
SUBSTITUTE HOUSE BILL 2049

State of Washington

69th Legislature

2025 Regular Session

By House Finance (originally sponsored by Representatives Bergquist, Pollet, Santos, Peterson, Fosse, Ryu, Ormsby, Parshley, Macri, Wylie, Berry, Ramel, Street, Gregerson, Doglio, Farivar, Reed, Reeves, Hill, and Callan)

1 AN ACT Relating to investing in the state's paramount duty to
2 fund K-12 education and build strong and safe communities by
3 modifying the state and local property tax authority and adjusting
4 the school funding formula; amending RCW 84.52.0531, 28A.500.015,
5 84.55.005, and 84.55.100; creating new sections; repealing RCW
6 84.55.0101; and providing an expiration date.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** The legislature finds that the state's
9 constitutional paramount duty is to make ample provision for the
10 education of all children. The state continues to see growing needs
11 for everything from special education to equitable student supports
12 in school districts across the state. The legislature further finds
13 the current one percent property growth cap has damaged the ability
14 of our schools to adequately educate Washington's children because
15 population and inflation have exceeded one percent regularly over the
16 past decade. The legislature further finds that because costs have
17 exceeded the one percent cap for over a decade, it has damaged local
18 government's ability to adequately invest in public safety, including
19 the recruitment and retention of well-trained law enforcement
20 officers, early intervention, and other strategies to intervene in
21 behavioral health treatment.

1 The legislature further finds that school funding obligations
2 require an adjustment to levy equalization methods to ensure
3 equitable funding for our state's public schools. Increasing local
4 flexibility requires the state to ensure equitable funding for
5 historically underinvested areas of our state, including rural school
6 districts, mitigating widening funding gaps between schools.

7 Therefore, it is the legislature's intent to increase the levy
8 authority for state and local property tax limits from one percent to
9 three percent to ensure investments in public K-12 schools and public
10 safety improving community resiliency. The legislature further
11 intends to adjust the school funding formula to ensure appropriate
12 funding for schools so that all Washington children receive the
13 quality education afforded to them under our Constitution.

14 **Sec. 2.** RCW 84.52.0531 and 2022 c 108 s 3 are each amended to
15 read as follows:

16 (1) Beginning with taxes levied for collection in 2020, the
17 maximum dollar amount which may be levied by or for any school
18 district for enrichment levies under RCW 84.52.053 is equal to the
19 lesser of (~~two dollars and fifty cents~~) \$2.50 per (~~thousand~~
20 ~~dollars~~) \$1,000 of the assessed value of property in the school
21 district or the maximum per-pupil limit. This maximum dollar amount
22 shall be reduced accordingly as provided under RCW 43.09.2856(2).

23 (2) The definitions in this subsection apply to this section
24 unless the context clearly requires otherwise.

25 (a) (~~For the purpose of this section, "inflation"~~) "Inflation"
26 means the percentage change in the seasonally adjusted consumer price
27 index for all urban consumers, Seattle area, for the most recent 12-
28 month period as of September 25th of the year before the taxes are
29 payable, using the official current base compiled by the United
30 States bureau of labor statistics.

31 (b) "Inflation enhancement" means:

32 (i) \$500 in the 2026 calendar year; and

33 (ii) 3.33 percentage points added to inflation each year from the
34 2027 to 2030 calendar years.

35 (c) "Maximum per-pupil limit" means:

36 (i) (~~Two thousand five hundred dollars~~) Through the 2030
37 calendar year:

38 (A) \$2,500, as increased by inflation, plus inflation
39 enhancements defined in (b) of this subsection, beginning with

1 property taxes levied for collection in 2020, multiplied by the
2 number of average annual full-time equivalent students enrolled in
3 the school district in the prior school year, for school districts
4 with fewer than (~~forty thousand~~) 40,000 annual full-time equivalent
5 students enrolled in the school district in the prior school year; or
6 (~~(ii) Three thousand dollars~~) (B) \$3,000, as increased by
7 inflation plus the inflation enhancement defined in (b)(i) of this
8 subsection, beginning with property taxes levied for collection in
9 2020, multiplied by the number of average annual full-time equivalent
10 students enrolled in the school district in the prior school year,
11 for school districts with (~~forty thousand~~) 40,000 or more annual
12 full-time equivalent students enrolled in the school district in the
13 prior school year.

14 (~~(c) "Open for in-person instruction to all students" means that~~
15 ~~all students in all grades have the option to participate in at least~~
16 ~~40 hours of planned in-person instruction per month and the school~~
17 ~~follows state department of health guidance and recommendations for~~
18 ~~resuming in-person instruction to the greatest extent practicable.))
19 (ii) Beginning with the 2031 calendar year, \$5,035, as increased by
20 inflation beginning with property taxes levied for collection in
21 2032, multiplied by the number of average annual full-time equivalent
22 students enrolled in the school district in the prior school year.~~

23 (d) "Prior school year" means the most recent school year
24 completed prior to the year in which the levies are to be
25 collected(~~, except as follows:~~

26 ~~(i) In the 2022 calendar year, if 2019-20 school year average~~
27 ~~annual full-time equivalent enrollment is greater than the school~~
28 ~~district's 2020-21 school year average annual full-time equivalent~~
29 ~~enrollment and the school district is open for in-person instruction~~
30 ~~to all students by the beginning of the 2021-22 school year, "prior~~
31 ~~school year" means the 2019-20 school year.~~

32 ~~(ii) In the 2023 calendar year, if 2019-20 school year average~~
33 ~~annual full-time equivalent enrollment is greater than the school~~
34 ~~district's 2021-22 school year average annual full-time equivalent~~
35 ~~enrollment and the school district was open for in-person instruction~~
36 ~~to all students by the beginning of the 2021-22 school year, "prior~~
37 ~~school year" means the 2019-20 school year)).~~

38 (3) For districts in a high/nonhigh relationship, the enrollments
39 of the nonhigh students attending the high school shall only be

1 counted by the nonhigh school districts for purposes of funding under
2 this section.

3 (4) For school districts participating in an innovation academy
4 cooperative established under RCW 28A.340.080, enrollments of
5 students attending the academy shall be adjusted so that each
6 participant district receives its proportional share of student
7 enrollments for purposes of funding under this section.

8 (5) Beginning with propositions for enrichment levies for
9 collection in calendar year 2020 and thereafter, a district must
10 receive approval of an enrichment levy expenditure plan under RCW
11 28A.505.240 before submission of the proposition to the voters.

12 (6) The superintendent of public instruction shall develop rules
13 and regulations and inform school districts of the pertinent data
14 necessary to carry out the provisions of this section.

15 (7) Beginning with taxes levied for collection in 2018,
16 enrichment levy revenues must be deposited in a separate subfund of
17 the school district's general fund pursuant to RCW 28A.320.330, and
18 for the 2018-19 school year are subject to the restrictions of RCW
19 28A.150.276 and the audit requirements of RCW 43.09.2856.

20 (8) Funds collected from levies for transportation vehicles,
21 construction, modernization, or remodeling of school facilities as
22 established in RCW 84.52.053 are not subject to the levy limitations
23 in subsections (1) through (5) of this section.

24 **Sec. 3.** RCW 28A.500.015 and 2022 c 108 s 4 are each amended to
25 read as follows:

26 (1) Beginning in calendar year 2020 and each calendar year
27 thereafter, the state must provide state local effort assistance
28 funding to supplement school district enrichment levies as provided
29 in this section.

30 (2)(a) For an eligible school district with an actual enrichment
31 levy rate that is less than (~~one dollar and fifty cents~~) \$1.50 per
32 (~~thousand dollars~~) \$1,000 of assessed value in the school district,
33 the annual local effort assistance funding is equal to the school
34 district's maximum local effort assistance multiplied by a fraction
35 equal to the school district's actual enrichment levy rate divided by
36 (~~one dollar and fifty cents~~) \$1.50 per (~~thousand dollars~~) \$1,000
37 of assessed value in the school district.

38 (b) For an eligible school district with an actual enrichment
39 levy rate that is equal to or greater than (~~one dollar and fifty~~

1 eents)) \$1.50 per (~~(thousand dollars)~~) \$1,000 of assessed value in
2 the school district, the annual local effort assistance funding is
3 equal to the school district's maximum local effort assistance.

4 (c) Beginning in calendar year 2022, for state-tribal education
5 compact schools established under chapter 28A.715 RCW, the annual
6 local effort assistance funding is equal to the actual enrichment
7 levy per student as calculated by the superintendent of public
8 instruction for the previous year for the school district in which
9 the state-tribal education compact school is located, up to a maximum
10 per-student amount of (~~(one thousand five hundred fifty dollars)~~)
11 \$1,550 as increased by inflation, plus inflation enhancements, from
12 the 2019 calendar year, multiplied by the student enrollment of the
13 state-tribal education compact school in the prior school year.

14 (3) The state local effort assistance funding provided under this
15 section is not part of the state's program of basic education deemed
16 by the legislature to comply with the requirements of Article IX,
17 section 1 of the state Constitution.

18 (4) The definitions in this subsection apply throughout this
19 section unless the context clearly requires otherwise.

20 (a) "Eligible school district" means a school district where the
21 amount generated by a levy of (~~(one dollar and fifty cents)~~) \$1.50
22 per (~~(thousand dollars)~~) \$1,000 of assessed value in the school
23 district, divided by the school district's total student enrollment
24 in the prior school year, is less than the state local effort
25 assistance threshold.

26 (b) (~~(For the purpose of this section, "inflation")~~) "Inflation"
27 means, for any school year, the rate of the yearly increase of the
28 previous calendar year's annual average consumer price index for all
29 urban consumers, Seattle area, using the official current base
30 compiled by the bureau of labor statistics, United States department
31 of labor.

32 (c) "Inflation enhancement" means:

33 (i) \$150 in the 2026 calendar year;

34 (ii) \$250 in the 2027 calendar year; and

35 (iii) \$200 in the 2030 and 2031 calendar years.

36 (d) "Maximum local effort assistance" means the difference
37 between the following:

38 (i) The school district's actual prior school year enrollment
39 multiplied by the state local effort assistance threshold; and

1 (ii) The amount generated by a levy of (~~one dollar and fifty~~
2 ~~cents~~) \$1.50 per (~~thousand dollars~~) \$1,000 of assessed value in
3 the school district.

4 (~~(d)~~) (e) "Prior school year" means the most recent school year
5 completed prior to the year in which the state local effort
6 assistance funding is to be distributed(~~(, except as follows:~~

7 ~~(i) In the 2022 calendar year, if 2019-20 school year average~~
8 ~~annual full-time equivalent enrollment is greater than the school~~
9 ~~district's 2020-21 school year average annual full-time equivalent~~
10 ~~enrollment, "prior school year" means the 2019-20 school year.~~

11 ~~(ii) In the 2023 calendar year, if 2019-20 school year average~~
12 ~~annual full-time equivalent enrollment is greater than the school~~
13 ~~district's 2021-22 school year average annual full-time equivalent~~
14 ~~enrollment, "prior school year" means the 2019-20 school year).~~

15 (~~(e)~~) (f) "State local effort assistance threshold" means (~~one~~
16 ~~thousand five hundred fifty dollars~~) \$1,550 per student, increased
17 for inflation, plus inflation enhancements, beginning in calendar
18 year 2020.

19 (~~(f)~~) (g) "Student enrollment" means the average annual full-
20 time equivalent student enrollment.

21 (5) For districts in a high/nonhigh relationship, the enrollments
22 of the nonhigh students attending the high school shall only be
23 counted by the nonhigh school districts for purposes of funding under
24 this section.

25 (6) For school districts participating in an innovation academy
26 cooperative established under RCW 28A.340.080, enrollments of
27 students attending the academy shall be adjusted so that each
28 participant district receives its proportional share of student
29 enrollments for purposes of funding under this section.

30 **Sec. 4.** RCW 84.55.005 and 2014 c 97 s 316 are each amended to
31 read as follows:

32 The definitions in this section apply throughout this chapter
33 unless the context clearly requires otherwise.

34 (1) "Inflation" means (~~(the percentage change in the implicit~~
35 ~~price deflator for personal consumption expenditures for the United~~
36 ~~States as published for the most recent twelve-month period by the~~
37 ~~bureau of economic analysis of the federal department of commerce by~~
38 ~~September 25th of the year before the taxes are payable;)~~) the annual
39 percentage change in the consumer price index for all urban consumers

1 in the western region for all items as provided in the most recent
2 12-month period by the bureau of labor statistics of the United
3 States department of labor by July 25th of the year before the taxes
4 are payable.

5 (2) "Limit factor" means ((÷

6 ~~(a) For taxing districts with a population of less than ten~~
7 ~~thousand in the calendar year prior to the assessment year, one~~
8 ~~hundred one percent;~~

9 ~~(b) For taxing districts for which a limit factor is authorized~~
10 ~~under RCW 84.55.0101, the lesser of the limit factor authorized under~~
11 ~~that section or one hundred one percent;~~

12 ~~(c) For all other districts, the lesser of one hundred one~~
13 ~~percent or one hundred)) 101 percent plus population change and~~
14 ~~inflation((÷and)), not to exceed 103 percent.~~

15 (3) (a) "Population change" means the annual percent increase in
16 the population of a taxing district between the two most recent years
17 as provided in the official population estimates published by the
18 office of financial management for April 1st of the year before taxes
19 are payable. If the office of financial management estimates a net
20 decrease in a taxing district's population, for the purposes of this
21 section, the population change is zero. For a county, the "population
22 of a taxing district" means the population within the county's
23 incorporated and unincorporated areas, unless the county taxing
24 district boundaries are limited to the unincorporated county areas,
25 except for a county road fund levy, in which case the "population of
26 a taxing district" means the population of the unincorporated county
27 areas only. Except for the state, for taxing districts that are not
28 coterminous with one or more cities, towns, counties, or
29 unincorporated county areas, or any combination thereof, as provided
30 in the official population estimates published by the office of
31 financial management in April of the year before the taxes are
32 payable, "population change" means:

33 (i) The population change for the city or town within which the
34 taxing district is wholly located;

35 (ii) The population change for the county in which the taxing
36 district is wholly located, when the taxing district is not wholly
37 located within a city or town; or

38 (iii) For taxing districts located in more than one county, the
39 county population change for the county in which the greatest total

1 taxable assessed value of the taxing district for the prior
2 assessment year is located.

3 (b) For the purposes of this subsection (3), the annual percent
4 increase in population is calculated to the nearest 0.1 percent,
5 rounding up to the next 0.1 percent if the second decimal place of
6 the annual percent increase is five or greater.

7 (4) "Regular property taxes" has the meaning given it in RCW
8 84.04.140.

9 **Sec. 5.** RCW 84.55.100 and 1983 c 223 s 1 are each amended to
10 read as follows:

11 (1) The property tax limitation contained in this chapter shall
12 be determined by the county assessors of the respective counties in
13 accordance with the provisions of this chapter: PROVIDED, That the
14 limitation for any state levy shall be determined by the department
15 of revenue and the limitation for any intercounty rural library
16 district shall be determined by the library district in consultation
17 with the respective county assessors.

18 (2) By September 1, 2025, and by September 1st every year
19 thereafter, the department of revenue must provide county assessors
20 the limit factors necessary for the county assessor to comply with
21 subsections (1) and (3) of this section.

22 (3) By October 1, 2025, and by October 1st every year thereafter,
23 the county assessor must determine the limit factor applicable to
24 each taxing district in their county and notify each taxing district
25 of the determination. However, for a taxing district located in more
26 than one county, the assessor of the county with the most assessed
27 value of the taxing district is subject to the requirements of this
28 subsection (3).

29 NEW SECTION. Sec. 6. RCW 84.55.0101 (Limit factor—Authorization
30 for taxing district to use one hundred one percent or less—Ordinance
31 or resolution) and 2007 sp.s. c 1 s 2 & 1997 c 3 s 204 are each
32 repealed.

33 NEW SECTION. Sec. 7. Sections 4 through 6 of this act apply to
34 taxes levied for collection in 2026 and thereafter.

35 NEW SECTION. Sec. 8. The superintendent of public instruction
36 shall convene a K-12 funding equity work group to analyze K-12

1 funding formulas and explore options for revisions to the funding
2 formula that are responsive to student needs, including economic,
3 demographic, and geographic differences in student and community
4 populations. The office of the superintendent of public instruction
5 may contract with institutions of higher education and public,
6 nonpartisan research entities to support the work group's analysis.

7 (1) At a minimum, the work group's analysis must include:

8 (a) Impacts of changes to per-pupil funding formulas and local
9 revenue;

10 (b) Compensation factors described in RCW 28A.150.412;

11 (c) Funding distribution trends resulting from the prototypical
12 school funding formula; and

13 (d) Current formulas that benefit specific populations of
14 students including, but not limited to, the learning assistance
15 program, local effort assistance, and small school funding.

16 (2) The superintendent of public instruction must use the work
17 group's analysis conducted under subsection (1) of this section to
18 consider options for revising state and local school funding
19 formulas. By November 1, 2025, and annually thereafter through 2027,
20 the superintendent of public instruction shall report the work
21 group's progress and any proposed options to the education and fiscal
22 committees of the legislature. The reports must include, but are not
23 limited to, the following topics:

24 (a) Options for revisions to the funding formula that address
25 system and resource inequities;

26 (b) Options that address state, local, and regional needs;

27 (c) The potential adoption of student weights to direct
28 additional funding to students most in need; and

29 (d) Metrics for monitoring and accountability related to
30 equitable access to resources.

31 (3) The superintendent of public instruction may determine the
32 size, membership, and meeting frequency of the work group. The work
33 group must include representation from education and community
34 partners that are demographically and geographically diverse
35 including, but not limited to, groups representing educators, school
36 and district administrators, labor unions, families, students,
37 community partners who support groups disproportionately impacted by
38 inequities, and legislators.

39 (4) The estimated cost of an option or group of options proposed
40 by the superintendent of public instruction under subsection (2) of

1 this section must not exceed the estimated additional state revenue
2 provided under section 4, chapter . . ., Laws of 2025 when combined
3 with the estimated additional state funding allocated in this act.
4 The department of revenue shall make available relevant data and
5 analyses to the superintendent of public instruction to support the
6 calculations under this subsection (4).

7 (5) This section expires December 1, 2027.

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