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Washington Office of Superintendent of
PUBLIC INSTRUCTION
Chris Reykdal, Superintendent

September 28, 2026

Yelm Community Members
Yelm Community Schools
For Public Posting and Distribution

Re: Yelm Community Schools Status Update

Dear Yelm Community:

As you may be aware, Yelm Community Schools (YCS) has been on binding conditions, the lowest level of state financial oversight, since September 2024. Binding conditions are required when a school district submits a budget, budget extension, or financial statement that projects a negative ending fund balance. As detailed in correspondence on the [School District Budget Challenges and Financial Insolvency webpage](#), YCS projected an ending fund balance of (\$1,312,549) for the 2024–25 school year.

While YCS has made significant reductions to staffing and services to manage its budget, in the absence of local levy funds, the district relied heavily on one-time funding sources and remaining cash reserves to support ongoing expenditures. As a result, the projected ending fund balance for the 2026–27 school year is \$877,174 or 0.9% of budgeted expenditures, which falls well below the state-established benchmark of \$2.8 million or 3% of budgeted expenditures, established for YCS under the [district's binding conditions](#). This indicates that the district continues to exhibit signs of financial instability and remains in a financially vulnerable position.

The Office of Superintendent of Public Instruction (OSPI) is currently awaiting Yelm Community Schools' 2025–26 financial statement, which is due November 15, 2026, as well as the results of the November 3, 2026, levy election, before determining the next steps in the state oversight process.

If the financial statement does not meet expected targets outlined in the [December 18, 2025, binding conditions update memo](#), or if the November 3 levy fails, OSPI will convene a Financial Oversight Committee (FOC). This committee would require Yelm Community Schools to develop a two-year financial plan that demonstrates the district's ability to restore and maintain financial health while continuing to meet all basic education requirements. Many community valued opportunities such as transportation for general education students, after school programs, and athletics are not part of the state's mandated minimum basic education requirements. The FOC

would review the proposed plan and conduct a public hearing in the district to listen to community feedback.

If, after reviewing the district's financial condition and proposed plan, the FOC determines that Yelm Community Schools is not financially viable, it may recommend dissolution of the district. Before any dissolution recommendation is finalized, the FOC would conduct an additional public hearing to gather feedback from students, families, staff, and community members regarding the proposed dissolution.

As of today, we cannot determine which school districts would absorb YCS students and families if a dissolution takes place, but we can confirm it is not guaranteed that the entire area that currently makes up YCS will be absorbed by a single adjacent district. It is more likely that YCS would be split into two or three different parcels that will be absorbed into adjacent districts pending the outcome of boundary discussions as outlined in state law. It is also not possible for us to confirm the resulting tax rate that YCS property owners will pay after the dissolution. It is likely, based on current data, that YCS property owners would pay higher tax rates after dissolution than the rate currently proposed in the YCS November 3 levy request. If the financial condition of the district does not improve and it begins to impact ongoing operational needs that are required to allow all students the opportunity to meet annual basic education and graduation requirements, it is possible that YCS will not serve students past the 2027–28 school year. If you have specific questions about the dissolution process, please feel free to reach out to me at thomas.kelly@k12.wa.us.

The goal of the state oversight process is to help guide districts back to solid financial ground. While dissolution is a legal option, it is not something the state takes lightly. OSPI remains hopeful that further escalation of the oversight process will not be necessary, and that Yelm Community Schools will successfully implement the measures needed to return to financial health and continue serving its students and community.

Sincerely,



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

TK/ch

cc: Chris Woods, Superintendent, Yelm Community Schools