



SUPERINTENDENT OF PUBLIC INSTRUCTION

DR. TERRY BERGESON OLD CAPITOL BUILDING • PO BOX 47200 • OLYMPIA WA 98504-7200 • <http://www.k12.wa.us>

March 27, 2007

Dr. Sue Walker
Superintendent
Shoreline School District
18560 1st Avenue N.E.
Shoreline, WA 98155-2148

Dear Dr. Walker:

I am writing to clarify the position of the Office of Superintendent of Public Instruction (OSPI) regarding Shoreline School District's financial outlook, dispel potential confusion regarding financial options available to Shoreline, and to update you regarding the impact of the House and Senate budget proposals on Shoreline.

Upon review of numerous public inquiries regarding OSPI financial policies and processes, I believe there might be confusion in your community regarding our expectation for your 2007-08 school year budget. Shoreline has made tremendous strides in improving its financial outlook since 2005-06. We commend the tremendous work and commitment of your entire district staff. However, it is our position that for the 2007-08 school year, Shoreline must submit a balanced budget. A 2007-08 budget that is dependent on borrowing against 2008-09 school year revenue to balance will be rejected by OSPI (per authority of RCW 28A.505.130, and our binding conditions notification of August 2006). In conversations with the Puget Sound Educational Service District administrator, Steve Nielsen, he concurs with this decision.

We know that the district faces tough choices and we do not take our decision lightly. However, by delaying adoption of a balanced budget into the future, Shoreline School District would make the task of future balancing even more difficult. Budgeting 2008-09 revenue to cover 2007-08 costs is essentially the accumulation of debt that would make the staff, program, and/or service reductions for 2008-09 school year that much greater. Continued enrollment decline, in the range of current projections, will further marginalize the district's financial health in 2008-09, requiring even more difficult reductions in order to attain financial solvency.

While OSPI (and the ESD administrator) will reject a budget that depends on future revenue to balance, OSPI is willing to renegotiate the level of the positive balance required. As you know, in August 2006 the district provided OSPI with a financial improvement plan targeting a positive ending balance of \$600,000 for the 2007-08 school year. A \$600,000 positive balance is a very small margin for a district of Shoreline's size, but given anticipated financial difficulties we are willing to accept a budget with a smaller positive ending balance.

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As you know, apportionment advances do not assist districts in balancing a budget for a given school year; advances only even out cash flow within a fiscal period and must be fully paid back by June 30th of the same fiscal period. OSPI will provide apportionment advances in the upcoming school year if requested, as we anticipate that cash flow will continue to be a concern even as the district submits a balanced budget.

Finally, the Legislature continues to deliberate regarding school funding for the 2007-08 and 2008-09 school years. The House of Representatives' budget proposals provide some new revenue to Shoreline. However, required cost-of-living increases and pension costs will add to the districts' costs for employees funded with local and federal dollars, partially offsetting the gain in funding outlook. The Senate budget is anticipated March 28th, and at that time we will have a better sense of the potential funding assistance Shoreline may ultimately receive. The legislative session is scheduled to end April 23rd, which will not give the district very much time to plan for potential cuts before employee notifications must be finalized in early May and in time for budget submission in August.

I know your highest priority is to maintain critical services for your students and supports for your employees. I also know that in this period prior to a final legislative funding proposal it is difficult to make budget choices without knowing what level of reduction will ultimately be necessary. Please know that if we can assist with any financial outlook analysis or in any other manner we stand ready to do so.

Sincerely,



Jennifer Priddy
Assistant Superintendent
Financial Resources

cc: Michael Jacobs, Chair, Board of Directors, Shoreline School District
Marcia Harris, Deputy Superintendent, Shoreline School District
Monte Bridges, Superintendent, Puget Sound ESD
Sandra Nagli, Director of Finance and Business Services, Shoreline School District
Stephen Nielsen, Assistant Superintendent, Finance, Puget Sound ESD