



# School District Binding Conditions & Financial Oversight

Marysville Board of Director's Meeting/Study Session  
by Dr. Lisa Gonzales, Executive Director of Finance & Operations  
August 7, 2023



**Tonight we are also joined by.....**

**Washington Office of Superintendent of Public  
Education**

**T.J. Kelly  
Chief Financial Officer**



# Why do we need to consider Binding Conditions?

- Statutory Citation: RCW 28A.505.110, WAC 392-123-060
- When a district is unable to prepare a budget where the revenues are less than the expenditures
- In order to cover expenditures, the Board must request (petition) by resolution to budget receivables for future years in order to balance the budget
- It allows us to borrow against future revenue because we do not have enough



# What got us to this point of needing Binding Conditions?

- Double levy failure – a hole in the budget of approximately \$25M
- ESSER funds no longer available (Elementary & Secondary School Emergency Relief)
- Grants that will no longer be funded by the State of Washington
- Years of declining enrollment without comparable staffing reductions
- Bargained agreements that added funds on the salary schedule, expecting increases from the State of Washington that did not materialize
- Full pass-thru of the Inflationary Price Deflator (IPD - also known as a cost of living adjustment) increases for all staff when the IPD is not provided by the state for all staff



# What is the Binding Conditions process?

- MSD would need to pass a resolution for binding conditions
- Must be 20 days before the budget is approved
  - August 7<sup>th</sup> meeting – August 28<sup>th</sup> second reading and approval
- Resolution/petition goes to OSPI
- If they approve, we will receive “binding conditions” that dictate how we can manage funds, make decisions, and be held accountable



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**Binding conditions then allows us to show a positive ending fund balance (EFB) and be in compliance with WAC 392—23-060**



# What will Binding Conditions require?

- MSD staff would work closely with ESD and OSPI to:
  - manage fund balance
  - monitor cash management
  - ensure proper budget controls are in place
  - payroll, recurring invoices, and accounts payable encumbrances need to be included monthly
  - more frequently run our budget status and monitor
  - put in more controls for purchasing - purchase orders!
  - better monitor staffing
  - better monitor enrollment trends, impacts, movement



# What will be in the Binding Conditions?

OSPI will provide us with an extensive list of what we need to do to better manage our budgets and make financial decisions.

If we do not follow the expectations, they can withhold future apportionments.





# Administration of Binding Conditions

- ESD Fiscal Officer assigned as administrator for school district's ESD
- Administrator serves primarily as financial consultant to school district
- Limited authority to ensure compliance with binding conditions
- Less than 15 districts have been on binding conditions over the last 10 years.
- Most resolved finances in 1-2 years
- Less than 5 of these have had student enrollment greater than 2,000 FTE.

# Benefits of Binding Conditions

- Allows school districts to borrow against future state apportionment payments
- Provides opportunity for financial improvement and stability
- Encourages fiscal responsibility and accountability
- Binding conditions are an important tool to help school districts improve their financial condition
- ESD Fiscal Officer serves as a valuable resource to ensure compliance with binding conditions
- Success stories demonstrate the effectiveness of binding conditions in helping districts achieve financial stability

# Examples of Binding Conditions

- Here are some examples of binding conditions:
  - By November 30, 202X, the district's general fund balance must be greater than (\$5,000,000).
  - By January 31, 202X, the district's projected year end general fund balance must be greater than \$0.
  - By October 31, 202X, the district's CIS staff ratio must not exceed 46:1,000.
- None of these require the district to take any specific action.
- These are 'benchmarks' the district must achieve through actions that are locally determined by their school board.



# Financial Oversight -

## Financial Insolvency in School Districts: Definition and Oversight

A school district is considered financially insolvent if it meets one of the following conditions:

- It has been on **binding conditions** pursuant to RCW 28A.505.110 for two consecutive fiscal school years and is unable to prepare a satisfactory financial plan.
- It has, or is reasonably foreseeable and likely to have, a deficit general fund balance within three years or less and is **unable to prepare a satisfactory financial plan**.
- A satisfactory financial plan is a plan approved by OSPI and the ESD that demonstrates a school district will have an adequate fund balance at the end of the plan period relying on currently available revenue streams provided by federal, state, or local resources or future revenue streams determined reasonably reliable by the ESD.

# Financial Oversight - Financial Oversight Committee

To address the financial insolvency of school districts, the Financial Oversight Committee has been created. This committee is composed of two representatives from OSPI and two representatives from the ESDs. One of the ESD representatives will be from an ESD other than where the financially insolvent district is located, and the other will be from the ESD where the financially insolvent district is located, but only serves in an advisory (non-decision-making) role.



# What is on the resolution?

## MARYSVILLE SCHOOL DISTRICT - RESOLUTION PETITION TO BUDGET RECEIVABLES

WHEREAS. WAC 392-123-060 requires the school district to have a balanced budget for the general fund; and

WHEREAS. the total resources available for the 2023-24 fiscal year will be approximately \$28,717,751 less than the total expenditures for the 2023-24 fiscal year; and

WHEREAS, the School District has receivables collectible in the amount of \$51,250,000 for the 2023-24 fiscal year, said receivables being in the form of local taxes approved by voters for the 2024 and 2025 calendar years; and

WHEREAS. WAC 392-123-060 allows the Board of Directors of the Marysville School District to submit to the Office of Superintendent of Public Instruction a petition requesting permission to include receivables collectible in calendar years 2024 and 2025 in the 2023-24 general fund budget in order to balance the budget.

NOW THEREFORE BE IT RESOLVED that the Board of Directors of the Marysville School District does hereby petition the Office of Superintendent of Public Instruction with the request to include \$28,717,751 of taxes receivable in calendar year 2024 and 2025 in the 2023-24 general fund budget to be considered by said board on August 7, 2023.

APPROVED by the Board of Directors of the Marysville School District, Snohomish County, Washington, in a regular board meeting thereof held on the day of August 7, 2023.



