

# HOUSE BILL REPORT

## HB 1338

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**As Reported by House Committee On:**  
Appropriations

**Title:** An act relating to school operating costs.

**Brief Description:** Concerning school operating costs.

**Sponsors:** Representatives Berg, Bergquist, Ramel, Stonier, Santos, Tharinger, Taylor, Alvarado, Wylie, Berry, Nance, Ryu, Donaghy, Street, Goodman, Doglio, Mena, Kloba, Pollet, Paul, Walen, Shavers, Duerr, Davis, Salahuddin, Macri, Reed, Callan and Fosse.

**Brief History:**

**Committee Activity:**

Appropriations: 2/3/25, 2/28/25 [DPS].

**Brief Summary of Substitute Bill**

- Updates and increases per pupil amounts for general education materials, supplies, and operating costs (MSOC) categories in state prototypical school funding formulas.
- Requires a review and rebase of MSOC every four years beginning the 2029-30 school year.

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Ormsby, Chair; Gregerson, Vice Chair; Macri, Vice Chair; Berg, Cortes, Doglio, Fitzgibbon, Leavitt, Lekanoff, Peterson, Pollet, Ryu, Springer, Street, Thai and Tharinger.

**Minority Report:** Do not pass. Signed by 11 members: Representatives Couture, Ranking Minority Member; Connors, Assistant Ranking Minority Member; Penner, Assistant Ranking Minority Member; Schmick, Assistant Ranking Minority Member;

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

Burnett, Corry, Dye, Keaton, Manjarrez, Marshall and Rude.

**Minority Report:** Without recommendation. Signed by 4 members: Representatives Bergquist, Caldier, Callan and Stonier.

**Staff:** James Mackison (786-7104).

**Background:**

State school funding formulas include allocations per annual average full-time equivalent student for materials, supplies, and operating costs (MSOC). There are several categories of MSOC specified in state formulas. For the 2024-25 school year, total general education MSOC per pupil is \$1,533.02. The 2024-25 MSOC amounts by category are below:

- \$182.37 for technology;
- \$438.43 for utilities and insurance;
- \$167.61 for curriculum and textbooks;
- \$332.74 for other supplies;
- \$23.09 for library materials;
- \$29.50 for instructional professional development for certified and classified staff;
- \$210.13 for facilities maintenance; and
- \$149.15 for security and central office.

The MSOC amounts are increased for inflation annually in the operating budget by a measure of the Implicit Price Deflator (IPD), which is published by the United States Department of Commerce's Bureau of Economic Analysis. Additional increases above inflation of \$25 were added to MSOC each year in the 2022-23 and the 2023-24 school years.

Additional MSOC amounts of \$204.03 per pupil are provided for students in grades 9 through 12 in the following categories:

- \$44.88 for technology;
- \$48.97 for curriculum and textbooks;
- \$95.86 for other supplies;
- \$6.16 for library materials; and
- \$8.16 for instructional professional development for certified and classified staff.

Separate MSOC amounts are provided in the operating budget for students enrolled in career and technical education (CTE) and skill center programs. Both CTE and skill center students generated an MSOC amount of \$1,757.39 in 2024-25. Class sizes are also defined separately for CTE programs and skill centers, with skill centers receiving allocations for a class size of 19.

Additional MSOC allocations are provided to school districts that receive small school adjustments in the operating budget on a per certificated staff unit basis.

### **Summary of Substitute Bill:**

General education MSOC are updated in statute to the 2025-26 school year and include a \$5.55 per pupil increase, from \$1,579.01 to \$1,584.56 per pupil. The new 2025-26 general education MSOC per pupil amounts by category are below:

- \$188.51 for technology;
- \$453.17 for utilities and insurance;
- \$173.24 for curriculum and textbooks;
- \$343.93 for other supplies;
- \$23.86 for library materials;
- \$30.49 for instructional professional development for certified and classified staff;
- \$217.20 for facilities maintenance; and
- \$154.16 for security and central office.

Other MSOC categories amounts were updated to the 2025-26 school year, but not increased above what 2025-26 amounts would be without the bill. Skill center, CTE, and small school MSOC amounts are codified rather than defined in the operating budget.

Beginning in the 2029-30 school year, the Legislature must review and rebase MSOC compared to school districts' actual operating costs and adjust MSOC amounts as necessary.

### **Substitute Bill Compared to Original Bill:**

The Appropriations Committee substitute bill:

- lowers the MSOC increase per pupil in the underlying bill from approximately 20 percent above current law across several MSOC categories to approximately \$5.55 per pupil above current law for general education MSOC;
- updates other MSOC amounts codified by the substitute to reflect current law and more recent inflation;
- removes the changes to inflation and skill center class sizes in the underlying bill;
- updates other MSOC amounts based on more recent inflation; and
- add a null and void clause.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed. However, the bill is null and void unless funded in the budget.

**Staff Summary of Public Testimony:**

(In support) The MSOC are a critical, student-centered, and equitable investment in schools. Increasing allocations for MSOC ensures financial stability for all school districts. It funds essential operational costs like utilities, insurance, and library materials. School districts' use of MSOC allocations are transparent.

School districts face a significant funding gap for MSOC due to rising costs, particularly in utilities and insurance. The gap is widening due to inflation. Increases in these costs have outpaced state funding, forcing districts to use local levy dollars to cover the shortfall. This reliance on levies creates financial instability and inequity, especially for districts with limited local resources. Some districts are facing potential insolvency. Without increased MSOC funding, districts are forced to cut essential programs and staff.

Inadequate MSOC funding affects students, by forcing districts to prioritize operational costs over student services, such as mental health support. Many of the expenses funded through MSOC are non-negotiable, like insurance premiums and utility costs. Districts are facing challenges even after taking significant steps to control costs including cutting student-facing staff. Teachers often pay for supplies out of their own pockets.

The bill would provide much-needed financial relief to school districts. The increase in MSOC helps all districts. Basic education costs should be covered by the state, rather than relying on local levies. The increased funding would create a more stable and predictable funding environment for school, and allow school districts to focus on student success, rather than financial survival. Rebasng MSOC every four year helps ensure that state funding keeps up with changing costs.

The bill impacts all types of school districts, large and small, urban and rural. Using a three-year rolling average full-time equivalent for CTE, MSOC would improve the bill. Skill centers will benefit from the MSOC increase and the restoration of the class size driver.

(Opposed) Schools spent significant amounts of COVID-19 money without showing improvements, which recent National Assessment of Education Progress assessments demonstrate. Spending went up while reading went down. The increases of up to 20 percent in the bill exceed normal costs of living increases. People in communities pay for insurance, books, utilities and other school expenses through property taxes. School budgets have increased greater than taxpayer income.

**Persons Testifying:** (In support) Jim Kowalkowski, Rural Education Center; Maile Esperas, Spokane Public Schools (student); Hilary Kozel, Spokane Public Schools (School Board Member); Jason Perrins, Chewelah School District; Mitch Denning, Alliance of Educational Associations; Doug Vanderleestr, WA Association of Maintenance and Operation Administrators; Chris Woods, Superintendent, Yelm Community Schools; Jennifer Bethman, Superintendent, Rochester School District; Mary Templeton, Lake Stevens School District; Michelle Harris; Fred Rundle, Mercer Island School District; Kelsi

Hamilton, Washington State School Directors' Association; Dr. Ivan Duran, Superintendent, Highline School District; William Jackson, Director of Teaching and Learning, Bellevue School District; Jacqueline McGourty, School Board Director, Northshore School District; Julie Salvi, Washington Education Association; Angela Steck, Washington State PTA; Paul Randall, Washington State Skills Center Association and Tri-Tech Skills Center; Patrick Murphy, Olympia School District; and Tim Knue, Washington Association for Career and Technical Education.

(Opposed) John Axtell.

**Persons Signed In To Testify But Not Testifying:** None.