

WSR 24-20-119  
PROPOSED RULES  
SUPERINTENDENT OF  
PUBLIC INSTRUCTION

[Filed October 1, 2024, 12:31 p.m.]

Original Notice.

Preproposal statement of inquiry was filed as WSR 24-17-010.

Title of Rule and Other Identifying Information: WAC 392-123-120

Statement of financial condition—Financial position of the school district.

Hearing Location(s): On December 11, 2024, at 10:00 a.m. Virtual public hearing via Zoom (call-in option also available). Participation link available on the office of superintendent of public instruction (OSPI) rules web page [Ospi.k12.wa.us/policy-funding/ospi-rulemaking-activity](https://ospi.k12.wa.us/policy-funding/ospi-rulemaking-activity). For participation questions, please email [sirena.wu@k12.wa.us](mailto:sirena.wu@k12.wa.us).

Date of Intended Adoption: December 13, 2024.

Submit Written Comments to: Paul Stone, OSPI, P.O. Box 47200, Olympia, WA 98504, email [paul.stone@k12.wa.us](mailto:paul.stone@k12.wa.us), beginning October 16, 2024, 8:00 a.m., by December 11, 2024, no later than 5:00 p.m.

Assistance for Persons with Disabilities: Contact Sirena Wu, OSPI rules coordinator, phone 360-480-9317, TTY 360-664-3631, email [sirena.wu@k12.wa.us](mailto:sirena.wu@k12.wa.us), by December 4, 2024.

Purpose of the Proposal and Its Anticipated Effects, Including Any Changes in Existing Rules: OSPI is proposing rule making to allow for potential binding conditions to be placed upon a school district or a charter school when the board of directors of a school district or a charter school board provides the superintendent of public instruction with an annual statement of financial condition (i.e., state Form F-196), and the reported information shows that a deficient general fund balance is reasonably foreseeable and likely. The rule amendments would allow the superintendent to hold school districts and charter schools that have an actual year-end negative fund balance to the same state monitoring and oversight process as the school districts and charter schools that have a budgeted negative year-end fund balance, because an actual negative year-end fund balance is a greater indicator of financial insolvency than a projected negative year-end fund balance.

Reasons Supporting Proposal: The proposed rule change would allow OSPI to hold school districts and charters to the same state monitoring and oversight process as those that have a projected negative year-end balance, since a school district or charter school's reported actual negative year-end fund balance is a more significant sign of financial insolvency compared to a budgeted negative year-end fund balance.

Statutory Authority for Adoption: RCW 28A.150.290, 28A.505.140, 28A.710.040, 28A.710.220.

Rule is not necessitated by federal law, federal or state court decision.

Name of Agency Personnel Responsible for Drafting and Implementation: Paul Stone, OSPI, 600 South Washington Street, Olympia, WA; Enforcement: OSPI, 600 South Washington Street, Olympia, WA.

A school district fiscal impact statement is not required under RCW 28A.305.135.

A cost-benefit analysis is not required under RCW 34.05.328.

This rule proposal, or portions of the proposal, is exempt from requirements of the Regulatory Fairness Act because the proposal:

Is exempt under RCW 19.85.025(4).

Is exempt under RCW 19.85.030.

Explanation of exemptions: No small business economic impact statement has been prepared under chapter 19.85 RCW. The proposed amendment does not have an impact on small business and therefore does not meet the requirements for a statement under RCW 19.85.030 (1) or (2).

Scope of exemption for rule proposal:

Is fully exempt.

October 1, 2024

Chris P. S. Reykdal

State Superintendent of Public Instruction

## OTS-5901.1

AMENDATORY SECTION (Amending WSR 15-18-078, filed 8/28/15, effective 9/28/15)

**WAC 392-123-120 Statement of financial condition—Financial position of the school district.** The administration of each school district and charter school shall be required to provide the board of directors of the district or charter school board with a statement of financial condition monthly. The "statement of revenues, expenditures and changes in fund balance" in state Form F-196, is an example of the type of format and level of information necessary for this report.

Subject to timely reporting requirements in chapter 392-117 WAC, the district board of directors or charter school board shall be required to provide the superintendent of public instruction with an annual statement of financial condition in the format of state Form F-196. The data will be used by the superintendent to determine whether it is reasonably foreseeable and likely that the district will have to report a deficit general fund balance. Per RCW 28A.315.025, a deficit general fund balance is an indicator of financial insolvency and subjects the district or charter school to potential conditions which would become binding upon the district or charter school.