires the Department of Commerce to study permitting timelines statewide. Commerce released its first report

shortly before the start of the legislative session, establishing baseline data and indicating that permit review timelines vary widely among jurisdictions.

This session, the Legislature adopted [House Bill 2418](#), which makes modest changes to local permitting requirements, including clarifying when an application is considered complete and requiring jurisdictions to designate a permit review office or point of contact. Lawmakers also considered [Senate Bill 5729](#), which would have required cities to accept architectural or engineering plans approved by licensed professionals, but that proposal did not advance. Governor Ferguson and other stakeholders have indicated that additional permit reform will likely be pursued in future sessions as part of ongoing efforts to reduce housing development timelines and costs.

- **Transportation**

- **Business Access and Transit (BAT) Lanes:** The City of Bellevue was an initiating partner in advancing [House Bill 1980](#). Sponsored by Rep. Janice Zahn (D-41st LD), this bill 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, with permit revenues first covering local administrative costs and any remaining revenues supplementing rather than replacing existing funding for transit-only lane maintenance and improvements. The bill was signed into law on March 17 and has an effective date of June 11.
- **I-405/SR 167 Corridor, including the SR 520/124th Avenue NE Interchange Project:** Through many legislative sessions, 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 as well as funding to construct the already designed and right-of-way acquired SR 520/124th Avenue NE Interchange Project. Activity was limited this session since transportation budget writers indicated a reluctance to increase funding for existing projects or fund new projects.
- **Bellevue's Grand Connection Crossing:** During the 2025 session, the City was provided specialized authority to create a tax increment financing area to support the Grand Connection. That authorization remained unimpacted by the actions of the 2026 Legislature. As shared in the budget summaries above, the final transportation budget does not fund any new projects.

POLICY PROPOSALS

High Performance Government

Governance: Over the last several years, there has been an increased willingness to preempt or narrow local decision-making authority in areas ranging from voting systems to land-use and governance structures. For many cities, a foundational belief is that the level of government closest to the people is best positioned to make responsive, community-specific decisions. That pattern continued for this past session, with the Legislature approving those proposals highlighted below.

One of the measures was [House Bill 2034](#), which transfers the \$3.3 billion surplus from the LEOFF 1 account and creates a new LEOFF account funded at 110%. Senate amendments established a new Pension Surplus Holding Account, shifted oversight responsibilities to the LEOFF 2 Board, and directed studies on potential state assumption of local disability-board administration and retiree medical-care liabilities. While these studies signal growing interest in long-term structural changes, any action is unlikely before the 2028 reporting deadlines.

Alongside pension legislation, the Legislature approved two major voting-rights bills, [House Bill 1710](#) and [House Bill 1750](#), that together expand the Washington Voting Rights Act. House Bill 1710 requires jurisdictions with a voting-rights violation in the past 25 years to obtain authorization from the Attorney General before making changes to voting systems, district boundaries, or forms of government. House Bill 1750 broadens the definitions of voting-rights abridgement and dilution and limits the defenses jurisdictions may use to demonstrate compliance. Both bills reflect a statewide push to strengthen voting protections, though they also introduce new procedural and legal constraints for local governments.

Fiscal Sustainability: While the Legislature focused on establishing a more stable and progressive fiscal structure for the state budget, local government budgets have not received the same level of prioritization or attention.

In 2025, significant energy was invested in a proposal to lift the [1% property tax cap](#). However, at the very end of the legislative session, Governor Ferguson indicated that he was unwilling to sign such a proposal into law. Instead, the Legislature approved a [councilmanic sales tax increase for public safety](#). This change makes the local tax code more regressive and more vulnerable to the ups and downs of economic downturns and broader fiscal uncertainty.

During the 2026 session, the Legislature continued this trend by approving yet another councilmanic sales tax increase this time for children, youth, and families (House Bill 2442).

Additionally, if the proposed high earner's tax is upheld, several sales and use tax exemptions will take effect as the tax is implemented. While these exemptions are widely recognized as an opportunity to reduce cost burdens on low- and middle-income households, they will negatively impact local government revenues. The Legislature acknowledged this impact in a brief intent section that recognizes the potential reduction in local revenues and references \$200 million in mitigation funding in the four-year budget outlook. However, this amount would only partially offset the fiscal impacts of the proposal.

In the third and fourth quarters of the year, cities will begin collecting sales tax revenues on services that became taxable under legislation enacted during the 2025 session. Many cities, though not all, will experience a modest increase in sales tax collections as a result. However, this revenue increase is temporary and is set to be repealed in 2029 with the passage of the millionaires' tax (Senate Bill 6346).

State-Shared Revenues: Recently, the state has been reluctant to increase state-shared revenues and this year was no exception. In fact, the final supplemental budget *reduces* cannabis revenue-sharing to cities and counties by \$5 million statewide. While any reduction in state-shared revenues is unwelcome, the impact is considerably smaller than the reductions experienced during the recession.

Unfunded Mandates: Bellevue opposed unfunded and under-funded mandates on local governments. The Legislature continued the trend of approving land use mandates without providing implementation funding (House Bill 2266 and Senate Bill 6026).

However, there were several proposals that did not advance as a result of city opposition. For example, [House Bill 1443](#) returned from the 2025 session but again failed to advance following strong advocacy from cities. The bill would have required cities to allow “homes on wheels”, including RVs, travel trailers, and tiny homes on wheels, on residential lots under specified conditions.

Improve Contracting, Bidding & Procurement: [House Bill 2420](#) incrementally raises the maximum contract amount eligible for small works roster procurement, allowing the limit to increase from \$350,000 to \$650,000 over a phased period while clarifying that the thresholds are based on estimated cost not including sales tax and retaining existing documentation, direct contracting, and public access provisions.

Liability: Session brought heightened attention to an increase in liability exposure for the state and local governments. After concerns from the governor and legislators about the tens of millions spent annually on liability claims, [Senate Bill 6239](#) would have required arbitration for tort claims against the state and its subdivisions. Originally, this was the only bill being considered on the topic but as the session progressed, the bill eventually died after victim advocates expressed concerns with the delay of justice for those harmed by state or local governments. While no major reforms were passed, the session marked a clear shift toward confronting the growing financial strain tort exposure places on both the state and local governments, setting the stage for deeper work in the next biennium.

To support that work, the final Operating Budget directs the Office of Administrative Hearings to convene a committee to recommend changes to the process for claims against the state or its political subdivisions for damages arising out of tortious conduct. The committee will provide a report by November 1.

Simultaneously, the Legislature considered several bills that would have increased liability exposure for governments. One example is [House Bill 2095](#), which if approved would have expanded civil liability when vulnerable road users are struck by automobiles. Although intended to protect vulnerable road users, such as people walking in a crosswalk or riding bicycles in a lane, the bill would expand cities’ exposure to potential damages and attorneys’ fees even if no city driver or vehicle was involved. The bill was ultimately halted in the Senate but similar legislation is expected to be introduced next year.

Thriving People & Communities

Behavioral Health: There continues to be bipartisan recognition that addressing behavioral health, including mental health and substance use, is essential to improving public safety. Consistent with recent budgets, the Legislature continued to make significant investments in the state’s behavioral health system, including:

- \$24 million for Program for Assertive Community Treatment (PACT) teams to expand intensive, community-based services for individuals with serious behavioral health conditions.
- \$12 million for substance use disorder peer support services, increasing access to certified peer counselors and strengthening recovery-oriented care statewide.
- \$48 million to support the housing and stabilization needs of individuals with behavioral health disorders, including crisis response teams, supportive housing programs,

recovery navigator services, stabilization teams, and other community-based interventions.

These investments reflect the Legislature's ongoing shift toward a more community-based behavioral health system, reducing reliance on state hospitals and expanding local capacity for treatment, stabilization, and long-term recovery.

Access To Housing

Condo Liability: For years, cities have urged the state to update condominium insurance laws to stabilize and strengthen the condominium market. That long-sought reform was approved last year with the passage of [House Bill 1403](#). This year, lawmakers advanced a follow-up measure, [House Bill 2304](#), to fine-tune the newly enacted changes. This additional phase of reform has now been approved by the Legislature. Testimony on the bill highlighted that many builders have stopped constructing condominiums because insuring a condo unit can cost more than ten times what it costs to insure a comparable newly built single-family home. Under existing state law, apartment buildings can be converted to condominiums after seven years, a timeline that often results in deferred maintenance and higher costs for eventual condominium associations. The bill addresses this concern by allowing the use of an express warranty for condo units located in new or converted buildings with 12 or fewer units and no more than four stories. Allowing four-story construction helps reduce building costs and supports the development of accessible units for older adults.

Preserve Manufactured Home Parks & Infill Incentives: The Legislature considered but did not advance [Senate Bill 5755](#), modifying existing incentives to support redevelopment of parking lots and underutilized sites into housing. While legislators expressed support for the policy goal of infill development, the incentives would have reduced state revenue collections.

Vibrant Economy

Enhance Revenue Flexibility: This year focused on identifying and advancing opportunities to enhance existing revenue tools, making them more adaptable and easier for local governments to implement. This includes exploring options to expand councilmanic authority and lifting restrictive caps so that city revenues can keep pace with inflation and evolving community needs:

- ***Revenue Flexibility:*** [House Bill 2442](#) provided cities and counties with flexibility with several streams of existing revenue including sales tax revenues dedicated to housing, allowing REET 2 revenues to be spent on nuisance abatement, allowing levy lid lifts to last 10 years rather than 6 years. In addition to those adjustments to existing revenue, the bill also authorizes cities to impose a councilmanic sales tax for children, youth, and families, and allows cities to create a single-city fire district without reducing the city property tax levy.
- ***Tax Increment Financing (TIF) Revisions:*** [House Bill 2451](#) modifies the state's tax increment financing authority to address special district concerns while maintaining and tightening the TIF tool. The bill is the result of a stakeholder workgroup convened by AWC in 2025 to discuss how TIF works, what the impacts are, and 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 the mandatory multifamily property tax exemption in increment areas taking effect on or after June 2. The bill applies its changes prospectively, so existing increment areas are not modified.

School Funding: This past session was defined by tight budgets and growing pressure on school districts, which shaped both the operating budget and the education policy agenda. Lawmakers focused on stabilizing districts facing enrollment declines, rising costs, and special-education funding gaps.

The operating budget included \$140 million for free school meals, while also decreasing the Running Start program for high school students by \$14 million, while the capital budget continued investments in school construction and modernization, though within limited statewide bond capacity. Other investments included targeted support for foster youth outcomes, ninth-grade success, homeless student services, High School & Beyond Plan implementation, and dual-credit fee assistance, along with continued funding for Apple Health, the Washington College Grant, long-term care, and behavioral health services.

A broad set of education bills moved through the process, reflecting the Legislature's emphasis on student wellbeing, early learning, and special-education capacity. Key bills included [House Bill 1634](#), student safety and wellbeing, and [House Bill 2429](#), behavioral-health coordination, [House Bill 1795](#) and [House Bill 2557](#), special-education services and oversight, and early-learning expansions such as [House Bill 2159](#), [House Bill 2282](#), and [House Bill 2318](#).

The session also revived the larger structural debate about how Washington funds its schools. [House Bill 2026](#), the "Fairness in Education Funding Act," reappeared with a proposal to eliminate local levies, equalize per-pupil funding statewide, and shift salary allocations to a uniform state model. While it did not advance, it kept the equity conversation alive and underscored the tension between local flexibility and statewide uniformity.

Safe & Efficient Transportation

Lawmakers have prioritized policies that aim to increase safety for all road users. This session, the Legislature passed [Senate Bill 6066](#), authorizing and defining crash prevention zones, and [Senate Bill 6110](#), addressing the increase of e-motos use and developing a workgroup to define e-motos. Introduced in 2025, [Senate Bill 5067](#) lowers the blood alcohol concentration (BAC) limit for the operator of a vehicle or watercraft from 0.08% to 0.05%. This effort continued into the legislative session, making its way through the Senate but ultimately stalling in the House.

To support communities with infrastructure funding, [Senate Bill 6262](#) would have increased the maximum weight of vehicles subject to a transportation benefit district fee from 6,000 pounds to 9,000 pounds. However, the bill did not pass. AWC and others hope to see this bill reintroduced in the 2027 session.

Another concept that was debated but didn't advance was changing the revenue distribution method for cities that operate traffic safety cameras. Current law says that cities must share 25% of net revenues from stationary cameras put in place after June 6, 2024. [House Bill 2711](#) would have changed it to require a city to remit \$5,000 annually for each device active in the previous 12 months, and an additional \$5,000 annually for each permanent camera that has been in place for at least four years. This shift was recommended by cities after a Senate concept proposed sharing 10% of gross revenues, which would have been far more costly to cities. This discussion was prompted by a desire for stable funding for the Cooper Jones Bicycle Safety Account, which is still needed. It is likely this issue will return in 2027.

High Quality Built & Natural Environment

Utility Infrastructure: Local governments have the responsibility of constructing and maintaining infrastructure for public services like water, sewer, and stormwater. The state's primary method

of supporting local governments with this obligation is through the PWAA. However, it is commonly an attractive option for operating budget writers to raid the PWAA when facing budget challenges. This year was no exception. The supplemental operating budget transfers \$375 million from the PWAA to the general fund, while the final capital budget provides an additional \$279.5 million in bond revenue to backfill the reduction. Combined with \$100 million in *existing* bond revenue backfill and \$10 million in new funding for emergency grants to public works projects impacted by extreme weather events in 2025, this gives the Public Works Board authority to award up to \$389.5 million in grants and loans for infrastructure projects in FY 2027. Overall, this results in an increase of \$14.5 million compared to the appropriations to the PWAA in the biennial budget. The capital budget also cuts in half an existing diversion from the PWAA to the Water Pollution Control Revolving Account, eliminating a \$20.5 million transfer that was scheduled for FY 2027.

As an alternative to the PWAA, legislators have proposed creating a Washington State Public Bank to lower the borrowing costs and provide financing for infrastructure and housing. [Senate Bill 5754](#) was originally introduced in the 2025 session and had a public hearing this session. However, the concept continues to lack the support needed to advance.

[Senate Bill 5061](#) would have required annual adjustments to prevailing wage rates for most public works projects so that wages reflect updated statewide rates over the life of a contract rather than remaining fixed at execution. The bill included negotiated exemptions for small works roster projects and residential construction and preserved existing reclassification rules. It ultimately did not pass.

Land Use and Housing: The Legislature has continued its trend of preempting local governments in the name of increasing housing supply. During the first year of the biennium, lawmakers limited cities' authority to require housing developers to provide parking to reduce development costs. In the second year of the biennium, the Legislature advanced a similar proposal limiting cities' authority to require ground-floor retail or commercial space in new developments. The bill, requested by Governor Ferguson and Lieutenant Governor Heck, was supported by major employers such as Microsoft and Amazon, along with the Master Builders Association and the Sightline Institute. After several rounds of negotiations, the Legislature approved a final version of [Senate Bill 6026](#), which the governor signed into law. While the bill limits local authority, the final version retained some ability for cities to require ground-floor commercial or retail uses in certain circumstances. Unless there is a significant political shift, legislative mandates affecting local land use authority in the name of increasing housing supply are likely to continue in future sessions.

For the second consecutive session, lawmakers considered legislation that would have significantly limited cities' authority to regulate or remove individuals occupying public rights-of-way, including individuals experiencing homelessness who are living in encampments. [House Bill 2489](#) was approved by the House Housing Committee but did not advance further in the legislative process. Despite not passing, the proposal generated significant attention and opposition. Each year this policy is introduced and debated, it draws substantial interest from local governments, advocacy groups, and legislators due to its potential impact on cities' ability to manage public spaces and address encampments within the public right-of-way.

The Legislature has also continued to focus on the regulation and siting of "STEP housing" types, including shelters, transitional housing, emergency housing, and permanent supportive housing. In 2021, the Legislature adopted [House Bill 1220](#), which required cities to allow these housing types in areas where hotels are permitted. The bill was influenced in part by events in

Renton, where a Red Lion hotel was converted into a shelter and generated significant public debate about public safety impacts. At the time, cities were allowed to adopt reasonable occupancy, spacing, and health and safety regulations. However, local regulations adopted across the state have varied widely, and in some cases have been written narrowly enough to effectively prevent shelters from locating in a community.

To address these concerns, the Legislature adopted [House Bill 2266](#) this session. The bill modifies existing law by requiring cities to allow permanent supportive housing and transitional housing in all residential zones and requires shelters and emergency housing in all zones where hotels are allowed. It also narrows the types of spacing, occupancy, and health and safety regulations that cities may adopt. One notable provision allows cities to impose additional operational requirements when a jurisdiction contributes general fund dollars or public land to a project. Proponents believe the bill will create greater statewide consistency in how these housing types are regulated.

Environmental Stewardship: The Legislature considered several bills aimed at protecting the environment, including [House Bill 2233](#), which would have expanded the restrictions on the use of plastic carry out bags and [House Bill 2271](#), which would have established new thresholds for post-consumer recycled content for plastic products. Neither bill made it out of the house of origin though both are expected to return in 2027. Product stewardship for textiles ([House Bill 1420](#)) and bottles ([House Bill 1607](#)) also failed after their second year of being considered. Extensive stakeholder work is expected over the interim on both pieces of legislation. The most notable environmental bill to pass this session is [Senate Bill 6355](#) which got a late start in a short session but got through the process in just 15 days. The bill creates the Washington Electric Transmission Authority to ensure the state has adequate grid capacity for the growing demand for electricity.

Community Safety & Health

Justice System: In recent years, the Legislature has considered proposals aimed at reducing the number of individuals entering the criminal justice system, including efforts to decriminalize certain offenses or modify detention standards. Several such proposals were introduced this session but did not ultimately pass into law. One worth mentioning is [House Bill 2389](#), which expands alternatives to confinement and adjusts sentencing rules for juvenile offenders.

Immigration: One of the major themes for the majority party this session was to respond to the actions of the federal government, particularly in relation to immigration enforcement. Democrats shared their goal of ensuring that immigrants and refugees, as well as all community members, feel safe in Washington state.

A slate of bills was introduced to make progress on this issue. Several bills were signed into law, including [House Bill 2105](#), which establishes immigrant worker protections; [Senate Bill 5855](#), which prohibits law enforcement at any level of government from wearing masks; and [House Bill 2165](#), which increases penalties for individuals who impersonate law enforcement officers. The legislature considered but did not approve many others including [House Bill 2464](#), addressing reporting requirements for private detention facilities; [House Bill 2597](#), strengthening immigration-related enforcement provisions; [House Bill 2641](#), updating standards for law enforcement hiring; [House Bill 2648](#), clarifying interactions between local agencies and federal immigration enforcement; [Senate Bill 5906](#), enhancing data and personal safety protections; [Senate Bill 6080/House Bill 2547](#), establishing new parameters for federal custody contracts; [Senate Bill 6109](#), concerning private detention investment restrictions; and [Senate Bill 6286](#), imposing fines on detention facilities, reflect ongoing legislative interest in regulating detention

practices, increasing transparency, and setting clearer statewide standards for how local governments interact with federal enforcement systems, even though none of these measures crossed the finish line this session.

Public Defense: Public defense remained one of the most unresolved pressures on local governments this year, driven largely by the Washington Supreme Court's June 2025 order requiring a two-thirds reduction in public-defender caseloads over the next decade. There were two bills introduced this session that aimed to reduce pressure on local governments. The first was [House Bill 2163/Senate Bill 5913](#), which would clarify that the Court's 10-year phase-in takes precedence over the three-year timeline proposed by the Washington State Bar Association. Cities strongly supported this clarification, as the shorter timeline is widely viewed as unworkable given current workforce shortages and the absence of state funding. The second was [Senate Bill 5914](#), which restructured how the Office of Public Defense distributes state funding by moving to a pro rata formula tied to documented costs. The bills did not receive public hearings and did not make any progress this session.

In the final days before the first fiscal cutoff, [House Bill 1592](#), was unexpectedly scheduled for a public hearing. Originally introduced in 2025 and focused solely on counties, the bill was amended this year to create a city funding distribution based on misdemeanor case counts, eliminating the grant-application process. The bill also added new reporting requirements for the Office of Public Defense (OPD) and the Administrative Office of the Courts (AOC) to track caseloads, backlogs, and staffing needs. Despite the last-minute surge of attention, the bill did not pass.

Community Safety: In recent years, legislative discussions have often been dominated by public safety issues. While the topic received considerable rhetorical attention during this session, relatively few significant policy changes were enacted.

Two bills passed this session with notable implications for public safety. The first, [Senate Bill 5974](#), establishes minimum qualifications for elected sheriffs creating background check requirements. The second, [Senate Bill 6002](#), regulates the use of automated license plate reader (ALPR) cameras, often referred to as "Flock cameras," which are increasingly used by local law enforcement agencies to investigate and prevent crime.

The Legislature also monitored — but did not take action on — the implementation of [House Bill 2015](#), adopted last year. That law created a \$100 million grant program and authorized a councilmanic sales tax to support local public safety investments. Several jurisdictions have expressed concern that the eligibility criteria and certification requirements established by the Criminal Justice Training Commission have been burdensome and difficult to meet, limiting access to the funding. Approximately one month into the legislative session, the Commission approved the first jurisdictions for certification under the program. Click [here](#) to view the CJTC program page.

APRIL LOOK AHEAD

- Governor's final day to sign bills into law – April 4
- First day filing officer may receive candidate declarations by mail – April 20
- Special Election – April 28