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ospi.k12.wa.us

Washington Office of Superintendent of
PUBLIC INSTRUCTION
Chris Reykdal, Superintendent

August 21, 2026

Chris Pearson, Superintendent
Burlington-Edison School District
927 East Fairhaven
Burlington, WA 98233

Re: Budget Approval and Interim Binding Conditions

Dear Superintendent Pearson:

In accordance with Chapter 392-189 of the Washington Administrative Code (WAC), Northwest Educational Service District 189 (ESD 189) and the Office of Superintendent of Public Instruction (OSPI) have completed the review of the Burlington-Edison School District's draft budget for the 2026–27 school year, in which the school board will consider a budget with a negative ending general fund balance of ($1,396,724).

To approve the request submitted to OSPI through Board Resolution 916, OSPI requires the district be placed on Binding Conditions. The Binding Conditions outlined below are intended to give OSPI and NWESD 189 an opportunity to more closely review and recommend school district decisions related to their current financial condition.

Our 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, the district may be referred to a Financial Oversight Committee (FOC) at any time. If Enhanced Financial Oversight is required, the FOC can exercise more aggressive financial remedies up to and including school district dissolution.

The binding conditions below will be in place until updated binding conditions are placed upon the district following a thorough review of the district's financial position, staffing and financial plans, and enrollment data/projections. We expect updated binding conditions or an FOC to be formed after the district's 2025–26 financial statements have been submitted to NWESD 189 and OSPI for review.

Burlington-Edison School District's 2026–27 school year budget is approved, subject to the following Binding Conditions, which are in effect immediately and until updated binding conditions are communicated to the district.

1. Monthly budget status reports presented to the school board must be shared electronically with NWESD 189 and OSPI within one week of the board meeting and no later than the end of the subsequent calendar month.
2. Monthly meetings to review current financial status will be held with NWESD 189 and OSPI to include review of the following:
    a. Budgeted to actual expenditures and revenues
    b. Enrollment trends and projections
    c. Current and planned staffing levels and costs
    d. Cash flow projections through August 2028 (incoming fiscal year and subsequent fiscal year).
    e. Financial plans including specific expenditure reductions identified to restore fund balances within the next three school years (by August 2029).

These meetings will begin in September 2026 and will be scheduled by OSPI after considering the required individuals' calendar availability no later than August 31, 2026. 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 budgeted ending general fund balance reported in the 2026–27 F-195 must reflect expenditures that do not exceed anticipated revenues by more than $2,596,724.
4. The ending general fund balance in the F-196 submitted to OSPI in November 2026 must not reduce the projected total beginning fund balance for 2026–27. If it is reduced, OSPI may require the district to initiate a budget revision to address any additional projected shortfall.
5. The District Board of Directors formally adopt the components outlined in items 2a–2e as a financial plan for the next two school years by December 1, 2026. The plan must demonstrate the district's ability to meet or exceed a fund balance equal to 5 percent of the prior year's expenditures, with at least 50 percent of that fund balance designated as unassigned.
6. As part of the plan adoption, the district is required to either adopt a policy that establishes a minimum fund balance goal or pass a resolution that adopts such a goal. This plan must be pre-approved by OSPI and NWESD 189 prior to adoption.
7. All financial reports and documents submitted to OSPI and NWESD 189 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, OSPI and NWESD 189 will either refer the district to an FOC or place more directive binding conditions on the district. In addition, OSPI reserves the right to update any of the conditions stated above, if the financial situation of the district changes significantly from what is currently projected. OSPI and NWESD 189 will continuously review the district's fiscal projections and adherence to the stated conditions above.

Background

The school district's 2026–27 budget proposal submitted to OSPI was not balanced and contained a negative ending fund balance of negative ($1,396,724). This requires the district to use accounts receivable in the 2027–28 school year to balance its budget.

The district has identified the following conditions as leading to, or contributing to, its financial shortfall:

- Employee salary and benefit costs continue to be greater than the state allocation.
- Materials, supplies, and operating costs have increased at rates that exceed the state allocation increases.
- The district's student enrollment has decreased 426 FTE (12%) since 2020, with an additional 101 FTE (3%) decline projected for 2026–27.
- The district's regionalization factor decreased from 18% in 2019–20 to 12% currently.
- The district's staff reductions, while significant at 59.39 FTE, or 13%, over the last three years, have not been sufficient to match the decrease in revenue from declining enrollment.
- The district engaged in a substantial school consolidation and reconfiguration process for the 2025–26 school year that led to a $3,000,000 reduction in expenditures. Despite this reduction, the continued decline in enrollment has created a need for further reductions that cannot be made without severely disrupting students' educational experience.

Sincerely,

T.J. Kelly

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

Ismael Vivanco
Superintendent
Northwest Educational Service District 189

Acknowledgement of Acceptance of Conditions

X ______________________________

School District Superintendent

X Elli Haddick (Vice President)

School Board President