

Federal & State Budget and Policy Update

Equity Advisory Committee

February 5, 2026



Puget Sound Regional Council



We are leaders in the region to realize equity for all. Diversity, racial equity and inclusion are integrated into how we carry out all our work.

psrc.org/equity

DC Updates

- Appropriations bills pass!
- Grant issues
- 21st Century Housing Act



Appropriations

- **Enacted:** Commerce-Justice-Science, Energy-Water, Interior-Environment, Agriculture, Military Construction-VA, Legislative Branch, Defense, Labor-HHS-Education, Transportation-HUD, Financial Services and General Government, National Security-State
- Partial gov't shutdown ended on Feb. 3
- Homeland Security funding extended through Feb. 13



HUD Funding in THUD Approps Bill



- \$34.9b for Tenant-Based Rental Assistance, ensure renewals
- \$4b for Continuum of Care, \$300m increase
- Provisions for FY 24-25 Continuum of Care
 - HUD must renew all projects expiring in Q1
 - If awards not made before April must renew Q2 projects
 - If awards not made by July, must renew all projects expiring in Q3 & Q4
- Requires 60% of FY 26 COC funding go to Tier 1/local priorities
- No new funding for Emergency Housing vouchers, but \$264m for transitions



Discussion Questions



- What policy updates feel most relevant to your communities?
- How are your organizations staying nimble in this current climate?
- Are there any topics you would like us to pay close attention to for updates we share with you in the future?



Governor Freguson's Proposed Operating Budget

- Supports Millionaire's Tax
- Taps \$1b of Rainy Day Fund
- \$569m Climate Commitment Act for Working Families Tax Credit
- Ends tax exemption for data center replacement equipment ([HB 2708](#)/[SB 6231](#)) and prescription warehouses
- Cuts to agencies, higher ed, education, childcare



Governor's Budget: Housing Investments



- \$225m Housing Trust Fund
- \$500k Housing Agency task Force
- \$5m Multifamily building efficiency grants
- \$5m Low-income home rehabilitation grants for flood victims
- \$4m Home Futures Institute

[Housing Highlights](#)



Governor' Budget: Impacts of Federal Funding Changes

- 48 lawsuits
- \$15b in federal funding at risk
- \$165m federal funding shifts
- 1 million Washingtonians affected



Governor's Budget: Transportation Budget



- Gas tax revenues continue trend down, CCA funds cover in short term
- General Fund Transfer

Governor's Proposed Budget

- \$1b for 3 new ferries
- \$2.1b for maintenance & preservation

[Press Release](#)

[Budget Summary](#) (p.35)



New Revenue Proposals

- Tax on Millionaires [SB 6346](#) (Pedersen) / [HB 2724](#) (Fitzgibbon)
- Excise tax on payroll expenses [HB 2100](#) (Scott) / [SB 6093](#) (Saldaña)
- Advanced computing surcharge [HB 1839](#) (Reed)
- Enacting a tax on stocks, bonds, and other financial intangible assets [SB 5797](#) (Frame)
- Excise Tax on Cigarettes [SB 6129](#) (Robinson) / [HB 2382](#) (Parshley)



Resources to Address Continuum of Care

Allowed Uses for Funding for Affordable Housing and Services [SB 6067](#) (Alvarado) [HB 2359](#) (Petersen)

- Flexibility for HB 1590 sales tax
- Extends REET exemption for affordable housing to 24 months

Budget Request \$120m for funding for operations and maintenance for PSH



Siting of PSH/Shelter



[SB 6069](#) (Alvarado)/ [HB 2266](#) (Petersen)

- Must allow transitional housing, PSH, shelter in any area in the UGA not zoned industrial
- Prohibits requiring more restrictive standards for STEP than other types of residential



Shelter Not Penalties Act



[HB 2489](#) (Gregerson)

- Prevents the criminalization of homelessness.
- Prohibits local laws that punish people for engaging in "life-sustaining activities" like sitting, sleeping, or protecting yourself from the elements when there isn't enough shelter available



Residential Development in Commercial Zones



[SB 6026](#) (Alvarado)/[HB 2480](#)(Street)

- Requires residential development to be allowed in commercial zones
- Prohibits requiring ground floor commercial as condition of residential development in commercial/mixed use zones

[Analysis](#)



Transportation Bills



- Free transit for CTC students [HB 2550](#) (Taylor) / [SB 6252](#) (Wilson)
- Protecting vulnerable users of public ways [HB 2095](#) (Reed)



Recommendations to the Legislature Changes



Recommendations to the 2025 State Legislature

Puget Sound Regional Council

The Puget Sound Regional Council (PSRC) supports adoption of state legislation that advances solutions to achieve a thriving, racially equitable and sustainable Puget Sound region through leadership, visionary planning, and collaboration.

Keep the Region Moving Safely


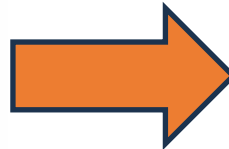
VISION 2050 and the Regional Transportation Plan lay out a foundation for completing regional transportation investments and future work to strengthen connections to and between the region's centers. PSRC is drafting a Regional Safety Action plan to help address the troubling increase in deaths and serious injuries on our roadways and to support the Washington State Strategic Highway Safety Plan, Target Zero. We urge transportation policies and investments prioritizing a Safe Systems Approach to eliminate or reduce the severity of crashes in our communities. PSRC supports:

- Sustaining the transportation investments made with Move Ahead Washington and the Climate Commitment Act and exploring stable new revenue sources to address declines in existing revenue, ensure projects of regional significance are built and fully fund maintenance and preservation.
- Developing an equitable road usage charge (RUC) system through the work of the Washington State Transportation Commission to generate necessary revenue to eventually replace the gas tax, fund the state's long-term transportation needs, including multimodal connections, and introduce revenue flexibility.
- Funding and policies to restore, improve and modernize the Washington State Ferries system to ensure reliable cross-sound service and reduce environmental impact.

Increase Housing Choices and Affordability

PSRC's Regional Housing Strategy identifies strategies to expand housing options, create greater affordability and promote fair and equal housing access to address the housing affordability crisis in our state. The PSRC region needs to build 620,000 more homes by 2044 and 50% of these homes need to be affordable to people earning less than half of the Area Median Income. Action is needed to address racially discriminatory housing policies and increase homeownership for Black, Indigenous and people of color (BIPOC) households.

To help address urgent housing needs in our state, PSRC supports creating a **housing research center** at the University of Washington to provide timely analysis and data driven research to help guide policymakers to adopt bold strategies to create more affordable homes.



Recommendations to the 2026 State Legislature

Puget Sound Regional Council

The Puget Sound Regional Council (PSRC) seeks to address regional growth through policies that advance affordable housing, connected transportation, sustainability and a strong economy.

We acknowledge the challenging economic conditions facing our state and region, compounded by federal-level uncertainty and declining state revenue. PSRC values the Legislature's continued partnership and commitment to working with local governments and elected officials to implement shared priorities.

Keep the Region Moving Safely


A reliable, efficient transportation system is critical infrastructure to build a thriving region where people are connected to homes and jobs. All transportation investments should be planned and implemented with emphasis on safety to reduce deaths and serious injuries on the region's roadways.

- Sustain transportation investments to fully fund maintenance and preservation, ensure projects of regional significance are built, and provide tools to address local funding needs, the largest revenue gap for the region.
- Develop an alternative to the state gas tax through an equitable road usage charge or highway use fee system.
- Continue capital and workforce investment in the Washington State Ferries system to ensure reliable service.

Increase Housing Choices and Affordability

Housing affordability continues to be a top concern of residents and local elected officials in communities in the region. We need to build 620,000 more homes by 2044 and 50% of these homes need to be affordable to people earning less than half of the Area Median Income.

- Invest in operating and capital subsidies to create affordable homes to meet local needs and create homeownership opportunities for Black, Indigenous, and people of color (BIPOC) households.
- Adopt policies to increase housing supply in coordination with local governments to ensure practical and effective implementation.
- Establish the Housing Futures Center at the University of Washington to provide timely analysis and data-driven research for policymakers to address urgent housing needs in our state.



Recommendations to the Legislature Changes



- Adopted by PSRC Executive Board
- Policy areas:
 - Keep the Region Moving Safely
 - Increase Housing Choices & Affordability
 - Significantly Reduce Greenhouse Gas Emissions
 - Sustain a Strong Economy



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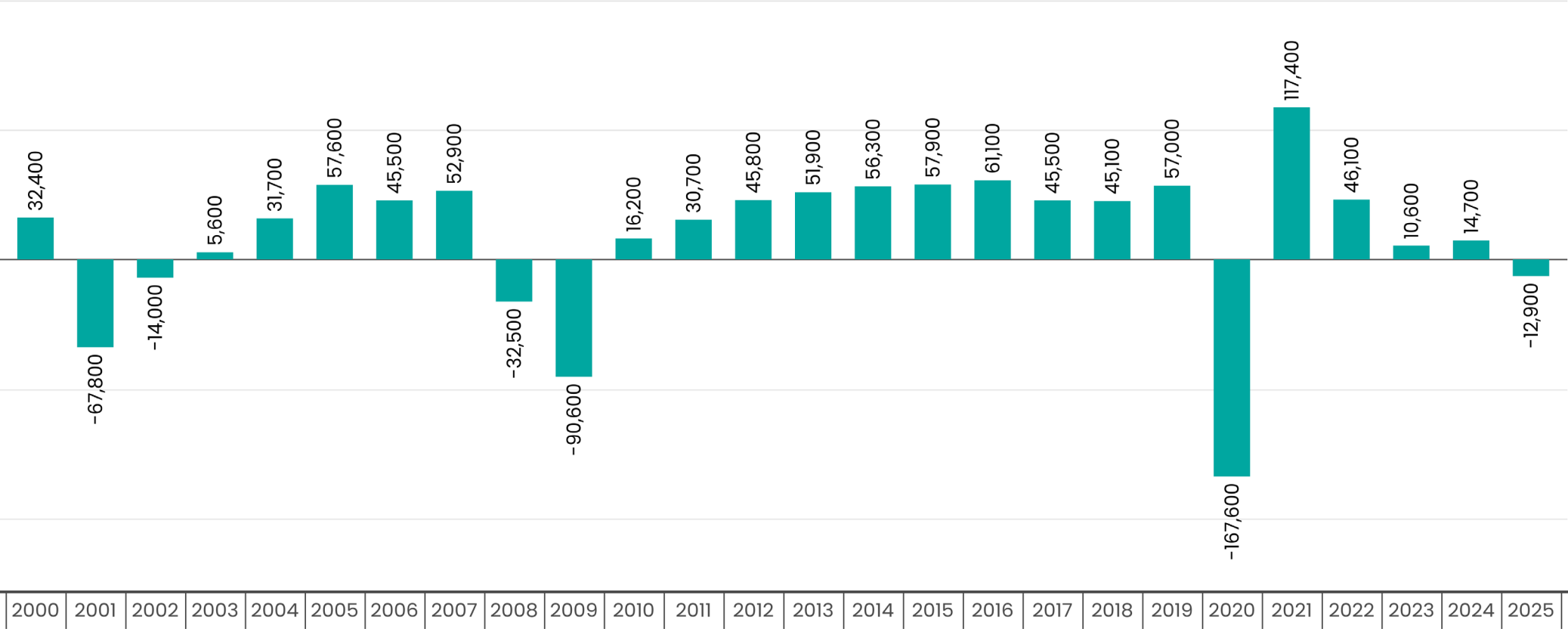
2025 Jobs Data – 12,900 Decline

- First time region has seen decline in jobs since 2008, excluding pandemic
- Construction & service industry sectors, including tech lost most jobs
- [Seattle Times Article](#)
- [PSRC Blog Post](#)



Jobs Changes

Job Change: Year Over Year

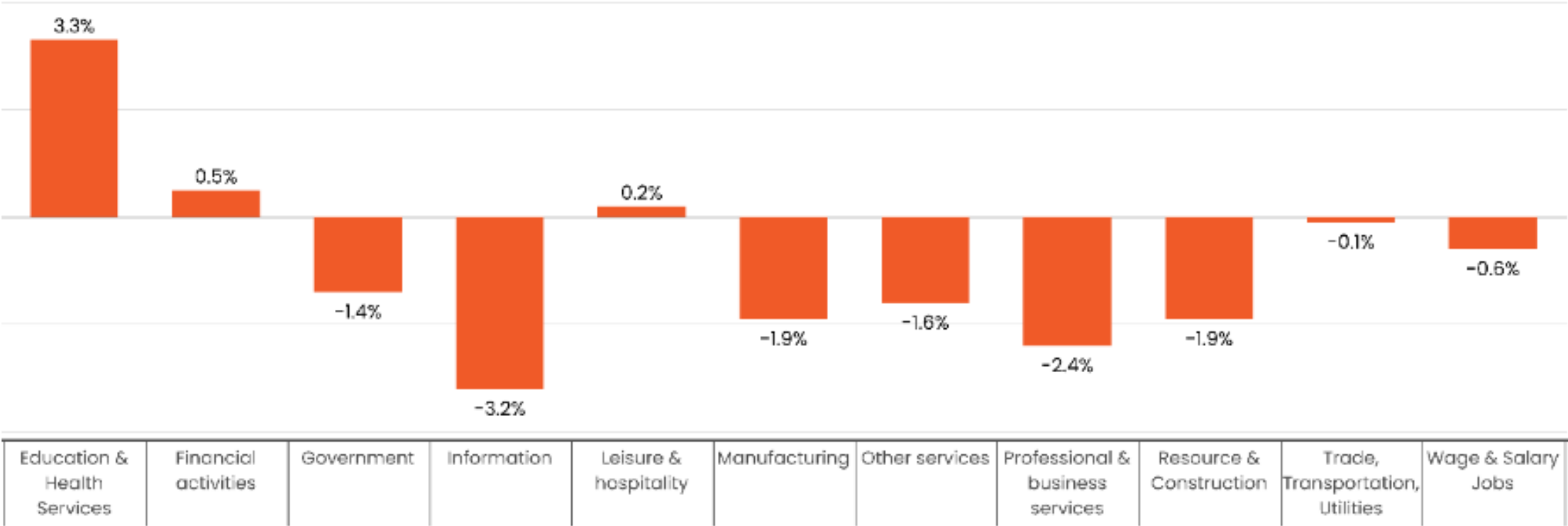


Source: Washington State Employment Security Department



Jobs Data

% Change in Jobs by Sector, 2025/2024



Source: Washington State Employment Securities Department





Thank You!

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Puget Sound Regional Council