

# Multiple Agency Fiscal Note Summary

|                               |                                      |
|-------------------------------|--------------------------------------|
| <b>Bill Number:</b> 2049 S HB | <b>Title:</b> K-12 education 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 | 200,000,000        | 200,000,000        | 200,000,000        | 623,000,000        | 623,000,000        | 623,000,000        | 1,102,000,000        | 1,102,000,000        | 1,102,000,000        |
| <b>Total \$</b>       | <b>200,000,000</b> | <b>200,000,000</b> | <b>200,000,000</b> | <b>623,000,000</b> | <b>623,000,000</b> | <b>623,000,000</b> | <b>1,102,000,000</b> | <b>1,102,000,000</b> | <b>1,102,000,000</b> |

| Agency Name         | 2025-27                   |             | 2027-29   |             | 2029-31   |             |
|---------------------|---------------------------|-------------|-----------|-------------|-----------|-------------|
|                     | GF- State                 | Total       | GF- State | Total       | GF- State | Total       |
| Local Gov. Courts   |                           |             |           |             |           |             |
| Loc School dist-SPI |                           | 291,398,000 |           | 450,482,000 |           | 488,599,000 |
| 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              |
| Department of Revenue                | 1.9        | 468,600            | 468,600            | 468,600            | 1.5        | 364,600            | 364,600            | 364,600            | 1.5        | 364,600            | 364,600            | 364,600            |
| Superintendent of Public Instruction | .0         | 144,876,200        | 144,876,200        | 144,876,200        | .0         | 262,230,000        | 262,230,000        | 262,230,000        | .0         | 364,945,000        | 364,945,000        | 364,945,000        |
| <b>Total \$</b>                      | <b>1.9</b> | <b>145,344,800</b> | <b>145,344,800</b> | <b>145,344,800</b> | <b>1.5</b> | <b>262,594,600</b> | <b>262,594,600</b> | <b>262,594,600</b> | <b>1.5</b> | <b>365,309,600</b> | <b>365,309,600</b> | <b>365,309,600</b> |

| 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 |                           |          | 291,398,000 |         |          | 450,482,000 |         |          | 488,599,000 |
| 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    |
| 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        |
| <b>Total \$</b>                      | <b>0.0</b> | <b>0</b> | <b>0</b> | <b>0.0</b> | <b>0</b> | <b>0</b> | <b>0.0</b> | <b>0</b> | <b>0</b> |

| 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

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|  |
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|                                      |                                 |   |
|--------------------------------------|---------------------------------|---|
| <b>Prepared by:</b> Megan Tudor, OFM | <b>Phone:</b><br>(360) 890-1722 | <b>Date Published:</b><br>Preliminary 4/24/2025 |
|--------------------------------------|---------------------------------|---|

# Department of Revenue Fiscal Note

|                               |                                      |  |
|-------------------------------|--------------------------------------|--|
| <b>Bill Number:</b> 2049 S HB | <b>Title:</b> K-12 education funding | <b>Agency:</b> 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<br>01 - Taxes 50 - Property Tax | 50,000,000 | 150,000,000 | 200,000,000 | 623,000,000 | 1,102,000,000 |
| <b>Total \$</b>                                | 50,000,000 | 150,000,000 | 200,000,000 | 623,000,000 | 1,102,000,000 |

### Estimated Expenditures from:

| Account              | FY 2026 | FY 2027 | 2025-27 | 2027-29 | 2029-31 |
|----------------------|---------|---------|---------|---------|---------|
| FTE Staff Years      | 2.3     | 1.5     | 1.9     | 1.5     | 1.5     |
| GF-STATE-State 001-1 | 286,300 | 182,300 | 468,600 | 364,600 | 364,600 |
| <b>Total \$</b>      | 286,300 | 182,300 | 468,600 | 364,600 | 364,600 |

### 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: 04/21/2025 |
| Agency Preparation: Mark Studer | Phone: (605) 60-534-1507 | Date: 04/22/2025 |
| Agency Approval: Valerie Torres | Phone: (605) 60-534-1521 | Date: 04/22/2025 |
| OFM Review: Megan Tudor         | Phone: (360) 890-1722    | Date: 04/24/2025 |

Request # 2049-3-1

## 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.*

This fiscal note only addresses sections 4 through 7 of the bill, which impact the Department of Revenue (department).

#### COMPARISON OF THE SUBSTITUTE BILL WITH THE ORIGINAL BILL:

The substitute bill:

- Replaced the word "increase" to "change" in reference to the annual percentage "change" in the consumer price index.
- Replaced in the annual growth factor calculation "100%" to "101%."
- Made a change on how to calculate population change for a county road fund.
- Added some clarifying language on what boundaries are used to determine the state population change.

#### CURRENT LAW:

The regular property tax levy growth limit statutorily limits a taxing district's increase in its regular annual 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 both parts of the state school levy, port districts, and public utility district bond levies).

The limit factor is:

- 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 is the percentage change in the implicit price deflator 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:

This bill increases the regular property tax levy growth limit for both state and local property tax levies by revising the definition of inflation and limit factor.

This bill revises the definition of inflation for both state and local property levies to mean the annual percentage change in the consumer price index for all urban consumers (CPI-U) in the western region for all items as provided for the most recent 12-month period by the Bureau of Labor Statistics of the United States Department of Labor by July 25 of the year before the year the taxes are paid.

This bill revises the definition of limit factor for both state and local property tax levies to mean 101% plus population change and inflation, but not to exceed 103%.

Population change means 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 paid. The definition of population change also:

- Provides that if a taxing district's population decreases, the population change is zero.
- Specifies how to calculate the population change for taxing districts located in more than one county, city, town, or any combination of counties, cities, and towns.

The department must provide county assessors with the limit factors by September 1 of the year before the year the taxes are paid. It also requires the county assessor to determine the limit factor applicable to each taxing district in the county and notify each taxing district of the applicable factor by October 1 of the year before the year the taxes are paid.

This bill repeals the substantial need provision (RCW 84.55.0101).

**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:**

- Taxing districts taking less than the current 101% limit will not utilize the increased limit factor.
- Prorating occurs under the \$5.90 aggregate limit due to the increase in the limit factor in Columbia and Whitman counties.
- No prorating occurs under the \$10 constitutional aggregate limit due to the increase in the limit factor.
- 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
- Office of Financial Management, April 1, 2024, Population estimates
- Office of Financial Management, State population forecast
- Department of Revenue, State Property Tax Model
- Department of Revenue, State levy calculations for property taxes due for 2024
- County assessor, Property tax data

**REVENUE ESTIMATES:**

This bill increases state revenues by an estimated \$50 million in fiscal year 2026, and by \$150 million in fiscal year 2027, the first full year of impacted collections.

This bill also increases local revenues by an estimated \$62 million in fiscal year 2026, and by \$183 million in fiscal year 2027, the first full year of impacted collections.

**PROPERTY TAX SHIFTS:**

This legislation results in no state or local property tax levy shifts.

**TOTAL REVENUE IMPACT:**

|                                       |            |
|---------------------------------------|------------|
| State Government (cash basis, \$000): |            |
| FY 2026 -                             | \$ 50,000  |
| FY 2027 -                             | \$ 150,000 |
| FY 2028 -                             | \$ 255,000 |

FY 2029 - \$ 368,000  
FY 2030 - \$ 487,000  
FY 2031 - \$ 615,000

Local Government, if applicable (cash basis, \$000):

FY 2026 - \$ 62,000  
FY 2027 - \$ 183,000  
FY 2028 - \$ 313,000  
FY 2029 - \$ 449,000  
FY 2030 - \$ 596,000  
FY 2031 - \$ 754,000

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

State Government, Impact on Revenues (\$000):

CY 2026 - \$ 96,000  
CY 2027 - \$ 198,000  
CY 2028 - \$ 307,000  
CY 2029 - \$ 423,000  
CY 2030 - \$ 546,000  
CY 2031 - \$ 677,000

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

Local Government, Impact on Revenues (\$000):

CY 2026 - \$ 117,000  
CY 2027 - \$ 242,000  
CY 2028 - \$ 376,000  
CY 2029 - \$ 515,000  
CY 2030 - \$ 669,000  
CY 2031 - \$ 830,000

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.*

**ASSUMPTIONS:**

This bill affects county assessors, property owners, and taxing districts.

**FIRST YEAR COSTS:**

The department will incur total costs of \$286,300 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 2.28 FTEs.

- Revise property tax manuals, update forms and training materials, and work with county assessor's offices to implement this legislation.
- Calculate limit factors for all taxing districts.
- Increased number of required county levy audits due to levy limit changes.
- Amend five administrative rules.

- Amend one property tax advisory.

**SECOND YEAR COSTS:**

The department will incur total costs of \$182,300 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 1.5 FTEs.

- Calculate limit factors for all taxing districts.
- Continued county levy audits due to levy limit changes

**ONGOING COSTS:**

Ongoing costs for the 2027-29 biennium equal \$364,600 and include similar activities described in the second-year costs. Time and effort equate to 1.5 FTEs.

**Part III: Expenditure Detail**

**III. A - Expenditures by Object Or Purpose**

|                            | FY 2026          | FY 2027          | 2025-27          | 2027-29          | 2029-31          |
|----------------------------|------------------|------------------|------------------|------------------|------------------|
| FTE Staff Years            | 2.3              | 1.5              | 1.9              | 1.5              | 1.5              |
| A-Salaries and Wages       | 175,100          | 113,400          | 288,500          | 226,800          | 226,800          |
| B-Employee Benefits        | 63,100           | 40,900           | 104,000          | 81,800           | 81,800           |
| E-Goods and Other Services | 33,100           | 20,900           | 54,000           | 41,800           | 41,800           |
| G-Travel                   | 6,000            | 4,200            | 10,200           | 8,400            | 8,400            |
| J-Capital Outlays          | 9,000            | 2,900            | 11,900           | 5,800            | 5,800            |
| <b>Total \$</b>            | <b>\$286,300</b> | <b>\$182,300</b> | <b>\$468,600</b> | <b>\$364,600</b> | <b>\$364,600</b> |

**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        |            |            |
| EMS BAND 5                  | 158,451 | 0.0        |            | 0.0        |            |            |
| MGMT ANALYST4               | 78,468  | 0.0        |            | 0.0        |            |            |
| PROPERTY AND ACQUISITION SJ | 72,924  | 1.0        | 1.0        | 1.0        | 1.0        | 1.0        |
| PROPERTY AND ACQUISITION SJ | 78,468  | 1.0        | 0.4        | 0.7        | 0.4        | 0.4        |
| TAX POLICY SP 2             | 80,460  | 0.0        |            | 0.0        |            |            |
| TAX POLICY SP 3             | 91,068  | 0.2        | 0.1        | 0.2        | 0.1        | 0.1        |
| TAX POLICY SP 4             | 98,040  | 0.0        |            | 0.0        |            |            |
| WMS BAND 3                  | 115,352 | 0.0        |            | 0.0        |            |            |
| <b>Total FTEs</b>           |         | <b>2.3</b> | <b>1.5</b> | <b>1.9</b> | <b>1.5</b> | <b>1.5</b> |

**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 five administrative rules affecting county assessors, property owners, and taxing districts.

- WAC 458-19-005, titled: "Definitions."
- WAC 458-19-010, titled: "Levy limit and levy rate calculations."
- WAC 458-19-020, titled: "Levy limit—Method of calculation."
- WAC 458-19-030, titled: "Levy limit—Consolidation of districts."
- WAC 458-19-035, titled: "Levy limit—Annexation."

# Individual State Agency Fiscal Note

Revised

|                               |                                      |   |
|-------------------------------|--------------------------------------|---|
| <b>Bill Number:</b> 2049 S HB | <b>Title:</b> K-12 education funding | <b>Agency:</b> 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     |
|-------------------------------|------------|-------------|-------------|-------------|-------------|
| <b>Account</b>                |            |             |             |             |             |
| General Fund-State      001-1 | 32,419,100 | 112,457,100 | 144,876,200 | 262,230,000 | 364,945,000 |
| <b>Total \$</b>               | 32,419,100 | 112,457,100 | 144,876,200 | 262,230,000 | 364,945,000 |

**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: 04/21/2025 |
| Agency Preparation:    Shawn Lewis       | Phone: (360) 725-6019 | Date: 04/21/2025 |
| Agency Approval:        TJ Kelly         | Phone: 360 725-6301   | Date: 04/21/2025 |
| OFM Review:                Shea Hamilton | Phone: (360) 229-4774 | Date: 04/24/2025 |

## 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.*

Amended Sec. 2. RCW 84.52.0531 and 2022 c 108 s 3:

(2) defines “inflation enhancement”

(b)(i) \$500 in the 2026 calendar year

(b)(ii) and 3.33% added to inflation each year from the 2027 to the 2030 calendar years.

(2)(c)(A) 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 through the 2023 calendar year.

(B) defines maximum per-pupil levy limit as \$3,000 increased by inflation, plus the inflation enhancement defined in (b)(i) 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 2032, multiplied by the number of average annual full-time equivalent students enrolled in the school district in the prior school year.

Amended Sec. 3. RCW 28A.500.015 and 2022 c 108 s 4:

(2)(c) Local Effort Assistance (LEA) funding for state-tribal education compact schools maximum per-student amount of \$1,550 as increased by inflation, plus inflation enhancements.

(4)(c) Defines inflation enhancement as \$150 in the 2026, \$200 2030 and 2031 calendar year; and \$250 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.

New Section:

Section 8 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.

### 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.

Section 2: 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 increase 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 3: OSPI assumes maximum per-pupil local effort assistance (LEA) rate, with the additional \$150, for calendar year 2026 is \$2,273.76. The estimated LEA increase for calendar year 2026 is \$58,936,000. This maximum per-pupil rates will increase by another \$250 plus inflation in calendar years 2027, and \$200 in 2030 and 2031.

Section 8: 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 FY26 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 meeting. Total cost of this work would be \$4,100 in each of the FY26 and FY27 and \$10,000 in FY28.

**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 | 32,419,100 | 112,457,100 | 144,876,200 | 262,230,000 | 364,945,000 |
| <b>Total \$</b> |               |       | 32,419,100 | 112,457,100 | 144,876,200 | 262,230,000 | 364,945,000 |

**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           | 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 | 32,415,000 | 112,453,000 | 144,868,000 | 262,220,000 | 364,945,000 |
| P-Debt Service                       |            |             |             |             |             |
| S-Interagency Reimbursements         |            |             |             |             |             |
| T-Intra-Agency Reimbursements        |            |             |             |             |             |
| 9-                                   |            |             |             |             |             |
| <b>Total \$</b>                      | 32,419,100 | 112,457,100 | 144,876,200 | 262,230,000 | 364,945,000 |

**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)**

| <b>Program</b>                    | <b>FY 2026</b>    | <b>FY 2027</b>     | <b>2025-27</b>     | <b>2027-29</b>     | <b>2029-31</b>     |
|-----------------------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| State Office Administration (010) | 4,100             | 4,100              | 8,200              | 10,000             |                    |
| Local Effort Assistance (029)     | 32,415,000        | 112,453,000        | 144,868,000        | 262,220,000        | 364,945,000        |
| <b>Total \$</b>                   | <b>32,419,100</b> | <b>112,457,100</b> | <b>144,876,200</b> | <b>262,230,000</b> | <b>364,945,000</b> |

**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.*

| <b>K-12 Funding - SHB 2049</b>        |                       |                       |                       |                       |                       |                       |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>State Calendar Year</b>            | <b>2026</b>           | <b>2027</b>           | <b>2028</b>           | <b>2029</b>           | <b>2030</b>           | <b>2031</b>           |
| Local Effort Assistance SD and Tribal | \$ 58,936,000         | \$ 156,240,000        | \$ 127,530,000        | \$ 117,058,000        | \$ 181,082,000        | \$ 238,522,000        |
| <b>Total Fiscal Year</b>              | <b>\$ 58,936,000</b>  | <b>\$ 156,240,000</b> | <b>\$ 127,530,000</b> | <b>\$ 117,058,000</b> | <b>\$ 181,082,000</b> | <b>\$ 238,522,000</b> |
| <b>State Fiscal Year</b>              | <b>2026</b>           | <b>2027</b>           | <b>2028</b>           | <b>2029</b>           | <b>2030</b>           | <b>2031</b>           |
| Local Effort Assistance SD and Tribal | \$ 32,415,000         | \$ 112,453,000        | \$ 140,450,000        | \$ 121,770,000        | \$ 152,271,000        | \$ 212,674,000        |
| K-12 FundingEquity Work Group         | \$ 4,100              | \$ 4,100              | \$ 10,000             | \$ -                  | \$ -                  | \$ -                  |
| <b>Total Fiscal Year</b>              | <b>\$ 32,419,100</b>  | <b>\$ 112,457,100</b> | <b>\$ 140,460,000</b> | <b>\$ 121,770,000</b> | <b>\$ 152,271,000</b> | <b>\$ 212,674,000</b> |
| <b>Biennium</b>                       | <b>2025-2027</b>      |                       | <b>2027-2029</b>      |                       | <b>2029-2031</b>      |                       |
| <b>Total Biennium</b>                 | <b>\$ 144,876,200</b> |                       | <b>\$ 262,230,000</b> |                       | <b>\$ 364,945,000</b> |                       |

| State Fiscal Year        |                               | 2026                  | 2027                  | 2028                  | 2029                  | 2030                  | 2031                  |
|--------------------------|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 029                      | Local Effort Assistance Total | \$ 32,415,000         | \$ 112,453,000        | \$ 140,450,000        | \$ 121,770,000        | \$ 152,271,000        | \$ 212,674,000        |
| 010                      | K-12 FundingEquity Work Group | \$ 4,100              | \$ 4,100              | \$ 10,000             | \$ -                  | \$ -                  | \$ -                  |
| <b>Total Fiscal Year</b> |                               | <b>\$ 32,419,100</b>  | <b>\$ 112,457,100</b> | <b>\$ 140,460,000</b> | <b>\$ 121,770,000</b> | <b>\$ 152,271,000</b> | <b>\$ 212,674,000</b> |
| Biennium                 |                               | 2025-2027             |                       | 2027-2029             |                       | 2029-2031             |                       |
| <b>Total Biennium</b>    |                               | <b>\$ 144,876,200</b> |                       | <b>\$ 262,230,000</b> |                       | <b>\$ 364,945,000</b> |                       |

| State Fiscal Year by Fund |  | 2026                  | 2027                  | 2028                  | 2029                  | 2030                  | 2031                  |
|---------------------------|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 001- General Fund         |  | \$ 32,419,100         | \$ 112,457,100        | \$ 140,460,000        | \$ 121,770,000        | \$ 152,271,000        | \$ 212,674,000        |
| 17F- Opportunity Pathway  |  | \$ -                  | \$ -                  | \$ -                  | \$ -                  | \$ -                  | \$ -                  |
| <b>Total Fiscal Year</b>  |  | <b>\$ 32,419,100</b>  | <b>\$ 112,457,100</b> | <b>\$ 140,460,000</b> | <b>\$ 121,770,000</b> | <b>\$ 152,271,000</b> | <b>\$ 212,674,000</b> |
| Biennium                  |  | 2025-2027             |                       | 2027-2029             |                       | 2029-2031             |                       |
| <b>Total Biennium</b>     |  | <b>\$ 144,876,200</b> |                       | <b>\$ 262,230,000</b> |                       | <b>\$ 364,945,000</b> |                       |

State Office Administration

# Individual State Agency Fiscal Note

Revised

|                               |                                      |  |
|-------------------------------|--------------------------------------|--|
| <b>Bill Number:</b> 2049 S HB | <b>Title:</b> K-12 education funding | <b>Agency:</b> 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<br>NEW-7 | 83,995,000 | 207,403,000 | 291,398,000 | 450,482,000 | 488,599,000 |
| <b>Total \$</b>                              | 83,995,000 | 207,403,000 | 291,398,000 | 450,482,000 | 488,599,000 |

### Estimated Operating Expenditures from:

| Account                                      | FY 2026    | FY 2027     | 2025-27     | 2027-29     | 2029-31     |
|--|------------|-------------|-------------|-------------|-------------|
| School District Local-Private/Local<br>NEW-7 | 83,995,000 | 207,403,000 | 291,398,000 | 450,482,000 | 488,599,000 |
| <b>Total \$</b>                              | 83,995,000 | 207,403,000 | 291,398,000 | 450,482,000 | 488,599,000 |

### 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: 04/21/2025 |
| Agency Preparation: Shawn Lewis | Phone: 360 725-6019   | Date: 04/21/2025 |
| Agency Approval: TJ Kelly       | Phone: (360) 725-6301 | Date: 04/21/2025 |
| OFM Review: Shea Hamilton       | Phone: (360) 229-4774 | Date: 04/24/2025 |

## 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.*

Amended Sec. 2. RCW 84.52.0531 and 2022 c 108 s 3:

(2) defines “inflation enhancement”

(b)(i) \$500 in the 2026 calendar year

(b)(ii) and 3.33% added to inflation each year from the 2027 to the 2030 calendar years.

(2)(c)(A) 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 through the 2023 calendar year.

(B) defines maximum per-pupil levy limit as \$3,000 increased by inflation, plus the inflation enhancement defined in (b)(i) 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 2032, multiplied by the number of average annual full-time equivalent students enrolled in the school district in the prior school year.

Amended Sec. 3. RCW 28A.500.015 and 2022 c 108 s 4:

(2)(c) Local Effort Assistance (LEA) funding for state-tribal education compact schools maximum per-student amount of \$1,550 as increased by inflation, plus inflation enhancements.

(4)(c) Defines inflation enhancement as \$150 in the 2026, \$200 in 2030 and 2031 calendar year; and \$250 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.

New Section:

Section 8 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.

### 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 the funding formula equity workgroup and includes estimated Levy funding. 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 and will match state expenditures less costs associated with the funding formula equity workgroup and includes estimated Levy funding. 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 | 83,995,000 | 207,403,000 | 291,398,000 | 450,482,000 | 488,599,000 |
| <b>Total \$</b> |                       |               | 83,995,000 | 207,403,000 | 291,398,000 | 450,482,000 | 488,599,000 |

**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 | 83,995,000 | 207,403,000 | 291,398,000 | 450,482,000 | 488,599,000 |
| P-Debt Service                       |            |             |             |             |             |
| S-Interagency Reimbursements         |            |             |             |             |             |
| T-Intra-Agency Reimbursements        |            |             |             |             |             |
| 9-                                   |            |             |             |             |             |
| <b>Total \$</b>                      | 83,995,000 | 207,403,000 | 291,398,000 | 450,482,000 | 488,599,000 |

**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.*

| <b>K-12 Funding - SHB 2049</b>        |                       |                       |                       |                       |                       |                       |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>State Calendar Year</b>            | <b>2026</b>           | <b>2027</b>           | <b>2028</b>           | <b>2029</b>           | <b>2030</b>           | <b>2031</b>           |
| Local Effort Assistance SD and Tribal | \$ 58,936,000         | \$ 156,240,000        | \$ 127,530,000        | \$ 117,058,000        | \$ 181,082,000        | \$ 238,522,000        |
| Local Enrichment Levy                 | \$ 98,023,000         | \$ 92,183,000         | \$ 103,079,000        | \$ 78,881,000         | \$ 60,212,000         | \$ 49,542,000         |
| <b>Total Fiscal Year</b>              | <b>\$ 156,959,000</b> | <b>\$ 248,423,000</b> | <b>\$ 230,609,000</b> | <b>\$ 195,939,000</b> | <b>\$ 241,294,000</b> | <b>\$ 288,064,000</b> |
| <b>State Fiscal Year</b>              | <b>2026</b>           | <b>2027</b>           | <b>2028</b>           | <b>2029</b>           | <b>2030</b>           | <b>2031</b>           |
| Local Effort Assistance SD and Tribal | \$ 32,415,000         | \$ 112,453,000        | \$ 140,450,000        | \$ 121,770,000        | \$ 152,271,000        | \$ 212,674,000        |
| Local Enrichment Levy                 | \$ 51,580,000         | \$ 94,950,000         | \$ 97,916,000         | \$ 90,346,000         | \$ 69,057,000         | \$ 54,597,000         |
| <b>Total Fiscal Year</b>              | <b>\$ 83,995,000</b>  | <b>\$ 207,403,000</b> | <b>\$ 238,366,000</b> | <b>\$ 212,116,000</b> | <b>\$ 221,328,000</b> | <b>\$ 267,271,000</b> |
| <b>Biennium</b>                       | <b>2025-2027</b>      |                       | <b>2027-2029</b>      |                       | <b>2029-2031</b>      |                       |
| <b>Total Biennium</b>                 | <b>\$ 291,398,000</b> |                       | <b>\$ 450,482,000</b> |                       | <b>\$ 488,599,000</b> |                       |

| State Fiscal Year             | 2026                  | 2027                  | 2028                  | 2029                  | 2030                  | 2031                  |
|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Local Effort Assistance Total | \$ 32,415,000         | \$ 112,453,000        | \$ 140,450,000        | \$ 121,770,000        | \$ 152,271,000        | \$ 212,674,000        |
| Local Enrichment Levy         | \$ 51,580,000         | \$ 94,950,000         | \$ 97,916,000         | \$ 90,346,000         | \$ 69,057,000         | \$ 54,597,000         |
| <b>Total Fiscal Year</b>      | <b>\$ 83,995,000</b>  | <b>\$ 207,403,000</b> | <b>\$ 238,366,000</b> | <b>\$ 212,116,000</b> | <b>\$ 221,328,000</b> | <b>\$ 267,271,000</b> |
| Biennium                      | 2025-2027             |                       | 2027-2029             |                       | 2029-2031             |                       |
| <b>Total Biennium</b>         | <b>\$ 291,398,000</b> |                       | <b>\$ 450,482,000</b> |                       | <b>\$ 488,599,000</b> |                       |

| State Fiscal Year by Fund | 2026                  | 2027                  | 2028                  | 2029                  | 2030                  | 2031                  |
|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 001- General Fund         | \$ 83,995,000         | \$ 207,403,000        | \$ 238,366,000        | \$ 212,116,000        | \$ 221,328,000        | \$ 267,271,000        |
| <b>Total Fiscal Year</b>  | <b>\$ 83,995,000</b>  | <b>\$ 207,403,000</b> | <b>\$ 238,366,000</b> | <b>\$ 212,116,000</b> | <b>\$ 221,328,000</b> | <b>\$ 267,271,000</b> |
| Biennium                  | 2025-2027             |                       | 2027-2029             |                       | 2029-2031             |                       |
| <b>Total Biennium</b>     | <b>\$ 291,398,000</b> |                       | <b>\$ 450,482,000</b> |                       | <b>\$ 488,599,000</b> |                       |

\$ - \$ 238,376,000



# Multiple Agency Ten-Year Analysis Summary

|                                 |  |
|---------------------------------|--|
| <b>Bill Number</b><br>2049 S HB | <b>Title</b><br>K-12 education 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<br>2026 | Fiscal Year<br>2027 | Fiscal Year<br>2028 | Fiscal Year<br>2029 | Fiscal Year<br>2030 | Fiscal Year<br>2031 | Fiscal Year<br>2032 | Fiscal Year<br>2033 | Fiscal Year<br>2034  | Fiscal Year<br>2035  | 2026-35<br>TOTAL     |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
| Department of Revenue                | 50,000,000          | 150,000,000         | 255,000,000         | 368,000,000         | 487,000,000         | 615,000,000         | 750,000,000         | 894,000,000         | 1,048,000,000        | 1,210,000,000        | 5,827,000,000        |
| Superintendent of Public Instruction | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                    | 0                    | 0                    |
| <b>Total</b>                         | <b>50,000,000</b>   | <b>150,000,000</b>  | <b>255,000,000</b>  | <b>368,000,000</b>  | <b>487,000,000</b>  | <b>615,000,000</b>  | <b>750,000,000</b>  | <b>894,000,000</b>  | <b>1,048,000,000</b> | <b>1,210,000,000</b> | <b>5,827,000,000</b> |



# Ten-Year Analysis

|                                 |  |  |
|---------------------------------|--|--|
| <b>Bill Number</b><br>2049 S HB | <b>Title</b><br>K-12 education funding | <b>Agency</b><br>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       | 50,000,000         | 150,000,000        | 255,000,000        | 368,000,000          | 487,000,000        | 615,000,000          | 750,000,000        | 894,000,000          | 1,048,000,000        | 1,210,000,000        | 5,827,000,000        |
| <b>Total</b>           |           | <b>50,000,000</b>  | <b>150,000,000</b> | <b>255,000,000</b> | <b>368,000,000</b>   | <b>487,000,000</b> | <b>615,000,000</b>   | <b>750,000,000</b> | <b>894,000,000</b>   | <b>1,048,000,000</b> | <b>1,210,000,000</b> | <b>5,827,000,000</b> |
| <b>Biennial Totals</b> |           | <b>200,000,000</b> | <b>623,000,000</b> |                    | <b>1,102,000,000</b> |                    | <b>1,644,000,000</b> |                    | <b>2,258,000,000</b> |                      | <b>5,827,000,000</b> |                      |

## Narrative Explanation (Required for Indeterminate Cash Receipts)

This fiscal note only addresses sections 4 through 7 of the bill, which impact the Department of Revenue (department).

**COMPARISON OF THE SUBSTITUTE BILL WITH THE ORIGINAL BILL:**  
 The substitute bill:

- Replaced the word "increase" to "change" in reference to the annual percentage "change" in the consumer price index.
- Replaced in the annual growth factor calculation "100%" to "101%."
- Made a change on how to calculate population change for a county road fund.
- Added some clarifying language on what boundaries are used to determine the state population change.

**CURRENT LAW:**  
 The regular property tax levy growth limit statutorily limits a taxing district's increase in its regular annual 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.



# Ten-Year Analysis

| Bill Number | Title                  | Agency                    |
|-------------|------------------------|---------------------------|
| 2049 S HB   | K-12 education 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)

- Real property within a local tax increment finance area designated by a local government (excluding both parts of the state school levy, port districts, and public utility district bond levies).

The limit factor is:

- 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 is the percentage change in the implicit price deflator 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:

This bill increases the regular property tax levy growth limit for both state and local property tax levies by revising the definition of inflation and limit factor.

This bill revises the definition of inflation for both state and local property levies to mean the annual percentage change in the consumer price index for all urban consumers (CPI-U) in the western region for all items as provided for the most recent 12-month period by the Bureau of Labor Statistics of the United States Department of Labor by 25 of the year before the year the taxes are paid.

This bill revises the definition of limit factor for both state and local property tax levies to mean 101% plus population change and inflation, but not to exceed 103%.

Population change means 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 paid. The definition of population change also:

- Provides that if a taxing district's population decreases, the population change is zero.
- Specifies how to calculate the population change for taxing districts located in more than one county, city, town, or any combination of counties, cities, and towns.

The department must provide county assessors with the limit factors by September 1 of the year before the year the taxes are paid. It also requires the county assessor to determine the limit factor applicable to each taxing district in the county and notify each taxing district of the applicable factor by October 1 of the year before the year the taxes are paid.

This bill repeals the substantial need provision (RCW 84.55.0101).



# Ten-Year Analysis

| Bill Number | Title                  | Agency                    |
|-------------|------------------------|---------------------------|
| 2049 S HB   | K-12 education 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)

### EFFECTIVE DATE:

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

### ASSUMPTIONS:

- Taxing districts taking less than the current 101% limit will not utilize the increased limit factor.
- Prorationing occurs under the \$5.90 aggregate limit due to the increase in the limit factor in Columbia and Whitman counties.
- No prorationing occurs under the \$10 constitutional aggregate limit due to the increase in the limit factor.
- 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 fiscal year, this estimate assumes revenue gains and losses follow this trend.

### DATA SOURCES:

- Economic and Revenue Forecast Council, November 2024 forecast
- Office of Financial Management, April 1, 2024, Population estimates
- Office of Financial Management, State population forecast
- Department of Revenue, State Property Tax Model
- Department of Revenue, State levy calculations for property taxes due for 2024
- County assessor, Property tax data

### REVENUE ESTIMATES:

This bill increases state revenues by an estimated \$50 million in fiscal year 2026, and by \$150 million in fiscal year 2027, the first full year of impacted collections.

This bill also increases local revenues by an estimated \$62 million in fiscal year 2026, and by \$183 million in fiscal year 2027, the first full year of impacted collections.

### PROPERTY TAX SHIFTS:

This legislation results in no state or local property tax levy shifts.

### TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):



# Ten-Year Analysis

| Bill Number | Title                  | Agency                    |
|-------------|------------------------|---------------------------|
| 2049 S HB   | K-12 education 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)

FY 2026 - \$ 50,000  
 FY 2027 - \$ 150,000  
 FY 2028 - \$ 255,000  
 FY 2029 - \$ 368,000  
 FY 2030 - \$ 487,000  
 FY 2031 - \$ 615,000

Local Government, if applicable (cash basis, \$000):

FY 2026 - \$ 62,000  
 FY 2027 - \$ 183,000  
 FY 2028 - \$ 313,000  
 FY 2029 - \$ 449,000  
 FY 2030 - \$ 596,000  
 FY 2031 - \$ 754,000

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

State Government, Impact on Revenues (\$000):

CY 2026 - \$ 96,000  
 CY 2027 - \$ 198,000  
 CY 2028 - \$ 307,000  
 CY 2029 - \$ 423,000  
 CY 2030 - \$ 546,000  
 CY 2031 - \$ 677,000

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

Local Government, Impact on Revenues (\$000):

CY 2026 - \$ 117,000  
 CY 2027 - \$ 242,000



# Ten-Year Analysis

|                                 |  |  |
|---------------------------------|--|--|
| <b>Bill Number</b><br>2049 S HB | <b>Title</b><br>K-12 education funding | <b>Agency</b><br>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 -  | \$ 376,000 |
| CY 2029 -  | \$ 515,000 |
| CY 2030 -  | \$ 669,000 |
| CY 2031 -  | \$ 830,000 |
| Local Government, (\$000), Shift of Tax Burden: None |            |

|                                 |                     |                            |
|---------------------------------|---------------------|----------------------------|
| Agency Preparation: Mark Studer | Phone: 360-534-1507 | Date: 4/22/2025 1:59:10 pm |
| Agency Approval: Valerie Torres | Phone: 360-534-1521 | Date: 4/22/2025 1:59:10 pm |
| OFM Review:                     | Phone:              | Date:                      |



# Ten-Year Analysis

|                                 |  |   |
|---------------------------------|--|---|
| <b>Bill Number</b><br>2049 S HB | <b>Title</b><br>K-12 education funding | <b>Agency</b><br>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

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

|                           |                  |  |  |  |  |  |  |  |  |  |  |  |  |
|---------------------------|------------------|--|--|--|--|--|--|--|--|--|--|--|--|
| <b>Name of Tax or Fee</b> | <b>Acct Code</b> |  |  |  |  |  |  |  |  |  |  |  |  |
|---------------------------|------------------|--|--|--|--|--|--|--|--|--|--|--|--|

|                                 |                       |                             |
|---------------------------------|-----------------------|-----------------------------|
| Agency Preparation: Shawn Lewis | Phone: (360) 725-6019 | Date: 4/21/2025 12:17:29 pm |
| Agency Approval: TJ Kelly       | Phone: 360 725-6301   | Date: 4/21/2025 12:17:29 pm |
| OFM Review:                     | Phone:                | Date:                       |



# Ten-Year Analysis

|                                 |  |  |
|---------------------------------|--|--|
| <b>Bill Number</b><br>2049 S HB | <b>Title</b><br>K-12 education funding | <b>Agency</b><br>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

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

|                           |                  |  |  |  |  |  |  |  |  |  |  |  |  |
|---------------------------|------------------|--|--|--|--|--|--|--|--|--|--|--|--|
| <b>Name of Tax or Fee</b> | <b>Acct Code</b> |  |  |  |  |  |  |  |  |  |  |  |  |
|---------------------------|------------------|--|--|--|--|--|--|--|--|--|--|--|--|

|                                 |                       |                             |
|---------------------------------|-----------------------|-----------------------------|
| Agency Preparation: Shawn Lewis | Phone: 360 725-6019   | Date: 4/21/2025 12:20:59 pm |
| Agency Approval: TJ Kelly       | Phone: (360) 725-6301 | Date: 4/21/2025 12:20:59 pm |
| OFM Review:                     | Phone:                | Date:                       |