



PROPOSED RULE MAKING

CR-102 (June 2024)
(Implements RCW 34.05.320)
Do **NOT** use for expedited rule making

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STATE OF WASHINGTON
FILED

DATE: October 01, 2024

TIME: 12:31 PM

WSR 24-20-119

Agency: Office of Superintendent of Public Instruction (OSPI)

Original Notice

Supplemental Notice to WSR _____

Continuance of WSR _____

Preproposal Statement of Inquiry was filed as WSR 24-17-010 ; or

Expedited Rule Making--Proposed notice was filed as WSR _____; or

Proposal is exempt under RCW 34.05.310(4) or 34.05.330(1); or

Proposal is exempt under RCW _____.

Title of rule and other identifying information: (describe subject) WAC 392-123-120 – Statement of financial condition – Financial position of the school district

Hearing location(s):

Date:	Time:	Location: (be specific)	Comment:
December 11, 2024	10:00 a.m.	Virtual Public Hearing via Zoom (call-in option also available). Participation link available on OSPI Rules webpage: Ospi.k12.wa.us/policy-funding/ospi-rulemaking-activity	The hearing will be held as a virtual public hearing, without a physical meeting space. Please visit the OSPI Rules webpage for information on participating in the hearing: ospi.k12.wa.us/policy-funding/ospi-rulemaking-activity For participation questions, please email: sirena.wu@k12.wa.us

Date of intended adoption: December 13, 2024 (Note: This is **NOT** the effective date)

Submit written comments to:

Name Paul Stone

Address OSPI, PO Box 47200, Olympia, WA 98504

Email paul.stone@k12.wa.us

Fax

Other

Beginning (date and time) October 16, 2024, 8:00 a.m.

By (date and time) December 11, 2024, no later than 5:00 p.m.

Assistance for persons with disabilities:

Contact Sirena Wu, OSPI Rules Coordinator

Phone 360-480-9317

Fax

TTY 360-664-3631

Email sirena.wu@k12.wa.us

Other

By (date) December 4, 2024

Purpose of the proposal and its anticipated effects, including any changes in existing rules: OSPI is proposing rulemaking to allow for potential binding conditions to be placed upon a school district or a charter school when the board of directors of a school district or a charter school board provides the superintendent of public instruction with an annual statement of financial condition (i.e., state Form F-196), and the reported information shows that a deficient general fund balance is reasonably foreseeable and likely. The rule amendments would allow the superintendent to hold school districts and charter schools that have an actual year-end negative fund balance to the same state monitoring and oversight process as the school districts and charter schools that have a budgeted negative year-end fund balance, because an actual negative year-end fund balance is a greater indicator of financial insolvency than a projected negative year-end fund balance.

Reasons supporting proposal: The proposed rule change would allow OSPI to hold school districts and charters to the same state monitoring and oversight process as those that have a projected negative year-end balance, since a school district or charter school's reported actual negative year-end fund balance is a more significant sign of financial insolvency compared to a budgeted negative year-end fund balance.

Statutory authority for adoption: RCW 28A.150.290; RCW 28A.505.140; RCW 28A.710.040; RCW 28A.710.220

Statute being implemented:

Is rule necessary because of a:

Federal Law? Yes No

Federal Court Decision? Yes No

State Court Decision? Yes No

If yes, CITATION:

Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters:

Name of proponent: (person or organization)
Type of proponent: Private. Public. Governmental.

Name of agency personnel responsible for:

	Name	Office Location	Phone
Drafting	Paul Stone	OSPI, 600 S. Washington St, Olympia, WA	
Implementation	Paul Stone	OSPI, 600 S. Washington St, Olympia, WA	
Enforcement		OSPI, 600 S. Washington St, Olympia, WA	

Is a school district fiscal impact statement required under [RCW 28A.305.135](#)? Yes No

If yes, insert statement here:

The public may obtain a copy of the school district fiscal impact statement by contacting:

Name
Address
Phone
Fax
TTY
Email
Other

Is a cost-benefit analysis required under [RCW 34.05.328](#)?

Yes: A preliminary cost-benefit analysis may be obtained by contacting:
Name
Address
Phone
Fax
TTY
Email
Other

No: Please explain:

Regulatory Fairness Act and Small Business Economic Impact Statement
Note: The [Governor's Office for Regulatory Innovation and Assistance \(ORIA\)](#) provides support in completing this part.

(1) Identification of exemptions:
This rule proposal, or portions of the proposal, **may be exempt** from requirements of the Regulatory Fairness Act (see [chapter 19.85 RCW](#)). For additional information on exemptions, consult the [exemption guide published by ORIA](#). Please check the box for any applicable exemption(s):

This rule proposal, or portions of the proposal, is exempt under [RCW 19.85.061](#) because this rule making is being adopted solely to conform and/or comply with federal statute or regulations. Please cite the specific federal statute or regulation this rule is being adopted to conform or comply with, and describe the consequences to the state if the rule is not adopted.
Citation and description:

This rule proposal, or portions of the proposal, is exempt because the agency has completed the pilot rule process defined by [RCW 34.05.313](#) before filing the notice of this proposed rule.

This rule proposal, or portions of the proposal, is exempt under the provisions of [RCW 15.65.570\(2\)](#) because it was adopted by a referendum.

- This rule proposal, or portions of the proposal, is exempt under [RCW 19.85.025\(3\)](#). Check all that apply:
- | | |
|---|---|
| <input type="checkbox"/> RCW 34.05.310 (4)(b)
(Internal government operations) | <input type="checkbox"/> RCW 34.05.310 (4)(e)
(Dictated by statute) |
| <input type="checkbox"/> RCW 34.05.310 (4)(c)
(Incorporation by reference) | <input type="checkbox"/> RCW 34.05.310 (4)(f)
(Set or adjust fees) |
| <input type="checkbox"/> RCW 34.05.310 (4)(d)
(Correct or clarify language) | <input type="checkbox"/> RCW 34.05.310 (4)(g)
(i) Relating to agency hearings; or (ii) process requirements for applying to an agency for a license or permit) |

- This rule proposal, or portions of the proposal, is exempt under [RCW 19.85.025\(4\)](#). (Does not affect small businesses).
- This rule proposal, or portions of the proposal, is exempt under RCW [RCW 19.85.030](#).

Explanation of how the above exemption(s) applies to the proposed rule: No small business economic impact statement has been prepared under chapter 19.85 RCW. The proposed amendment does not have an impact on small business and therefore does not meet the requirements for a statement under RCW 19.85.030 (1) or (2).

(2) Scope of exemptions: *Check one.*

- The rule proposal: Is fully exempt. (*Skip section 3.*) Exemptions identified above apply to all portions of the rule proposal.
- The rule proposal: Is partially exempt. (*Complete section 3.*) The exemptions identified above apply to portions of the rule proposal, but less than the entire rule proposal. Provide details here (consider using [this template from ORIA](#)):
- The rule proposal: Is not exempt. (*Complete section 3.*) No exemptions were identified above.

(3) Small business economic impact statement: *Complete this section if any portion is not exempt.*

If any portion of the proposed rule is **not exempt**, does it impose more-than-minor costs (as defined by RCW 19.85.020(2)) on businesses?

- No Briefly summarize the agency's minor cost analysis and how the agency determined the proposed rule did not impose more-than-minor costs. _____
- Yes Calculations show the rule proposal likely imposes more-than-minor cost to businesses and a small business economic impact statement is required. Insert the required small business economic impact statement here:

The public may obtain a copy of the small business economic impact statement or the detailed cost calculations by contacting:

- Name
- Address
- Phone
- Fax
- TTY
- Email
- Other

Date: October 1, 2024	Signature: 
Name: Chris Reykdal	
Title: State Superintendent of Public Instruction	