

2025 Legislative Session Preview

Washington State

January 9, 2025

Washington's 2025 Legislative Session will begin on Monday, January 13, and it will be the first year of the two-year legislative biennium. Each biennium is comprised of a long session (105-days) and a short session (60-days) in which bills may be enacted into law. In addition to new policy ideas, the primary task of legislators during a long session is to pass the state's biennial budgets: Operating, Capital and Transportation.

The upcoming state legislative session is anticipated to be action packed, marked by leadership transitions, significant fiscal challenges, and evolving policy priorities. With several new lawmakers joining the ranks and discussions of multi-billion-dollar new revenue generation, legislators will face the dual task of addressing immediate financial constraints while advancing policies in areas such as education, housing, human services, behavioral health, the environment, and public safety.

Democrats will continue to control the agenda in Olympia with strong majorities in both the House and Senate. Notably, [Democrats picked up one additional seat in each chamber after the 2024 election, moving both chambers into a 60% majority.](#) In the Senate, Democrats have a 30-19 majority; and in the House, Democrats have a 59-39 majority.

This year, the Legislature experienced significant turnover, driven by retirements and lawmakers transitioning to other elected positions. As of this report, there are 33 lawmakers in new seats, with two additional newcomers on the way. Rep. Tana Senn will leave the legislature to lead the Department of Children, Youth and Families, and Sen. Joe Nguyen will take on the role of leading the state Department of Commerce. A list of new members and brief bios can be found here in the *Washington State Standard*, [Meet the new faces of the 2025 legislative session.](#)

Operating Budget Challenges Ahead

Over the past several months, some democrats have been socializing the need for additional revenue to sustain current state spending on essential programs. Some House and Senate Democrats have emphasized the necessity of new revenue sources, such as a payroll tax, a proposed wealth tax, and potential business tax surcharges. Meanwhile, Republicans have called for spending cuts and delays in program expansions. Both parties acknowledge the challenging decisions ahead as the state grapples with maintaining essential services while ensuring fiscal sustainability. Thus far, Governor-elect Bob Ferguson has maintained a cautious stance, prioritizing an evaluation of budget efficiencies before endorsing any specific tax proposals. Additional coverage on these discussions can be found in the *Washington State Standard* articles: [Making sense of Washington's multi-billion dollar budget hole](#) and [Tax debate hangs heavy over approaching Washington legislative session.](#)

In addition to out-going Governor Inslee's proposed wealth tax and B&O surcharge revenue measures (more on that below), legislators have been exploring potential revenue streams independently. Shortly before the holidays, an internal email outlining revenue ideas from Senate Democrats for the 2025 legislative session was inadvertently shared with all senators, Republican Senators included. [The Washington State Standard provides detailed coverage](#) of this email and those discussions. Below are some of the tax proposals currently under discussion:

1. **Payroll Tax** – Modeled after Seattle's Jumpstart payroll tax, this proposal would levy a tax on employers based on employee compensation exceeding the Social Security threshold (currently \$168,000) at 6.2%. Companies with \$8 million or more in Washington payroll would be subject to the tax.
2. **Wealth Tax** – A 1% "property tax" on financial intangible assets exceeding \$50 million for Washington residents, with alternative versions proposing a \$250 million threshold.
3. **B&O Surcharge Tax** – An additional 1% B&O surcharge for taxpayers with Washington taxable income over \$500 million, applied on a marginal basis (only on income above \$500 million).
4. **Delivery Fee Tax** – A proposed \$0.35 fee on deliveries for purchases over \$50, with an exemption for groceries. Revenue would fund transportation costs for cities and the state.
5. **Property Tax** – A levy lid lift to increase the growth limit for regular property tax levies from 1% to a maximum of 3% for both state and local tax districts.
6. **Real Estate Excise Tax** – A new 1% real estate excise tax on property sales valued over \$3.025 million.

With these proposals and ongoing discussions, the 2025 legislative session promises to be eventful, with significant debates and decisions shaping the state's fiscal future.

Problems ahead with the Transportation Budget

While the operating budget challenges continue to lead in headlines, transportation leaders have been sounding the alarm for several years that revenues continue to not meet rising costs of the Washington state transportation system. Washington's transportation budget relies heavily on gas tax revenue. As vehicles become increasingly fuel-efficient and the adoption of electric vehicles accelerates, gas tax revenues have begun to decline, creating a significant funding challenge for the state. This trend is putting the long-term sustainability of the transportation budget in jeopardy, as traditional revenue sources fail to keep pace with infrastructure needs. With major projects and court-mandated obligations – such as salmon passage improvements which are already straining the budget – transportation leaders are under pressure to explore alternative funding mechanisms, such as road usage charges and other transportation related fees, to address the growing gap. Current shortfalls are estimated to be \$8 billion over 10 years.

Bills Introductions - Prefilled Bills

In December, Washington state lawmakers began prefiling bills in preparation for the 2025 legislative session. Although these bills won't be formally introduced until the session begins, they are assigned numbers and serve as a starting point for discussions on upcoming legislation. [Click here to view prefilled bills for 2025.](#)

Committee Schedules

From the very first day of the 2025 legislative session, lawmakers will dive into their work with opening day ceremonies and committee hearings. Use the links below to access committee schedules, agendas, and session calendars to stay informed about the pace and key milestones of the session:

- [Click here to view committee schedules, agendas, and session calendars](#)
- [2025 House Session Planner](#)
- [2025 Senate Session Planner](#)

Cutoff Deadlines

The legislative process has key deadlines (“*cutoffs*”) that bills need to meet to remain under consideration for the year. Prior to the first cutoff, the focus of legislators will be introducing bills, holding public hearings, and voting on bills to move them out of committee and forward in the process. For 2025, the first cutoff deadline will be Friday, February 21 (day 40), where all policy bills must be voted out of their respective policy committees to remain *alive*. Compared to a short session, the first cutoff was on day 21, leaving more time for policy bills to advance. The 2025 Legislative Cutoff Deadlines are as follows:

Jan. 13 – Day 1	Session begins
Feb. 21 - Day 40	Policy cutoff in house of origin - last day to pass bills out of House policy committees and Senate policy committees in the chamber they were introduced
Feb. 28 - Day 47	Fiscal cutoff in house of origin - last day to pass bills out of fiscal committees in the chamber they were introduced
Mar. 12 - Day 59	House of origin cutoff - Last day to pass bills out of the chamber they were introduced in. House bills out of House, senate bills out of Senate (5pm deadline)
Apr. 2 - Day 80	Opposite house policy cutoff – all bills from the other chamber must pass out of house/senate policy committees
Apr. 8 - Day 86	Opposite house fiscal cutoff – all bills from other chamber must pass out of House/Senate fiscal committees
Apr. 16 - Day 94	Last day to pass opposite house bills (5pm deadline)
Apr. 27 - Day 105	Last day of Session - Sine Die!

Committee & Caucus Reorganization

After the election and before the start of session, all four caucuses in the Legislature (House Democrats, House Republicans, Senate Democrats, Senate Republicans) meet to discuss and elect leadership positions, reevaluate committee structures, and select committee chairs and full committee memberships. This year, due to the number of retirements and new members, several changes have occurred. Notably, Senator Jamie Pedersen (D – Seattle) has been chosen as the new Senate Majority Leader. He replaces Senator Andy Billig (D – Spokane) who retired from the Senate at the end of his term. Click here to view the full roster of [House Leadership](#) and [Senate Leadership](#). Please [click here](#) for a list of all legislators and committee assignments.

House Committees

Assignments as of 1/9/25 and are anticipated to be final.

<u>House Committees</u>	<u>Chair/Ranking</u>
Agriculture & Natural Resources	Rep. Reeves / Rep. Dent
Appropriations	Rep. Ormsby / Rep. Couture
Capital Budget	Rep. Tharinger / Rep. Steele
Civil Rights & Judiciary	Rep. Taylor / Rep. Walsh
Community Safety, Justice, & Reentry	Rep. Goodman / Rep. Graham
Consumer Protection & Business	Rep. Walen / Rep. McClintock
Early Learning & Human Services	<i>*Rep. Berquist*</i> / Rep. Eslick <i>*Not officially confirmed*</i>
Education	Rep. Santos / Rep. Rude
Environment & Energy	Rep. Doglio / Rep. Dye
Finance	Rep. Berg / Rep. Orcutt
Health Care & Wellness	Rep. Bronoske / Rep. Schmick
Housing	Rep. Peterson / Rep. Low
Labor & Workplace Standards	Rep. Berry / Rep. Schmidt
Local Government	Rep. Duerr / Rep. Klicker
Postsecondary Education & Workforce	<i>*Rep. Paul*</i> / Rep. Ybarra <i>*Not officially confirmed*</i>
State Government & Tribal Relations	Rep. Mena / Rep. Waters
Technology, Economic Development & Veterans	Rep. Ryu / Rep. Volz
Transportation	Rep. Fey / Rep. Barkis
Rules	Speaker Jenkins

Senate Committees

Assignments as of 1/9/25 and are anticipated to be final.

<u>Senate Committees</u>	<u>Chair/Ranking</u>
Agriculture, Water, Natural Resources & Parks	Sen. Chapman / Sen. Short
Business, Financial Services, Gaming & Trade	Sen. Kauffman / Sen. Dozier
Early Learning & K-12 Education	Sen. Wellman / Sen. Harris
Environment, Energy & Technology	Sen. Shewmake / Sen. Boehnke
Health & Long Term Care	Sen. Cleveland / Sen. Muzzall
Higher Education & Workforce Development	Sen. Nobles / Sen. Warnick
Housing	Sen. Bateman / Sen. Goehner
Human Services & Behavioral Health	Sen. C. Wilson / Sen. Christian
Labor & Commerce	Sen. Saldana / Sen. King
Law & Justice	Sen. Dhingra / Sen. Holy
Local Government	Sen. Saloman / Sen. Goehner
State Government, Tribal Affairs, & Elections	Sen. Valdez / Sen. J. Wilson
Transportation	Sen. Liias / Sen. King
Ways & Means	Sen. Robinson / Sen. Gildon
Rules	Lt. Governor Heck

Governor Inslee’s 2025-2027 Proposed Budgets

Each year before the legislative session begins, the Governor presents a budget proposal for the legislature's consideration. This proposal outlines a spending plan, highlights key priorities, and often shapes the initial focus of the session. For the 2025 session, outgoing Governor Jay Inslee delivered his final Operating, Capital, and Transportation budget proposals on December 17. Recognizing his departure, Governor Inslee described his proposal as “a starting point,” acknowledging that Governor-elect Ferguson will bring his own budget priorities, which have now been released (more on that below).

Addressing the Budget Shortfall

A primary focus of Governor Inslee’s budget proposals was addressing a projected revenue shortfall to maintain current programs and spending. Notably, he projected budget shortfall of \$10–\$16 billion over the next four years, noting that earlier estimates of \$10–\$12 billion did not account for the 32 recently negotiated collective bargaining agreements, which are expected to cost an additional \$2–\$3 billion. In a preemptive move, Governor Inslee released a hiring freeze

[directive](#) in early December across his agencies along with a request to halt the start on new programs. Despite the current budget shortfall, Governor Inslee's 2025-27 operating budget proposal spends nearly \$79.5 billion – a 10.4% increase totaling \$7.5 billion more in spending compared to the current 2023-25 budget.

Proposed Funding Sources

To finance the increased spending, the Governor's budget includes several measures, including fund transfers, utilizing the rainy-day fund, and the following tax increases:

- **Wealth Tax:** A 1% tax on worldwide wealth exceeding \$100 million, estimated to affect 3,400 Washingtonians and generate \$10.3 billion over four years.
- **B&O Tax Surcharge:** A temporary 20% surcharge on the services B&O tax rate for businesses earning more than \$1 million annually from October 2025 to December 2026. Starting January 2027, all B&O tax rates would increase by 10%, generating \$1.045 billion in 2025–27 and \$1.58 billion in 2027–29.

Governor Inslee's Priority Spending Areas

Governor Inslee identified the following priority areas in his December 17 media release:

- Housing & homelessness services - \$905 million
- Behavioral health - \$719 million
- K-12 - \$1.3 billion
- Childcare & early learning - \$558 million
- Public safety - \$56.5 million
- College & Career training - \$188 million
- Clean energy transitions - \$982 million

Budget Cuts & Notable Omissions

Governor Inslee's proposed budget also includes cuts, delays, and reductions in services creating reductions of nearly \$2 billion over the next 4 years. These reductions include the elimination of 924 full-time state employee positions. Notably, the following budget items were anticipated, but left out of his proposal:

- Superintendent of Public Instruction Chris Reykdal had requested additional funding for special education, school transportation, and staff salary increases (\$3 billion over 2 years).
- Bonuses granted to National Board certification (\$151 million)
- Closure of the Women's Prison, Mission Creek Corrections Center for Women (\$15.3 million)
- Pausing the expansion of the Working Connections Child Care subsidy program (\$119.5 million)
- Delaying the Early Childhood Education & Assistance Program expansion to 2030-2031 (\$147 million)

Looking Ahead

Governor-Elect Ferguson has stated publicly that a review of the current and proposed budget is his priority, and further stated only after his assessment will he consider cuts, revenue increases, or a mixture of both for his budget priorities. With a new Governor and many newly elected legislators, this budget year will be particularly dynamic, making it crucial to stay informed and engaged throughout the process.

Next, the House and Senate will work to develop their respective budget proposals during session while negotiations continue.

Governor Inslee Budget Proposals:

- [Governor Inslee's final budget proposals](#)
- [Budget and Policy Highlights](#)
- [Detailed summary of expenditures.](#)

Governor-Elect Ferguson Prepares to Take Office

Governor-elect Ferguson is set to take office on January 15th and has been diligently preparing for his first 100 days in office and beyond. He has already [announced his senior staff](#) and is actively working to finalize his team of [policy advisors](#) while also appointing leaders of state agencies. The transition team's final report is expected on January 9th, and we will keep you informed as updates become available.

Governor-Elect Ferguson Releases Budget Priorities

On January 9th, Governor-elect Ferguson released his budget priorities. The Governor-elect made notable headlines coming out against a wealth tax that was floated by Governor Inslee and other democrat lawmakers, and proposes to reduce state agency spending by \$4.4 billion. His priorities are outlined in [his budget priorities document](#), where he calls for 6% cuts to most state agencies, and 3% cuts to 4-year higher education institutions. Ferguson is also asking agencies to consolidate management positions by 10 – 25%, reduce administrative and externally-focused positions that are not essential to government services by 10-25%, and reduce out of state and in state travel by 50% and 25% respectively. The Governor-elect has said publicly that new taxes should be a last resort. Governor-elect Ferguson is also prioritizing new investments in public safety, housing, ferries, childcare affordability, and boosts for K-12 funding. While Ferguson did not release a full-fledged detailed budget, his 16-page document outlines his priorities for \$800 million in new spending against his \$4.4 billion in savings and fund transfers. For additional context, [this Seattle Times article](#) also highlights the Governor-elect's budget release.