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Washington Office of Superintendent of
PUBLIC INSTRUCTION
Chris Reykdal, Superintendent

July 10, 2025

Kelly Aramaki, Superintendent
Bellevue School District
12111 NE 1st Street
Bellevue, WA 98005

Re: Approval of Request to Budget Future Receivables with Binding Conditions

Dear Superintendent Aramaki:

In accordance with Chapter 392-123 of the Washington Administrative Code (WAC), Puget Sound Educational Service District 121 (PSESD) and the Office of Superintendent of Public Instruction (OSPI) have completed the review of Bellevue School District's budget for the 2024–25 school year, in which the school board is prepared to adopt a budget with a negative ending general fund balance of (\$5,900,000).

To approve the request submitted to OSPI through Board Resolution 2025-07, OSPI requires the district be placed on Binding Conditions. The Binding Conditions outlined below are intended to give OSPI and PSESD an opportunity to more closely review and recommend school district decisions related to their current financial condition. The goal is to ensure the district restores a healthy financial position and exits Binding Conditions within three school fiscal years. If progress towards a healthy financial position is not clearly evidenced within three school years, the district may be referred to a Financial Oversight Committee (FOC). If Enhanced Financial Oversight is required, the FOC can exercise more aggressive financial remedies up to and including school district dissolution.

For approval of Bellevue's 2024–25 school year budget extension, each of the conditions outlined below must be met.

1. Monthly budget status reports presented to the school board must be shared electronically with PSESD and OSPI within one week of the board meeting and no later than the end of the subsequent calendar month.
2. A quarterly meeting to review current financial status will be held with PSESD and OSPI to include review of the following: budgeted to actual expenditures and revenues,

enrollment trends, current staffing levels, and a current two fiscal year cash flow projection (current fiscal year and next fiscal year). These meetings will be scheduled by OSPI after considering the required individuals' calendar availability no later than July 31, 2025. These meetings must include, at a minimum, the Superintendent and Business Official of the school district. The President of the School Board is recommended but not required to attend these meetings.

3. The actual ending general fund balance in the F-196 for the 2024–25 school year, submitted in November 2025, is greater than (\$5,900,000). This is the current projected ending fund balance in the approved budget.
4. The budgeted ending general fund balance in the F-195, adopted by August 1, 2025, for the 2025–26 school year, is greater than (\$3,000,000).
5. The actual general fund balance in the F-196 that is submitted to OSPI in November 2026, is greater than (\$3,000,000).
6. The budgeted general fund balance in the F-195, adopted by August 30, 2026, for the 2026–27 school year, is not less than \$1,000,000.
7. The actual general fund balance in the F-196 that is submitted to OSPI in November 2027, is not less than \$1,000,000.
8. The District reviews and adopts a 4-year strategic financial plan to meet the fund balance policy range as documented in School Board Policy 6022.
9. All financial reports and documents submitted to OSPI and PSESD will be on the modified basis of accounting and include all debt incurred by the district including interfund loans, non-voted debt, and voted debt.

If any of the above conditions are not met, the district will continue to operate under Binding Conditions. OSPI and PSESD will continuously review the district's fiscal projections and adherence to the stated conditions above. We, collectively, reserve the right to update any of the conditions stated above, if the financial situation of the district changes significantly from what is currently projected.

Background

The school district's 2024–25 budget extension adopted by the school board on June 26, 2025 was not balanced, and contained a negative ending fund balance of (\$5,900,000).

The district has reported the primary causes for their fund balance deficiency as:

- Total compensation costs and operating costs were greater than what the state has provided.
- Materials, supplies, and operating costs have grown at rates that far exceed the increases provided by state funding, and the district did not make sufficient reductions to offset those increases. Significant inflation following the pandemic contributed to this condition.
- Changes to state and local funding formulas in 2019 due to the McCleary decision

Superintendent Aramaki

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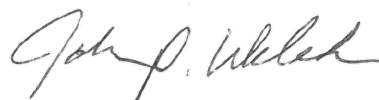
resulted in a decrease of \$15 million annually from local levy revenue, offset by a similar increase in state funding. State funds were capped with smaller growth rates than levy funding. In addition, the state funding came with accompanying staffing and other cost requirements. The district did not make sufficient reductions to offset those changes and cost increases.

- Following the pandemic, the district continued to provide student supports for mental health services, academic recovery programs, expanded special education supports, and multilingual learning supports without the necessary funding to provide for those services.
- Enrollment dropped by 10% during the pandemic but has steadily increased back to pre-pandemic levels; however, the increases are driven primarily by non-resident students, and elementary enrollment continues to decline similar to the rest of the region.
- The district budget for the past few years was based on inaccurate or insufficient budget assumptions, and the district did not have adequate position controls in place.

Sincerely,



T.J. Kelly
Chief Financial Officer
Office of Superintendent of Public Instruction




John Welch
Superintendent
Puget Sound ESD 121

Acknowledgement of Acceptance of Conditions

X

Signed by:



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School District Superintendent

X

Signed by:



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School Board President