

Funding for Equity
Potential Adjustments to Washington's Educational Funding Structure

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The Problem

Schools and districts with higher concentrations of poverty often need additional funding, as students have greater needs, and their families are less able to provide time or money to fund and operate extracurricular activities, such as clubs and sports. Despite recent large increases in educational funding in Washington State as part of HB 2242, more of that money has been sent towards low-poverty districts due to the funding formulas created as part of a legislative compromise. This creates a significant equity issue, as school districts with many students in poverty, English-language learners, or rural districts with unique needs do not receive sufficient funding to provide for their students, while districts with high-property-value (high-PV) receive more money from the state pool. This is caused by two main factors — the property-value-based regionalization adjustment, which skews funding away from high-poverty, rural schools, and the lack of a robust funding system for high-need students. As HB 2242 and other recent legislation has moved funding from the local to the state level, there is a golden opportunity to create an equitable funding formula which will provide funding based on student need, which was not possible in past decades.

Firstly, HB 2242 introduced a new regionalization adjustment formula for teacher salaries, which adjusts funding allocation based on average property values in and around a district's boundaries (Washington State Legislature, 2017). This has created significant issues, particularly for rural districts with low-PV, but also for lower-PV districts in a high-PV metropolitan region. It also compounds preexisting equity issues within the same policy — rural, agricultural districts with the lowest property values also have the highest levels of poverty and English-language learners, and are also the least able to pass optional tax levies to source additional funding on top of what they receive from the state (Morton, 2018).

Within metro areas such as Seattle-Tacoma, Spokane, and Tri-Cities, these regionalization factors between neighboring districts can create competition between those with higher and lower allotments, negatively affecting lower-PV and high-poverty districts (Hoffman, 2023). Additionally, the policy has strict steps of either 6%, 12%, or 18%, which mean that a change in assignment can drastically change district budgets. For example, 23 districts saw a drop from 12% to 6% between 2018 and 2024, while others saw an increase. The model is also based on property values as opposed to a prevailing wage or other cost-of-living measure, creating issues for some districts where property values do not accurately reflect cost of living.

Overall, despite its important reforms for basic education funding, HB 2242 widened the equity gap between districts. While HB 2242 increased education funding overall in the state, districts serving high-poverty students received \$129 less per-pupil in new funding compared to the state average, while low-poverty districts received \$237 more (Fujioka & Knight, 2025). This disparity in funding impacts the programs, level of staff experience, and other services schools offer their students. For example, in Seattle School District No. 1 (which encompasses Seattle proper) 81% of instructors have a master's degree or higher, compared with Othello School District, with only 62% of instructors (OSPI, 2025). Furthermore, Seattle has a student population with only 14% English-language learners, compared with 44% in Othello (OSPI, 2025). However, Seattle spends over \$23,000 per student, whereas Othello spends less than \$18,000 (OSPI, 2025). These disparities reflect an education funding model which inadequately allocates support for high-need student populations.

Existing Policy Landscape

The Washington State Constitution contains one of the strongest education mandates nationwide, declaring it the "paramount duty of the state to make ample provision for the

education of all children residing within its borders, without distinction or preference on account of race, color, caste, or sex" (Fujioka & Knight, 2025). However, the legislature has repeatedly failed to adequately fund public education or do so equitably. Both in the mid-1970s and mid-2000s, the state had failed to provide sufficient funding to keep up with rising costs. This meant that districts had to put "excess" levies to voters, requesting additional property tax revenue to fund maintenance and operations. However, these levies often failed, especially in lower-income and rural communities where the tax burden would have been highest. In 1975-76, about 40% of students attended "levy loss districts," where voters continually failed to pass excess levies to fund schools, forcing severe budget cuts (Burns, 2015).

In 1978, Seattle parents sued the state on these grounds, forcing the passage of the Washington Basic Education Act (RCW 28A.150), which established minimum instructional hours and a Prototypical School Funding Model based on enrollment (Fujioka & Knight, 2025). Additionally, the Act established programs to specifically fund high-need students, namely the Learning Assistance Program (LAP), which provides support to students performing below grade level and those in poverty, and the Transitional Bilingual Instruction Program (TBIP), which provides funding and guidance for English-language learners. In addition, after raising the levy cap again ten years later, the state established the Local Assistance Program, which matched levy funds for low-PV districts, helping to balance the playing field and raise as much money as wealthier districts with a lower burden to local property taxpayers (Beadie, 2022).

Thirty years later, Seattle parents again sued in *McCleary v. Washington* (2007), alleging state funding had not kept pace with actual education costs, again forcing reliance on levies. The court ruled with the state, beginning a nearly decade-long battle between the court and legislature before it considered education fully funded with HB 2242 in 2017, after a series of smaller bills

passed by the legislature to increase funding at the state level (Beadie, 2022). The main change is to drastically increase the amount of funding provided for education through state-level property tax and caps the amount that can be collected through local tax levies. This bill increased the state property tax levy to cover all funding for basic education and renamed local levies from "maintenance & operations (M&O)" to "enrichment" levies to better reflect their new focus on supplementing rather than funding basic education. These enrichment levies were capped at \$2,500 per-pupil or \$1.50 per \$1,000 of assessed value and restricted to supplemental activities like extracurriculars and additional courses, with spending plans requiring OSPI approval before appearing on ballots (Washington State Legislature, 2017).

This policy also introduced the aforementioned regionalization factor as a cost-of-living adjustment, with the goal of allowing districts in high-PV areas to retain staff. This boost is only applied to prototypical staff salaries, rather than to other parts of the funding formula, such as Materials, Supplies, and Operating Costs (MSOC). Since HB 2242, the legislature has made multiple adjustments to educational funding formulas. In 2019, the levy cap was raised from \$1.50 per dollar of assessed value. In 2023, ESHB 1436 raised the cap on funding for special education students from 13.5 to 15%, and SB 5263 earlier this year eliminated this cap entirely, allowing districts to receive additional funding for all enrolled special education students (Cornfield, 2025). Additionally, since 2009 the LAP has begun to utilize Free & Reduced Price Meals (FRPL) as the criteria for high-poverty students, representing an example of an effective policy linkage (Beadie, 2022). The FRPL standard has increasingly been used by schools and state agencies as a cost-effective way to measure poverty, creating a uniform standard across programs.

Proposed Policy Change

Adjusting the funding formula to expand funding targeted at high-need students, such as low-income and English-language learners, could equalize funding between high-poverty and low-poverty districts (Kelly, 2025). As the state is in a budget deficit, cuts would need to be made elsewhere to source this funding. One potential area is reducing the regionalization bonus provided to high-PV districts. In turn, the per-pupil levy cap could be raised, which would allow high-PV districts to raise additional funding for enrichment to replace any lost through the change. Arguably, with the existing level of funding, lower-need districts require less funding to support a program of basic education even without considering the potential of enrichment levy funds, as students have fewer needs and families can provide more supplemental services.

The proposed policy would modify the existing regionalization adjustment steps of 6%, 12%, and 18% in two ways: adding three additional steps to eliminate funding cliffs and decreasing all adjustments by 3% overall. This would prevent districts from seeing a steep decline in revenue if they shift between steps (Hoffman, 2023), while the overall decrease would create significant funding to be reallocated to high-need students. This change would directly amend RCW 28A.150.260, replacing the previous formula. Most importantly, the policy would reallocate the funding derived from this cut to the Learning Assistance Program (LAP) and Transitional Bilingual Instruction Program (TBIP), expanding targeted support for low-income and English-language learner students respectively. As mentioned earlier, these programs are already set up to effectively distribute funding to support low-income and English-language learners through a system of structured supports and additional funding, so no policy adjustments would be made to how those programs function aside from increasing their share within the funding formula.

Finally, the policy would increase the cap on local enrichment levy funding from \$2,500 per-pupil to \$3,500. This would allow high-PV districts to expand enrichment levies to provide more funding to extracurricular activities or supplemental services. As this could be seen by the court as cutting into funding for basic education for some districts, levy applications would need to be monitored by OSPI to ensure that the funding is being used for enrichment. If costs continue to rise, future increases in funding for all districts will be needed to ensure the state complies with its constitutional duty — relying on levies allows enrichment but cannot be allowed to be used to fund basic education.

Policy Goals

This strategy acknowledges multiple barriers to student success influenced by background, income level, and other factors. Our bill's primary goal is to increase funding specifically for English-language learners and low-income students. English-language learners, who represent 12% of the student population, receive over \$2,000 less per student than districts with the fewest English-language learners (EdTrust, 2025). Low-income students need additional support as their parents are often not able to provide time or money for extracurricular activities or classroom support, or have unmet needs at home, such as food insecurity or transportation issues when busing is not provided (Vela & Jayaram, 2024). English-language learners require more one-on-one support, and therefore schools with higher populations of English-language learners require more funding for staffing to increase staff-to-student ratios (Sugarman & Geary, 2018). Additionally, our policy aims specifically to close the funding gap experienced by Latino students, who received on average \$160 less in new funding per student than the state mean, despite on average residing in districts with high concentrations of poverty and English-language learner students (Fujioka & Knight, 2025). Our policy aims to directly close this racial equity

gap. Another short-term goal is to reform the regionalization formula's step structure, which currently creates steep funding cliffs for districts when downgraded between steps.

As a long-term goal, this policy aims to shift Washington State's funding formulas away from regressive or proportional formulas which either extract more from the lowest-income residents or fail to provide the requisite amount of support to high-need residents, such as the existing educational funding formula. Although we are not proposing to change the revenue source for K-12 education, this change would coincide with a broader movement in Washington State to shift towards progressive taxation and revenue allocation, such as a shift towards capital gains taxes rather than sales and property taxes, and the recent proposal for a millionaire's tax to move towards the possibility of taxing income in the future. This mirrors states such as California, which rely heavily on both progressive revenue generation and allocation. Funding for K-12 education is raised through a progressive income tax and allocated using a student need-based system (Kelly, 2025).

Enactment Strategy

As educational funding is determined through regular updates by the Washington State Legislature, this policy will be enacted through a bill during a regular legislative session. This proposed bill will amend multiple sections of the Revised Code, but mainly RCW 28A.150.260, which covers the allocation of funding to K-12 education. This would begin by being sponsored by a legislator, and would then pass through relevant policy committees, such as the Senate Early Learning & K-12 Education committee, House Appropriations, or Senate Ways & Means. If it moves past the committee level, it would then require a simple majority vote in the Senate and House before a potential signature by Governor Ferguson. The potential timeline for this bill's passage would likely be during the 2027 Regular Session of the legislature, which begins in

January of that year. This will be a 105-day "long session" which provides additional flexibility for the bill's passage. There is an existing legislative workgroup focused on equity in K-12 education funding, which includes seven senators and twelve representatives, along with members of various advocacy groups and school district superintendents (Kelly, 2025).

Our bill departs from the original compromise of HB 2242, which aimed to keep property taxes low by capping local levies while increasing property tax at the state level. Instead, it raises the local levy cap while reducing the regionalization bonus, which benefits high-PV districts impacted by the regionalization reduction by allowing them to collect more funding locally. Furthermore, our bill reallocates the existing budget to promote equity, rather than increasing the amount of funding overall. As the state faces increasing budget challenges due to federal cuts, this strategy allows the bill to advance equity in education while retaining support from a budget-conscious legislature.

The policy could receive support from legislators in both high-PV and low-PV districts. Specifically, we plan to connect with legislators who have previously prioritized equity in educational funding. Senators Wellman, Pedersen, Slatter, Valdez (all of whom represent high-PV areas such as Bellevue and Seattle), and others introduced SB 5593 in 2025, which would have similarly increased the levy cap, as well as increasing funding for the Local Assistance Program (Washington State Senate Committee on Early Learning & K-12 Education, 2025). On the other hand, then-Representatives Doglio, Valdez, (now-Speaker) Jinkins, Ortiz-Self, Gregerson, and Harris introduced HB 1425 in 2019, which would have expanded the definition of students who qualified as English-language learners, therefore expanding funding for TBIP (Washington State House of Representatives, 2019). Many of these legislators represent areas with higher concentrations of English-language learner students, such as Everett (18%) as well as

Seattle (14.3%) and Tacoma (13.4%) (OSPI, 2025). Engaging representatives whose districts are impacted differently by our policy will help create a more well-rounded policy, as well as providing a broader base of support.

Implementation

Under the current model, tax revenue is collected by the Department of Revenue (DOR). OSPI, which is responsible for determining how much funding each district is eligible to receive, then distributes the funding. Our policy would use the existing system, which relies on the Prototypical School Funding Model. OSPI would be responsible for determining the funding allocation but is limited to the numerical values specified in the legislation. The Prototypical School Funding Model counts the number of students enrolled at each grade level and uses this number to determine funding for staff salaries, materials and operating costs, and categorical funding. Staff salaries are further subject to the regionalization factor based on the property values of the district. Our policy would decrease the regionalization factor gradually over the course of three years. It also impacts categorical funding for low-income students through the Learning Assistance Program (LAP), as well as for English-language learners through the Transitional Bilingual Instruction Program (TBIP). This funding will gradually increase as the regionalization factor decreases.

OSPI will need to develop materials to educate school districts about the changes, especially regarding the local levy increase. This department is also responsible for certifying enrichment levies to ensure they are not being used to fund basic operations, which they will continue to do for any applications from school districts for expanded levies under the increased cap. Some limited administrative resources may be needed to update OSPI's internal data tools.

However, these costs would be minimal and would be addressed within OSPI's existing budget appropriation.

Discretion

The primary funding formulas established by this legislation are set in statute (RCW 28A.150.260). However, school districts have nearly full discretion as to how to use the funding received through the formulas, provided they provide a satisfactory program of basic education and comply with other state and federal laws, such as civil rights law. As the formula for funding allocation is set in the legislation (RCW 28A.150.260), there is no discretion available to policy implementers for the main funding formulas, set based on poverty metrics and number of students per grade. As the goal of this legislation is to uplift historically underserved school districts across the state, a broadly applied funding formula most effectively serves this purpose. The main area of discretion OSPI has is with regards to enrichment levies, as they are responsible for ensuring funding is not being used towards teacher salaries for basic education, for example. OSPI can reject levy proposals if spending plans are not directed toward enrichment. Nevertheless, levy funds are commonly used to supplement funding gaps for staffing, especially in rural districts currently underfunded by the formula (Vela, 2024, 18-19).

Equity Analysis

Our proposed policy employs a redistributive funding strategy grounded in an understanding of equity as "unequal slices but equal meals," prioritizing substantively equal outcomes over uniform allocation (Stone, 2012, 40-41). Where HB 2242 pursued horizontal equity by seeking to establish more uniform per-pupil funding, the proposed funding formula adjustments and funding reallocations demonstrate a shift toward vertical equity by directing

greater financial resources to districts and student populations with higher levels of need. By redistributing funds in this way, the proposed policy addresses inequities overlooked by the prior reform, recognizing that equal per-pupil spending does nothing to account for unequal starting conditions and instead directing resources where they are needed most to equalize educational experiences.

The redistribution of resources under this policy is expected to impact student populations differently across racial, ethnic, and socioeconomic groups. Latino students are likely to be the primary beneficiaries, as they are disproportionately represented in high-poverty, high-ELL, and rural districts, particularly in agricultural regions of Eastern Washington and the Skagit Valley and were disproportionately disadvantaged by HB 2242's regionalization adjustments (Fujioka & Knight, 2025). In contrast, Black students — who primarily live in urban areas and generally benefited from regionalization adjustments — could see a relative decrease in district-level funding under the proposed policy. At the same time, because Black students are disproportionately from low-income households, they are likely to benefit from the proposed expansion of the LAP, which provides targeted support for high-poverty students (Fujioka & Knight, 2025). Students in high-PV districts — including many Asian and affluent White populations — may face reductions in direct state funding under the proposed changes. However, the policy's provision to raise the local levy cap offers an avenue to supplement funding, though this depends on voter approval and could result in higher local taxes. White students experience similarly varied effects: those attending rural, high-poverty schools may benefit from increased funding, while students in wealthy suburban districts may see reductions in state support, which could be partially offset through local levies. Students with disabilities are

largely unaffected by these adjustments, as prior legislation had already removed the cap on special education funding.

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