

Olympia School District Ending Fund Balance & OSPI School District Financial Health Indicators Report

Key insights relating to The Olympia School District's School District Financial Health Indicators and the Ending Fund Balance:

- In the 2023-24 school year, OSD actual days cash on hand (not score), was 17.37 - only 0.02 off from the average of 17.39 for the additional 98 (or 34% of all 295 school districts in WA) school districts that also received a 0 score for days cash on hand.
- Total district-wide enrollment FTE is a strong driver of the actual number of days cash on hand score given by OSPI.
- The average total district-wide enrollment FTE for school districts that received a perfect 4.0 score was only 301.2.
- When using 2023-24 expenditures per day, an EFB of 7% (i.e., \$13.1 million) is insufficient to improve OSD's OSPI score from 0 to a 1 for days cash on hand (i.e., cover more than 30 days of payroll).
- Even if a single school closure saved OSD \$1 million, that amount works out to only 0.63% EFB. Therefore, if OSD wanted to double their EFB to 7% (i.e., \$13.1 million), this district would have to close 6 schools.

During the June 12, 2025 Olympia School District board meeting, Superintendent Patrick Murphy submitted his [responses to the Board of Directors' request](#). In it, there was a section discussion options to meet a "Long-Term Sustainable Budget", where the focus moved to the Office of Superintendent of Public Instruction (OSPI) School District Financial Health Indicators, which is included below:

LONG-TERM SUSTAINABLE BUDGET

OSPI has released a tool called School District Financial Health Indicators. Four areas are monitored and measured, with four points possible per area. Those areas are:

- **Fund Balance to Revenue Ratio:** Unrestricted Fund Balance divided by Total Revenue (40% weight)
- **Expenditure to Revenue Ratio:** Total expenditures divided by total revenues (35% weight)
- **Days Cash on Hand:** Average Monthly cash on hand divided by expenditures per day (15% weight)
- **4-Year Budget Summary Plan:** Number of years with negative fund balance deficit (10% weight)

Olympia School District scored as follows:

1. **Fund Balance to Revenue Ratio:** OSD scored 2
2. **Expenditure to Revenue Ratio:** OSD scored 4
3. **Days Cash on Hand:** OSD scored 0
4. **4-Year Budget Summary Plan:** OSD Scored 4

At the end of the 2023-24 school year, OSD scored a 2.6. Of the 295 School districts, 210 had a "healthier" score than OSD. The best possible score is 4.0

Our district's five-year trend in this scoring metric is as follows:

2019-20	2020-21	2021-22	2022-23	2023-24
2.9	3.0	2.65	1.95	2.6

It costs approximately \$ 13 million to cover one month's payroll. To increase our fund balance to cover one month's payroll, we need to generate revenue that exceeds expenditures. Our current budget proposal predicts a fund balance of approximately \$6.5 million at the end of the 2025-26 school year, which accounts for approximately 3.5% of total expenditures. As such, we'll need to double our ending funding balance. That dollar amount will not remain static as costs and revenue increase year after year, but the goal of having one month's worth of salaries in reserve will remain constant.

A month's worth of salaries accounts for approximately 7% of expenditures. Given that the current [OSD Board Policy 6022](#) states that the superintendent will present a budget that has a fund balance that is "no more than 7% of the prior year's general fund budgeted expenditures, the board may consider raising that maximum to give us more flexibility.

I would propose reaching the "one month's salary" EFB in phases over the next three years to get 1/3rd of the way there each year, beginning next spring, with a budget that moves us as follows:

	2025-26	2026-27	2027-28	2028-29
Ending Fund Balance Percentage	3.5	4.67	5.84	7.0

The chart represents a 1.17% annual increase, equivalent to over \$2 million in today's values.

One of the solutions requested by the OSD Board of Directors and presented on by Superintendent Murphy to achieving both the desired 7% Ending Fund Balance (EFB), as well as a way to raise OSD's overall OSPI score, and to improve from "...of the 295 school districts, 210 had a 'healthier' score than OSD", was to close schools.

Given the severity of the solution (i.e., school closures), it was prudent to take a deeper analytical dive into the following three questions:

- 1) *How does OSD compare to the rest of the 294 school districts in the state?*
- 2) *How does OSD currently (2023-24 school year) compare to OSD's historical OSPI financial health scoring?*
- 3) *How will school closure(s) work to both increase OSD's EFB % as well as overall OSPI score via having more days cash on hand?*

This report will provide some insights into these three questions. The following analytics were run using the [School District Financial Health Indicators](#) as provided by OSPI for the 2023-24 school year, as used by Superintendent Murphy during his presentation.

Question #1: How does OSD compare to the rest of the 294 school districts in the state?

For the 2023-24 school year, as presented by Superintendent Murphy to the Board, OSD scored a 2.6 out of 4. The average OSPI total score for all 295 school districts was 3.07, with a standard deviation of 0.76. Therefore, OSD is well within a single standard deviation of the average ($3.07 - 0.76 = 2.31$). Thus, while "...of the 295 school districts, 210 had a 'healthier' score than OSD" as was stated, OSD's total OSPI score lies well within the majority of other school districts in the state.

To gain more in-depth insights into how OSD may improve its overall score, Superintendent Murphy highlighted the Days Cash on Hand Score of 0 (or 0-30 days cash on hand) that OSD received in 2023/24. Days Cash on Hand as defined by OSPI are as follows:

Days Cash on Hand	
<i>Weight: 15% of total score</i>	
This indicator measures how many days' worth of expenditures the district had on hand, on average, at the end of every month. The "cash" is the monthly average of Item 100 off of the F-197 County Treasurer's Report. The daily expenditures are calculated as the total of all expenditures for the General Fund divided by 360. Days' cash on hand, then, is the average ending cash divided by average daily expenditures.	
0-30 days on hand	0 points
30 days - state average	1 point
State average - 60 days (2 months' expenditures)	2 points
60 days - 90 days (3 months' expenditures)	3 points
Over 90 days	4 points
"State average" was used to provide for a fifth level. This equated to 43.87 for SY 19-20, 49.73 for SY 20-21, 42.59 for SY 21-22, 36.88 for SY 22-23 and 34.39 for SY 23-24.	

While OSD did receive a score of 0 for 2023-24, so did 98 other school districts, or 34% of all 295 school districts in the state of Washington (Figure. 1). More school districts in WA received a 0 for days cash on hand than any other score. The second most common score earned by school districts for days cash on hand was 2, followed by 4, 3, and 1, respectively.

Of the 295 school districts, 63 of them, or 21% received a perfect score of 4.0, having over 90 days of cash on hand. Because days cash on hand are binned by score, it is expected that districts that scored a perfect 4.0 had more days cash on hand than those districts that scored a 3 (and so on). However, the gaps between the averages for each of the days cash on hand scores differed (Figure 2). For those districts that scored a 0 (including OSD), the average actual days cash on hand was 17.39. In the 2023-24 school year, OSD actual days cash on hand (not score), was 17.37 - only 0.02 off from the mean, further suggesting that OSD is not in a dangerous financial position for days cash on hand relative to the majority of the school districts in WA state.

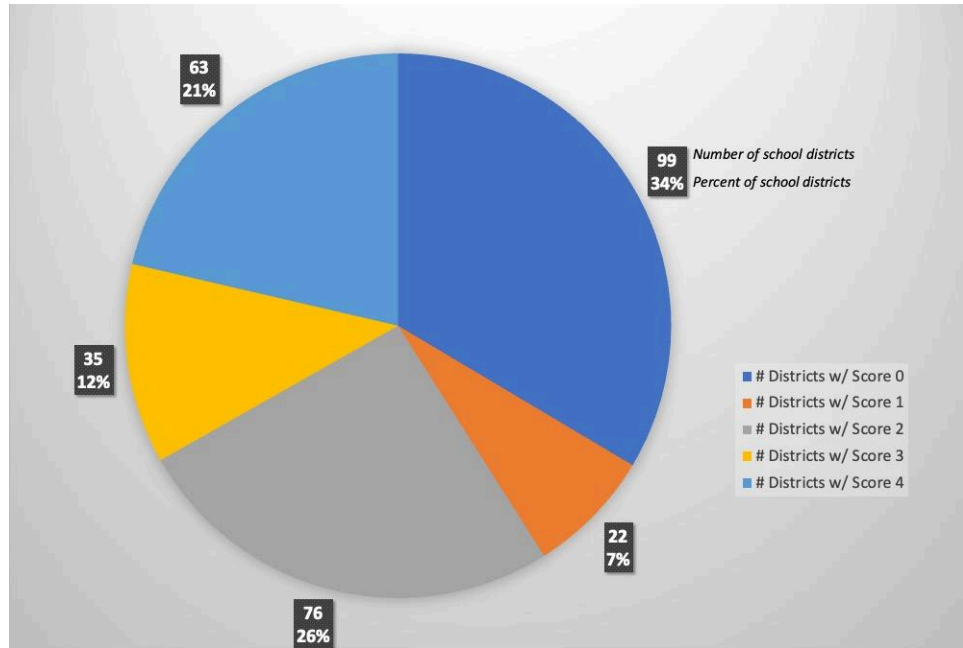


Figure 1: OSPI days cash on hand scores for all 295 school districts in WA state. Over 1/3rd of all school districts in WA state received a score of 0 for days cash on hand in 2023-24.

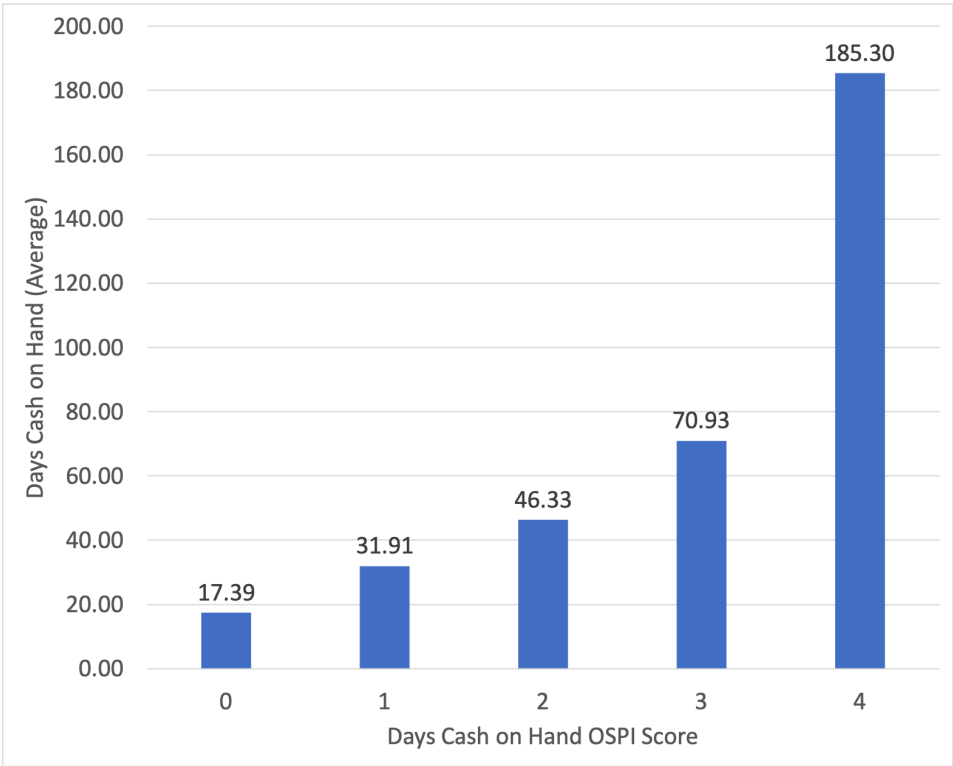


Figure 2: Average days cash on hand for each OSPI score for all 295 school districts in the 2023-24 school year.

If OSD wanted to work towards this perfect score, it would be worthwhile to ask how those 63 school districts achieved it. Therefore, a wide range of variables were examined to test how well they were able to predict both actual days cash on hand, and OSPI score. Some of the variables analyzed included district regionalization, experience factors, and total district enrollment FTE. Of all metrics analyzed, the variable that best predicted actual days cash on hand score was total school district enrollment FTE ($R^2 > 0.29$; Figure 3).

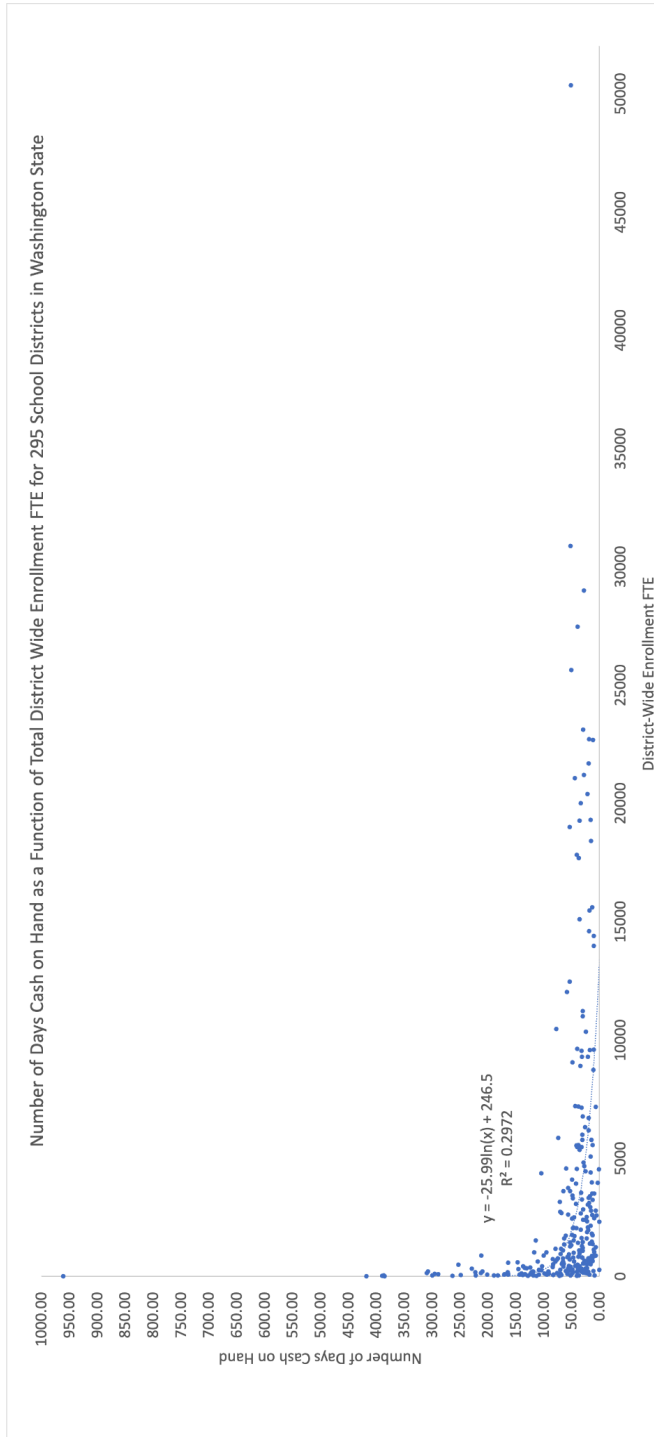


Figure 3: Number of actual days cash on hand as a function of total district wide enrollment FTE for all 295 school districts in Washington State for the 2023-24 school year.

There is a relatively strong relationship between total district enrollment FTE and actual number of days cash on hand. As a general trend, when school district total enrollment FTE increases, the actual number of days cash on hand decreases. Therefore, one of the main mechanisms driving a perfect 4.0 OSPI score for days cash on hand (i.e., 90+ days), is for the total district enrollment FTE to be very small. The maximum enrollment FTE for a district that received a perfect 4.0 score was 4,346.76 (with 104.14 days cash on hand), however this was an outlier, as the next largest total district enrollment FTE was only 1,513.89 (with 114.03 days cash on hand). The minimum total district enrollment for a district that scored a perfect 4.0 for days cash on hand, had only 9.97 enrollment FTE in the entire district for the 2023-24 school year, and in this case, the school district had 417.75 days cash on hand.

If examined another way, we can further see how the days cash on hand score relates to average district enrollment FTE (Figure 4). If the total district enrollment FTE is averaged based on OSPI days cash on hand score, it becomes even clearer that to achieve a perfect 4.0 OSPI score for days cash on hand, total district enrollment FTE must be very small. The standard deviations (i.e., variance) of these averages further support the relationship between a higher days cash on hand score, and smaller total district wide enrollment FTE (Table 1).

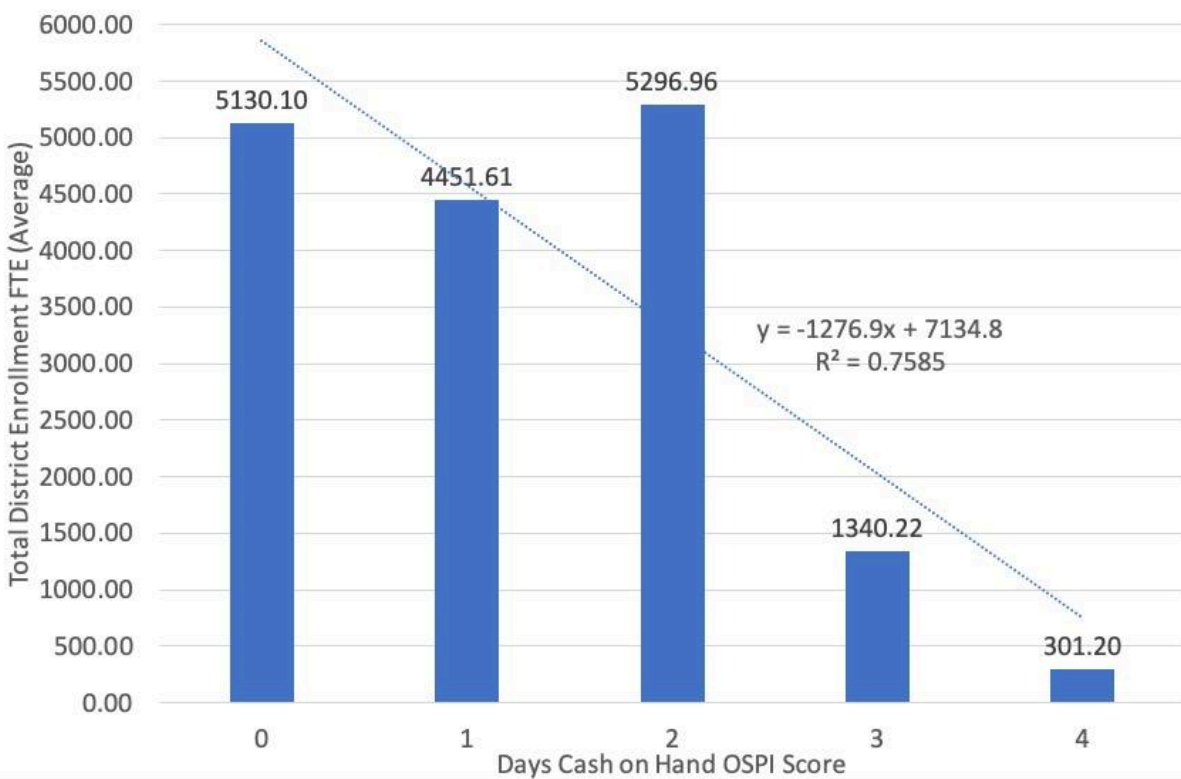


Figure 4: Average total school district (n=295) enrollment FTE binned by days cash on hand OSPI score.

Table 1: Summary statistics for average total school district enrollment FTE binned by OSPI days cash on hand score.

<u>OSPI days cash on hand score</u>	<u>Mean enrollment FTE</u>	<u>Standard deviation</u>
0	5130.10	6578.47
1	4451.61	4669.73
2	5296.96	8728.56
3	1340.22	2007.32
4	301.20	595.22

Question #2: How does OSD currently (2023-24 school year) compare to OSD's historical OSPI financial health scoring?

In the 2023-24 school year, OSD scored a total of 2.6. During the June 12, 2025 OSD board meeting, this score was reported for the previous 4 years. However, this score has been reported all the way back to 2008-9, with the exception of the 2016-17 school year (data missing from OSPI; see below). OSPI started to include the 4-year budget summary plan as a contributor to the overall score in the 2017-18 school year.

Olympia						
<i>(Select district from the drop-down list above)</i>						
Enrollment						
Financial Indicators:						
	2008-09	2009-10	2010-11	2011-12	2012-13	2014-15
Fund Balance to Revenue Ratio:						
"Unrestricted" Fund Balance divided by	\$ 628,453,486	\$ 826,283,235	\$ 891,559,526	\$ 952,439,528	\$ 931,337,790	\$ 4,716,625
Total Revenues and Other Financing Sources	\$ 9,892,583,836	\$ 9,874,105,866	\$ 9,927,789,037	\$ 9,966,998,551	\$ 10,107,617,074	\$ 97,502,836
Ratio	6.35%	8.37%	8.98%	9.56%	9.21%	4.84%
Score	3	3	3	3	3	2
Expenditure to Revenue Ratio:						
Total Expenditures divided by	\$ 9,772,000,596	\$ 9,661,442,054	\$ 9,860,397,372	\$ 9,889,351,043	\$ 10,073,319,785	\$ 97,582,049
Total Revenues and Other Financing Sources	\$ 9,892,583,836	\$ 9,874,105,866	\$ 9,927,789,037	\$ 9,966,998,551	\$ 10,107,617,074	\$ 97,502,836
Ratio	\$ 0.99	\$ 0.98	\$ 0.99	\$ 0.99	\$ 1.00	100.08%
Score	4	4	4	4	4	3
Days Cash on Hand						
Average Monthly Cash on Hand divided by	\$ 940,702,501	\$ 1,037,673,498	\$ 1,188,103,445	\$ 1,248,785,750	\$ 1,261,641,208	\$ 6,850,516
Expenditures per day	\$ 27,144,446	\$ 26,837,339	\$ 27,389,993	\$ 27,470,420	\$ 27,981,444	\$ 271,061
Days Cash on Hand	34.66	38.67	43.38	45.46	45.09	25.27
Score	2	2	2	2	2	0
4-Year Budget Summary Plan						
Number of Years with Negative Fund Balance Deficit						
Score						
Weighted Scores						
Fund Balance to Revenue Ratio	1.20	1.20	1.20	1.20	1.20	0.90
Expenditure to Revenue Ratio	1.40	1.40	1.40	1.40	1.40	1.20
Days Cash on Hand						0.00
4-Year Budget Summary Plan	0.20	0.20	0.20	0.20	0.20	
Total Profile Score	2.80	2.80	2.80	2.80	2.80	2.10

Olympia		34111						
(Select district from the drop-down list above)								
Enrollment		9571.56						
Financial Indicators:		2017-18	2018-19	2019-20	2020-21	2021-22	2022-2023	2023-2024
Fund Balance to Revenue Ratio:								
"Unrestricted" Fund Balance divided by	\$	8,647,707	\$ 7,970,645	\$ 9,918,307	\$ 11,874,233	\$ 10,512,078	\$ 8,773,379	\$ 9,365,886
Total Revenues and Other Financing Sources	\$	125,523,632	\$ 132,394,180	\$ 144,558,587	\$ 143,705,523	\$ 155,284,466	\$ 163,550,088	166028397.4
Ratio		6.89%	6.02%	6.86%	8.26%	6.77%	5.36%	5.64%
Score		3	3	3	3	3	2	2
Expenditure to Revenue Ratio:								
Total Expenditures divided by	\$	123,512,992	\$ 132,955,255	\$ 141,665,622	\$ 142,286,696	\$ 156,709,220	\$ 165,535,574	\$ 165,435,891
Total Revenues and Other Financing Sources	\$	125,523,632	\$ 132,394,180	\$ 144,558,587	\$ 143,705,523	\$ 155,284,466	\$ 163,550,088	\$ 166,028,397
Ratio		98.40%	100.42%	98.00%	99.01%	100.92%	101.21%	99.64%
Score		4	3	4	4	3	3	4
Days Cash on Hand								
Average Monthly Cash on Hand divided by	\$	9,426,977	\$ 11,679,060	\$ 8,025,388	\$ 11,190,996	\$ 8,928,564	\$ 7,858,971	\$ 7,982,289
Expenditures per day	\$	343,092	\$ 369,320	\$ 393,516	\$ 395,241	\$ 435,303	\$ 459,821	\$ 459,544
Days Cash on Hand		27.48	31.62	20.39	28.31	20.51	17.09	17.37
Score		0	1	0	0	0	0	0
4-Year Budget Summary Plan								
Number of Years with Negative Fund Balance Deficit		1	3	1	0	0	3	0
Score		3	1	3	4	4	1	4
Weighted Scores		2017-18	2018-19	2019-20	2020-21	2021-22	2022-2023	
Fund Balance to Revenue Ratio		1.20	1.20	1.20	1.20	1.20	0.80	0.80
Expenditure to Revenue Ratio		1.40	1.05	1.40	1.40	1.05	1.05	1.40
Days Cash on Hand		0.00	0.15	0.00	0.00	0.00	0.00	0.00
4-Year Budget Summary Plan		0.30	0.10	0.30	0.40	0.40	0.10	0.40
Total Profile Score		2.90	2.50	2.90	3.00	2.65	1.95	2.60

OSD has scored a 0 for days cash on hand for 7 of the 13 school years (or 54%) currently made available by OSPI. The most recent score of something other than a 0 was in the 2018-19 school year, when OSD scored a 1. If we are to use the same data window as was presented by Superintendent Murphy during the June 12, 2025 OSD board meeting (2019-20 through 2023-24), OSD received a score of 0 for OSPI 100% of those years.

Additionally, if we use all 13 years made available by OSPI, the average total OSPI score given to OSD is 2.66, whereas if the previous five year window is used, the total OSPI score drops to a 2.62. Thus, the most recent total OSPI score of 2.6 for the 2023-24 school year is only 0.02 off from OSD's own historical average (using Superintendent Murphy's selected timeframe).

Superintendent Murphy stated that "...it costs approximately \$13 million to cover one month's payroll." To cover this amount, OSD would have to "double our ending fund balance", resulting in an EFB of 7% (or \$13.1 million). In the 2023-24 school year, OSPI reports that OSD had an average monthly cash on hand of \$7,982,289.00, and expenditures per day totalling \$459,544.00. These two metrics yielded a days cash on hand of 17.37 days. However, even when manually changing the average monthly cash on hand to the target of \$13,100,000.00, OSD's days cash on hand OSPI score remains unchanged at 0 (Figure 5). Even if \$13.1 million was enough to improve OSD's days cash on hand score to 1 (as opposed to 0), it would increase the overall OSPI OSD score from 2.6, to 2.75 - closer to the state average of 3.07, but statistically no different than where OSD currently sits @ 2.6.

It is important to note that the expenditures per day remained unchanged for this analysis. One of the reasons that OSD continues to worry about the sustainability of the budget moving forward is because expenditures continue to rise year over year. However, even when

using the expenditures from the 2023-24 year, an EFB of 7%, or \$13.1 million, is already insufficient to cover one month's average payroll.

Olympia		
<i>(Select district from the drop-down list above)</i>		
Enrollment		
Financial Indicators:		
		2023-2024
Fund Balance to Revenue Ratio:		
"Unrestricted" Fund Balance divided by	\$ 9,365,886	
Total Revenues and Other Financing Sources	166028397.4	
Ratio	5.64%	
Score	2	
Expenditure to Revenue Ratio:		
Total Expenditures divided by	\$165,435,891	
Total Revenues and Other Financing Sources	\$166,028,397	
Ratio	99.64%	
Score	4	
Days Cash on Hand		
Average Monthly Cash on Hand divided by	\$ 7,982,289	<--Manually changed
Expenditures per day	\$ 459,544	
Days Cash on Hand	17.37	
Score	0	
Olympia		
<i>(Select district from the drop-down list above)</i>		
Enrollment		
Financial Indicators:		
		2023-2024
Fund Balance to Revenue Ratio:		
"Unrestricted" Fund Balance divided by	\$ 9,365,886	
Total Revenues and Other Financing Sources	166028397.4	
Ratio	5.64%	
Score	2	
Expenditure to Revenue Ratio:		
Total Expenditures divided by	\$165,435,891	
Total Revenues and Other Financing Sources	\$166,028,397	
Ratio	99.64%	
Score	4	
Days Cash on Hand		
Average Monthly Cash on Hand divided by	\$ 13,100,000	<--Manually changed
Expenditures per day	\$ 459,544	
Days Cash on Hand	28.51	
Score	0	

Figure 5: Effects of manually changing the 2023-24 average monthly cash on hand (top) to target of \$13.1 million (bottom). Expenditures per day remained unchanged. Green shaded cells highlight the difference in actual days cash on hand, and the similarities between days cash on hand score.

As illustrated, doubling the EFB % to \$13.1 million only nets OSD an additional 11.14 days of cash on hand ($28.51 - 17.37 = 11.14$) even when using expenditures smaller than what is to be expected for the 2024-25 school year. It should be expected then, that when the 2024-25 expenditures are used, even fewer days of cash on hand will be gained. Thus, with expenditures only projected to increase year over year, the EFB % required to cover an average month's payroll will only need to continue to increase, while the actual number of days on hand will only continue to decrease. This would result in an ever-ballooning EFB to cover simply the same (or likely fewer) actual number of days cash on hand, unless expenditures are curtailed.

Question #3: How will school closure(s) work to both increase OSD's EFB % as well as overall OSPI score via having more days cash on hand?

A recent document posted for the June 26th, 2025 OSD Board meeting titled, "[Additional Data Regarding Elementary Enrollment and Small School Staffing](#)" stated that a single school closure would "...save approximately \$1.03 million". However, OSD recently conducted a much more thorough savings analysis during the attempted closure of Madison and McKenny Elementary schools in 2023-24. During that much more exhaustive exercise, Superintendent Murphy put forth [two plans moving forward](#), highlighting that in plan #2, "An initial analysis of closing both Madison and McKenny estimated a cost savings of approximately \$1.8 million (see Policy 6883 Revised Analysis of 1/24/24)". Assuming savings contributions were roughly the same, a school closure would save OSD ~\$900,000.00.

Even if a conservative estimate of a single school closure saved OSD \$1 million is used, that amount equates to only 0.63% EFB. Therefore, if OSD wanted to double their EFB to 7% (i.e., \$13.1 million), this district would have to close 6 schools to get there. Additionally, as illustrated by manually changing the average monthly cash on hand (see Fig. 5), unless EFB % is curtailed on the expenditures side of the equation (not the revenue), additional schools would have to be closed beyond the 6 needed to double the EFB.

Similarly, a single school closure @ a savings of \$1 million will also not be enough to fill the gap of expenditures predicted year over year. In a [first reading of the 4 year budget document](#) to be presented to the Board on June 26, 2025, expenditures are predicted to rise from \$173,593,971 in the current 2024-25 school year, to \$181,096,164 the following 2025-26 school year - an increase of \$7,502,193. Similar expenditure increases are also predicted for subsequent school years. Thus, in addition to the 6 schools that OSD would need to close to double its EFB to 7%, OSD would need to close an additional 8 schools (for a total of 14 closures) to offset the predicted increases in expenditures for a single year. The Olympia School District currently has 19 schools. Unless expenditures are curtailed, OSD will run out of schools to close before budget sustainability can be achieved.

Document & analyses prepared by Ben Higgins, Ph.D.