

Federal & State Budget and Policy Update

Economic Development District Board

March 4, 2026



Puget Sound Regional Council

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: DHS (FEMA, TSA)
- FY 2027 Appropriations process has begun



21st Century ROAD to Housing Act



- Bipartisan bill, with Senate and House housing priorities
- Includes provisions from the ROAD to Housing Act (S. 2651) and the Housing for the 21st Century Act (H.R. 6644)
- Section-by-section summary



2025 State Legislative Session

- Day 52 of 60
- Opposite house fiscal committee cutoff Monday 3/2
- Opposite house cutoff Friday 3/6



Revenue Forecast

- Improved since November
- FY 25-27 Revenue up by **\$827m**
- FY27-29 up by just over **\$1b**
- Increases due to increased revenue adopted by legislature, revenue collections returning to normal levels including sales tax & real estate taxes, tariff buying to get ahead
- Tariffs impacts continue, uncertainty
- Governor -- improvement, but still have budget issue, caseloads, costs associated with HR 1

[Link: Revenue Forecast](#)

['Absolutely good news': WA financial outlook brightens as budget talks heat up](#) (WA State Standard)



Supplemental Operating Budget

House - \$79.9b FY25-27

Fund Transfers:

- \$880m Budget Stabilization Account
- \$75m Public Works Assistance
- \$394m adjusted capital gains
- \$764m agency reversions

Spending:

- \$962m Tort liability
- \$25.5m Immigrant refugee supports
- Caseload increases

Senate - \$80.1b FY25-27

Fund Transfers:

- \$750m Budget Stabilization Account
- \$375m Public Works Assistance
- \$395m adjusted capital gains
- \$71m tobacco settlement

Spending:

- \$1b Tort liability
- \$190m Immigrant refugee supports due to HR 1
- Caseload increases



House & Senate Supplemental Operating Budget Revenue

House:

- \$2.09b Millionaire's tax
- \$55.6m Insurer Taxes
- \$203m Data Center Equipment tax exemption repeal
- \$181m Prescription drug wholesalers

[House Budget Summary](#)

Senate:

- \$2.3b Millionaire's tax
- \$300m Data Center Equipment tax exemption repeal
- \$200m Prescription drug wholesalers

[Senate Budget Summary](#)



Supplemental Capital Budgets

House \$910m

\$400m new bonds

\$640m Climate Commitment Act funds

\$164.6m Housing Trust Fund

\$57m other housing programs

Senate \$723m

\$382m new bonds

\$219m Climate Commitment Act

\$128m Housing Trust Fund

\$21.7m other housing programs



Economic Development in the Operating Budget



- **ADOs**
House cuts from \$4.152m to \$4m
- **Economic Development Strategic Reserve Account**
House cuts \$1m
- **Microenterprise Assistance**
Senate cuts \$300k, House cuts by \$400k



Tax on Millionaires

[SB 6346](#) (Pedersen) / [HB 2724](#)
dead (Fitzgibbon)

- 9.9% tax on income over \$1m
- House Finance Changes:
 - Eliminates roll back expanded tax on services
- Governor – passage may slip to 2027



Supplemental Transportation Budget Letter



67 local elected officials
sign Supplemental
Transportation Budget
investment letter

49 local elected officials
sign Ferry Funding Support
Letter



Supplemental Transportation Budgets



House \$16.5b

- No new bonds, funds through reappropriation

Senate \$17b

- \$1.1 in new bonds
- Safety Investments

Both:

- Regional Mobility & Transportation Demand Management



Supplemental Transportation Budgets

Maintenance and Preservation Investments

Senate - 3 biennia plan

New Maintenance & Facilities	45	90	90	225
New preservation/flood recovery	465	410	500	1,375

House - 2 biennia plan

New Maintenance & Facilities	45	90	90
New preservation/flood recovery	300	430	730



Ferries - Supplemental Transportation Budgets

House

- Accelerates funding for 3 new boats
- \$4m preservation over 4 years
- \$500k for work group to develop long range plan
- \$500k for state owned dry-dock study

Senate

- Accelerates funding for 3 new boats
- \$100m preservation over 6 years
- \$31m for electrification of 3 terminals
- \$250k study leasing hydrogen vessels
- \$100k assess credit for in-state bids
- \$500k for state owned dry-dock study



Statewide Economic Development & Competitiveness Plan

SB 6289 Kauffman **dead**

- \$325k in Senate budget
- House proposal us \$150k of existing resources
- Could be included in final budget



Residential Development in Commercial Zones



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

- Requires residential development to be allowed in commercial zones
- Prohibits requiring ground floor commercial
- Amended to allow ground floor in 20% commercial zones & main street areas

[Analysis](#)



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

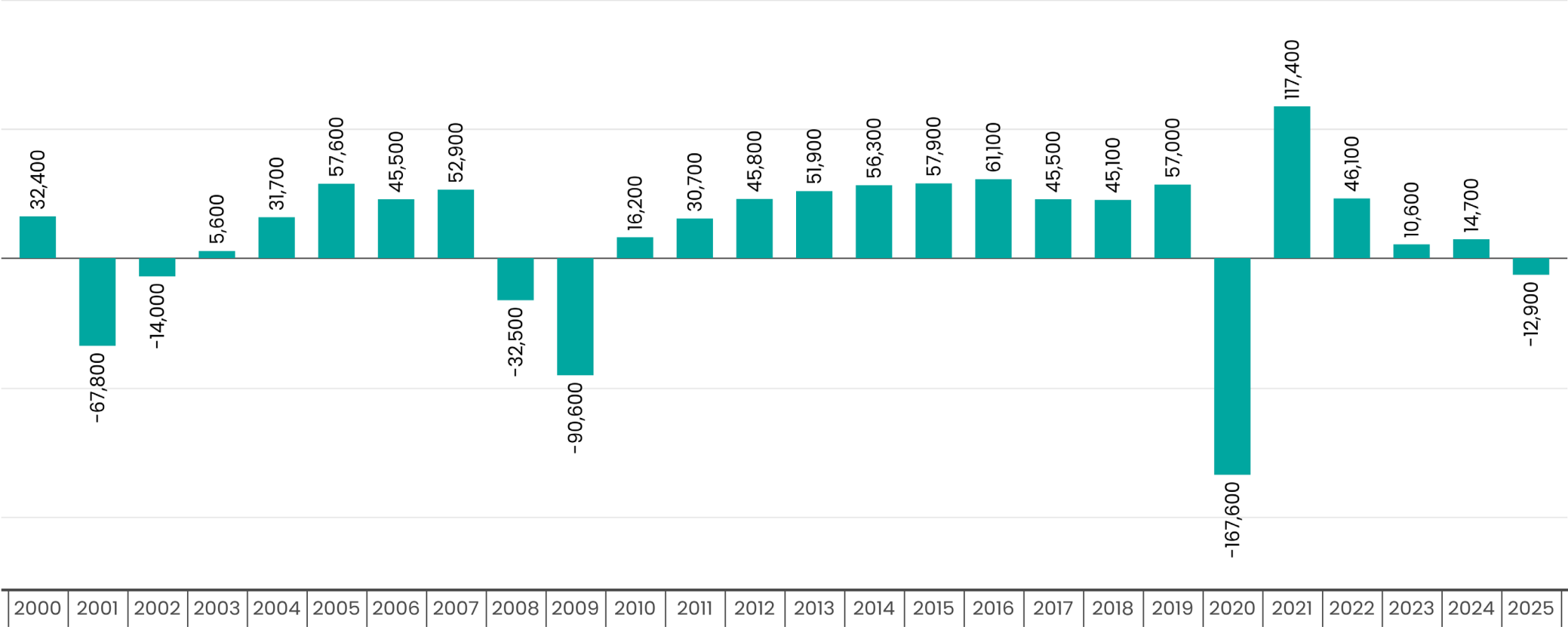
[Westneat Seattle Times](#)

[PSRC Blog Post](#)



Jobs Changes –

Job Change: Year Over Year

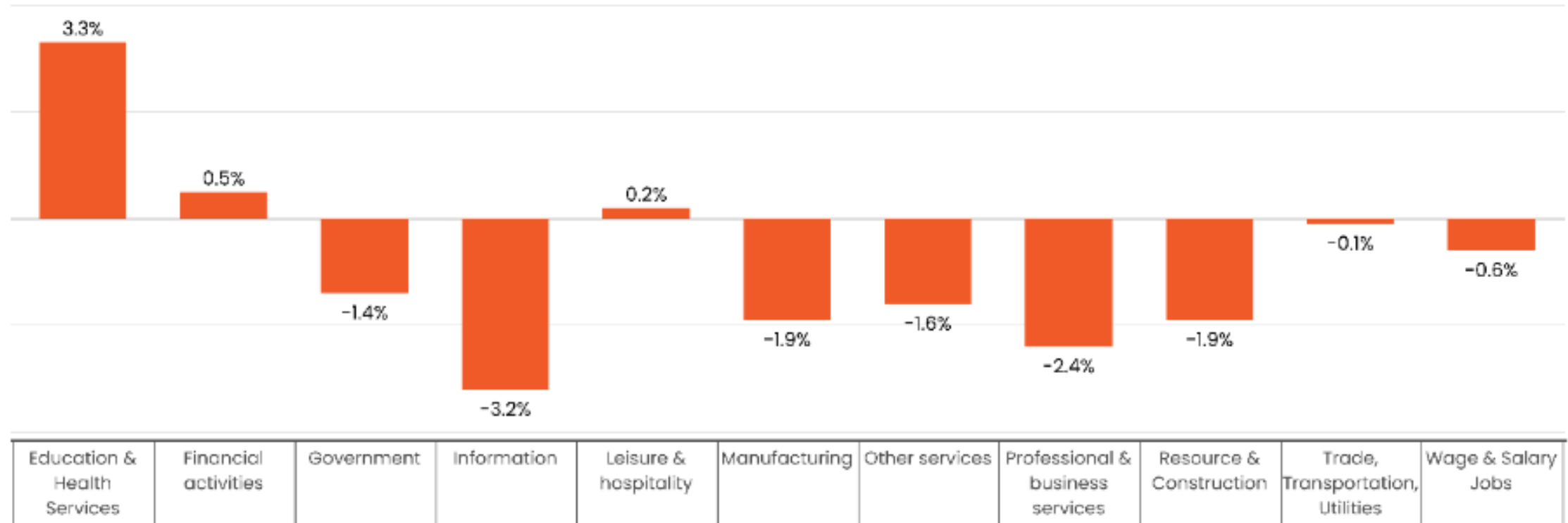


Source: Washington State Employment Security Department



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