Multiple Agency Fiscal Note Summary

Bill Number: 1356 S HB	**Title:** K-12 funding

Estimated Cash Receipts

Agency Name	2025-27			2027-29			2029-31		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	194,900,000	194,900,000	194,900,000	602,400,000	602,400,000	602,400,000	1,050,300,000	1,050,300,000	1,050,300,000
Total $	**194,900,000**	**194,900,000**	**194,900,000**	**602,400,000**	**602,400,000**	**602,400,000**	**1,050,300,000**	**1,050,300,000**	**1,050,300,000**

Agency Name	2025-27		2027-29		2029-31	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI		339,627,000		658,942,000		829,307,000
Local Gov. Other	Fiscal note not available					
Local Gov. Total						

Estimated Operating Expenditures

Agency Name	2025-27				2027-29				2029-31			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of Financial Management	Fiscal note not available											
Department of Revenue	.1	20,000	20,000	20,000	.0	0	0	0	.0	0	0	0
Superintendent of Public Instruction	.0	193,105,200	193,105,200	193,105,200	.0	470,349,000	470,720,000	470,720,000	.0	705,051,000	705,653,000	705,653,000
Total $	**0.1**	**193,125,200**	**193,125,200**	**193,125,200**	**0.0**	**470,349,000**	**470,720,000**	**470,720,000**	**0.0**	**705,051,000**	**705,653,000**	**705,653,000**

Agency Name	2025-27			2027-29			2029-31		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI			339,627,000			658,942,000			829,307,000
Local Gov. Other	Fiscal note not available								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2025-27			2027-29			2029-31		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of Financial Management	Fiscal note not available								
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Superintendent of Public Instruction	.0	0	0	.0	0	0	.0	0	0
Total $	**0.0**	**0**	**0**	**0.0**	**0**	**0**	**0.0**	**0**	**0**

FNPID 73842

FNS029 Multi Agency rollup

Agency Name	2025-27			2027-29			2029-31		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Fiscal note not available								
Local Gov. Total									

Estimated Capital Budget Breakout

Prepared by: Megan Tudor, OFM	**Phone:** (360) 890-1722	**Date Published:** Preliminary 2/27/2025

FNPID 73842

FNS029 Multi Agency rollup

Department of Revenue Fiscal Note

Bill Number: 1356 S HB	Title: K-12 funding	Agency: 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Account	FY 2026	FY 2027	2025-27	2027-29	2029-31
GF-STATE-State 01 - Taxes 50 - Property Tax	48,700,000	146,200,000	194,900,000	602,400,000	1,050,300,000
Total $	48,700,000	146,200,000	194,900,000	602,400,000	1,050,300,000

Estimated Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.2		0.1		
Account					
GF-STATE-State 001-1	20,000		20,000		
Total $	20,000		20,000		

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

Legislative Contact:		Phone:	Date: 02/26/2025
Agency Preparation:	Mark Studer	Phone: 360-534-1507	Date: 02/27/2025
Agency Approval:	Marianne McIntosh	Phone: 360-534-1505	Date: 02/27/2025
OFM Review:	Megan Tudor	Phone: (360) 890-1722	Date: 02/27/2025

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Note: This fiscal note reflects language in SHB 1356, 2025 Legislative Session.

This fiscal note only addresses Part II of the bill, which impacts the Department of Revenue (department).

COMPARISON OF SUBSTITUTE BILL WITH ORIGINAL BILL
The substitute bill clarifies the definition of population change.

CURRENT LAW:
PART II - REVISING LIMITATIONS ON STATE PROPERTY TAXES IN SUPPORT OF COMMON SCHOOLS
Current law annually limits a taxing district's increase in its regular property tax levy or levies by the applicable "limit factor," plus an additional amount based on the prior year's levy rate multiplied by the increase in assessed value in the district from:
- New construction.
- Construction of wind turbine, solar, biomass, and geothermal facilities.
- Improvements to property.
- State-assessed property.
- Real property within a local tax increment finance area designated by a local government (excluding the state school levies, or port and public utility district bond levies).

Current law defines:
- "Limit factor" as:
  - For taxing districts with a population of less than 10,000, 101%.
  - For all other districts, the lesser of 101% or 100% plus inflation. However, if inflation is less than 1%, then taxing districts, except the state, that adopt a substantial need resolution can have a limit factor up to 101%.
- "Inflation" as the percentage change in the implicit price deflator (IPD) for personal consumption expenditures for the United States as published for the most recent 12-month period by the Bureau of Economic Analysis of the federal Department of Commerce by September 25th of the year before the taxes are payable.

PROPOSAL:
PART II
This bill increases the regular property tax levy growth limit for state property taxes by revising the definition of "limit factor."

This bill revises the definition of "limit factor" for the state property tax levies to mean 100% plus population change and inflation, but not to exceed 103%.

This bill defines "population change" to mean the annual percent increase in the population of a taxing district between the two most recent years, as provided in the official population estimates published by the Office of Financial Management for April 1 of the year before the taxes are payable. The definition of population change also provides that if the population decreases, the population change is zero.

EFFECTIVE DATE:
This bill takes effect beginning with property taxes due for calendar year 2026.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:
- This legislation only applies to Part 1 and Part 2 of the state property tax levy.
- No prorationing occurs under the $5.90 aggregate limit.
- No prorationing occurs under the $10 constitutional limit.
- Based on five years of state property tax collections, 52.62% of property tax collections occur in April and 47.38% occur in October. When converting from calendar year to fiscal year, this estimate assumes revenue gains and losses follow this trend.

DATA SOURCES:
- Economic and Revenue Forecast Council, November 2024 forecast
- State Property Tax Model, November 2024
- County assessor data

PROPERTY TAX SHIFTS:
This proposal results in no state or local property tax levy shifts.

REVENUE ESTIMATES
The Economic and Revenue Forecast Council predicts the state property tax levy remains below the $3.60 limit throughout the 2027-29 biennium.

This bill increases state revenues by an estimated $48.7 million in fiscal year 2026, and by an estimated $146.2 million in fiscal year 2027, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):
FY 2026 - $ 48,700
FY 2027 - $ 146,200
FY 2028 - $ 249,900
FY 2029 - $ 352,500
FY 2030 - $ 463,700
FY 2031 - $ 586,600

Local Government, if applicable (cash basis, $000): None

DETAIL OF REVENUE IMPACT FOR PROPERTY TAX BILLS, Calendar Year Basis

State Government, Impact on Revenues ($000)
CY 2026 - $ 92,500
CY 2027 - $ 194,500
CY 2028 - $ 299,900
CY 2029 - $ 400,000
CY 2030 - $ 521,200
CY 2031 - $ 645,400

State Government, ($000), Shift of Tax Burden: None.

Local Government, Impact on Revenues ($000): None.

Local Government, ($000), Shift of Tax Burden: None.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

FIRST YEAR COSTS:
The department will incur total costs of $20,000 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 0.15 FTE.
- Amend five administrative rules.
- Update training materials and publications and provide feedback for rule updates.

ONGOING COSTS:
There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.2		0.1		
A-Salaries and Wages	12,800		12,800		
B-Employee Benefits	4,600		4,600		
E-Goods and Other Services	2,000		2,000		
J-Capital Outlays	600		600		
Total $	$20,000		$20,000		

III. B - Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

Job Classification	Salary	FY 2026	FY 2027	2025-27	2027-29	2029-31
EMS BAND 4	135,635	0.0		0.0		
MGMT ANALYST4	78,468	0.0		0.0		
TAX POLICY SP 2	80,460	0.0		0.0		
TAX POLICY SP 3	91,068	0.1		0.0		
TAX POLICY SP 4	98,040	0.0		0.0		
WMS BAND 3	115,352	0.0		0.0		
Total FTEs		0.2		0.1		

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the department will use the expedited process to amend the following rules:
- WAC 458-19-005, titled: "Definitions."
- WAC 458-19-020, titled: "Levy limit - Method of calculations."
- WAC 458-19-030, titled: "Levy limit - Consolidation of districts."
- WAC 458-19-035, titled: "Levy limit - Annexation."
- WAC 458-19-550, titled: "State levy - Apportionment between counties."

This rulemaking would affect property owners paying the state levy.

Individual State Agency Fiscal Note

Revised

Bill Number: 1356 S HB	Title: K-12 funding	Agency: 350-Superintendent of Public Instruction

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
Account					
General Fund-State 001-1	43,791,100	149,314,100	193,105,200	470,349,000	705,051,000
WA Opportunity Pathways Account-State 17f-1	0	0	0	371,000	602,000
Total $	43,791,100	149,314,100	193,105,200	470,720,000	705,653,000

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:		Phone:	Date: 02/26/2025
Agency Preparation:	Melissa Jarmon	Phone: 360 725-6302	Date: 02/27/2025
Agency Approval:	TJ Kelly	Phone: 360 725-6301	Date: 02/27/2025
OFM Review:	Shea Hamilton	Phone: (360) 229-4774	Date: 02/27/2025

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

The substitute bill:
Amends Sec. 102
Removes (2)(d)(i) that included charter schools into the local effort assistance funding calculation.
(4)(c) inflation enhancement to include $200 to calendar years 2029 and 2030.

Amends Sec. 301
Delays the 16% cap on resident student enrollment for funding purposes until September 1, 2027.

Amends Sec. 501
Delays the substitute cost increase for classroom teachers and classified staff to the 2028-29 school year.

Original bill:

Amended Sec. 101. RCW 84.52.0531 and 2022 c 108 s 3:
Section 2(b) defines "inflation enhancement" as $500 in the 2026 calendar year; and 3.33% added to inflation each year from the 2027 to the 2030 calendar years.

Section 2(c) defines the maximum per-pupil levy limit as $2,500 increased by inflation, plus the inflation enhancement defined in (b) of this subsection for districts with fewer than 40,000 FTE.

Further defines maximum per-pupil levy limit as $3,000 increased by inflation, plus the inflation enhancement defined in (b) of this subsection for districts with more than 40,000 FTE.

Beginning with the 2031 calendar year, $5,035, as increased by inflation beginning with property taxes levies for collection in collection in 2032, multiplied by the number of average annual full-time equivalent students enrolled in the school district in the prior school year.

Amended Sec. 102. RCW 28A.500.015 and 2022 c 108 s 4:
Section 2(d)(i) subject to (d)(iii) of this subsection, beginning in calendar year 2026, for charter schools established under chapter RCW 28A.710 RCW, the annual local effort assistance funding is equal to the actual enrichment levy per student as calculated by the superintendent of public instruction for the previous year for the district in which the charter school is located, up to a maximum per-student amount of $1,550 as increased for inflation, plus inflation enhancements, from the 2019 school year, multiplied by the student enrollment of the charter school in the prior school year.

Section 2(d)(iii) funding per pupil under (d) (i) of this subsection may only be provided to the extent that the sum of (d) (iii) (A) and (B) of the subsection does not exceed the per-student amount used for the maximum per-pupil limit defined in RCW 84.52.0531 plus revenues per pupil for the school district in which the charter school is located in the pervious school year from gifts, private foundations, and donations. (A) Per-pupil funding under (d)(i) of this subsection. (B) Per-pupil revenue is the previous school year from gifts, private foundations, and donations.

Section 4(c) defines inflation enhancement as $200 in the 2026 calendar year; and $300 in the 2027 calendar year.

4(f) Defines the state local effort assistance threshold as $1,550 per student, increased for inflation, plus inflation enhancements.

Amended Sec. 301. RCW 28A.150.390 and 2024 c 229 s 1:
Section 301 2(a) removes the 16% cap on resident student enrollment for funding purposes.
3(b) Removed the section that explains that special education funding is not dependent on the serving districts reporting but rather the resident district numbers. Also, how students from a nonhigh district or attending through an interdistrict agreement should be treated.

Amended Sec. 303. RCW 28A.150.560 and 2023 c 417 s 6:
Section 303 (2) requires OSPI to create a cost accounting methodology that accounts for expenditures beyond amounts provided through the special education funding formula under RCW 28A.150.390. This method of accounting must shift 30% of a school district's base allocation as defined in RCW 28A.150.390 for students eligible for and receiving special education to the school district's special education program for expenditures.

(3) To the extent that a school district's special education program expenditures exceed state funding in a school year provided under RCW 28A.150.390 and RCW 28A.150.392, and the redirected general apportionment revenue under subsection (2) of this section, the school district must use the remaining portion of the school district's base allocation as defined in RCW 28A.150.390 for students eligible for and receiving special education for the expenditures to using other funding sources.

(4) Unless otherwise prohibited by law, nothing in this section prohibits districts from using other funding and state allocation above the amounts provided under RCW 29A.150.390 and subsections (2) and (3) of this section to serve students eligible for and receiving special education.

New Section:
Section 304 provides an effective date of September 1, 2027 for sections 301 and 302 of this act.

New Section:
Section 305 provides an effective date of September 1, 2025 for section 303 of this act.

New Section:
Section 401 requires OSPI to convene a K-12 funding equity work group to analyze K-12 funding formulas and explore options for revisions to the funding formula that are responsive to student needs, including economic, demographic, and geographic differences in student and community populations.

By November 1, 2025, and annually thereafter through 2027, OSPI shall report the group's progress and any proposed options to the education and fiscal committees of the legislature. The report must include but is not limited to the following topics: Options for revisions to the funding formula that address system and resource inequities; Options that address state, local, and regional needs; the potential adoption of student weights to direct additional funding towards students most in need; and metrics for monitoring and accountability related to equitable access to resources.

The estimated cost of an option or group of options proposed by OSPI on behalf of the workgroup must not exceed the estimated state revenue provided under section 201 of this act when combined with the estimated additional state funding allocated in this act.

New Section:
Section 501 states that beginning in 2027-28 school year substitute costs per classroom teachers must be based on five funded substitute days per classroom teacher generated under RCW 28A.150.260 (4) at a daily substitute rate of $200 adjusted for inflation. And substitute costs per classified staff generated under RCW 28A.150.260 (5) at two days per classified staff at a daily substitute rate of $150 adjusted for inflation.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

None

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Substitute bill:
Amend Section 102.
OPSI assumes maximum per-pupil LEA for calendar year 2026 is $2,273.76. The estimated LEA for calendar year 2026 is $79,612,000 without Charter schools. The maximum per-pupil rates will increase by $300 plus inflation in calendar year 2027, and $200 plus inflation in calendar years 2029 and 2030.

Amend Section 301 to eliminate the 16% cap generating an increase of $26,496,000 in school year 2027-28.

Amends Section 501 to increase substitute teacher rate and days as well as adding substitute classified rate in school year 2028-29. OSPI estimates these costs of $29,513,000.

Original bill:
Section 101: OSPI assumes maximum per-pupil levy rate, with the additional $500, for calendar year 2026 is $3,828.51 and $4,494.22 for districts with enrollment greater than 40,000 student FTE. The estimated enrichment levy for calendar year 2026 is $98,023,000. These maximum per-pupil rates will increase with inflation plus 3.33% through 2030 calendar year. Then calendar year 3031 the maximum per-pupil rate is estimated to be $5,035.

Section 102: OSPI assumes maximum per-pupil local effort assistance (LEA) rate, with the additional $200, for calendar year 2026 is $2,278.76. The estimated LEA for calendar year 2026 is $82,377,000 and includes Charter schools. This maximum per-pupil rates will increase by another $300 plus inflation in calendar year 2027.

Section 301: OSPI assumes eliminating the 16% cap for funding will generate $25,049,000 in school year 2025-26.

Section 303: Requires OSPI to create a cost accounting methodology for expenditures beyond amounts provided through the special education funding formula. These costs are neutral.

Section 401: Requires OSPI to convene a K-12 funding equity work group to analyze K-12 funding formula. OSPI assumes 4 meetings each per year for FY 26 and FY27 all remote, and one remote meeting and one in person meeting for FY28. OSPI estimates 20 work group members and 4 OSPI staff to facilitate and or provide admin support to the meetings. Total cost of this work would be $4,100 in each of FY26 and FY27 and $10,000 in FY28.

Section 501: Increasing the substitute teacher rate to $200 for 5 days per teacher as well as adding substitute classified rate of $150 for 2 days in school year 2027-28. OSPI estimates these costs of $29,593,000.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
001-1	General Fund	State	43,791,100	149,314,100	193,105,200	470,349,000	705,051,000
17f-1	WA Opportunity Pathways Account	State	0	0	0	371,000	602,000
		Total $	43,791,100	149,314,100	193,105,200	470,720,000	705,653,000

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts				30,000	
E-Goods and Other Services	600	600	1,200	1,200	
G-Travel	3,500	3,500	7,000	8,800	
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services	43,787,000	149,310,000	193,097,000	470,680,000	705,653,000
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	43,791,100	149,314,100	193,105,200	470,720,000	705,653,000

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

III. D - Expenditures By Program (optional)

Program	FY 2026	FY 2027	2025-27	2027-29	2029-31
State Office Administration (010)	4,100	4,100	8,200	40,000	
General Apportionment (021)				22,872,000	60,542,000
Special Education (026)				47,413,000	55,361,000
LEA (029)	43,787,000	149,310,000	193,097,000	400,395,000	589,750,000
Total $	43,791,100	149,314,100	193,105,200	470,720,000	705,653,000

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

None

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

K-12 Funding - SHB 1356 State Costs						
School Year	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**2030-31**
Substitute Rate (Days per teacher)	4.00	4.00	4.00	5.00	5.00	5.00
Daily Rate of Substitute	151.86	151.86	151.86	200.00	204.00	208.08
Substitute Rate (Days per CLS)				2.00	2.00	2.00
Daily Rate of Substitute CLS				150.00	153.00	156.06
Enrollment CAP	16%	16%	None	None	None	None
Substitute Increase SD and Tribal	$ -	$ -	$ -	$ 29,364,000	$ 29,952,000	$ 30,552,000
Substitute Increase Charter	$ -	$ -	$ -	$ 149,000	$ 152,000	$ 155,000
Eliminate Enrollment CAP SD and Tribal	$ -	$ -	$ 26,353,000	$ 26,843,000	$ 27,380,000	$ 27,928,000
Eliminate Enrollment CAP Charter	$ -	$ -	$ 143,000	$ 145,000	$ 148,000	$ 151,000
Total School Year	**$ -**	**$ -**	**$ 26,496,000**	**$ 56,501,000**	**$ 57,632,000**	**$ 58,786,000**
State Calendar Year	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Local Effort Assistance SD and Tribal	$ 79,612,000	$ 206,336,000	$ 171,923,000	$ 246,583,000	$ 318,348,000	$ 291,708,000
Local Effort Assistance Charters	$ -	$ -	$ -	$ -	$ -	$ -
Total Fiscal Year	**$ 79,612,000**	**$ 206,336,000**	**$ 171,923,000**	**$ 246,583,000**	**$ 318,348,000**	**$ 291,708,000**
State Fiscal Year	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Substitute Increase SD and Tribal	$ -	$ -	$ -	$ 22,757,000	$ 29,820,000	$ 30,417,000
Substitute Increase Charter	$ -	$ -	$ -	$ 115,000	$ 151,000	$ 154,000
Eliminate Enrollment CAP SD and Tribal	$ -	$ -	$ 20,424,000	$ 26,733,000	$ 27,259,000	$ 27,805,000
Eliminate Enrollment CAP Charter	$ -	$ -	$ 111,000	$ 145,000	$ 147,000	$ 150,000
Local Effort Assistance SD and Tribal	$ 43,787,000	$ 149,310,000	$ 187,409,000	$ 212,986,000	$ 286,054,000	$ 303,696,000
Local Effort Assistance Charters	$ -	$ -	$ -	$ -	$ -	$ -
Apportionment System Changes	$ -	$ -	$ -	$ 30,000	$ -	$ -
K-12 FundingEquity Work Group	$ 4,100	$ 4,100	$ 10,000	$ -	$ -	$ -
Total Fiscal Year	**$ 43,791,100**	**$ 149,314,100**	**$ 207,954,000**	**$ 262,766,000**	**$ 343,431,000**	**$ 362,222,000**
Biennium	**2025-2027**		**2027-2029**		**2029-2031**	
Total Biennium	**$ 193,105,200**		**$ 470,720,000**		**$ 705,653,000**	

Individual State Agency Fiscal Note

Revised

Bill Number: 1356 S HB	Title: K-12 funding	Agency: SDF-School District Fiscal Note - SPI

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

ACCOUNT	FY 2026	FY 2027	2025-27	2027-29	2029-31
School District Local-Private/Local New-7	95,367,000	244,260,000	339,627,000	658,942,000	829,307,000
Total $	95,367,000	244,260,000	339,627,000	658,942,000	829,307,000

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
Account					
School District Local-Private/Local New-7	95,367,000	244,260,000	339,627,000	658,942,000	829,307,000
Total $	95,367,000	244,260,000	339,627,000	658,942,000	829,307,000

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:		Phone:	Date: 02/26/2025
Agency Preparation:	Melissa Jarmon	Phone: 360 725-6302	Date: 02/27/2025
Agency Approval:	TJ Kelly	Phone: (360) 725-6301	Date: 02/27/2025
OFM Review:	Shea Hamilton	Phone: (360) 229-4774	Date: 02/27/2025

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

The substitute bill:
Amends Sec. 102
Removes (2)(d)(i) that included charter schools into the local effort assistance funding calculation.
(4)(c) inflation enhancement to include $200 to calendar years 2029 and 2030.

Amends Sec. 301
Delays the 16% cap on resident student enrollment for funding purposes until September 1, 2027.

Amends Sec. 501
Delays the substitute cost increase for classroom teachers and classified staff to the 2028-29 school year.

Original bill:
Amended Sec. 101. RCW 84.52.0531 and 2022 c 108 s 3:
Section 2(b) defines "inflation enhancement" as $500 in the 2026 calendar year; and 3.33% added to inflation each year from the 2027 to the 2030 calendar years.

Section 2(c) defines the maximum per-pupil levy limit as $2,500 increased by inflation, plus the inflation enhancement defined in (b) of this subsection for districts with fewer than 40,000 FTE.

Further defines maximum per-pupil levy limit as $3,000 increased by inflation, plus the inflation enhancement defined in (b) of this subsection for districts with more than 40,000 FTE.

Beginning with the 2031 calendar year, $5,035, as increased by inflation beginning with property taxes levies for collection in collection in 2032, multiplied by the number of average annual full-time equivalent students enrolled in the school district in the prior school year.

Amended Sec. 102. RCW 28A.500.015 and 2022 c 108 s 4:
Section 2(d)(i) subject to (d)(iii) of this subsection, beginning in calendar year 2026, for charter schools established under chapter RCW 28A.710 RCW, the annual local effort assistance funding is equal to the actual enrichment levy per student as calculated by the superintendent of public instruction for the previous year for the district in which the charter school is located, up to a maximum per-student amount of $1,550 as increased for inflation, plus inflation enhancements, from the 2019 school year, multiplied by the student enrollment of the charter school in the prior school year.

Section 2(d)(iii) funding per pupil under (d) (i) of this subsection may only be provided to the extent that the sum of (d) (iii) (A) and (B) of the subsection does not exceed the per-student amount used for the maximum per-pupil limit defined in RCW 84.52.0531 plus revenues per pupil for the school district in which the charter school is located in the pervious school year from gifts, private foundations, and donations. (A) Per-pupil funding under (d)(i) of this subsection. (B) Per-pupil revenue is the previous school year from gifts, private foundations, and donations.

Section 4(c) defines inflation enhancement as $200 in the 2026 calendar year; and $300 in the 2027 calendar year.

4(f) Defines the state local effort assistance threshold as $1,550 per student, increased for inflation, plus inflation enhancements.

Amended Sec. 301. RCW 28A.150.390 and 2024 c 229 s 1:

Section 301 2(a) removes the 16% cap on resident student enrollment for funding purposes.
3(b) Removed the section that explains that special education funding is not dependent on the serving districts reporting but rather the resident district numbers. Also, how students from a nonhigh district or attending through an interdistrict agreement should be treated.

Amended Sec. 303. RCW 28A.150.560 and 2023 c 417 s 6:
Section 303 (2) requires OSPI to create a cost accounting methodology that accounts for expenditures beyond amounts provided through the special education funding formula under RCW 28A.150.390. This method of accounting must shift 30% of a school district's base allocation as defined in RCW 28A.150.390 for students eligible for and receiving special education to the school district's special education program for expenditures.

(3) To the extent that a school district's special education program expenditures exceed state funding in a school year provided under RCW 28A.150.390 and RCW 28A.150.392, and the redirected general apportionment revenue under subsection (2) of this section, the school district must use the remaining portion of the school district's base allocation as defined in RCW 28A.150.390 for students eligible for and receiving special education for the expenditures to using other funding sources.

(4) Unless otherwise prohibited by law, nothing in this section prohibits districts from using other funding and state allocation above the amounts provided under RCW 29A.150.390 and subsections (2) and (3) of this section to serve students eligible for and receiving special education.

New Section:
Section 304 provides an effective date of September 1, 2027 for sections 301 and 302 of this act.

New Section:
Section 305 provides an effective date of September 1, 2025 for section 303 of this act.

New Section:
Section 401 requires OSPI to convene a K-12 funding equity work group to analyze K-12 funding formulas and explore options for revisions to the funding formula that are responsive to student needs, including economic, demographic, and geographic differences in student and community populations.

By November 1, 2025, and annually thereafter through 2027, OSPI shall report the group's progress and any proposed options to the education and fiscal committees of the legislature. The report must include but is not limited to the following topics: Options for revisions to the funding formula that address system and resource inequities; Options that address state, local, and regional needs; the potential adoption of student weights to direct additional funding towards students most in need; and metrics for monitoring and accountability related to equitable access to resources.

The estimated cost of an option or group of options proposed by OSPI on behalf of the workgroup must not exceed the estimated state revenue provided under section 201 of this act when combined with the estimated additional state funding allocated in this act.

New Section:
Section 501 states that beginning in 2027-28 school year substitute costs per classroom teachers must be based on five funded substitute days per classroom teacher generated under RCW 28A.150.260 (4) at a daily substitute rate of $200 adjusted for inflation. And substitute costs per classified staff generated under RCW 28A.150.260 (5) at two days per classified staff at a daily substitute rate of $150 adjusted for inflation.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

OSPI assumes cash revenues equal state expenditures less costs associated with changes to the apportionment system and those associated with the funding formula equity workgroup. See attached table and state note for further details.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

OSPI assumes local education agencies will expend all revenue received in full. See State note for further details.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
New-7	School District Local	Private/Local	95,367,000	244,260,000	339,627,000	658,942,000	829,307,000
		Total $	95,367,000	244,260,000	339,627,000	658,942,000	829,307,000

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts					
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services	95,367,000	244,260,000	339,627,000	658,942,000	829,307,000
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	95,367,000	244,260,000	339,627,000	658,942,000	829,307,000

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

None

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

K-12 Funding - SHB 1356 State Costs						
School Year	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**2030-31**
Substitute Rate (Days per teacher)	4.00	4.00	4.00	5.00	5.00	5.00
Daily Rate of Substitute	151.86	151.86	151.86	200.00	204.00	208.08
Substitute Rate (Days per CLS)				2.00	2.00	2.00
Daily Rate of Substitute CLS				150.00	153.00	156.06
Enrollment CAP	16%	16%	None	None	None	None
Substitute Increase SD and Tribal	$ -	$ -	$ -	$ 29,364,000	$ 29,952,000	$ 30,552,000
Substitute Increase Charter	$ -	$ -	$ -	$ 149,000	$ 152,000	$ 155,000
Eliminate Enrollment CAP SD and Tribal	$ -	$ -	$ 26,353,000	$ 26,843,000	$ 27,380,000	$ 27,928,000
Eliminate Enrollment CAP Charter	$ -	$ -	$ 143,000	$ 145,000	$ 148,000	$ 151,000
Total School Year	**$ -**	**$ -**	**$ 26,496,000**	**$ 56,501,000**	**$ 57,632,000**	**$ 58,786,000**
State Calendar Year	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Local Effort Assistance SD and Tribal	$ 79,612,000	$ 206,336,000	$ 171,923,000	$ 246,583,000	$ 318,348,000	$ 291,708,000
Local Effort Assistance Charters	$ -	$ -	$ -	$ -	$ -	$ -
Local Enrichment Levy	$ 98,023,000	$ 92,183,000	$ 103,079,000	$ 78,881,000	$ 60,212,000	$ 49,542,000
Total Fiscal Year	**$ 177,635,000**	**$ 298,519,000**	**$ 275,002,000**	**$ 325,464,000**	**$ 378,560,000**	**$ 341,250,000**
State Fiscal Year	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Substitute Increase SD and Tribal	$ -	$ -	$ -	$ 22,757,000	$ 29,820,000	$ 30,417,000
Substitute Increase Charter	$ -	$ -	$ -	$ 115,000	$ 151,000	$ 154,000
Eliminate Enrollment CAP SD and Tribal	$ -	$ -	$ 20,424,000	$ 26,733,000	$ 27,259,000	$ 27,805,000
Eliminate Enrollment CAP Charter	$ -	$ -	$ 111,000	$ 145,000	$ 147,000	$ 150,000
Local Effort Assistance SD and Tribal	$ 43,787,000	$ 149,310,000	$ 187,409,000	$ 212,986,000	$ 286,054,000	$ 303,696,000
Local Effort Assistance Charters	$ -	$ -	$ -	$ -	$ -	$ -
Local Enrichment Levy	$ 51,580,000	$ 94,950,000	$ 97,916,000	$ 90,346,000	$ 69,057,000	$ 54,597,000
Total Fiscal Year	**$ 95,367,000**	**$ 244,260,000**	**$ 305,860,000**	**$ 353,082,000**	**$ 412,488,000**	**$ 416,819,000**
Biennium	**2025-2027**		**2027-2029**		**2029-2031**	
Total Biennium	**$ 339,627,000**		**$ 658,942,000**		**$ 829,307,000**	

Multiple Agency Ten-Year Analysis Summary

Bill Number	Title
1356 S HB	K-12 funding

This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

Estimated Cash Receipts

	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	Fiscal Year 2034	Fiscal Year 2035	2026-35 TOTAL
Department of Revenue	48,700,000	146,200,000	249,900,000	352,500,000	463,700,000	586,600,000	715,500,000	851,500,000	991,500,000	1,135,500,000	5,541,600,000
Superintendent of Public Instruction	0	0	0	0	0	0	0	0	0	0	0
Total	**48,700,000**	**146,200,000**	**249,900,000**	**352,500,000**	**463,700,000**	**586,600,000**	**715,500,000**	**851,500,000**	**991,500,000**	**1,135,500,000**	**5,541,600,000**

Ten-Year Analysis

Bill Number	Title	Agency
1356 S HB	K-12 funding	140 Department of Revenue

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at http://www.ofm.wa.gov/tax/default.asp .

Estimates

☐ **No Cash Receipts** ☐ **Partially Indeterminate Cash Receipts** ☐ **Indeterminate Cash Receipts**

Estimated Cash Receipts

Name of Tax or Fee	Acct Code	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	Fiscal Year 2034	Fiscal Year 2035	2026-35 TOTAL
Property tax	001	48,700,000	146,200,000	249,900,000	352,500,000	463,700,000	586,600,000	715,500,000	851,500,000	991,500,000	1,135,500,000	5,541,600,000
Total		**48,700,000**	**146,200,000**	**249,900,000**	**352,500,000**	**463,700,000**	**586,600,000**	**715,500,000**	**851,500,000**	**991,500,000**	**1,135,500,000**	**5,541,600,000**
Biennial Totals		**194,900,000**		**602,400,000**		**1,050,300,000**		**1,567,000,000**		**2,127,000,000**		**5,541,600,000**

Narrative Explanation (Required for Indeterminate Cash Receipts)

Note: This fiscal note reflects language in SHB 1356, 2025 Legislative Session.

This fiscal note only addresses Part II of the bill, which impacts the Department of Revenue (department).

COMPARISON OF SUBSTITUTE BILL WITH ORIGINAL BILL
The substitute bill clarifies the definition of population change.

CURRENT LAW:
PART II - REVISING LIMITATIONS ON STATE PROPERTY TAXES IN SUPPORT OF COMMON SCHOOLS
Current law annually limits a taxing district's increase in its regular property tax levy or levies by the applicable "limit factor," plus an additional amount based on the prior year's levy rate multiplied by the increase in assessed value in the district from:
- New construction.
- Construction of wind turbine, solar, biomass, and geothermal facilities.
- Improvements to property.
- State-assessed property.
- Real property within a local tax increment finance area designated by a local government (excluding the state school levies, or port and public utility district bond levies).

Ten-Year Analysis

Bill Number	Title	Agency
1356 S HB	K-12 funding	140 Department of Revenue

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at http://www.ofm.wa.gov/tax/default.asp .

Narrative Explanation (Required for Indeterminate Cash Receipts)

Current law defines:
- “Limit factor” as:
  - For taxing districts with a population of less than 10,000, 101%.
  - For all other districts, the lesser of 101% or 100% plus inflation. However, if inflation is less than 1%, then taxing districts, except the state, that adopt a substantial need resolution can have a limit factor up to 101%.
- “Inflation” as the percentage change in the implicit price deflator (IPD) for personal consumption expenditures for the United States as published for the most recent 12-month period by the Bureau of Economic Analysis of the federal Department of Commerce by September 25th of the year before the taxes are payable.

PROPOSAL:
PART II
This bill increases the regular property tax levy growth limit for state property taxes by revising the definition of “limit factor.”

This bill revises the definition of “limit factor” for the state property tax levies to mean 100% plus population change and inflation, but not to exceed 103%.

This bill defines “population change” to mean the annual percent increase in the population of a taxing district between the two most recent years, as provided in the offici population estimates published by the Office of Financial Management for April 1 of the year before the taxes are payable. The definition of population change also provid that if the population decreases, the population change is zero.

EFFECTIVE DATE:
This bill takes effect beginning with property taxes due for calendar year 2026.

ASSUMPTIONS:
- This legislation only applies to Part 1 and Part 2 of the state property tax levy.
- No prorationing occurs under the $5.90 aggregate limit.
- No prorationing occurs under the $10 constitutional limit.
- Based on five years of state property tax collections, 52.62% of property tax collections occur in April and 47.38% occur in October. When converting from calendar yea fiscal year, this estimate assumes revenue gains and losses follow this trend.

DATA SOURCES:

Ten-Year Analysis

Bill Number	Title	Agency
1356 S HB	K-12 funding	140 Department of Revenue

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at http://www.ofm.wa.gov/tax/default.asp .

Narrative Explanation (Required for Indeterminate Cash Receipts)

- Economic and Revenue Forecast Council, November 2024 forecast
- State Property Tax Model, November 2024
- County assessor data

PROPERTY TAX SHIFTS:
This proposal results in no state or local property tax levy shifts.

REVENUE ESTIMATES
The Economic and Revenue Forecast Council predicts the state property tax levy remains below the $3.60 limit throughout the 2027-29 biennium.

This bill increases state revenues by an estimated $48.7 million in fiscal year 2026, and by an estimated $146.2 million in fiscal year 2027, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):
FY 2026 - $ 48,700
FY 2027 - $ 146,200
FY 2028 - $ 249,900
FY 2029 - $ 352,500
FY 2030 - $ 463,700
FY 2031 - $ 586,600

Local Government, if applicable (cash basis, $000): None

DETAIL OF REVENUE IMPACT FOR PROPERTY TAX BILLS, Calendar Year Basis

State Government, Impact on Revenues ($000)
CY 2026 - $ 92,500
CY 2027 - $ 194,500

Ten-Year Analysis

Bill Number	Title	Agency
1356 S HB	K-12 funding	140 Department of Revenue

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at http://www.ofm.wa.gov/tax/default.asp .

Narrative Explanation (Required for Indeterminate Cash Receipts)

CY 2028 - $ 299,900
CY 2029 - $ 400,000
CY 2030 - $ 521,200
CY 2031 - $ 645,400

State Government, ($000), Shift of Tax Burden: None.

Local Government, Impact on Revenues ($000): None.

Local Government, ($000), Shift of Tax Burden: None.

Agency Preparation:	Mark Studer	Phone:	360-534-1507	Date:	2/27/2025 4:18:49 pm
Agency Approval:	Marianne McIntosh	Phone:	360-534-1505	Date:	2/27/2025 4:18:49 pm
OFM Review:		Phone:		Date:	

Ten-Year Analysis

Bill Number	Title	Agency
1356 S HB	K-12 funding	350 Superintendent of Public Instruction

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at http://www.ofm.wa.gov/tax/default.asp .

Estimates

[X] **No Cash Receipts**

[ ] **Partially Indeterminate Cash Receipts**

[ ] **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code											

Agency Preparation: Melissa Jarmon	Phone: 360 725-6302	Date: 2/27/2025 8:53:37 am
Agency Approval: TJ Kelly	Phone: 360 725-6301	Date: 2/27/2025 8:53:37 am
OFM Review:	Phone:	Date:

Ten-Year Analysis

Bill Number	Title	Agency
1356 S HB	K-12 funding	SDF School District Fiscal Note - SPI

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at http://www.ofm.wa.gov/tax/default.asp .

Estimates

[X] **No Cash Receipts**

[ ] **Partially Indeterminate Cash Receipts**

[ ] **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code											

Agency Preparation: Melissa Jarmon	Phone: 360 725-6302	Date: 2/27/2025 8:55:02 am
Agency Approval: TJ Kelly	Phone: (360) 725-6301	Date: 2/27/2025 8:55:02 am
OFM Review:	Phone:	Date: