



Memorandum

Date: January 27, 2026
To: Board of Directors
From: Travis Belisle, CSBO, Executive Director of Finance
Subject: Financial Framework for Richland School District

Executive Summary: Financial Framework for Richland School District

Purpose: The Financial Framework is a multi-year budgetary mechanism designed to restore the General Fund Balance to 8% by August 2030. Beyond this target, the framework aims to institutionalize long-term financial health by aligning fiscal management with OSPI Financial Health Indicators, enrollment-based budgeting, expenditure controls, and staffing cost efficiency.

Guiding Principles: The framework is grounded in the following principles:

- **Stewardship:** Responsible use of public resources through ethical budgeting and evaluation.
- **Transparency:** Clear communication and visibility of financial data.
- **Sustainability:** Structurally balanced budgets that ensure long-term solvency.
- **Equity:** Prioritization of student-facing investments while maintaining financial discipline.
- **Accountability:** Regular performance monitoring through OSPI's FIT standards.

Key Components:

1. **Expenditure-to-Revenue Ratio:** District will target annual expenditures at or below 97.99% of revenue, scaling this target based on available Days Cash on Hand.
2. **Enrollment Budgeting Standard:** Revenue projections will be based on current-year enrollment performance vs. prior year benchmarks, applying conservative planning buffers.
3. **Staffing Efficiency:** Personnel costs will remain within 80–85% of expenditures, with staffing cost growth paced to match projected revenue growth.
4. **Enrollment-Based Set-Asides:** A percentage of MSOC budgets will be withheld and released based on verified student enrollment to guard against volatility.

Implementation & Monitoring: The Finance Department will lead framework implementation through:

- Cross-departmental collaboration with HR and Teaching & Learning
- Development of real-time dashboards and reporting
- Regular FIT-aligned quarterly and annual evaluations
- Promotion of a purpose-driven spending culture centered on impact, value, and stewardship

Projected Outcomes (by FY 2029–30):

1. Fund Balance to Revenue: Reaching 8%
2. Expenditures to Revenue: Sustained at or below 97.99%
3. Days Cash on Hand: Growth from 1.97 in Aug 2024 to 49.54 days by Aug 2030
4. OSPI FIT Score: Climbing from 1.33 in August 2023 to 3.84 by Aug 2030

Context & Challenges: Despite constitutional mandates, state funding remains insufficient. Inflation, labor market pressures, and unfunded mandates continue to outpace state allocations. Richland School District responds not with blame, but with a proactive framework to ensure resilience, responsible spending, and long-term stability.

Conclusion: This framework builds trust and accountability, reframing financial management not as an annual compliance exercise, but as an enduring commitment to students, staff, and community.

Acknowledgments: The framework has been peer reviewed by the below listed individuals. I very much appreciate their time and comments.

Amber Porter, Chief Financial Officer, Oak Harbor School District; WASBO President

Dustin Kinley, Director of Finance, Toppenish School District

Justin Lanting, Director of School Finance, Puget Sound Educational Service District

Michelle Scott, Chief Financial Officer, Battle Ground Public Schools, WASBO Vice President

Tom Fleming, Chief Financial Officer, Educational Service District 105

Richland School District Financial Framework: Path to Financial Stability and Future Fiscal Responsibility

Prepared by: Travis P. Belisle, CSBO, Executive Director of Finance, Richland School District

I. Purpose

This budgetary framework establishes a multi-year financial structure designed to restore the Richland School District's Fund Balance to 8% of total revenues by August 2030. In addition to achieving this target, the framework formalizes an ongoing system of financial management that promotes long-term health and fiscal resilience well beyond that date.

It integrates OSPI fiscal health indicators, along with enrollment-based budgeting, targeted expenditure controls, staffing cost monitoring, and policy-aligned reserve strategies. Together, these components create a sustainable, data-informed structure that supports sound decision-making and positions the district to adapt to economic shifts while preserving educational quality.

This framework also aims to reinforce community trust by demonstrating that the district is exercising disciplined stewardship over public funds. At its core, this framework protects the resources needed to deliver on the district's educational mission and maintain public confidence in its stewardship of taxpayer dollars.

II. Guiding Principles

These principles guide all fiscal decision-making under this framework:

- **Stewardship** – Public resources will be managed responsibly through disciplined budgeting, ethical decision-making, and continuous evaluation of financial performance.
- **Sustainability** – Expenditures and revenues will remain structurally balanced to support long-term fiscal health.
- **Equity** – Fiscal decisions will prioritize student-facing programs and services while maintaining solvency.
- **Transparency** – Financial data will be accurate, accessible, and clearly communicated to stakeholders.
- **Accountability** – Fiscal outcomes will be regularly monitored, evaluated, and reported through OSPI FIT-aligned indicators to ensure progress toward District goals.

III. Key Framework Components

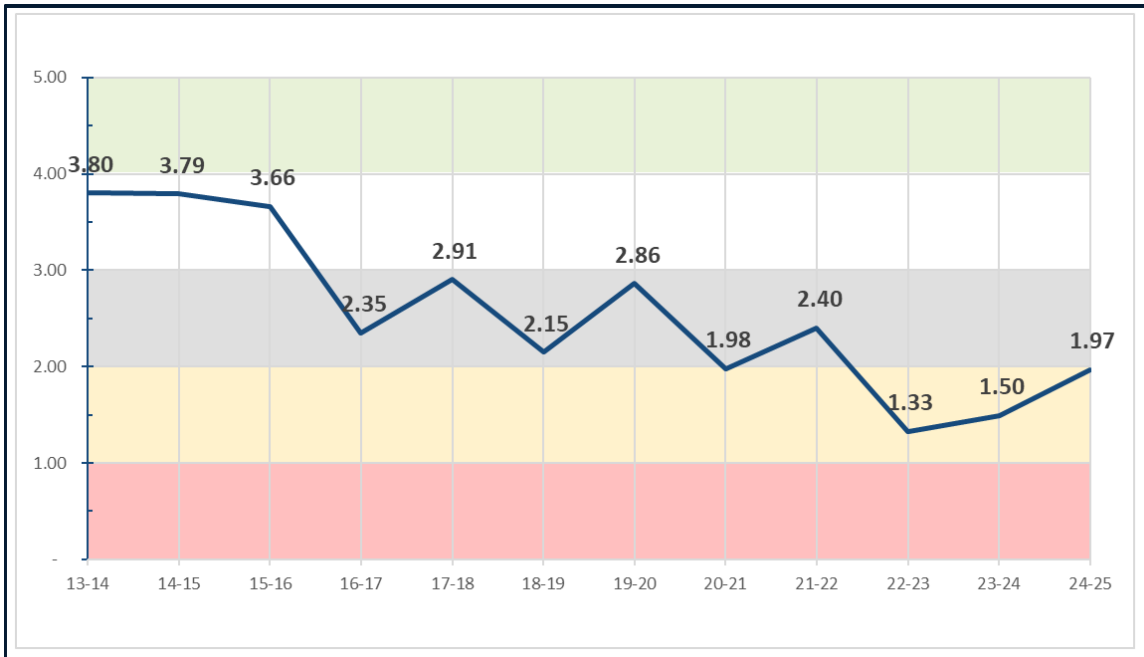
OSPI Financial Indicator Thresholds (FIT)

The Office of Superintendent of Public Instruction (OSPI) maintains four weighted categories that collectively measure a school district's overall financial health. These categories are listed and weighed as:

- 1) Fund Balance to Revenue – 45%
- 2) Expenditures to Revenues – 40%
- 3) Days Cash on Hand – 10%
- 4) F-195F Four-Year Budget Plan Summary – 5%

These individual categories are combined to provide a Fiscal Health Index score for a school district and form the foundation for assessing fiscal stability and guiding state oversight. Much like a grade point average, the Financial Health Index has a range from 0-4, with 4 being a financially “healthy” score, and 0 being fiscally unstable.

Below is a chart showing the Fiscal Health Index for the Richland School District from the fiscal year 2013-14, through the fiscal year 2024-25.

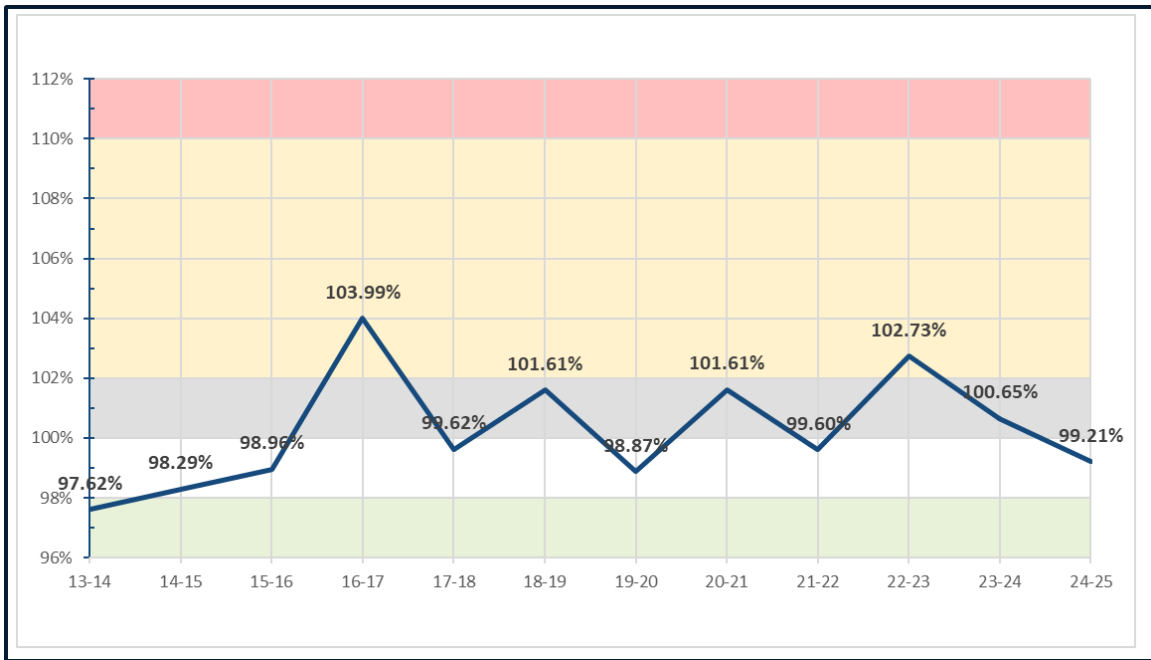


The key components of this financial framework are designed in direct alignment with these indicators. Each element—fund balance restoration, expenditure control, cash management, and long-range budget forecasting—serves to position the district within the top performance range of OSPI’s Financial Health Index. This alignment ensures that the district’s financial practices not only meet state expectations but also embody the principles of sustainability, predictability, and transparency outlined in this framework.

Framework Component #1 – Expenditure-to-Revenue Ratio

The Expenditure-to-Revenue Ratio is one of OSPI’s primary health indicators of a district’s fiscal health. It measures how closely a district aligns its spending with available revenue each year. OSPI awards its highest rating to districts that maintain annual expenditures at or below 97.99% of total revenues, signifying a structurally balanced budget with a built-in margin for stability and cash flow.

In recent years, Richland School District has exceeded this recommended threshold, highlighting the need for improved expenditure control and long-range budget discipline:



These ratios reflect a period in which expenditures consistently outpaced available revenues, contributing to the depletion of the district’s fund balance and reduction in the district’s overall fiscal flexibility.

Beginning with the 2026-27 Fiscal Budget, the district shall maintain a structurally balanced budget in which annual expenditures will not exceed 99.5% of projected revenues. In addition, expenditure targets will be scaled based on liquidity, measured by the Days Cash on Hand as of the end of the previous fiscal year, to ensure the district builds and sustains a healthy reserve position:

Days Cash on Hand	Target Expenditure/Revenue Ratio	Fiscal Health
≤15 Days	≤97.0%	At Risk – Immediate corrective action required
16–25 Days	≤97.5%	Caution – Monitor cash flow and adjust expenditure
26-50 Days	≤97.99%	Stable – Sustainable fiscal position
60+ Days	≤99.50%	Healthy – Ideal fiscal position

In practice, this means the district will adjust annual expenditure limits as cash reserves improve:

- If the prior fiscal year finished with 15 days or fewer, expenditures will be limited to no more than 97.0% of revenues.
- When cash on hand improves to 16–25 days, the expenditure limit will increase to 97.5%.
- When cash on hand reaches 26 days or more, the district will operate under the OSPI recommended threshold of ≤97.99%.
- When cash on hand reaches 60 days or more, the district will operate under a percentage ratio of ≤99.5%. This is when the district may also make decisions that could potentially draw further from the fund balance.

This ratio-based model supports fiscal resilience and ensures that spending decisions remain closely aligned with available resources. It provides a clear, measurable framework for budget development and directly aligns with expectations for sound financial stewardship.

Framework Component #2 – Enrollment Budgeting Standard

Enrollment forecasting is a critical driver in determining the district’s budgetary revenue estimates. To maintain structural balance and reduce apportionment risk, the district will employ a cautious and evidence-based enrollment budgeting standard that aligns projected revenues with verifiable enrollment trends and the broader economic environment.

The district recognizes that regional and statewide economic factors can significantly influence student enrollment. Given these variables, annual budget development will incorporate risk adjustments to account for potential fluctuations in enrollment, particularly during periods of economic uncertainty.

Budgeted enrollment will be adjusted based on current fiscal year (CFY) performance relative to the prior fiscal year (PFY), as outlined below:

Enrollment Condition (CFY vs. PFY)	Budget Adjustment Standard	Rationale
> 102% of PFY	Cap at 101% of standard cohort projection	Prevents over-extension of staffing or expenditure assumptions
99-101.9% of PFY	Budget at 99.5% of standard cohort projection	Stable trend — minimal revenue risk
98–98.9% of PFY	Budget at 98.5% of standard cohort projection	Moderate decline — mitigates potential apportionment shortfall
< 98% of PFY	Budget at 97.5% of standard cohort projection	Significant decline — ensures cautious revenue planning

This structure ensures that enrollment projections are based on historical performance and empirical data rather than aspirational growth. This prudent forecasting methodology limits financial exposure during periods of declining or uncertain enrollment and prevents overcommitment of staffing or program resources.

The Finance Department will review enrollment trends monthly in collaboration with Human Resources and Teaching & Learning to ensure continued alignment with fiscal targets and staffing levels. Adjustments will be incorporated into mid-year financial projections and into the following year’s budget planning cycle.

Framework Component #3 – Staffing Efficiency and Cost Alignment

Personnel costs account for the largest share of the district’s operating budget and represent the single most important factor in maintaining fiscal sustainability. To ensure that staffing expenditures remain proportionate to the district’s overall financial capacity, the following metrics will guide annual monitoring and budget development:

Indicator	Target/Goal	Purpose
Staffing Expenditures as a Percentage of Projected Total Revenues	Target Range: ≤85%	Maintains balanced allocation between personnel and non-personnel costs, ensuring flexibility for operational needs and program support.
Annual Staffing Cost Growth vs. Annual Revenue Growth	Goal: Parity or slower expenditure growth rate	Ensures that compensation and benefit increases do not exceed sustainable revenue growth over time.

This approach acknowledges that the State’s prototypical funding model does not fully fund the true cost of staffing. By maintaining personnel expenditures, which consist of salaries and benefits, at or below the 85% range and aligning annual staffing cost growth to projected revenue, the district preserves fiscal flexibility while continuing to attract and retain high-quality staff.

Framework Component #4 – Enrollment-Based Set-Aside Mechanism

To protect the district from revenue volatility and enrollment fluctuations, a portion of the annual budget will be held in reserve as an enrollment-based set-aside. This mechanism ensures that the district maintains structural balance and avoids mid-year expenditure reductions should enrollment fall below projections.

Under this framework, the district will budget total expenditures at no more than 99.5% of projected revenues. In addition, 10% of budgeted materials, supplies, and operating cost expenditures (Objects 5–9), in unrestricted programs, will be identified as enrollment-contingent funds, held in reserve until actual enrollment is verified through fall reporting.

Verified Enrollment vs Budgeted Projection	Set-Aside Release Standard	Action
< 97% of projection	Maintain full set-aside	Hold expenditures; reallocate to fund balance restoration
97–98.9% of projection	Release up to 50% of set-aside	Partial release: discretionary expenditures reviewed
≥ 99% of projection	Release 100% of set-aside	Full release: expenditures may proceed as planned

The amount reserved under this mechanism will be adjusted annually based on the district’s fiscal position and enrollment stability. The Finance Department will identify set-aside balances during budget development and will

release the set-aside in February of the fiscal year, as apportionment shifts to the computation based on the annual average of enrollment, and year-end projections become more predictable.

By linking a portion of discretionary spending to verified student counts, the district builds flexibility into its budget process, strengthens its cash position, reinforces a culture of disciplined contingency planning at building and department level, and supports the long-term goal of restoring and maintaining a fund balance of no less than 8%.

IV. Implementation and Monitoring

The Finance Department will lead the implementation of this framework, serving as the central coordinating function to ensure that all financial planning, reporting, and monitoring activities align with the district's strategic goals and OSPI's Financial Health Indicators. Implementation will emphasize collaboration across departments, transparent communication, and continuous improvement.

Purpose-Driven Spending Philosophy

As stewards of public funds entrusted to support education, our responsibility extends beyond managing budgets. It includes ensuring that every dollar spent advances the district's educational mission and improves outcomes for students.

Historically, department and building budgets have often been treated as spending targets, leading towards fully spending budgeted allocations, believing that funds were available. This framework initiates a shift in mindset, one that redefines how financial responsibility is shared and practiced across the system.

A budget is not a directive to spend, it is a ceiling, not a requirement. Moving forward, the district will embrace a needs-based approach to resource allocation. Staff at all levels, from classrooms to central office, will be encouraged to ask:

- ***How will this purchase directly support student learning or well-being?***
- ***What is the educational or operational value of this investment?***
- ***Does this reflect good stewardship of public resources?***

This shift places intentionality at the center of financial decision-making. Spending will no longer be viewed as a right to exhaust budget lines, but as a professional judgment rooted in impact, equity, and long-term responsibility. The Finance Department will champion this transition by promoting fiscal literacy, reinforcing transparency, and equipping leaders to make informed, mission-aligned choices.

By reframing how spending decisions are made, the district strengthens its ability to meet financial goals while building a shared culture of stewardship, accountability, and student-focused investment.

Finance Department Leadership and Coordination

The Finance Department will:

- **Operationalize Framework Standards:** Integrate expenditure and enrollment data into monthly financial reporting tools, and set-aside targets into budget development templates.
- **Develop Financial Data Dashboards:** Utilize the district's financial software and Power BI to display real-time financial metrics for use by the Superintendent's Cabinet, the Board, and other district leadership. These metrics include: fund balance trajectory, cash flow, and enrollment impacts.
- **Guide Multi-Year Financial Modeling:** Lead the creation and annual update of the district's four-year financial forecast (F-195F), incorporating input from Human Resources and Teaching & Learning to ensure alignment between fiscal and operational plans.
- **Ensure Fiscal Transparency:** Publish quarterly financial health updates, clearly articulating progress toward fund balance restoration, cost containment, and expenditure control.

Cross Department Collaboration

The Finance Department will work collaboratively with all departments to ensure fiscal accountability is integrated into every major decision-making process:

- **Human Resources:** Coordinate on staffing projections, compensation modeling, and analysis of personnel cost growth to maintain alignment with enrollment and revenue trends.
- **Teaching & Learning:** Partner on enrollment forecasting, program budgeting, and expenditure prioritization to ensure instructional needs are met within fiscal parameters.
- **Superintendent's Cabinet:** Present and review quarterly financial indicators, monitor adherence to framework standards, and recommend adjustments based on evolving financial or operational conditions.

Monitoring and Continuous Improvement

- **Monthly Reviews:** Finance will produce Monthly OSPI FIT-aligned financial reports for the Board that will project the ending fund balance, expenditure-to-revenue ratio, and days cash on hand.
- **Annual Evaluation:** During budget creation, Finance will facilitate a joint review with Cabinet to evaluate framework performance, identify emerging risks, and adjust targets or assumptions for the next fiscal year.

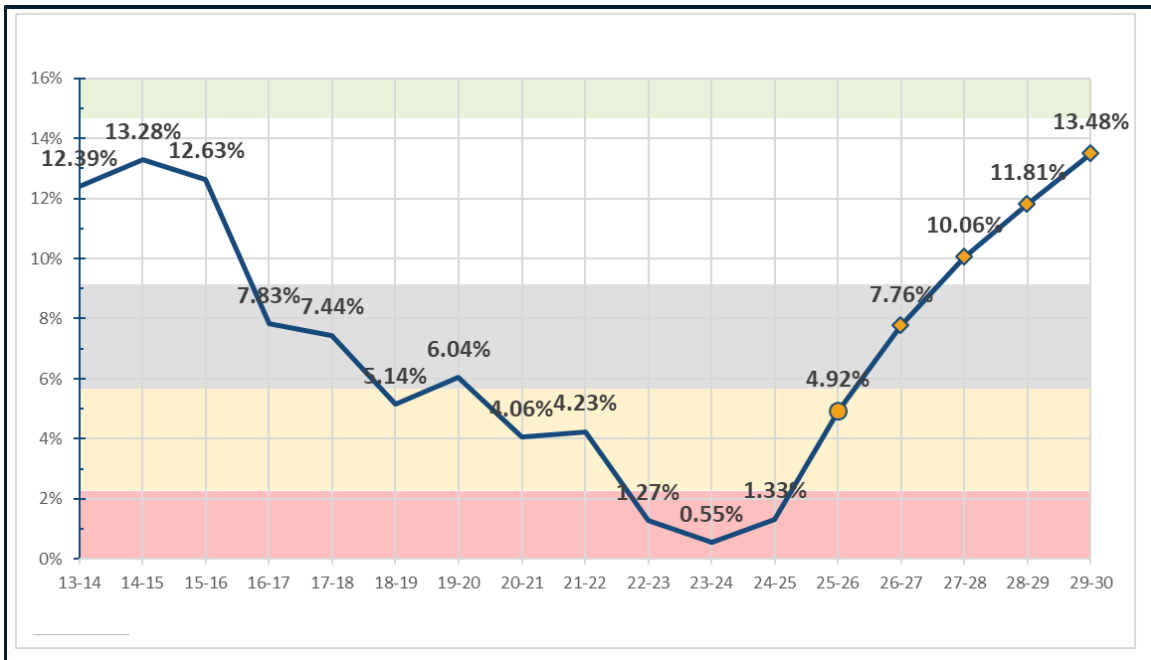
Through consistent leadership and collaboration, the Finance Department will ensure that this framework functions as an active management tool, not just a static document, driving informed decisions, fiscal discipline, and a shared understanding of the district's financial position across all departments.

V. Financial Projections

With the adoption of this framework, the Richland School District anticipates steady and measurable improvement across OSPI's four FIT financial health indicators. Each projection reflects the long-term effects of controlled expenditures, enrollment-based budgeting, set-aside strategies, and purpose-driven financial practices. These improvements are not short-term corrections, but part of a systemic realignment of the district's financial planning culture. As each indicator strengthens, the district builds not only fiscal resilience and greater capacity to invest in student learning, but also long-term confidence in the district's overall fiscal health.

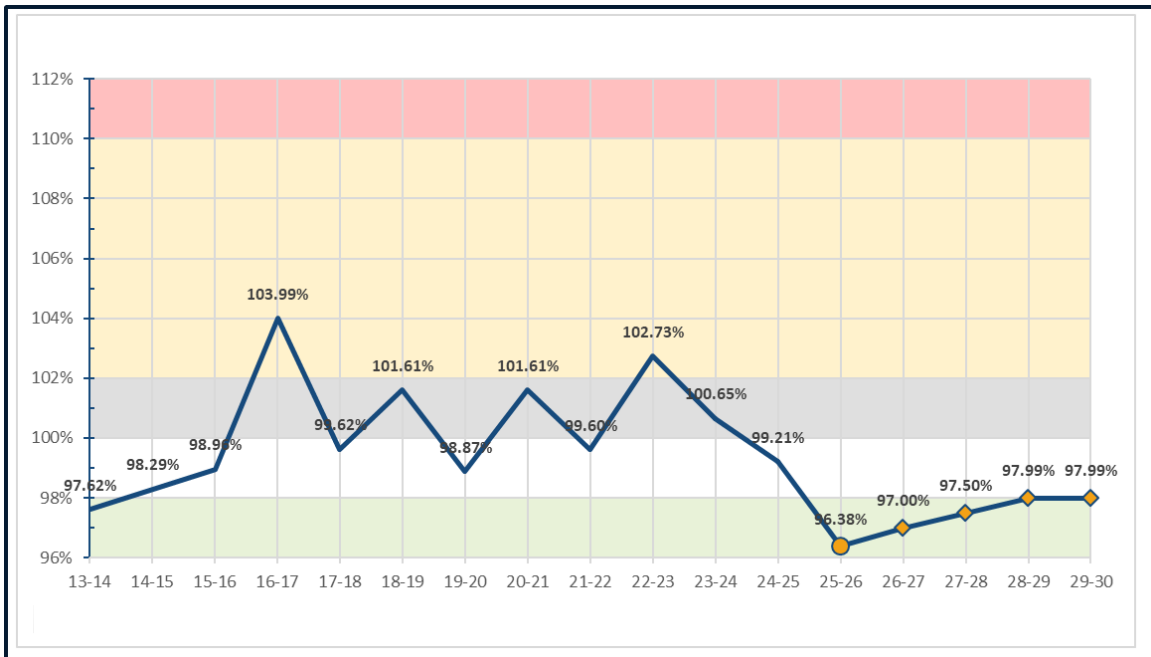
Fund Balance to Revenue

This indicator measures the district’s fund balance as a percentage of total annual revenues, serving as a key metric of fiscal resilience. After declining to a low of 0.55% in FY 2023–24, the fund balance would project to steadily recover and achieve over 13% by FY 2029–30.



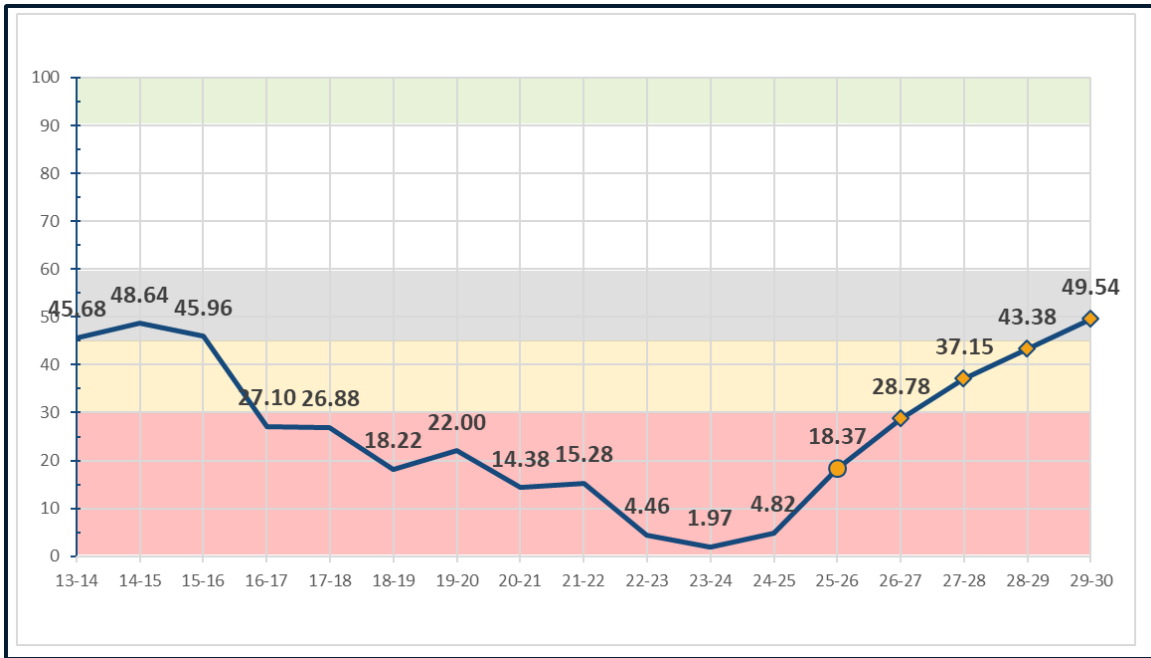
Expenditures to Revenue

This ratio assesses the district’s ability to maintain a structurally balanced budget. OSPI considers $\leq 97.99\%$ to be the optimal target. In recent years, the district’s ratio has exceeded 100%, peaking at 103.99% in FY 2016–17 and again surpassing 102% in FY 2022–23. Under this financial framework, the district is projected to reach and sustain a structurally balanced level at or below 97.99% through FY 2029–30.



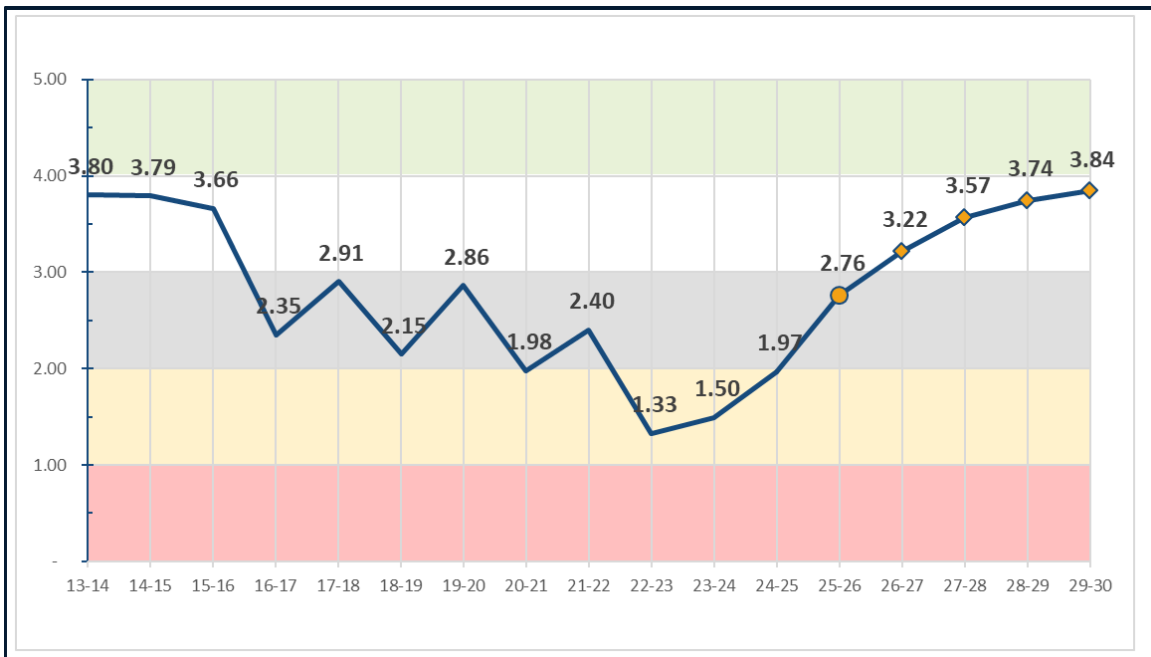
Days Cash on Hand

Days Cash on Hand measures the district's liquidity, representing how many days of operations could be supported by available cash. After falling to a low of 1.97 days in FY 2023–24, this metric is projected to surpass 49 days by FY 2029–30.



FIT Score (OSPI Composite)

The FIT Score is OSPI's overall summary of fiscal health, combining indicators such as fund balance, cash position, and expenditure trends into a single rating. The district's FIT score reached a low of 1.33 in FY 2022–23. As the framework takes hold, the FIT score is projected to fully recover, reaching a near maximum score of 4.00 by FY 2029–30.



VI. Challenges

This framework is developed within a statewide funding environment that continues to present structural challenges for public school districts. Although the Washington State Constitution identifies the education of all children as the State's paramount duty, current funding mechanisms do not consistently meet the full cost of providing basic education as defined by the courts.

The Doran decisions (1977–1983) first established the constitutional standard that the State—not local districts—is responsible for fully funding basic education. In *Seattle School District No. 1 v. State of Washington* (1977), commonly known as Doran I, the Washington Supreme Court ruled that the State must “define and fully fund” basic education through stable and dependable sources, rather than rely on local levies. Subsequent cases, including Doran II (1983), affirmed this mandate but also acknowledged ongoing inconsistencies in implementation. These cases laid the foundation for later litigation, including *McCleary v. State of Washington* (2012), which reaffirmed that the State had failed to meet its constitutional duty to amply fund K–12 education.

The McCleary ruling led to major legislative reforms and revised funding models; however, actual allocations continue to fall short of the expenditures required to operate schools sustainably across diverse districts and regions. In the 2021–22 fiscal year, Washington's investment in K–12 education represented approximately 3.02% of the State's Gross State Product, compared to a national average of 3.43%, ranking Washington 37th among the 50 states in its relative effort to fund public education. During that biennium, the State devoted 47.8% of its operating budget to K–12 funding. Over the past five years, the share of the State's general fund devoted to K–12 education has declined from roughly 52.4% (2019–21 biennium) to 43.2% (2025–27 biennium), even as overall State spending and the cost of educational delivery have increased. This imbalance illustrates a widening gap between constitutional intent and fiscal reality, one that places growing pressure on local districts to rely on levies, grants, and fund balance reserves to sustain programs and services.

Compounding these challenges are the effects of inflation on school operating costs. While the State provides annual inflationary funding increases tied to the Implicit Price Deflator, or IPD, these increments have often lagged behind actual cost increases faced by districts. For example, state allocations for materials, supplies, and operating costs (MSOC) have remained mostly stagnant even as prices for essentials have surged – liability insurance premiums jumped nearly 50% since 2019 and utility costs rose over 30% in that period. As a result, school districts have effectively “lost ground” to inflation; OSPI estimates that, after adjusting for inflation, the State is now providing about \$1,000 less per student than it had in 2019. The gap between State-funded cost-of-living adjustments and the actual Consumer Price Index (CPI) inflation rate means districts must stretch dollars further each year, eroding purchasing power. Even with recent legislated cost-of-living adjustments, rising expenses in everything from classroom supplies to fuel and facilities maintenance continue to outpace the funding provided, forcing difficult budget trade-offs at the local level.

In addition, school districts are grappling with new mandates and market-driven labor cost increases that are not fully funded by the State. A clear example is the School Employees Benefits Board (SEBB) program implemented in 2020, which mandates that any employee working at least 630 hours per year be provided full healthcare benefits. This expansion of benefits eligibility has substantially increased district expenditures on employee benefits. Yet, the funding provided through the State's allocation falls short of covering the mandate's true cost – on average, the State's contribution covers only about 88% of districts' actual health benefit expenses under SEBB, leaving the district to absorb the remaining costs. In practice, this means that when part-time support staff, such as substitute teachers or classroom aides, cross the 630-hour threshold and qualify for benefits, the district must

fund a significant portion of their coverage without additional State aid. Such underfunded or unfunded mandates divert resources from other educational programs and add to financial strain.

At the same time, competitive labor market pressures have driven up wages for teachers, administrators, and classified staff across Washington. With low unemployment and high demand for skilled educators, districts must offer more competitive salaries to attract and retain quality personnel. In many communities, the market rate for positions like bus drivers, paraeducators, and other support roles has increased due to worker shortages, forcing districts to raise pay or risk understaffing critical services. However, the State's funding formulas and salary allocations do not always keep pace with these market-driven increases. The IPD-based cost-of-living adjustments for K–12 employees does not fully reflect regional wage dynamics or the inflationary spike in living costs. As a result, districts often rely on local levy funds to offer hiring and retention incentives, higher starting salaries, or stipends to remain competitive. This creates a challenging balance: meeting the rising compensation expectations necessary to maintain a high-quality workforce, while operating within static or underfunded budget constraints. The struggle to adequately compensate staff – from new teachers to veteran educators and support staff – underlines the broader fiscal tension between State funding limitations and the real-world costs of running a school district.

School districts are not solely instructional organizations; they are complex, full-service public institutions that operate as essential infrastructure in their communities. At Richland School District, this means managing the daily transportation, nutrition, safety, and facilities needs of nearly 13,800 students in addition to delivering high-quality instruction. The district operates a full transportation system providing to-and-from school routes, athletic and activity travel, and field trip support across a large geographic area. It also runs a comprehensive food services operation that ensures access to nutritious breakfast and lunch for every student, every day. In addition, the district maintains nearly 2 million square feet of buildings and grounds, with year-round responsibilities that include custodial services, HVAC and utility systems, groundskeeping, capital repairs, and security infrastructure. These services require skilled staffing, reliable equipment, and rising operational expenditures that go far beyond what the public typically associates with “classroom costs.” As these systems absorb inflationary increases, labor market pressures, and compliance requirements, the strain on district budgets compounds—particularly when state allocations do not keep pace.

Within this statewide context, Richland School District's financial framework serves as a proactive model of fiscal stewardship—one that balances accountability with adaptability. By embedding structural safeguards and measured budgeting practices, the district strengthens its capacity to navigate economic uncertainty while continuing to deliver on its educational mission. This approach reflects the district's commitment to stability, transparency, and responsible use of public resources, ensuring that Richland remains financially resilient even within an evolving and underfunded state system.

While many of these challenges lie outside the district's control, state allocations, inflation, labor markets, Richland's response is within our grasp. We can lead with disciplined management, align spending with student needs, and build a sustainable framework rooted in transparency, stewardship, and stability.