

Federal & State Budget and Policy Update

Growth Management Policy Board

June 18, 2026



Puget Sound Regional Council

State Update – OFM Letter to State Agencies



STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT
Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

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."



June Economic & Revenue Updates

- US employment up, WA down
- Consumer prices up nationally and locally
- Revenue collections are down
- Housing permits are up
- Transportation Revenue Review June 22 & Revenue Review June 26

[June Economic & Revenue Update](#)



Washington State

Economic and Revenue Forecast Council



Federal Updates

- FY 2027 Appropriations
- 21st Century Road to Housing
- Continuum of Care
- Surface Transportation Reauthorization



FY 2027 HUD Appropriations



National Low Income
Housing Coalition
Analysis

FY 2027 Budget Chart

- 8% cut to HUD budget overall
- 1.5% Increase Tenant Based Rental Assistance – likely not enough for renewals
- Cuts Homelessness Assistance Grants by with Continuum of Care (CoC) reduction of \$232m or 5.7%, ESG level funded
- Cuts Public Housing with 29% less for capital \$5.7 decrease for operations
- \$750m cut to HOME or 60%
- Does not include change to CoC program or work requirements and time limits proposed by President



21st Century ROAD to Housing Act

- Final version released
- House passed on May 20, Senate likely to pass next week
- Bipartisan bill, with Senate and House housing priorities
- Includes over 45 provisions from the ROAD to Housing Act and the Housing for the 21st Century Act

[Section-by-section summary](#)



21st Century ROAD to Housing Act Provisions



- Focused on expanding housing supply
- Removes regulatory barriers
- Modernizes HUD programs, including HOME
- Institutional investor single family homes
- Enhances Community Banking Operations
- Innovation Fund
- Database of publicly owned land



Continuum of Care

- FY 2027 NOFO released June 1
- Seattle cited as an example of failed policy according to administration
- 60% of renewal demand (compared to 90% in 2024)
- Funding for LA suspended
- Ongoing lawsuit for FY 2025 NOFO



BUILD America 250 - Surface Transportation Reauthorization



- House Bill Transportation & Infrastructure voted
- Senate coming
- Increases some programs including Surface Transportation Block Grant program & \$3.5 billion annual increase in Bridge Formula Program
- Combines other programs
- Includes \$130 fee for EVs \$35 fee for hybrid vehicles to support Highway Trust Fund





Thank You!

Robin Koskey

Director, Government Relations
and Communications

Rkoskey@psrc.org



Puget Sound Regional Council