



FUNDING BASIC EDUCATION BY RECOGNIZING INCREASED OPERATING COSTS

2026 Supplemental Operating Budget Decision Package

Agency: 3500 Office of Superintendent of Public Instruction

Budget period: 2026 Supplemental Budget

Budget level: PL

RECOMMENDATION SUMMARY

Inflation has eroded the purchasing power of Washington's school districts, affecting their ability to pay for the materials, supplies, and operating costs (MSOC) that are necessary to run school buildings. The Legislature provides an MSOC allocation to cover these costs and has increased that amount for several years; however, the amount provided continues to fall short of the true cost. State funding inflationary increases for MSOC have not kept pace with rising prices. The Office of Superintendent of Public Instruction (OSPI) requests an increase to MSOC funding for school districts of at least \$100,000, or \$100 per student, to support both small and large districts equitably.

FISCAL DETAIL

Operating Expenditures	FY 2026	FY 2027	FY 2028	FY 2029
General Fund – 001	\$0	\$110,230,000	\$145,006,000	\$148,122,000
WA Opp Pathways – 17F	\$0	\$1,297,000	\$1,773,000	\$1,792,000
Total Expenditures	\$0	\$111,527,000	\$146,779,000	\$149,914,000
Biennial Totals	\$111,527,000		\$296,693,000	
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	\$0	\$111,527,000	\$146,779,000	\$149,914,000
Revenue	FY 2026	FY 2027	FY 2028	FY 2029
Fund 001-2 (Federal)	\$0	\$0	\$0	\$0
Total Revenue	\$0	\$0	\$0	\$0
Biennial Totals	\$0		\$0	

PACKAGE DESCRIPTION

Through the prototypical school funding model, the state provides materials, supplies, and operating costs (MSOC) funding to school districts to pay for essential items to support teaching, learning, and school functions, such as classroom supplies, utilities, insurance, cleaning supplies, and more. Inflation has eroded the purchasing power of Washington's school districts, affecting their ability to pay for the MSOC that are necessary to run school buildings. Despite increased funding in recent years, the amount appropriated continues to fall short of the true cost of MSOC. At the same time, state funding inflationary increases for MSOC have not kept pace with the actual rise in prices of goods and services.

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

MSOC are essential to the day-to-day functioning of schools and are non-negotiable expenses for school districts. When school districts are not sufficiently resourced to cover MSOC—which is the responsibility of the state under the definition of basic education—they must make cuts elsewhere in their budgets or repurpose local resources meant to supplement 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 actual price of materials and services. Liability insurance has increased over 50% since 2019, while utility costs have increased more than 30%. Despite these drastic increases in costs, state funding for these materials and services has not been increased at the same rate. These increases have left school districts struggling to pay for basic operating expenses, meaning students lose access to the materials and services they need for a basic education, important education programs, or both.

While many school districts across Washington are experiencing budget shortfalls, small districts are hardest hit because they lack the economies of scale that assist larger districts in absorbing some rising costs. Many small districts are now spending \$500,000 more than they receive in state allocations, forcing impossible choices about which programs, staff positions, or student services to cut. These expenses are not extras; they are the core elements of a functioning school system.

What is your proposal?

To address this critical and immediate funding shortage, OSPI requests a \$100 per-student MSOC increase and proposes a \$10 million funding floor that guarantees each district receives at least \$100,000 if the \$100 per student formula would total less than \$100,000. Establishing a funding floor is a practical and targeted solution to the particularly dire situation faced by those small school districts facing a \$500,000 shortfall. Under this proposal, those districts would receive at least \$100,000 in additional state support, helping them address the gap and maintain stability for students and educators. This approach ensures that every district has an equitable chance to meet rising operational costs without sacrificing educational quality.

How is your proposal impacting equity in the state?

Please describe in detail how this proposal is likely to benefit communities and populations who have historically been excluded by governmental decisions. Include both demographic and geographic information about communities.

Local voter-approved levies are the only mechanism that school districts have to increase revenue to cover unfunded operating costs. However, levies are not meant to cover these basic operating costs—they are intended to support enrichment activities. Districts that must repurpose those funds for basic education expenses cannot offer the enrichment their voters intended to fund. At the same time, communities across the state have varying levels of resources on which to draw. Without an increase in MSOC funding, the state could unintentionally exacerbate and worsen equity issues that already exist between school districts in more and less resourced communities.

Describe how your agency engaged with communities and populations, particularly those who have been historically excluded and marginalized by governmental decisions?

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.

What input did your agency receive and how was it incorporated into your proposal?

Funding this proposal will prevent further cost-driven inequities by providing schools with sufficient funds provided by the state, rather than forcing school districts to rely on locally sourced funds for basic needs that should be covered by the state.

Explain why and how these equity impacts will be addressed, i.e., consider communities or populations excluded or disproportionately impacted by the proposal.

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?

OSPI requests a \$100 per-student MSOC increase and proposes a \$10 million funding floor that guarantees each school district receives at least \$100,000 if the \$100 per student formula would total less than that amount. This funding would provide much-needed additional resources for districts struggling to pay required expenses, allowing districts to protect critical educational services like staffing, student services, and educational programming.

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 or other fund sources to pay for basic operation costs, including utility bills and insurance, and the risk of district budget shortfalls caused by rising MSOC will remain steady or increase. Over time, insufficient MSOC allocations will continue to threaten and reduce funding and resources available to support direct services to students. Failure to fund this proposal will force school districts to continue to use funding approved by their local voters for enrichment activities for basic operating costs, impacting student access to programs, staff, and support services critical to high-quality public education. Not funding this proposal will exacerbate inequities between school districts as experienced by students.

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

OSPI is not funded to cover this increase within existing resources. OSPI continues to provide MSOC funding to districts in the amount appropriated, even as 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	2026–27	2027–28	2028–29	2029–30 (Projected)
General Education	\$1,656.25	\$1,704.28	\$1,740.07	\$1,776.61
CTE/Skill Center	\$1,857.17	\$1,911.03	\$1,951.16	\$1,992.13
School Year	2026–27	2027–28	2028–29	2029–30 (Projected)
General Education	\$1,758.85	\$1,809.86	\$1,847.87	\$1,886.68
CTE/Skill Center	\$1,959.77	\$2,016.61	\$2,058.96	\$2,102.20

After re-basing the per student MSOC values for the 2026–27 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 school districts with more state revenue to cover costs associated with expenditures such as supplies, instructional materials, curriculum, insurance, and other non-employee related costs. The request will not expand, eliminate, reduce, or alter a current educational program or service.

Detailed assumptions and calculations:

OSPI used the maintenance level funding baseline for these calculations.

Enrollment	2026–27	2027–28	2028–29	2029–30
General Education	961,910	955,895	952,755	949,406
CTE	82,140	82,140	82,140	82,140
Skill Center	6,189	6,189	6,189	6,189
Charter School General Ed	5,564	5,564	5,564	5,564
Charter School CTE	6	6	6	6

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OSPI calculated the total costs of MSOC in the 2023–24 school year, excluding costs that are covered in other areas of state funding formulas, such as Running Start tuition and contracted certificated staff. OSPI then increased this cost by the rate of inflation through 2025–26 and compared that amount with the amount of MSOC funding provided by the state. The difference in expenditures when compared to state revenue was \$101,446,000.

Total eligible MSOC Costs 2023–24	\$1,710,817,000
State provided MSOC Funding 2023–24	\$1,572,263,000
Shortfall after Inflation adjustment to 2025–26	\$144,717,000
Additional Funding Provided by Legislature 2025–26	\$ 43,271,000
Projected Shortfall after additional funding 2025–26	\$101,446,000

Therefore, OSPI proposes a \$100 per-student MSOC increase and proposes a \$10 million funding floor that guarantees each school district at least \$100,000 or \$100 per student in additional funds.

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Additional Details:

- Number of small school districts and charter schools below 1000 FTE student enrollment: 172
- Additional cost in the 2026–27 school year for the greater of \$100,000 or \$100 per student in common schools: \$10,453,027
- Additional cost in the 2026–27 school year for the greater of \$100,000 or \$100 per student in charter schools: \$1,002,367
- The \$100 per student MSOC funding floor as increased and \$100,000 minimum increase are both increased by inflation each school year.

After re-basing the per student MSOC values for the 2026–27 school year, OSPI proposes that the values be increased by inflation per current law.

The school year amounts of \$100 per student were adjusted for state fiscal year based on the state apportionment schedule. The state fiscal year cost of implementation is 77.5% of the 2026–27 total school year costs. Subsequent state fiscal years are 22.5% of the prior school year and 77.5% of the current school year.

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 Funds = \$1.81 billion
- Near General Fund = \$1.81 billion
- Other Funds = \$9.5 million

Fiscal Year 2027

- Total Funds = \$1.85 billion
- Near General Fund = \$1.85 billion
- Other Funds = \$10.5 million

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 an inflationary increase will help school districts pay for increased daily operating, insurance, and materials costs, and help alleviate their need to reduce mandatory programs or use local funds for state-required MSOC.

OTHER COLLATERAL CONNECTIONS

Intergovernmental:

School districts and education associations have been involved in the development of this proposal and are in support of increased resources to support MSOC. Proposals that support the full funding of basic education will also impact relationships with state and local partners including treasury, city councils, local businesses, as well as contractors providing services to schools such as landscaping, cleaning, facilities and maintenance, etc.

Stakeholder impacts:

Education associations and stakeholders have been involved in the development of this proposal and are in support of increased resources to support MSOC.

Legal or administrative mandates:

N/A

Changes from current law:

This would change a factor in the existing MSOC 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

OTHER SUPPORTING MATERIALS

Information technology (IT):

N/A