



Funding Basic Education by Recognizing Increased Operating Costs

2025–27 Operating Budget Decision Package

RECOMMENDATION SUMMARY

Inflation has eroded Washingtonians' ability to pay for basic goods and services statewide. Like businesses and households across our state, school district purchasing power has decreased because of inflation, affecting districts' abilities to pay for the materials, supplies, and operating costs (MSOC) necessary to provide a basic education. The Legislature provides an MSOC allocation at a specific rate per student to cover these costs; however, state funding for MSOC has not kept pace with the price of materials and services. To help remedy this problem, the Office of Superintendent of Public Instruction (OSPI) requests a one-time, 9.47% inflationary increase to MSOC allocations for General Education, General Education Grades 9–12 Enhancement, Career and Technical Education, and Skill Center.

FISCAL DETAIL

| Operating Expenditures | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|------------------------|---------------|---------------|---------------|---------------|
| General Fund- 001 | \$151,084,000 | \$197,865,000 | \$201,946,000 | \$206,187,000 |
| Wa Opp. Path- 17F | \$756,000 | \$991,000 | \$1,012,000 | \$1,033,000 |
| Total Expenditures | \$151,840,000 | \$198,856,000 | \$202,958,000 | \$207,220,000 |
| Biennial Totals | \$350,696,000 | | \$410,178,000 | |
| Staffing | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
| FTEs | 0.0 | 0.0 | 0.0 | 0.0 |
| Average Annual | 0.0 | | 0.0 | |
| Object of Expenditure | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
| Obj. N | \$151,840,000 | \$198,856,000 | \$202,958,000 | \$207,220,000 |
| Revenue | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
| General Fund 001 | \$0 | \$0 | \$0 | \$0 |
| Total Revenue | \$0 | \$0 | \$0 | \$0 |
| Biennial Totals | \$0 | | \$0 | |

PACKAGE DESCRIPTION

What is the problem, opportunity, or priority you are addressing with the request?

Inflation has eroded Washingtonians' ability to pay for basic goods and services statewide. School districts' purchasing power has decreased because of inflation, affecting their ability to pay for the basic materials, supplies, and operating costs (MSOC) necessary to provide a basic education to all students across the state. When districts aren't sufficiently resourced to cover the costs of the basics, they have to make cuts elsewhere—to programs, staffing, and other areas. The Legislature provides an MSOC allocation at a specific rate per student to cover these costs; however, state funding for MSOC has not kept pace with the price of materials and services. Liability insurance has increased nearly 50% since 2019, while utility costs have increased more than 30%. Despite these dramatic increases in costs, state funding for these materials and services has remained stagnant. To help remedy this problem, OSPI requests a one-time, 9.47% inflationary increase to MSOC. Funding a one-time inflationary increase will help school districts pay for increased insurance costs, increased materials costs, and costs necessary to bring school buildings into compliance with new state energy performance standards.

What is your proposal?

OSPI requests a one-time, 9.47% MSOC inflationary increase. Funding a one-time inflationary increase will help school districts pay for increased insurance costs, increased materials costs, and costs necessary to bring school buildings into compliance with new state energy performance standards. Short of passing local levies, this proposal is a district's only option to acquire the funding necessary to pay for standard operating costs. Ultimately, students statewide lose services and materials used to provide their basic education because of inflation's impact on district budgets.

In 2021, the Legislature passed House Bill 1273 requiring school districts, private K–12 schools, charter schools, state-tribal education compact schools, and public and private institutions of higher education to make menstrual hygiene products available at no cost to students, by the beginning of the 2022–23 academic year. This requirement was established with no changes to the funding formula for basic materials and supplies.

To support the implementation of the law and to ensure students have access to necessary menstrual hygiene products at no cost, Superintendent Reykdal proposes that a portion of increased MSOC funding provided to school districts must be used to offer menstrual hygiene products to students at no cost.

How is your proposal impacting equity in the state?

1. Local voter-approved levies (when permitted) are the only mechanism that school districts can use to increase revenue to cover unfunded operating costs. However, levies are not intended to cover basic operating costs—they are intended to support

enrichment activities. Beyond that, because communities across the state have different levels of wealth, without an increase to MSOC, we could unintentionally exacerbate and worsen equity issues between school districts and communities.

2. OSPI regularly meets with a variety of stakeholders to identify and elevate issues that improve student outcomes and respond to the needs of public schools throughout Washington. This proposal has the support of school district leaders statewide who are struggling to maintain high-quality programming and comprehensive staffing levels to meet student needs without sufficient funding. The agency has received consistent feedback from districts that sufficient MSOC funding is a top priority moving forward.
3. Funding this proposal will prevent further cost-driven inequities by providing schools with sufficient funds provided by the state, rather than relying on locally sourced funds for basic needs that should be covered by the state.
4. If this need is not addressed, inequities between school districts will continue and likely worsen. All Washington students deserve an equitable, high-quality public K–12 education, and the Legislature is required to fund it.

What are you purchasing and how does it solve the problem?

This request would provide a one-time adjustment to the allocation for MSOC – materials, supplies, and operating costs associated with the daily operations of public schools. The request would also ensure that districts use increased MSOC funding to provide menstrual hygiene products to students at no cost.

What alternatives did you explore and why was this option chosen?

If this proposal is not funded, school districts statewide will continue to rely on enrichment levies to pay for basic operation costs, including utility bills and insurance. Continuous insufficient MSOC allocations will cause districts to use funding approved by the voters for enrichment activities to be used for basic operating costs, which will impact student access to programs, staff, and support services that provide a wraparound high-quality public education. This will create greater inequities between districts and students, growing annually until sufficient funding is provided.

What resources does the agency already have that are dedicated to this purpose?

The agency cannot cover a 9.47% inflationary adjustment within existing resources. OSPI continues to apportion MSOC to districts, even if the funds do not purchase the amount of goods and services necessary.

ASSUMPTIONS AND CALCULATIONS

OSPI used the maintenance level funding baseline for these calculations. Enrollment is approved by the Caseload Forecast Council and the current inflationary values in state law that are assumed for future fiscal years.

The current law per full-time equivalent student values for future fiscal years in the approved

state budget are as follows:

School Year 2025–26

- General Education \$1,566.75
- General Education (9–12) \$208.52
- CTE/Skill Center \$1,796.05

When comparing the rate of growth over the past three school years in school district expenditures on materials, supplies, and operating costs (accounting objects 5–9) to the increase in the allocation provided by the state to cover these expenditures, school district costs have outpaced revenue increases by 9.47%.

Therefore, OSPI proposes a one-time increase of 9.47% to the current MSOC values in state law for school year 2025–26 so the allocation can keep pace, on a percentage basis, with the rate of expenditures on materials, supplies, and operating costs over the past three school years. The proposed values for the 2025–26 MSOC categories are shown below:

School Year 2025–26 (OSPI Proposed)

- General Education \$1,715.12
- General Education (9–12) \$228.27
- CTE/Skill Center \$1,966.14

After re-basing the per student MSOC values for the 2025–26 school year, OSPI proposes that the values be increased by inflation per current law.

Expansion, reduction, elimination or alteration of a current program or service:

This increase will provide districts with more state revenue to cover costs associated with expenditures such as insurance, instructional materials, curriculum, and other non-employee related costs. The request will not expand, eliminate, reduce, nor alter a current educational program or service.

Detailed assumptions and calculations:

OSPI used the maintenance level funding baseline for these calculations. Enrollment is approved by the Caseload Forecast Council and the current inflationary values in state law that are assumed for future fiscal years.

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Workforce assumptions:

No impact.

Historical funding:

Funding has been provided to school districts in the prototypical school funding formula since the 2010–11 school year.

Fiscal Year 2026

- Total K–12 FTE = 1,058,185.20
- Total Funds = \$1.75 billion
- Near General Fund = \$1.75 billion
- Other Funds = \$0

Fiscal Year 2027

- FTE = 1,053,499.50 FTE
- Total Funds = \$1.79 billion
- Near General Fund = \$1.79 billion
- Other Funds = \$0

STRATEGIC AND PERFORMANCE OUTCOMES

Strategic framework:

Sufficient funding is necessary to cover the operating costs of a basic education program. This proposal supports OSPI’s strategic goals #1, #2, and #4 by providing all of Washington’s K–12

students with strong educational foundations; ensuring access to rigorous, learner-centered options in all communities; and supporting school districts through consistent, timely, and meaningful funding and supports that center the needs of students.

Performance outcomes:

Funding a one-time inflationary increase will help school districts pay for daily operating costs, increased insurance costs, increased materials costs, and costs necessary to bring school buildings into compliance with new state energy performance standards.

OTHER COLLATERAL CONNECTIONS

Intergovernmental:

School districts and education associations support this proposal.

Stakeholder impacts:

Education associations and stakeholders support this proposal.

Legal or administrative mandates:

N/A

Changes from current law:

This would change a factor in the existing funding formula.

State workforce impacts:

None.

State facilities impacts:

Fully funding MSOC will help district school facilities comply with state energy performance standards.

Puget Sound recovery:

N/A

Governor's salmon strategy:

N/A