

Federal & State Budget and Policy Update

Transportation Policy Board

June 11, 2026

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Puget Sound Regional Council

State Update – OFM Letter to State Agencies



STATE OF WASHINGTON
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June 5, 2026

TO: Agency Directors

FROM: K.D. Chapman-See
Director

SUBJECT: 2027-29 OPERATING, TRANSPORTATION, AND CAPITAL BUDGET INSTRUCTIONS

As we enter the 2027-29 biennial budget cycle, I will start by thanking each of you for your partnership in working through what will likely be the most challenging budget any of us has yet faced in these roles. On behalf of myself and the team here at the Office of Financial Management (OFM), we see and appreciate the complexity you're navigating. You're leading through extraordinary uncertainty and change, caring for your staff and the people we serve, at a time when public service is more difficult and necessary than ever.

Protecting core services in a sustainable and equitable way must be our priority. Simultaneously, we must ensure state government has a solid financial foundation for the long-term. To do this, the realities of our current budget must be continually kept at the forefront while you develop your decision packages.

To be direct, there will be significant budget shortfalls next biennium in both operating and transportation budgets. I want to be clear that we do not yet know precisely how significant the shortfalls will be.

Key contributing factors to our budget challenges include costs for providing essential services that are far outpacing revenue due to inflation, cuts to federal funding, population growth, ongoing economic uncertainty, and court decisions with substantial or long-term funding impacts.

In the past decade, inflation has increased by 39%. That means something that cost \$100 in 2016 now costs \$139 in April 2026. The rising costs for utilities, construction and materials, fuel, and other necessities are weakening the state's purchasing power, impacting the operating, capital, and transportation budgets.

Furthermore, between 2015 and 2025, the state's population increased by 14.2% – or more than 1 million people. More people require state services as economic pressures hit individuals' and families' budgets, just as they impact the costs of doing business as a state.

This year's revenue forecasts will likely not provide sufficient support for the maintenance of current programs, let alone any expansions, despite recent tax code changes. Revenue from the Millionaire's Tax (Chapter 238 Laws of 2026) will not be collected until FY29, and 42% of the projected revenue from this new tax will go directly back to supporting small businesses, Washington families, and

- Shortfalls in operating and transportation budgets
- Focus only on mandatory increases, no expansion existing programs & services or new programs
- Pause the phase-in of most new programs

"...will likely be the most challenging budget any of us has yet faced in these roles."



Federal Updates

- Reconciliation 2.0 – Secure America Act
- FY 2027 Appropriations
- BUILD America 250 – Surface Transportation Reauthorization



FY 2027 THUD Appropriations



- Full House appropriations approved June 3
- DOT budget overall \$4.7b or 4% cut from FY 2026 levels
- Deep cuts to transit programs
 - \$4.6b for public transit or 22% from FY 2026 level
 - Cuts Capital Investment Grants (CIG) by \$2.6 billion or 78 percent% from the FY 2026 enacted level.



BUILD America 250



Surface Transportation Reauthorization – Building Unrivaled Infrastructure and Long-term Development (BUILD) for America’s 250th Act

- Increases some programs
- Combines other programs
- Moves toward more formula funding
- Includes \$130 fee for EVs \$35 fee for hybrid vehicles to support Highway Trust Fund



BUILD America 250

- **Bridge Program** – formula and discretionary with 25% set aside for locals
- **Surface Transportation Block Grant** increase 7.5%
- **Safe Streets & Roads for All**, 5% reserved for planning
- **Surface Transportation Accelerator Grant Program**
- **Local match** reduced to 10%
- **22.9% increase in PL Funds** over 5 years



BUILD 250 Ferry Programs

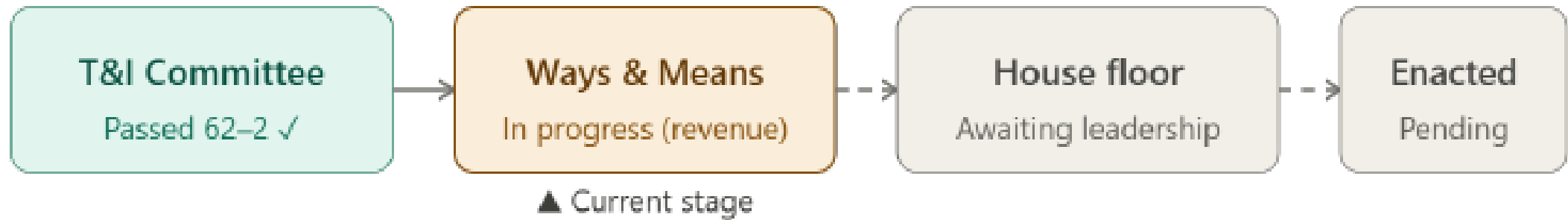


- Reauthorizes the FHWA ferry boat/ferry terminal program at \$182M in FY27, rising to \$191M in FY31
- Repeals the Electric or Low-Emitting Ferry Pilot Program and the Ferry Service for Rural Communities program
- Folds ferries into FTA's Section 5339 program, renaming it "Grants for buses, bus facilities, and ferries"
- Creates **Competitive Passenger Ferry Grants program** for designated recipients, states, and local governments to buy, replace, or rehabilitate passenger ferries, terminals, related facilities, and equipment



Build America 250 – Next Steps

House



Senate





Thank You!

Robin Koskey

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