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Binding Conditions FAQ

What are They and Why Have They Become More Common Lately?

A note on how to use this material:

There are already several solid resources available to help school leaders understand and talk about school funding and the current challenges. This FAQ is intended to supplement those materials by providing you with information specific to Binding Conditions that is written in plain language for sharing with your families, staff, and community. Please use and customize any of the language in the linked FAQ that helps you tell your local financial story. We also posted this information on the public side of WASA's website so that you can link directly to this document if you'd like a third-party messenger for this content.

Why are so many school districts dealing with financial difficulties these days?

Across the state, school districts are grappling with fiscal challenges. Many have had to make serious cuts to staff and programs. For some schools, even deep reductions haven't been enough.

What is causing so many districts to struggle right now? School funding is a complex puzzle, with every district getting slightly different funding and spending their money differently based on their unique mix of student needs, geography, and demographics.

While the specific challenges in each district are different, some big issues are affecting everyone. The webpage www.waschoolfunding.org spells out the current school funding dilemma in plain language with clear graphics and links to additional details.

In short, there are a handful of major issues that are pressuring Washington's schools right now:

- **School funding hasn't kept up with inflation.** Just like our household costs, school expenses are WAY up compared to just a few years ago. For example, milk, diesel fuel, and electricity have all gone up by more than a third in the last five years. Insurance – which is mandatory – has gone up an eye-popping 60% in just three years. But the state's legislative inflationary factor has only inched up a couple percent each year. This causes schools to fall further and further behind.
- In our state, **the percentage of funding going toward K-12 schools has gone down.** Five years ago, more than half of the state's general fund budget was dedicated to K-12 education. Now, it's down to about 43%.
- **Student needs are increasing, but state funding is insufficient.** Behavior support and other special education programs are particularly underfunded. Across the state, more than \$529 million (half a billion!) dollars of special education costs go unfunded every year, and the state only increased special education funding by \$19.6 million last year.



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What are Binding Conditions and how are they related to school finances?

In Washington State, every school district must send a budget to the state every year. If a school district projects that they will end the fiscal period with a negative fund balance, or "go into the red" (spend more money than they have), they can ask the state for special permission to borrow against future revenues in order to balance their budget. The state will only approve a budget presented with a negative ending fund balance if the district agrees to be "bound" by certain conditions. That's where the term "Binding Conditions" comes from.

Binding Conditions include financial goals the district must meet and/or constraints the district must follow. An example condition would be that the district must agree to bring its fund balance up to a certain level by a certain date.

The Office of the Superintendent of Public Instruction (OSPI) and local Educational Service District (ESD) will monitor the district's progress within Binding Conditions. OSPI and the local ESD do not, however, have authority to decide how a district will reach the benchmarks in their particular Binding Conditions agreement. Authority for making local decisions stays in the hands of the local school board and district leaders.

If my school district is in Binding Conditions, what does that mean for my local schools?

First, it's important to know that your schools aren't alone. Many school districts across Washington are facing serious financial challenges right now. Six districts are currently operating under Binding Conditions and OSPI has marked another 14 as being in a condition of "Financial Warning." State officials and school administrators cannot remember a time that so many districts have been in such deep distress.

It is also important to know that your community is still in control of your local schools, even when Binding Conditions are in place. The state does not "take over" schools in Binding Conditions. OSPI and the local ESD provide expectations and accountability. But Binding Conditions does not give the state power to fire or hire district staff, including the superintendent, and the state cannot cancel existing contracts or labor agreements.

How long will a school district be subject to Binding Conditions?

The vast majority of school districts resolve their financial difficulties, balance their budget, and are no longer subject to Binding Conditions within one or two years.

In rare cases, a district will be unable to create a workable financial plan to bring their budget back into balance. When that happens, more levels of financial oversight can be phased in.



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How does a school district get out of Binding Conditions?

To leave Binding Conditions, the district must prepare a financial plan that achieves all their goals and constraints. Ideally, their plan will also describe how the district will avoid being in the same position again in the future. Once OSPI and the district agree to the plan and all benchmarks have been met, the district will exit from binding conditions.

If going into Binding Conditions doesn't resolve my district's problems, what happens next?

There are graduated steps with increasing oversight and limitations.

If a school district has been on binding conditions for two years and/or is expected to be running in a deficit within three years and is unable to prepare a satisfactory financial plan, it is considered financially insolvent.

A financial oversight committee – which will include state and regional staff who are knowledgeable about school finance – can then be appointed. The financial oversight committee's job is to review the district's budget, evaluate all proposed financial plans, and hold a public hearing to review the possibilities. The committee generally has two options: place the district under enhanced financial oversight or consider dissolution.

Enhanced financial oversight can entail a variety of options, often starting with the appointment of a special administrator who reports to the financial oversight committee (not local school leaders) and has authority to oversee and carry out the district's binding conditions. Enhanced financial oversight can also include limitations and supervision on a district's ability to enter into new or revised contracts, including employment contracts.

In extreme cases, a school district can potentially be dissolved, but dissolution is extremely rare. The last time a school district was dissolved was in 2007, when the Vader School District was absorbed into the Castle Rock School District.

Where can I get more detailed information about Washington State school funding, what's happening now, and Binding Conditions?

- Washington Association of School Administrators (WASA)
 - School funding and the current dilemma: <https://www.waschoolfunding.org/>
- Office of the Superintendent of Public Instruction (OSPI)
 - Webpage about [School District Budget Challenges and Financial Insolvency](#)
 - A PowerPoint Presentation on [Binding Conditions and Financial Oversight](#)
- Washington State School Directors' Association (WSSDA)
 - [School Districts in Financial Trouble: The Role of Binding Conditions & Oversight](#)