

Federal & State Policy Updates

Economic Development District Board

June 4, 2025

Updated
6/4/2025



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

Federal Budget Updates



- Reconciliation
- President's Budget Release/FY 2026 Appropriations
- Surface Transportation Reauthorization
- Recission



Budget Reconciliation – House

Transportation

- \$10 million in cuts, rescinds unobligated funds
- Increases budget to coast guard border control, FAA air traffic control
- Includes a **\$250** EV fee and **\$100** hybrid electric vehicle fee

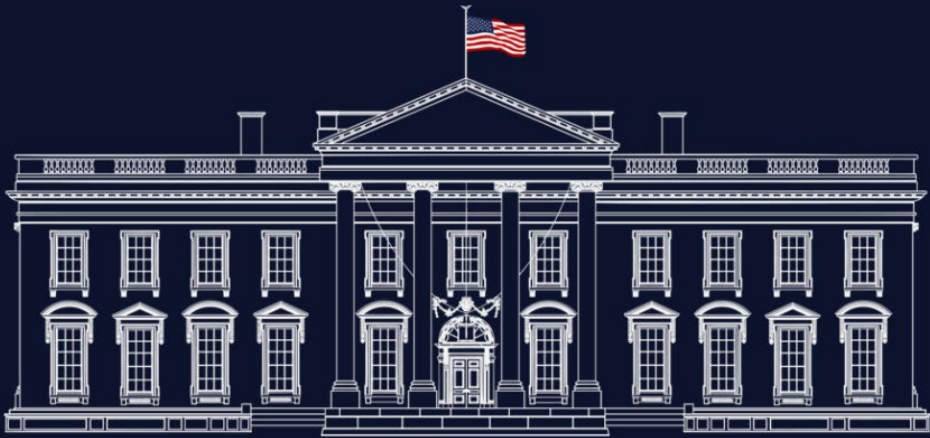
Cuts to Other Programs

- Medicaid – nearly \$800 billion
- Food stamps – nearly \$300 billion
- Clean Energy Credits – phases out

[Complete List of Everything in the Republican Bill, and How Much It Would Cost or Save](#) (NY Times)



President's Budget



Increases:

- Defense and homeland security
- Transportation:
 - FAA air traffic control facility upgrades
 - Infrastructure for Rebuilding America Program (INFRA)
 - Rail Safety
 - Port Infrastructure

Reductions \$163b non-defense discretionary

- Climate and renewable energy
- Housing and Urban Development

2025 State Legislative Session



- Over 2,300 bills introduced
- Legislators faced **\$12b-16b** budget deficit over 4 years
- Sine Die April 27
- Passed Operating, Capital and Transportation Budgets
- Governor signed budgets, some vetoes

Operating Budget

- **\$77.8b** 2025–2027 biennial budget
- Cuts to early learning & childcare
- Education funding for special education and materials, supplies and operating cost increased
- \$100m for grant program to hire new police officers
- No state employee furloughs



Revenue Bills

Raise \$9.4b over 4 years



<u>HB 2081</u>	B&O tax surcharge
<u>SB 5814</u>	Taxes on Services & Nicotine Products & Prepayment of Sales Tax
<u>SB 5813</u>	Capital Gains and Estate Taxes
<u>SB 5794</u>	Eliminating Tax Preferences
<u>HB 2077</u>	Tax on surplus generated by Zero Emission Fuel Program

[Five tax bills lawmakers passed to underpin Washington's next state budget](#) (WA State Standard)



Rejected Revenue Proposals

- **Financial Intangibles Tax (aka wealth tax) on financial intangibles**
[With symbolic vote, WA Democrats say wealth-tax fight is not over](#) (Seattle Times)
- **Property tax growth flexibility**
[Plan to raise cap on property tax growth collapses in WA Legislature](#) (WA State Standard)



Operating Cuts/Reductions: Economic Development

- **Industry Sector Lead Program** reduced by \$2.4m to \$1.2m
 - **Tourism** reduced \$9m to \$3m
 - **Associate Development Organizations (ADO)** reduced \$1.7m, funded at \$8.3M for biennium
 - **Small Business Assistance** reduced \$2.67m
 - **Small Business Training** reduced \$300k
 - **Microenterprise Development** reduced \$4m
 - **Industrial Waste Symbiosis** reduced \$922k
 - **Northwest Agricultural Business Center** reduced \$300k
- Eliminated programs**
- Regional Manufacturing Predevelopment
 - Employee Ownership Program
 - Procurement Technical Assistance
 - Equitable Access to Credit – grant funds eliminated, but allows program \$ to cover admin



Funded: Economic Development



- \$2.2m Governor's Strategic Reserve Fund
- \$600k International Market Representation
- \$1.3m Small Business Development Center
- \$300k Seattle AI center to incubate small business start-ups
- ~~\$100k Quantum computing program~~ **Vetoed**



Capital Budget

- \$975m Education
 - \$827m Natural Resources
 - \$375m Climate Commitment Act Investments
 - \$463m Behavioral health
 - \$362m Human Services
 - \$114m Broadband
 - \$22.1m World Cup Public Safety
- \$605m Housing Trust Fund
- Other housing related investments:
- \$100m for Connecting Housing to Infrastructure
 - \$8.2m for 3 TOD projects
 - \$11m affordable housing cleanup program



Transportation Budget

\$15.5b for the 25–27 biennium

- **\$125m** increase for fish passage barrier removal for total of **\$1b** for biennium
- Preservation level funded for biennium, but adds **\$200m** for 27–29
- **\$49.7m** additional funding for local governments in 25–27 and increase of **\$101m** in the 27–29 biennium
- **\$30 million** to support driver safety
- **\$7.6m** for traffic operations & **\$14m** for enhanced transit activities during the 2026 World Cup

[Transportation Budget one-pager](#)



Transportation Budget: Project Delays



Projects funded with Move Ahead Washington not under contract were delayed

- SR 167 SR 410 to SR 18 – Congestion Management
- SR3/Gorst Area – Widening funding
- Delayed to beyond 2027–2029 to future



Transportation Budget: Revenue SB 5801

- **Fuel Tax** 6 cent increase in FY 26 and 2% increase each year
- **Special Fuel (Diesel)** 3 cent increase in special fuel tax
- **Vehicle Registration fees** Truck weight, Passenger vehicle weight, filing, title & registration, abandoned recreational vehicle



Transportation Budget: Revenue SB 5801

Sales and Use Taxes

- Motor vehicle sales and use tax from .3 to .5%,
- Rental car tax 5.9 to 11.9%
- Peer to peer car sharing
- Recreational Vessels, Luxury Vehicle, Luxury Aircraft

Other Fees

- Tire disposal
- Large Event Facility
- WSDOT Work Zone Violations
- Driver's License and Identicards
- Remove toll exemption for transit and ride share vehicles

[Revenue Summary SB 5801](#)

Transportation Revenue

SSB 5802

Transfers .1 % sales
tax to transportation
budget



Washington State Ferries Transportation Budget



- **\$894m** for capital projects – new vessel construction, preservation of vessels and docks
- Delays Jumbo Mark II vessel conversions (decision on conversion will be made after World Cup)
- Requires WSF to contract for 5 or more new vessels (was up to 5)
- **\$38.5m** workforce development, overtime incurred by engine, deck and terminal staff, increase deck & engine positions across system
- Raises vessel replacement surcharge and requires recover credit card fees



Housing Stability



Rent Stabilization

[HB 1217](#) (Alvarado)

Delivered to Governor

- Limits rent increases to 7% plus consumer price index not to exceed 10%
- Limits rent increases to 5% for manufactured/mobile homes
- Limits security deposits, move-in fees and late fees



Housing Supply: Transit-Oriented Development

Promoting Transit Oriented Housing Development **Delivered to Governor** **HB 1491** (Reed)

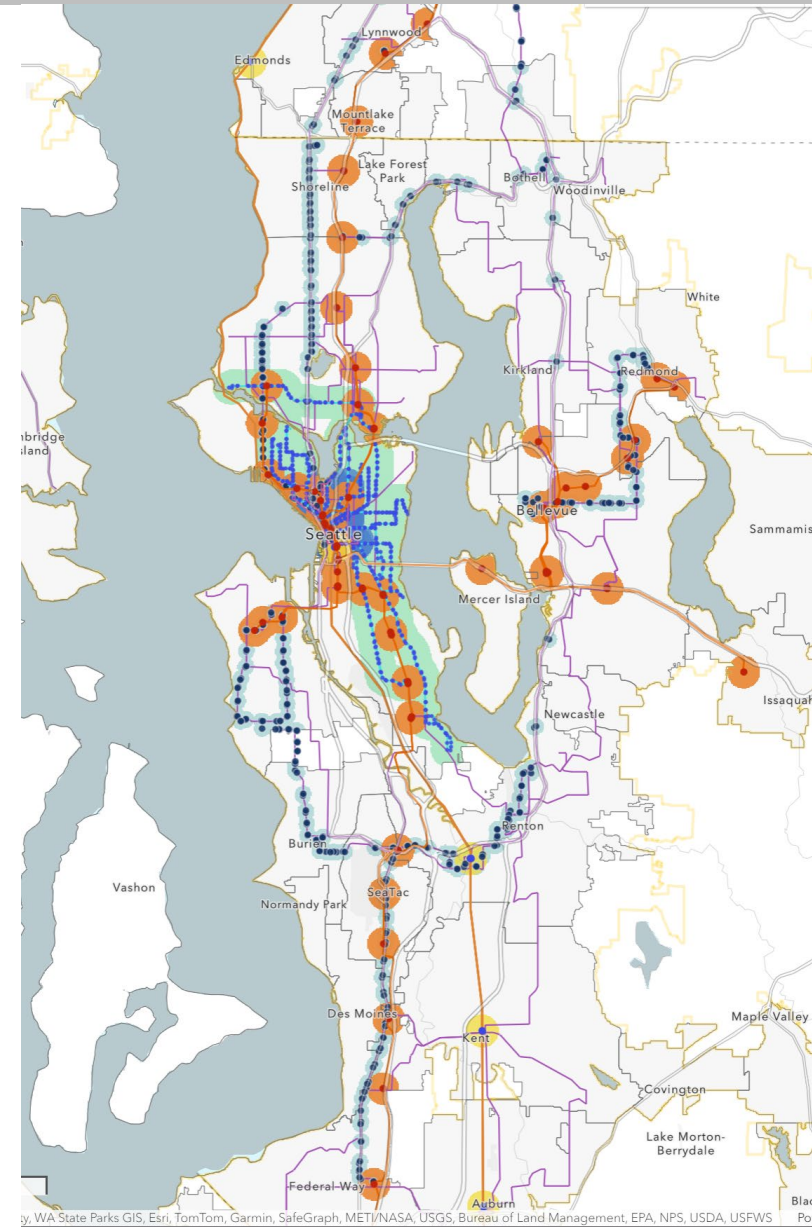
Creates density requirement in station areas

- 3.5 FAR w/in .5m of rail (.25m in cites <15,000 people)
- 2.5 FAR w/in .25m of BRT

Affordability for 50 yrs

- 10% of units if rents are 60% AMI & below
- 20% of units if rents are 80% AMI & below

Requires adoption of 20 yr MFTE program in station areas



Housing Supply: Parking Requirements



[HB 5184](#) (Bateman) Minimum Parking Requirements Signed Governor

Prohibits cities and counties from requiring:

- More than 0.5 parking space per multifamily residential unit and 1 per single family home
- More than 2 parking space per 1000 feet of commercial space

Does not apply to cities < than 30,000 people



Housing Bills

- [HB 1096](#) Lot Splitting
- [SB 5559](#) Streamlining Subdivision Process
- [HB 1494](#) MFTE Adjustments
- [HB 1183](#) Modifying Building Code
- [HB 1403](#) Simplifying Condo Construction

[Planner's Newsletter – Legislative Update](#)

WA State Department of Commerce





Thank You!

Robin Koskey

Director, Government Relations and Communications
Rkoskey@psrc.org



Puget Sound Regional Council