

2025-26 Budget Board Update

Martin Turney, Chief of Finance and Operations

Moriah Banasick, Executive Director of Finance and Budget

June 10th, 2025

Purpose

- Present important financial, enrollment, and legislative updates
- Outline the status of the 2025–26 budget through current projections, funding outlooks, and strategic priorities
- Provide a preview of final 2025-26 budget and multi-year outlook (two to four years)

2025 Legislation - Special Education

Highlights:

- Services extend through the school year a student turns 22
 - *Now funds the legal obligation*
- Special Education funding up to 16% of total enrollment
 - *No impact to our district; District does not exceed the cap*
- Safety Net eligibility threshold lowered from 2.2 to 2 times the average per-pupil expenditure
 - *Impact TBD; variable*
- New 1.16 multiplier replaces tiered model
 - ***\$1.4M estimated increase***

2025 Legislation – MSOC

Highlights:

- Increases and simplifies Materials, Supplies, and Operating Costs (MSOC) allocations
- Starting 2026–27, expanded categorical reporting of MSOC categories required (e.g., tech, insurance, election fees)
 - *Reporting requirements to be determined*
- \$47 more per student above maintenance levels
→ **\$860k increase for ISD**

2024-25 MSOC & Special Education Shortfall

Despite legislative increases, significant funding shortfalls remain based on 2023–24 actuals:

Special Education:

\$9.5M shortfall in state funding

Materials, Supplies, and Operating Costs (MSOC):

\$8.7M shortfall in state funding

These shortfalls continue to be drivers of the district's ongoing structural budget challenges.

2025 Legislation - Other

SB 5142 Eminent Domain

“A school district must also offer the previous owner an opportunity to purchase back the property when all of the following are true:

- no voter or state funding for the school or school facility has been requested or submitted to the voters;
- no applications to the applicable permitting jurisdictions have been submitted;
- no additional parcels of property need to be assembled or acquired;
- ***no school or school facility on the property is included in the district's six-year capital facilities plan;***
- ***and the property was acquired by the district more than one year ago.”***

2025 Legislation - Other

[HB 1796](#), [SB 5095](#) Front Funding New Construction

- Neither bill passed
- Would have allowed districts to issue non-voted debt for new construction projects

[SB 5814](#) Temporary Staffing Services

- Legislature imposed a retail tax on "temporary staffing services"
- Concern whether this will apply to school districts, specifically special services contracted staffing
- Currently seeking clarity from the Governor's Office and Department of Revenue

2025 Legislation - Local Levy Authority

Highlights:

- Increases levy authority capacity:
 - \$500 per pupil inflationary enhancement in calendar year 2026
 - Annual levy growth of 3.3% from 2027–2030
 - *FY27-30, depends on voter-approved levy amount*

Important for 2026 levy committee planning (2027–2030)

2025 Legislation - TTK

Transition to Kindergarten (TTK)

Highlights:

- Now considered a formal grade level, but not part of Basic Education
- For 2025–26, districts are capped at prior year enrollment levels
 - District added two classes in 2024-25, currently serving 75 students
- Funding limited to existing capacity
 - ***No state funding available for expansion***

2025 Legislation - Other Funding

Highlights:

One-Time State Funding

- \$50 per student included in June 2025 state apportionment

→ ***Approximately \$900K in one-time funding***

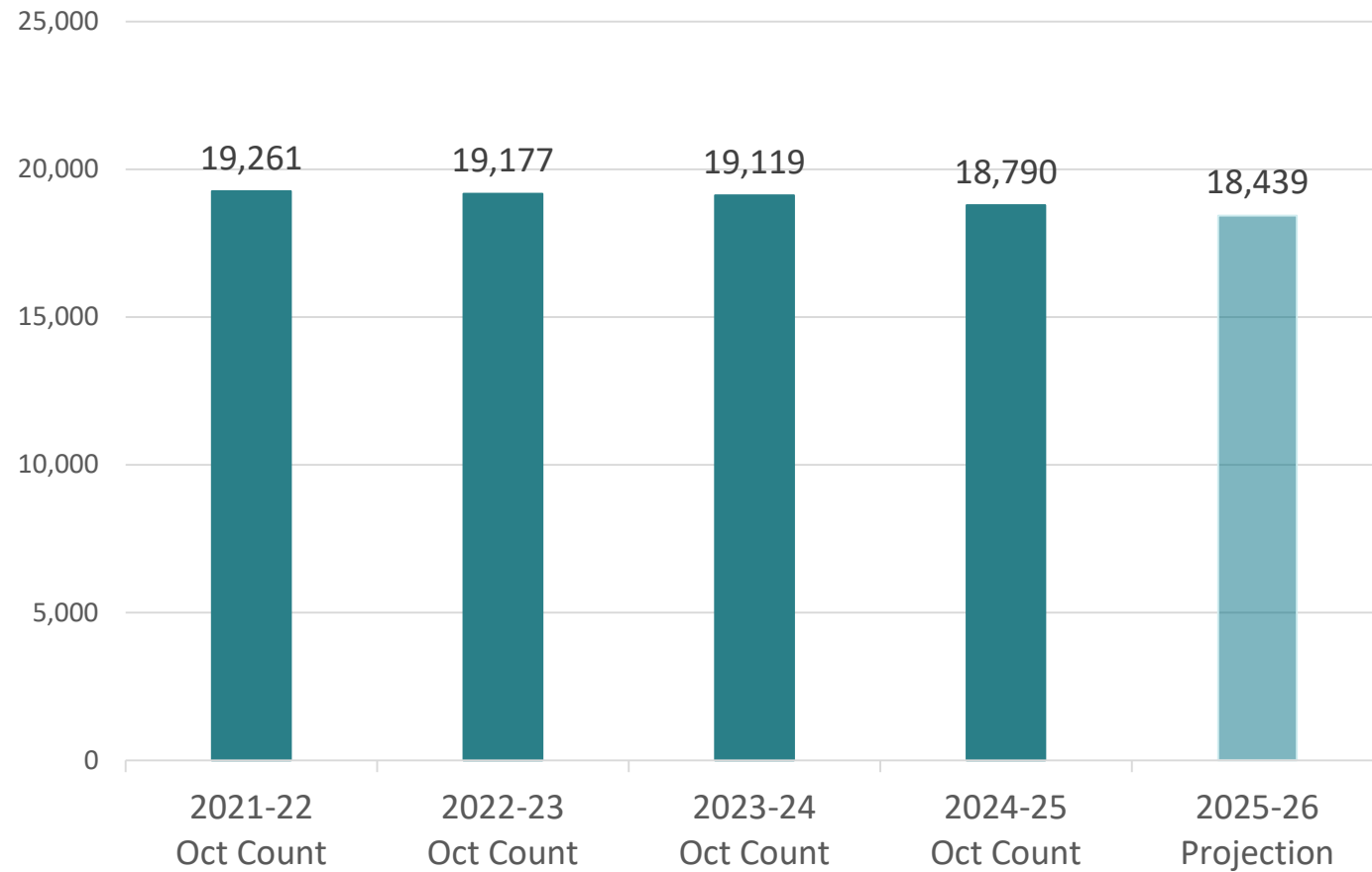
→ This helps mitigate revenue shortfalls related to 2024-25 enrollment and contributes to preserving more fund balance than originally anticipated

2025-26 Enrollment Projection

Overall Trend: Decline

- **Projected Total Enrollment:** 18,439
- **Change from Prior Year:** -351 students (-1.9%)
- **Estimated Revenue Impact:** \$4M decline
- **Running Start:** Enrollment expected to remain high

2025-26 Enrollment Projection



→ Includes TTK and Running Start

2025-26 Kindergarten & Open Enrollment

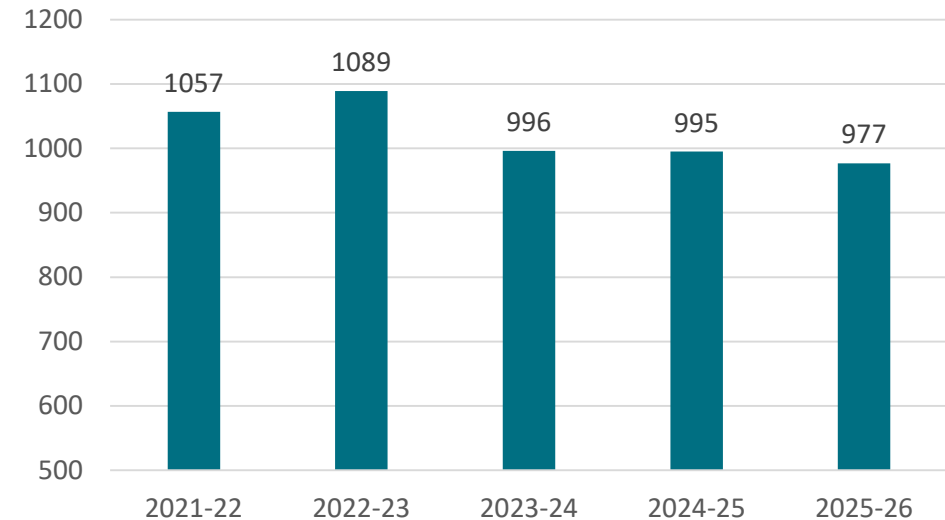
Kindergarten

- Kindergarten enrollment is on track with projection
- Maple Hills and Newcastle – strongest growth
- Sunset and Clark – trending below projections
- Staffing was proactively adjusted based on current enrollment prior to the cutoff

Open enrollment

- Majority of out-of-district enrollment requests received in the Liberty feeder pattern schools

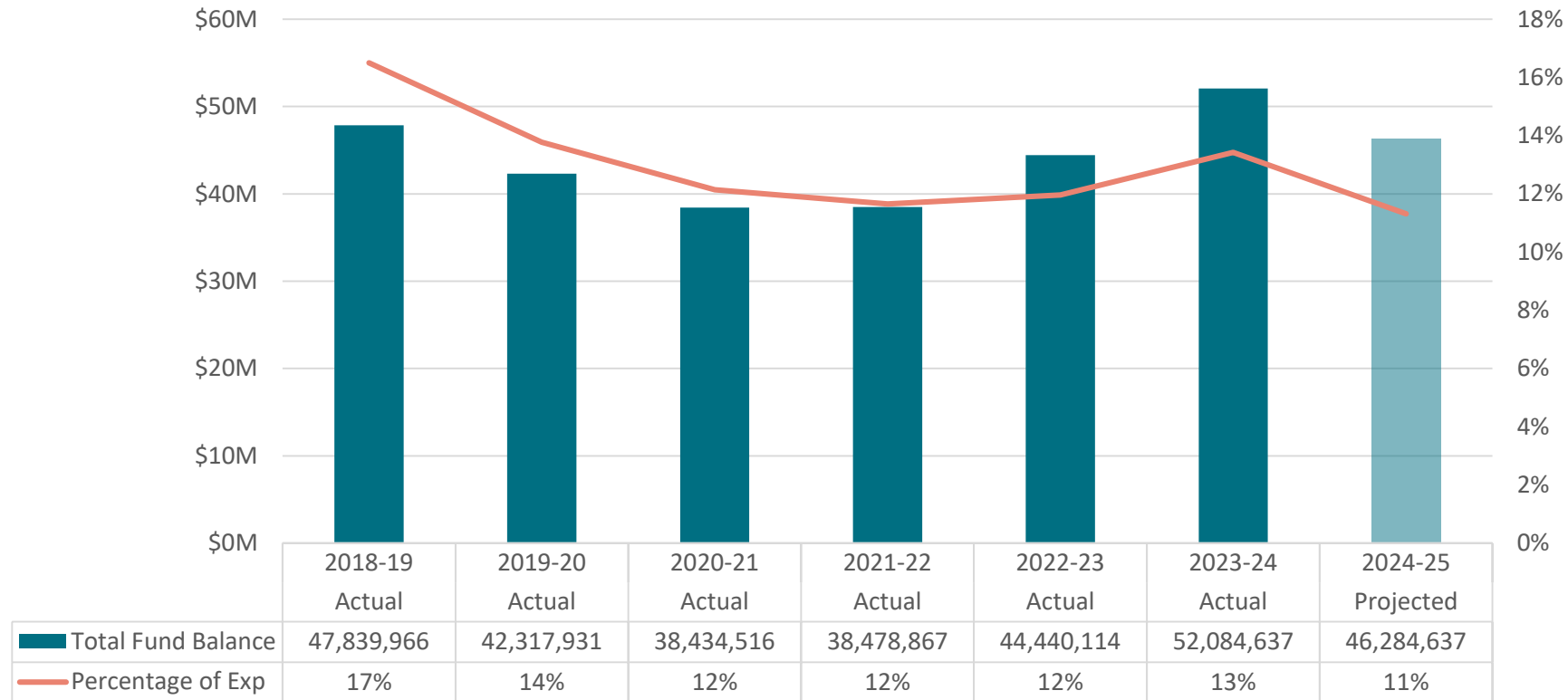
Kindergarten Enrollment Trends as of May



2024-25 Fund Balance Update



- As of March, projected fund balance decline was \$9M
 - Since March, the following new revenues were identified:
 - \$900K in one-time legislative funding
 - \$2.3M in transportation funding to offset actual costs
- ***Updated projection: \$5.8M decline in fund balance***

2024-25 Fund Balance Projection



2024-25 Estimated fund balance decline of \$5.8M

Federal Programs – Annual Funding

• Special Education (IDEA)	\$4.2M	 <div data-bbox="1814 385 2229 716"><p>Accounts for \$7.5M</p><p>87% of all Federal Funding</p><p>1.8% of total budget</p></div>
• Title I	\$1.4M	
• Child Nutrition	\$1.9M	
• Title II, III, IV	\$719K	
• NJROTC - Liberty	\$168K	
• <u>Career & Technical Education (CTE)</u>	\$200K	
Total Federal Funding	\$8.6M	 <div data-bbox="1814 1102 2229 1178"><p>2.1% of total budget</p></div>

Federal programs outlook remains uncertain beyond 2025–26

Strategic Budget Priorities

Start, Stop, Continue

In response to enrollment decline and rising costs, the 2025–26 budget emphasizes reallocation over expansion, with a focus on equity and sustainability

Start

- Instructional Enhancements
 - Student & Family Supports
 - Equity-Based Budget
- ***Estimated increase of \$2.1M***

Stop

- Return curriculum investment to baseline of \$3M annually
 - Sunset obsolete supplies and outdated contracts
- ***Estimated decrease of \$2.7M***

- See [April 10, 2025 board meeting](#) for details on “continue” items
- Does not include all budget adjustments (e.g. enrollment related staffing adjustments)

Key Takeaways

- **Funding Gaps Remain:** Increases (SPED, MSOC) are appreciated, but insufficient to offset current and increasing costs
 - MSOC Example: Insurance premiums rose over 11%, a \$670K increase
- **Expenditures Outpace State Support:** Staffing levels and operating costs exceed state apportionment, collective bargaining outcomes will further shape financial needs
- **Enrollment & Broader Funding Declines Continue:** Continued declines are driving structural budget pressure and revenue loss
- **Strategic Response Is Underway:** The 2025–26 budget emphasizes sustainability, compliance, and the foundation for a 2–4 year financial plan aligned with long-term projections

What's Next?

- Finalize 2025–26 budget and complete the budget guide
- Monitor enrollment registrations and adjust as needed
- Plan for bargaining outcomes and long-term sustainability
- Maintain compliance and adapt to ongoing federal uncertainty

Critical Steps & Target Dates

Board of Director's Budget Development Guidelines Input	Dec 12	✓
Financial Advisory Core Team Meetings	Dec – Aug	✓
Board of Director's Budget Development Guidelines Adoption	Jan 16	✓
Board of Directors' Meetings and Retreat	Jan – Apr	✓
Budget Process with Updates on District Website	Feb – Aug	
Legislature Regular Session Ends	Apr 27	✓
Superintendent's Budget Review and Program Changes Announced, as needed	By Apr 30	✓
District Budget and Budget Guide Completed	Jun – Jul	←
Public Hearing – Proposed 2025-26 Budget	Aug 7	
Budget Adoption	Aug 21	

Thank you

Martin Turney
Chief of Finance & Operations
turneym@issaquah.wednet.edu

Moriah Banasick
Executive Director of Finance & Budget
banasicka@issaquah.wednet.edu

