

# 2026-27 Budget Update

Board Meeting

June 9<sup>th</sup> 2026

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# Purpose

Provide an update on:

- Highlight recent indicators of strong financial stewardship, including audit and bond refunding results
- Review ongoing financial challenges, enrollment trends, and external factors affecting school districts across Washington
- Discuss the district's strategic response, preserved investments, and long-term planning efforts

# Strong Financial Stewardship



# 2024-25 Audit Results

The District received a **clean audit** for 2024-25, the first in three years.

Audit coverage included:

- Accountability Audit
- Financial Statement Audit
- Federal Compliance Audit, including Child Nutrition and Special Education

Results:

- No material weaknesses identified
- No significant deficiencies reported
- No material noncompliance identified
- No audit findings reported

These results reflect the district's commitment to strong financial stewardship, effective internal controls, accountability, and continuous improvement

# 2026 Bond Refunding Update

The district expects to complete the refinancing of its 2016 bonds in June 2026

## Expected Results:

- Approximately **\$18.6M in taxpayer savings** over the next six years
- Reduced borrowing costs through lower interest rates on the refunding bonds
- Savings significantly exceed the district's minimum refunding threshold

## Contributing Factors:

- Strong financial stewardship and management practices
- Continued strong credit ratings from Moody's and S&P
- Participation in the Washington State School District Credit Enhancement Program

The refinancing is expected to reduce future tax collections and lower the overall tax burden for district taxpayers

# Community Support Through Local Levies

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

The levies provide 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 allows the district to sustain critical programs, services, and voter-approved commitments while continuing to address enrollment declines, state funding gaps, and rising operating costs through long term financial planning efforts

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

# Understanding the Current Environment



# ENROLLMENT FORECAST CONSIDERATIONS

Enrollment forecasting has become increasingly challenging due to demographic, economic, and housing trends that influence student enrollment patterns.

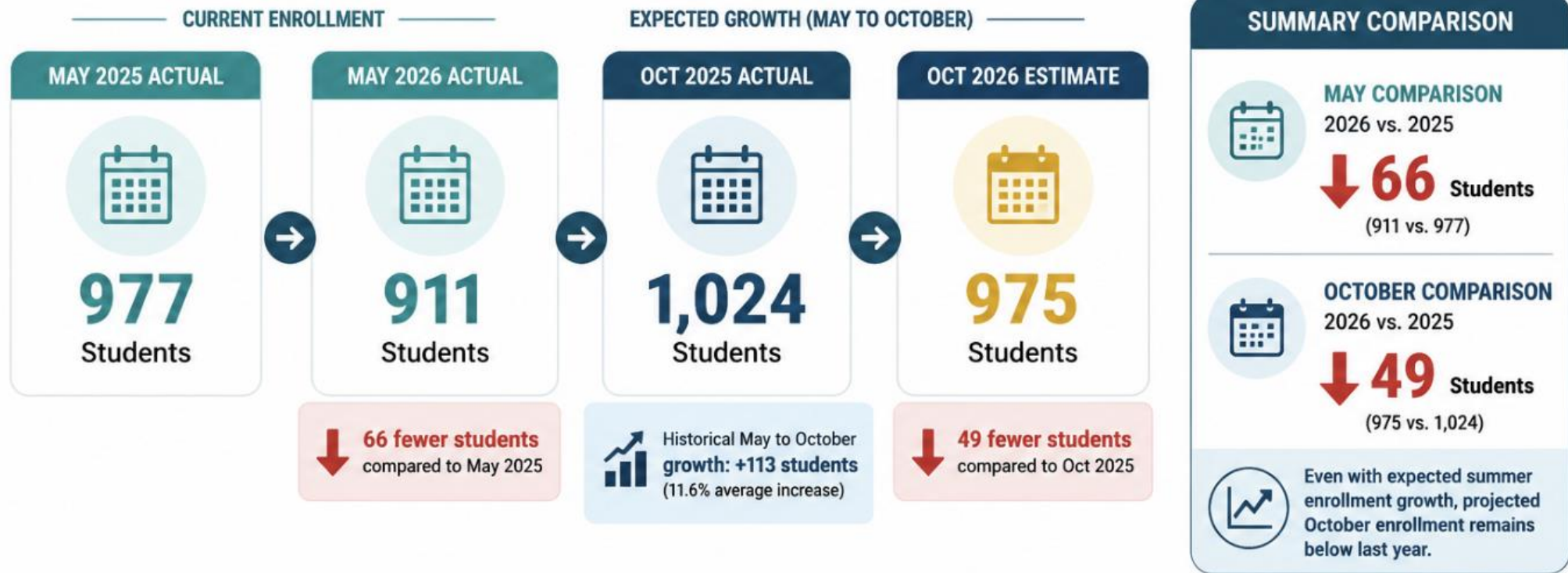
FACTORS	TREND	POTENTIAL IMPACT
 <p><b>King County Birth Rates</b> Fewer children are being born across the region.</p>	 <p><b>Declining</b></p>	 <p>Fewer incoming kindergarten students</p>
 <p><b>Housing Affordability</b> Elevated home prices and interest rates limit family mobility.</p>	 <p><b>Increasing Challenge</b></p>	 <p>Fewer young families moving into the district</p>
 <p><b>Technology Sector Employment Trends</b> Layoffs and economic uncertainty impact family decisions.</p>	 <p><b>Elevated Uncertainty</b></p>	 <p>Greater uncertainty in student mobility</p>



Because enrollment drives the majority of district revenue, the district is using a **conservative approach to 2026–27 forecasting.**

# KINDERGARTEN ENROLLMENT OUTLOOK

Kindergarten enrollment serves as a leading indicator of future enrollment trends and state funding.



## KEY CONSIDERATION

Kindergarten enrollment is currently **66** students below the prior year at the same point in time. While historical enrollment patterns suggest growth between May and October, projected enrollment remains below the prior year's actual enrollment.

**The district is using conservative enrollment assumptions in developing the 2026–27 budget.**

Projected enrollment remains **below the Demographer low enrollment scenario**

# Enrollment Change: Actual & Projected

*K – 12 FTE*

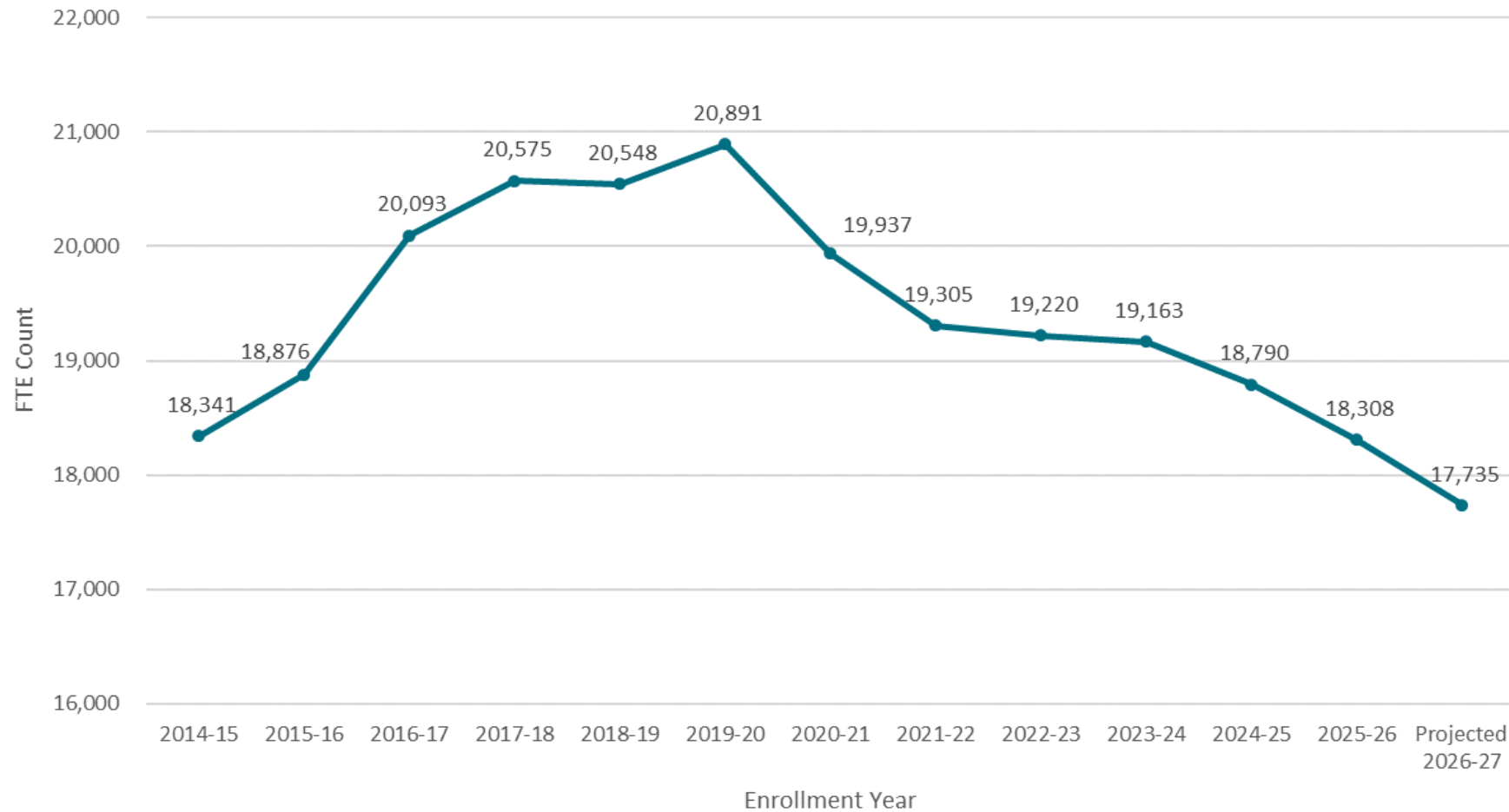


Chart includes TTK & Running Start

The [April 9, 2026 Board presentation](#) projected 17,868 FTE for 2026-27

Updated enrollment assumptions are reflected in the current projection

# Budget Context: State and Regional Pressures

- [Washington State ranks 40th](#) in the nation in investment in K-12 education as a percentage of the state's total economy.
- Special Education, Materials, Supplies, and Operating Costs (MSOC), and Transportation are collectively underfunded by **approx. \$800M** statewide
- This underfunding directly impacts Issaquah, totaling over \$19.4M in 2024-25
- State funding for Issaquah's Transition to Kindergarten (TTK) funding reduced by ~70%
- Issaquah is responding through strategic budget alignment while preserving key commitments to students, families, and voters

# 2025-26 Fund Balance Update

The district's projected 2025-26 operating deficit has increased from \$8.9M at the [March 11 board meeting](#) to \$12.5M in June

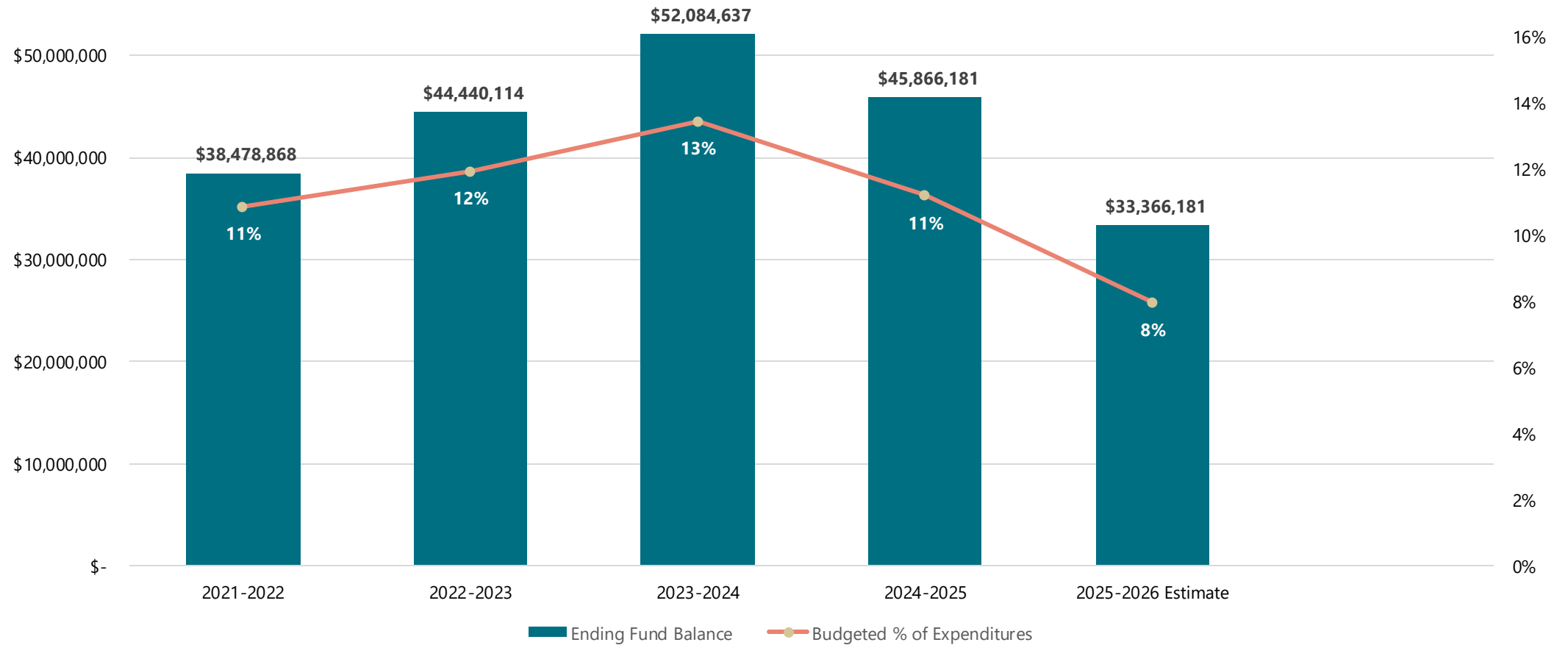
The increase is primarily driven by:

- Utility Cost increases (\$1.2M)
- Overload investment (\$900K)
- Fuel costs (\$400K)
- Other MSOC costs (1.1M)

The 2026–27 budget includes expenditure reductions and organizational adjustments designed to restore long term financial sustainability

# Fund Balance as a % of Expenditures

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



Estimated \$12.5M fund balance decline in 2025-26

# 2025-26 Ending Fund Balance

2025-26 Budgeted Expenditures		\$ 417,847,463	
			% of Estimated Budget 25-26
<b>Estimated Ending 8-31-26</b>	<b>33,366,181</b>		<b>7.99%</b>
Restricted for Program Carryover Revenue	569,637 Restricted		1.71%
Reserved for Inventory (pre-paid items & Inv	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%
<b>Estimated Unreserved Fund Balance</b>	<b>\$ 6,049,685 Unassigned (Undesignated)</b>		<b>1.45%</b>

# 2025-26 Fund Balance Unreserved

With projected unreserved fund balance at 1.45%, the district faces increased risk including:

- Reduced financial flexibility to respond to unexpected enrollment, revenue, or expenditure changes
- Increased scrutiny from bond rating agencies regarding reserve levels and long-term financial sustainability
- Potentially higher borrowing costs and reduced savings opportunities in future bond refundings
- Increased risk of audit observations or recommendations related to financial condition and reserve adequacy

Staff recommends reviewing current reserve designations and budget development guidelines prior to 2026-27 budget adoption

# Investments Made During the Last Two Years

**Academic Investments:** Implemented major curriculum adoption start-up and continuation of adoptions with staffing

**Student Supports:** Expanded student supports through multi-tiered level of support, counseling, behavior, teachers on special assignment, assistant principals, early learning and special education

- Continuing equity-based budget supports at schools

**Expanded Opportunities:** Expanded learning opportunities through dual language Spanish in middle school, additional advanced placement offerings, and Career and Technical Education pathways such as Aerospace

**Family Supports:** Expanded Before and After School Care, preschool academy, summers camps in preschool and middle school, and community resource fairs

# Why Budget Alignment is Necessary

- Two consecutive years of operating deficits with strategic investments
- Continued enrollment decline
- Increasing operating costs
- Reduced reserve flexibility
- Need to preserve long term financial sustainability

# Aligning Revenues to Expenditures next year

Staffing Adjustments		
Description	FTE	Amount
Administrators	(6.8)	\$ (1,675,009)
Other Central and Operations	(13.0)	\$ (1,581,400)
<b>Total Administration &amp; Operations</b>	<b>(19.8)</b>	<b>\$ (3,256,409)</b>
School-Based Staffing	(53.4)	\$ (8,811,000)

**6.35%**  
 Admin & Operations FTE  
 19.8/312 Total FTE

**4.24%**  
 School Based Staffing FTE  
 53.4/1259 Total FTE

Non-Staffing Adjustments		
Non-Personnel Costs (MSOCs)		\$ (1,106,519)
Unfunded State Programs		\$ (500,000)
Other		\$ (2,146,000)
<b>Total Non-Staffing Adjustments</b>		<b>\$ (3,752,519)</b>
	<b>Total</b>	<b>\$(15,819,928)</b>

# Issaquah's Budget Balancing Approach vs. Region

<b>Common Responses Across Washington</b>	<b>Issaquah's Approach</b>
Increase class size ratios	Maintained class size ratios
Large scale staffing reductions including Assistant Principal positions	Primarily attrition, retirements, resignations, and organizational restructuring
Program reductions including elimination of 7th period day	Preserved key student supports and strategic investments
School consolidation or grade reconfiguration	No school consolidation or major structural changes
Elimination of student opportunities	Continued investment in Mandarin, TTK, MTSS, and future innovation

## **Long Term Sustainability**

The district's current budget balancing approach preserves key student supports and strategic priorities. Continued enrollment declines, funding challenges, or financial pressures may require additional adjustments in future budget cycles

# Planning for the Future



# Preserving Commitments While Investing in the Future

*While aligning expenses with projected revenues, the district continues to honor commitments to students, families, staff, and voters while investing in future opportunities*

## **2026-27 Commitments Preserved**

- Continue all five transition to kindergarten classrooms to support early learners
- Expand a dual language Mandarin program at the Preschool Academy
- Implement systemwide MTSS Universal Screening to strengthen early identification and intervention
- Continue voter-supported investments funded through local levies

## **Looking ahead to 2027-28**

- Expand the Mandarin dual language program to an elementary school (TBD)
- Open an innovative choice high school focused Engineering, Robotics, Health Sciences, and Entrepreneurship

# Budget Adoption and Long-Term Planning

The district's long term goal is to maintain financial sustainability while honoring commitments and preserving student opportunities in a period of declining enrollment

- Review Board Budget Development Guidelines, including reserved versus unreserved fund balance designations
- Complete development and adoption of the 2026-27 budget and Annual Budget Guide
- Continue monitoring enrollment trends, state funding changes, and operating cost pressures that may affect future financial projections.
- Continue multi-year financial planning to address projected enrollment declines and support long term sustainability
- Remain adaptive to changing financial conditions while honoring commitments to students, families, staff, and voters

# Thank you

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