

Old Capitol Building
PO Box 47200
Olympia, WA 98504-7200

ospi.k12.wa.us



Washington Office of Superintendent of
PUBLIC INSTRUCTION
Chris Reykdal, Superintendent

December 18, 2025

Chris Woods, Superintendent
Yelm School District
107 1st Street North
Yelm, WA 98597

Dear Superintendent Woods:

This memo summarizes key points of our conversation from the binding conditions meeting held on December 16, 2025.

- ESD 113, in their role providing Yelm School District (YSD) with business manager support, shared a cash flow projection for the school district through the end of the year. We agreed that the projection suggests that the district will end the year in a negative cash flow and fund balance position if immediate steps are not taken to reduce expenditures in the current fiscal year. We also agreed that delaying such reductions would only lead to greater reductions necessary in the future.
- The ESD projection includes many estimates, and based on the projection, a review of prior year data, and discussions with ESD 113 staff and YSD, OSPI believes the district will be anywhere from negative \$1.5 million to negative \$4 million in fund balance by year end. Additional immediate actions by the district to curtail spending will have a dramatic impact on the districts ultimate financial position at that time.
- Under the leadership of yourself and your school board, YSD has already taken immediate steps to reduce costs including:
 - Taking steps to eliminate all non-essential contracted staff;
 - Implementing a hiring freeze;
 - Curtailing overtime and extra time except in emergency situations;
 - Eliminating out of district travel; and
 - Significantly reducing materials, supplies and operating costs at schools and at the district level.
- YSD has indicated that some immediate steps to reduce costs will not result in changes to expenditure levels until January or February, due to notice requirements and billing delays from external parties. Better expenditure and revenue data will be available and more predictive in February, after the district's enrollment and staffing levels are reflected in apportionment reports and reduction actions have had a chance to be

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reflected in expenditure reports.

- YSD will have more detailed expenditure reduction plans for the current and next fiscal years available in February and March, after more conversations with the Board and the community.
- YSD, ESD 113, and OSPI continue to support having a financial oversight committee established to review the district's actions and plans and to assess the districts solvency.

This was a productive conversation and OSPI appreciates the previous, proactive conversations that YSD and ESD 113 have engaged in with the agency. Based on the above information, previous conversations, and our current assessment of the situation, OSPI is scheduling an initial financial oversight committee meeting with the district in early to mid- February. At least three business days before this meeting, YSD will need to provide:

1. Any new expenditure reduction actions or plans the district has implemented or developed;
2. A three-year cash balance projection that incorporates those actions and plans; and
3. An updated budget timeline for the 2026–27 school year.

These are in addition to the current binding conditions reporting requirements.

The financial oversight committee review timeline is different than what we discussed in November, but additional financial data and time for the district to implement and see results from expenditure reduction actions will allow the committee to conduct a more appropriate, thorough, and thoughtful review.

Sincerely,



T.J. Kelly

Chief Financial Officer

Office of Superintendent of Public Instruction