

# 2026-27 Budget Update

Board Meeting

March 26<sup>th</sup> 2026

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# Purpose

- Provide an update on the 2026 Legislative Session and its implications for the 2026-27 budget

# WA School Funding Website

- Provides transparency into how [K–12 education is funded](#) in Washington and highlights statewide underfunding in key cost areas
- Washington State ranks 40<sup>th</sup> in the nation in investment in K-12 education as a percentage of the state's total economy.
- Statewide underfunding of Special Education, Materials, Supplies, and Operating Costs (MSOC), and Transportation is \$800 million underfunded statewide
  - This underfunding directly impacts Issaquah, totaling over \$19.4M in 2024-25

# 2026 Legislation – Key Wins

## **Retail Sales Tax on Services (ESSB 6346)**

- School districts, schools, and ESDs are exempt as of July 1st 2026
- Implementation of the tax has been delayed for all entities until 2029 following an improved state revenue forecast earlier in the session

## **School Construction Funding (HB 1796)**

- Legislature approved front funding authority for school construction projects

# 2026 Legislation-Transition to Kindergarten

## Statewide cut \$27.3M (ESSB 6260)

- State Transition to Kindergarten (TTK) funding reduced by ~35%, about 2,000 fewer student slots
  - No district-level hold harmless; impacts will vary by district determined later this spring
- OSPI sets TTK funding priorities for:
  - Existing programs serving priority students
  - Schools in extreme child care access deserts
- OSPI will allocate funding based on prioritized students:
  - students qualifying for free or reduced price meals or poverty metrics
  - students eligible for ECEAP but not served
  - students receiving special education
  - English learners or multilingual learners

## Impact:

- Potential TTK funding reduction of \$1M, requiring local backfill to maintain the program
- Program will continue in 2026-27; long-term sustainability and next steps will be evaluated

# 2026 Legislation- Bus Depreciation

## Statewide cut \$21.1M (ESSB 6260)

- Adjusts depreciation schedules used for transportation reimbursement:
- Type A buses: 8 years → 10 years
- Type C & D buses: 13 years → 15 years
- Starting with buses scheduled for depreciation payments in September 2025 and later
  - Effect: delays reimbursement for bus replacement

## From 2025-26 through 2027-28:

- OSPI must calculate reimbursement for zero-emission bus purchases using 33% of the quote vehicle cost for that bus category
  - No immediate impact to ISD; future impact depend on continuation of policy

## Impact:

- Future costs of replacing and repairing buses will increase as reimbursement is delayed

# 2026 Legislation- Running Start

## Running Start is capped per student (SB 6260)

Before (current law):

- Students could generate up to 1.4 FTE of funding
- This allowed flexibility for:
  - Full high school + partial college load
  - Or heavier Running Start participation

Now (2026 Legislation):

- Combined enrollment cap reduced from 1.4 to 1.3 FTE (2026–28)
- Fewer FTE can be counted for state funding when students combine high school and college courses
- Programs continue, but state funding may not fully cover higher participation levels

Impact:

- Students may take fewer college credits, potentially increasing time at the high school and adding capacity pressures
- State funding per student may be reduced, requiring local backfill

# Next Steps in Budget Development

- Continue to refine 2026-27 enrollment projections
- Staffing to enrollment with adjustments primarily achieved through attrition, minimizing the need for a formal Reduction in Force
- Work with labor partners and district leadership to evaluate staffing and operational adjustments across the system
- Evaluate district programs, operations, and services to align resources with enrollment trends
- Continue developing multi-year financial projections to support long-term sustainability
- Provide ongoing information and updates to the board and community to ensure transparency and informed decision-making

# Thank you

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