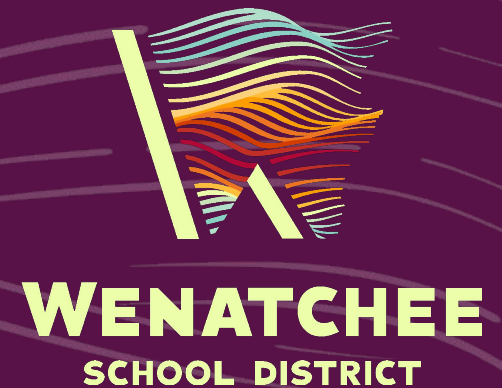


# Legislative Update 2026 Regular Session

Sean Fitzgerald  
Executive Director of Business & Finance

January 27, 2026



# 2026 Legislative Update

## Background

- State legislature is required by the state constitution to convene the legislative session during the second Monday of January.
- 2025-27 Biennium: The legislature works on a biennium or a two-year fiscal period that runs from July 1 through June 30.
- The first year is the "long session", which lasts 105 days – biennial budget created (odd-numbered years)
- The second year is the "short session", which lasts 60 days - make adjustments to the budget (even numbered years)
- Special sessions, can last up to 30 days each

# 2026 Legislative Update Background

- **Short session:** regular session convened on January 12 and scheduled to end on March 12, barring a special session.
- **Benefits:** 60 days moves fast! District will know state funding decisions in mid-March rather than the end of April and how it will impact district budget decisions.
- **Drawbacks:** 60 days moves fast! There will not be a lot of substantive budget conversations; tends to be more policy based.

# 2025 Legislative Session Recap

## Special Education

- Enrollment funding cap lifted
- Uniform funding system regardless of student time in a general education classroom
- Some funding increases

## MSOC

- Some funding increases
- “Back-in” approach remains. No annual inflationary adjustment based on IPD or CPI.

## Levy Lid/Local Effort Assistance

- Local levy lid increased
- Inflationary adjustments

**Clean Buildings Energy Act** - alternative metrics, financial hardship exemptions

# 2025 Legislative Session Recap

- **Pupil Transportation** - changes to funding model did not pass
- **Bonds** - Simple majority bill did not pass, super majority remains
- **Sales tax on services** - impact on school districts
- **Transition to Kindergarten (TK)** - Enrollment capped at 2024-25 enrollment levels
- **Capital budget** - cuts to planning grants and construction funding

# 2026 Legislative Update

## Governor's Budget Proposal

### Education Reductions

- Elimination of planned increase to Local Effort Assistance (LEA)
- 25% reduction in statewide Transition to Kindergarten (TK) slots
- Running Start rate reduction (1.4 to 1.2)
- Extension of school bus depreciation to 15 years, reducing near-term transportation funding
- Reductions to BEST grants and Next Level Leaders

# 2026 Legislative Update

## Areas of Focus

- **State Budget Shortfall** - \$2.3 billion budget deficit
- **State Income Tax** - Tax on personal adjusted gross income (AGI) above \$1 million.
- **“The Big Three”** - Areas where state funding is insufficient to meet current needs
  - Special Education Funding
  - Pupil Transportation Funding
  - Materials, Supplies, and Operating Costs (MSOC) & Inflation
- **Transition to Kindergarten (TK)** - Governor proposes cutting statewide enrollment by 25%
- **LEA/Levy Lids** - Governor’s proposal on LEA rollback vs. proposed legislative increases
- **Unfunded & Underfunded Mandates** - Over 100 state mandates for school districts since 2017

# 2026 Legislative Update

## Areas of Focus

### HB 2160 & SB 5883

#### School Employees' Benefits Board (SEBB) Eligibility Expansion

- Benefits eligibility in the SEBB program is presumed at the start of a school year if:
  - 1) the school employee worked at least 630 hours in the prior school year **and**
  - 2) returns to the same type of position with any employer.
- Unfunded Mandate
  - Assumes district will cover the cost without additional state funding
  - Presumes districts will track potential employee hours from the prior year even if they worked for a different school district or a different employer entirely.

# 2026 Legislative Update

## Areas of Focus

### **SB 5918 - Materials, Supplies, Operating Costs (MSOC) Funding**

- Bill proposes to increase MSOC by \$100 per pupil or \$100,000 per district, whichever is greater, to help district close the current funding gap for MSOCs.

### **HB 2116 - Updating School Enrichment Funding**

- **Levy Rate:** Increase maximum levy rate from \$2.50/1,000 to \$3.00/1,000 beginning in 2030
- **LEA:**
  - **Rate:** Increase LEA rate from \$1.50 to \$2.00/1,000 beginning in 2030
  - **Inflation:** Use CPI instead of IPD beginning in 2028 (more state funding)

# 2026 Legislative Update

## Areas of Focus

### **HJR 4201**

- Lower bond threshold from supermajority (60%) to simple majority (50% + 1)

### **SB 6113 / HB 2257 - Tax law corrections and clarifications**

- Addresses SB 5814 from 2025 session
- Tax on school district related to professional services (Technology, Professional Development)
- Provide an exemption for school districts

# 2026 Legislative Update

## Areas of Focus

### HB 2593 - Maximum/Minimum Fund Balance

- Beginning 2030-31
- 2,000 AAFTE or more: 6% to 12% of the district's prior year's state apportionment
- Less than 2,000 AAFTE: 8% to 34% of the district's prior year's state apportionment
- OSPI will calculate the amount for each school district
- Restricted fund balance - can only be used for certain purposes

# 2026 Legislative Update

## Areas of Focus

### **HB 2551 - Maintaining the financial solvency of school districts**

- Allows school districts in binding conditions to sell real property of the district if authorized by the Superintendent of Public Instruction
- Binding conditions: Fund balance is 3% of its estimated total current year revenues
- SPI will authorize the sale if it is necessary to:
  - restore financial stability;
  - prevent adverse impacts to student learning; and
  - process from the sale will be used to address financial solvency

# 2026 Legislative Update Board Meetings

- **January 27**
- **February 24**
- **March 24**

**Questions?**