

2026-27 Budget Update

Board Meeting
March 11th 2026

Martin Turney, Chief of Finance & Operations
Moriah Banasick, Executive Director of Finance & Budget

Community Support: Levy Approval

Voters approved the district's Educational Programs and Operations, Critical Repairs & Technology, Transportation Levy in the February election

The levy continues critical funding for programs and services not fully funded by the state, including:

- Staff and student support services
- Academic programs and extracurricular opportunities
- Classroom materials and operational costs
- Technology
- Critical repairs
- Buses



Levy approval provides important stability as the district continues long term financial planning and development of the 2026–27 budget

- The district is grateful for the continued partnership and support of the Issaquah community.

Where we are in the budget process

- Feb 12 Board Work Study reviewed enrollment and demographer results
- Staff continuing development of the 2026-27 budget and evaluating the fiscal progress of the current school year
- Levy results known and legislative session still in progress
- Tonight's update provides current financial status and next steps

November Board Update – Key Recap

- 2024-25 ended with a \$6.2M decline in fund balance
- Enrollment declined 559 students year over year
- Enrollment driven revenue pressures growing
- Strategic alignment and cost containment will be needed in 2026-27 and beyond
- Board adopted Budget Development Guidelines to guide long-term sustainability planning

2025-26 Fiscal Health Overview



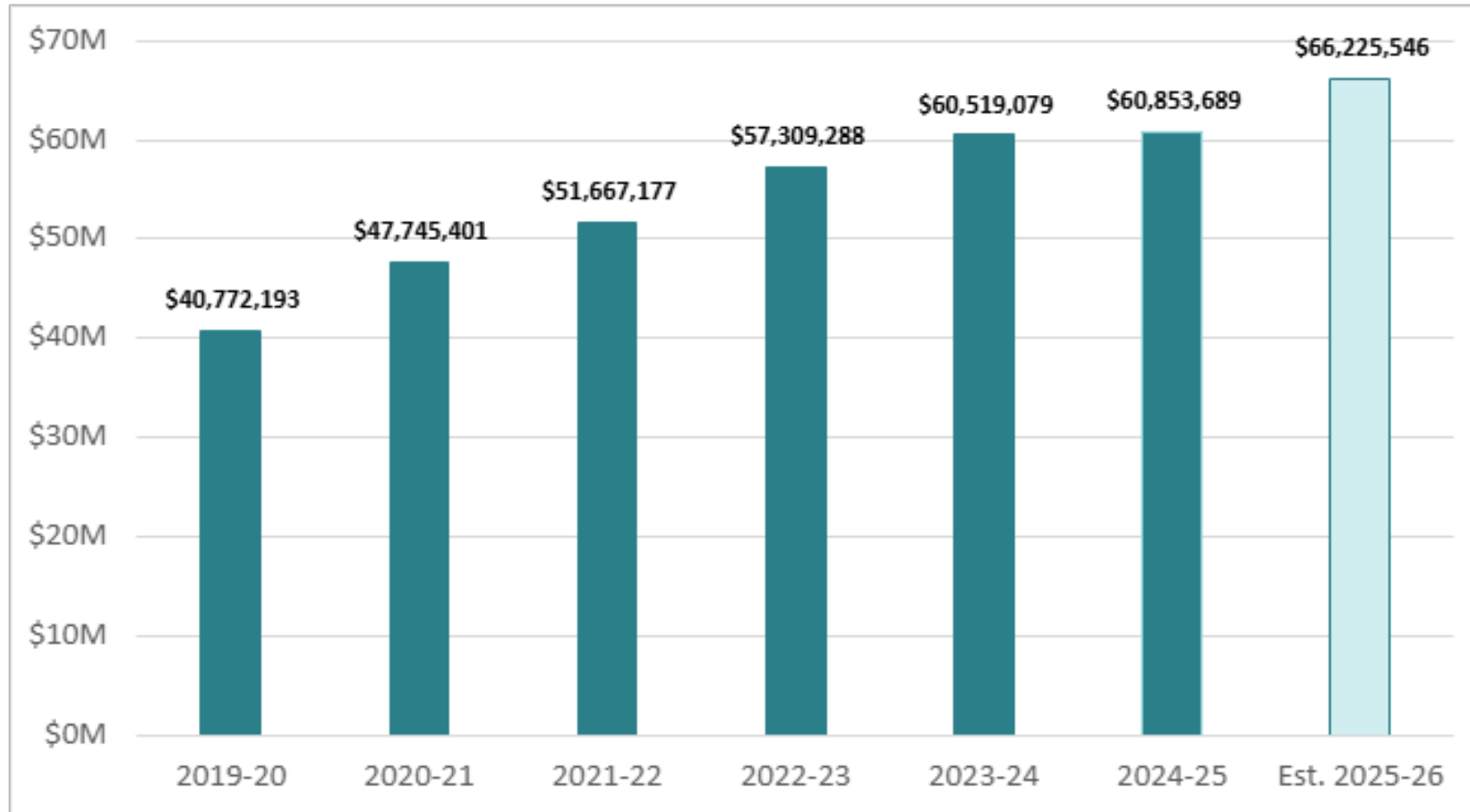
State Budget Outlook: Increasing Financial Pressure on School Districts

As of 3/3/25

Legislative outlook remains uncertain, with proposals that could reduce funding or shift additional costs to districts

- Rising operational costs including insurance, utilities, staffing, and contracted services
 - Example: Insurance is increasing 18% (\$1.2M)
- Transition to Kindergarten (TTK): State Budget proposals include statewide reductions to TTK funding, shifting early learning costs to districts
- School Bus Depreciation: Legislature proposed OSPI to review the impact of extending school bus depreciation schedule from 13 to 15 years
- Sales Tax Exemption for Schools: Without this exemption, districts would face significant new operating costs

Local Levy Trend



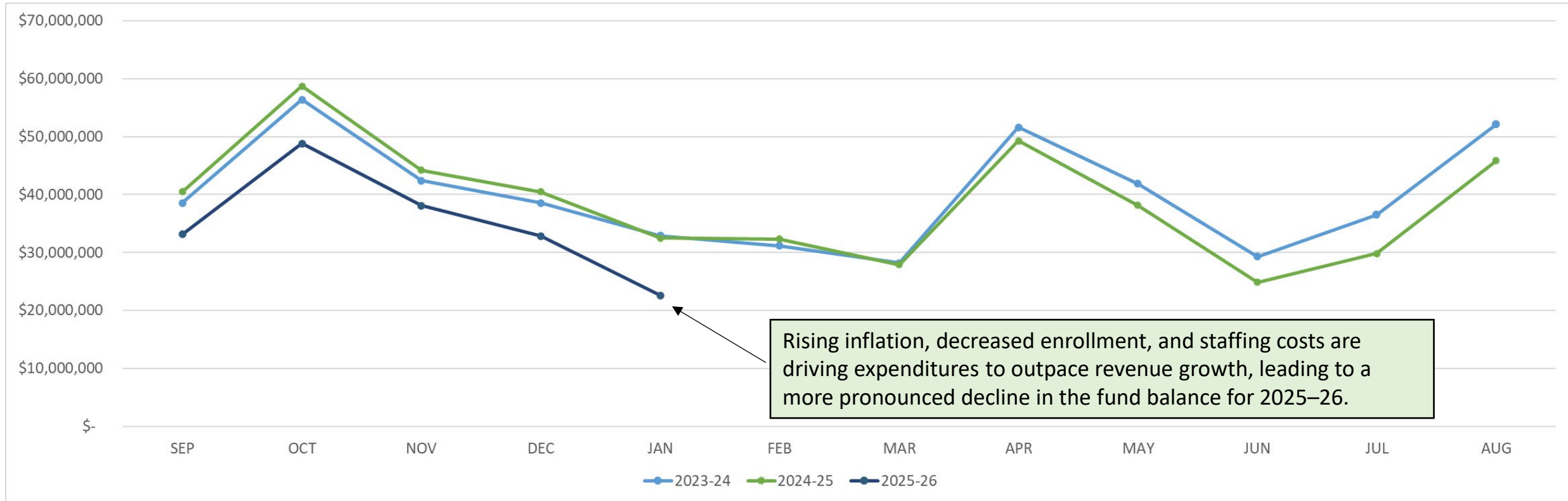
Note: While levy revenue has increased, expenditures are growing at a faster rate

Structural Budget Imbalance

Enrollment & Cost Structure

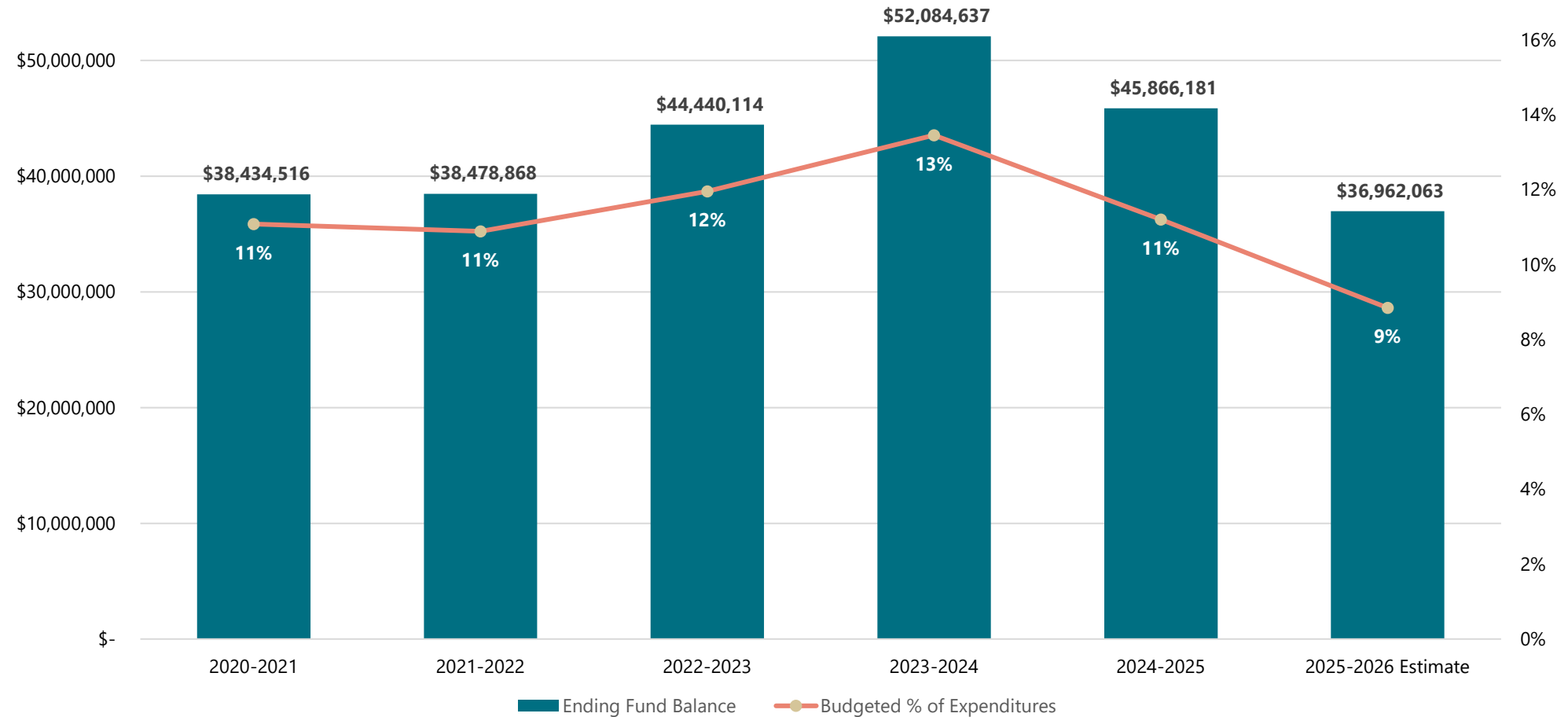
- Enrollment has declined 2,826 students (FTE) since 2019-20
 - Enrollment stabilized from SY 2021-22 to 2023-24. Since 2024-25, enrollment has declined due to declining birth rates, smaller cohorts, and family migration
- State funding is largely driven by enrollment
- Staffing represents approximately 80–85% of district expenditures
- As enrollment declines across multiple schools, staffing and operational costs become less proportional
- When enrollment declines and costs remain relatively fixed, per-student operating costs increase

General Fund – Steeper Decline in 2025-26



Fund Balance as a % of Expenditures

Fund balance percentage reflects financial health relative to spending and aligns with Board reserve expectations



Estimated \$8.9M fund balance decline in 2025-26

2025-26 Ending Fund Balance

2025-26 Budgeted Expenditures		\$ 417,847,463	
Ending 8-31-25		36,962,063	% of Estimated Budget 25-26
Restricted for Program Carryover Revenue		569,637 Restricted	1.54%
Reserved for Inventory (pre-paid items & Inve		3,138,139 Reserved for Inventory (non-spendable	0.75%
Reserved for uninsured risks		500,000 Reserved for uninsured risks (Restricted	0.12%
Food Service Carry Over		0 Restricted	0.00%
Board Reserve		1,500,000 Committed	0.36%
Imprest		108,720 Committed	0.03%
Reserved for other contingencies		500,000 Assigned for Contingencies	0.12%
Building Carryover		1,000,000 Assigned	0.24%
Reserve for Future School Facilities		20,000,000 Assigned	4.79%
Total Non-Spendable		3,138,139	0.75%
Total Restricted		1,069,637	0.26%
Total Committed		1,608,720	0.39%
Total Assigned		21,500,000	5.15%
Total Designated Fund Balance		\$ 27,316,496	6.54%
Unreserved Fund Balance		\$ 9,645,567 Unassigned (Undesignated)	2.31%

Note: 2025-26 ending fund balance is expected drop below 3% minimum reserve threshold w/ \$20M reservation for future facilities

2026-27 Budget Development



Board Budget Development Guidelines

Adopted Dec 2025

- Preserve Equity-Based Budget investments that support student access, opportunity, and outcomes
- Strengthen multi-year financial forecasting to improve long-term sustainability
- Anticipate enrollment trends and future cost pressures in financial planning
- Engage in proactive contingency planning to address potential revenue volatility
- Align financial planning with board priorities, student learning goals, and operational expectations

Enrollment Decline Will Require District Right-Sizing Over Time

Driven primarily by declining birth rates

- Demographer projects continued decline through 2035 in low, mid, and high scenarios
- Declining birth rates are the primary driver of long-term enrollment trends
- Housing growth is expected to generate fewer students than in the past, as new housing types produce lower student generation rates
- Enrollment declines are expected to shift from elementary into secondary grades over time
- This trend is occurring nationally, regionally, and locally, affecting many school districts
- Staffing, programs, and facilities will need to adapt to a lower long-term enrollment baseline

Enrollment & Staffing Development

- District forecasts began in October 2025 based on historical patterns, housing developments, and birth rates
- Compared district projections to the FloAnalytics Demographer report to validate variances and benchmarking
 - Kindergarten is expected to be below the birth rate without non-resident enrollee intervention
- Released initial staffing allocations to Human Resources for building meetings

Understanding Enrollment Data

Headcount

Total number of students enrolled, regardless of attendance hours or program type

- Used primarily in facility planning, capacity analysis, and understanding total number of students served

Full-Time Equivalent (FTE)

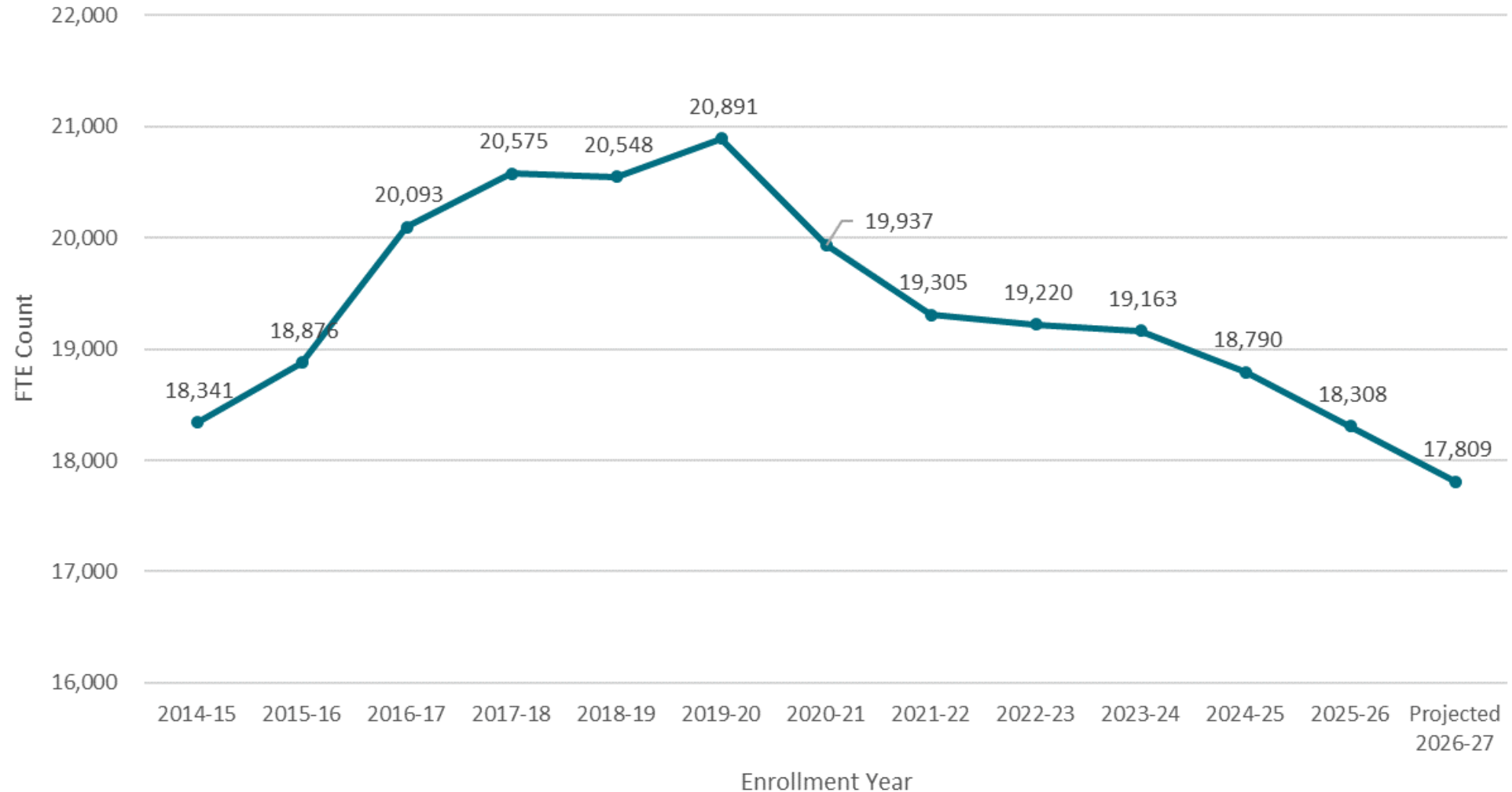
Measure of enrollment based on the amount of time students are enrolled compared to a full school day or program

- Used in funding calculations; most state funding is allocated based on FTE

Example: Running Start students count toward headcount, but part of their FTE is allocated to the college

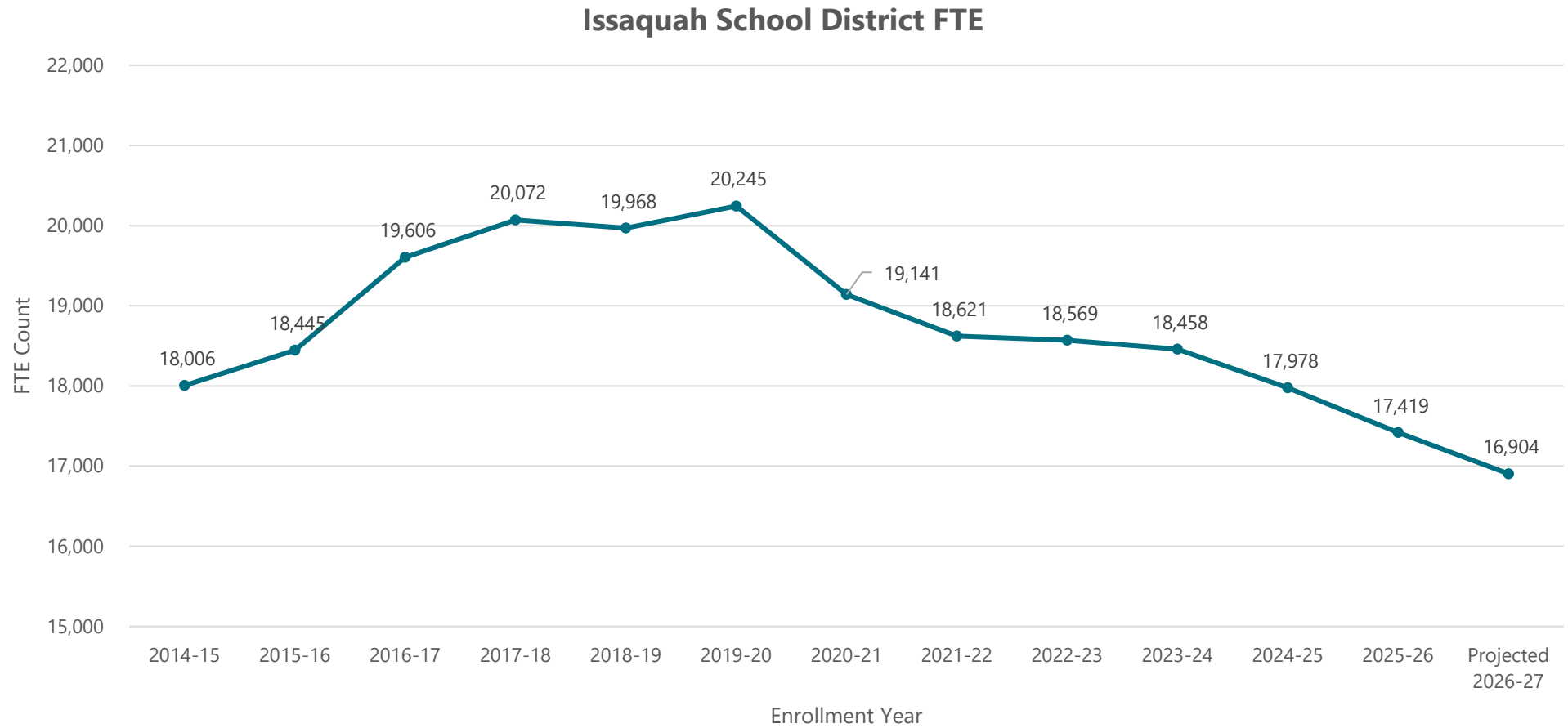
Enrollment Change: Actual & Projected

K-12 Headcount



Enrollment Change: Actual & Projected

K – 12 FTE



This does **not** include Running Start

2026-27 Enrollment Projection

As of 03/02/2026

2025-26 Actual Enrollment	17,419
2026-27 Projected Enrollment	16,904

Decline: 515 FTE (3%)

This includes 90 new non-resident students (as of 3/2/26)

Additional Factors:

- Additional Open Enrollment students
- Online School impact to the high schools

Long-Term Financial Outlook

Under current assumptions:

- Enrollment projected to decline from 17,851 students in 2025–26 to 15,753 by 2035–36 under the demographer’s middle scenario
- Revenue declines while operating costs remain relatively fixed

Without structural adjustments:

- Operating deficits increase in future years
- Fund balance would decline over time as reserves are used to support operations
- Long-term financial sustainability requires adjustment and alignment to enrollment trends

Next Steps in Budget Development

- Continue monitoring legislative session impacts
- Refine 2026-27 enrollment projections
- Work with labor partners and district leadership to evaluate staffing and operational adjustments while leveraging attrition
- Evaluate district programs, operations, and services to align resources with enrollment trends
- Continue developing updated multi-year financial projections
- Provide ongoing information and updates to the board and community

Thank you

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Appendix: Critical Steps & Target Dates

Board of Director's Budget Development Guidelines Input & Adoption	Nov - Dec
Financial Advisory Core Team Meetings	Dec – Aug
Budget Process with Updates on District Website	Dec - Aug
Legislature Session Begins	Jan 12
Board of Directors' Meetings and Retreat	Jan – Apr
Legislature Regular Session Ends	Mar 12
Superintendent's Budget Review and Program Changes Announced, as needed	By Apr 30
District Budget and Budget Guide Completed	Jun – Jul
Public Hearing – Proposed 2026-27 Budget	Aug 13
Budget Adoption	Aug 27