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

ospi.k12.wa.us

Washington Office of Superintendent of
PUBLIC INSTRUCTION
Chris Reykdal, Superintendent

August 27, 2026

Rocky Torres-Morales, Superintendent
Vancouver School District
2901 Falk Rd
Vancouver, WA 98661

Re: Budget Extension Approval and Interim Binding Conditions

Dear Superintendent Torres-Morales:

In accordance with Chapter 392-123 of the Washington Administrative Code (WAC), Educational Service District 112 (ESD 112) and the Office of Superintendent of Public Instruction (OSPI) have completed the review of the Vancouver Public School's budget extension for the 2025–26 school year, in which the school board adopted a budget revision with a negative ending general fund balance of ($2,250,000).

To approve the request submitted to OSPI through Board Resolution 947, OSPI requires the district be placed on binding conditions. The binding conditions outlined below are intended to give OSPI and ESD 112 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 ESD 112 and OSPI for review.

Vancouver Public School's 2025–26 school year budget extension 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 ESD 112 and OSPI within one week of the board meeting and no later than the end of the subsequent calendar month.
2. Monthly meetings from October 2026 through January 2027, to review current financial status will be held with ESD 112 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 2027 (current fiscal year and next fiscal year)
    e. Financial plans including specific expenditure reductions identified to restore fund balances within the next three school years (by August 2028).

These meetings will be scheduled by OSPI after considering the required individuals' calendar availability no later than September 15, 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 ending general fund balance in the F-196 submitted to OSPI in November 2026 must not be greater than negative ($2,250,000) as communicated by the district in resolution 947 for the school year 2025–26.
4. The actual expenditures for the 2025–26 school year must not exceed the approved budget extension amounts included in District resolution 947.
5. The District Board of Directors formally adopts a strategic financial plan by December 1, 2026 to:
    a. Meet the fund balance policy of 5 percent of the current year's expenditures as documented in School Board Policy 6022.
    b. Allow the district to meet cash flow needs without relying on interfund loans, debt, or apportionment advances.

This plan must be pre-approved by OSPI and ESD 112 prior to adoption.

6. All financial reports and documents submitted to OSPI and ESD 112 will be on the modified accrual basis of accounting and include all debt incurred by the district including interfund loans, non-voted debt, and voted debt.

OSPI and ESD 112 will determine if monthly or quarterly meetings are more appropriate after January 2027 and will communicate such in the binding conditions letter update.

If any of the above conditions are not met, OSPI and ESD 112 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 ESD 112 will continuously review the district's fiscal projections and adherence to the stated conditions above.

Background

The school district's 2025–26 budget extension adopted by the school board on August 18, 2026 was not balanced, and contained a negative ending fund balance of ($2,250,000).

Factors leading to the district's current financial condition:

- Enrollment below budget: Actual enrollment was 192.28 FTE below budget, resulting in approximately $2.83 million less in BEA apportionment revenue than anticipated.
- Expenditures exceeded state funding: Total compensation and operating costs exceeded the level of funding provided by the state. Rather than implement a Reduction in Force to immediately align staffing and expenditures with available revenues, the district made the decision to use fund balance to maintain staffing and services.
- Continuation of ESSER-funded positions: Positions that had been added or supported with ESSER funding were not eliminated when federal funding expired. Instead, the district gradually reduced those positions over time, leaving some ongoing expenditures that were no longer supported by ESSER revenue.
- Unrealized LEA revenue: The budget included an assumption for LEA revenue that was ultimately not realized, creating an additional gap between budgeted and actual revenues.
- Prior-year operating deficit: Prior-year expenditures exceeded revenues by more than anticipated, resulting in a lower beginning fund balance than projected in the current year budget.

Sincerely,

T.J. Kelly

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

Tim Merlino

Tim Merlino
Superintendent
Educational Service District 112

Acknowledgement of Acceptance of Conditions

X ____________________

School District Superintendent

X ____________________

School Board President