



Manhattan Beach Unified School District

325 South Peck Avenue • Manhattan Beach • California 90266 • (310) 318-7345 • FAX (310) 303-3822

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Dear Faculty, Staff, Parents, and Community Members:

In 2008, Manhattan Beach Unified School District students continued on the path of excellence guided by our exceptional teachers, staff and administrators. We hope for this continued excellence in 2009; however, the widespread national economic downturn and the dire current state fiscal crisis are substantially impacting the ability of all school districts across the state to provide the educational programs deserved by all students.

As you may have heard, the Governor's newest budget proposal contains substantial reductions to K-12 funding. It includes both mid-year reductions for this current year (2008-2009), and significant cuts for the 2009-2010 budget year. MBUSD staff members are closely monitoring all budget discussions. As the district learns more about how state decisions will affect the MBUSD budget, updates will be provided to our community and posted on our main webpage at www.mbusd.org.

The following is a summary of the Governor's Proposal as it impacts our district today. It is important to understand, however, that this is only a proposal and as the economy changes, and the final outcome of the legislature's and Governor's decisions change, so does the budget.

Governor's Proposal For 2008-2009 Mid-Year Reductions

There remains a great deal of uncertainty as to the exact nature of the mid-year cutbacks or the time of implementation. Even in this climate of uncertainty, California school districts are required to maintain a balanced budget. MBUSD is acting in a proactive, conservative manner by estimating the potential loss of state revenues from probable mid-year reductions. The following is a list of real and potential mid-year adjustments:

- No Cost of Living Adjustment (COLA) for K-12 education to offset annual, statutory salary and benefit increases. There will be no COLA provided to the district in 2008-2009; however, we anticipated this reduction last June when we developed the 2008-2009 budget. You may recall that we made cuts in the amount of \$600,000 at that time. Although it was painful, we were correct in our assumptions about the economic downturn. Thus, while other districts may be faced with eliminating the COLA from their budgets, we are not faced with reducing this amount from our budget at this time.
- Reduction of the state K-12 revenue limit funding of \$1.6 billion or 4.5%. This equates to a loss of at least \$283 per student in the **current** school year. MBUSD estimates to lose approximately \$1.7 million in revenue.

- Defer \$2.6 billion in cash payments to school districts from February to July 2009. State funding is received by school districts in intervals during the year. Based on this deferral, MBUSD will lose approximately \$65,000, in interest revenues. In addition, the district must maintain a cash flow to cover expenses, including employee salaries and benefits, until apportionments from the state are received.
- Eliminate state-deferred maintenance funding, which is a loss of about \$275,000, for our district.

Understanding the extreme hardship of making cuts mid-year, the Governor's proposal allows school districts to use categorical program money (or restricted funds) for their general fund expenses in the current year. Our staff identified restricted funds not yet spent (or encumbered), which could be transferred to the general fund. At its January 16th special meeting, the Board of Trustees directed staff to transfer \$1.5 million from restricted categorical programs to the general fund to cover the majority of this deficit. We are continuing to look at other ways to make up the remaining shortfall.

Key Aspects of the Governor's Proposed Budget for 2009-2010

Based on the Governor's proposal, the reduction in funding from the state would result in a loss of district revenue of approximately \$4 million for 2009-2010 including:

- Continuation of the proposed 2008-2009 mid-year cuts. The \$1.7 million MBUSD is losing in the 2008-09 mid-year cuts would not be reinstated next year. Thus, revenue next year would be reduced by this amount.
- No Cost of Living Adjustment (COLA) for K-12 education to offset annual, statutory salary and benefit increases. If there is no COLA provided to the district, the loss would be about \$1.9 million, and MBUSD would incur additional costs estimated at \$700,000, for step and column and health and welfare benefit increases, which are ongoing costs of the district.
- Further reduction of the revenue limit by 2.5%. This decrease would represent an estimated additional loss of \$150 per student for a total of \$900,000.

You may have heard that the Governor is proposing to eliminate five instructional days from the 180 student attendance days. This is proposed as a way for school districts to "offset" some of the substantial reductions in revenue. It allows school districts to reduce their instructional days to 175, which would reduce that district's costs. However, our district certificated contract requires that our employees be paid for all 180 days unless otherwise negotiated with the employee bargaining unit.

Although we may not know the final result of the state's fiscal crisis and the state's budget by late fall, all school districts are required to approve a budget for the next school year by June 30. As you can see, building the district budget based on assumptions that have yet to be validated is a very challenging process. Although this process is not new to school districts, the magnitude of the reductions caused by the national and state fiscal crisis is new. District staff and representatives from the Board will be communicating to staff and parents via public meetings at each school to convey the latest budget information, answer questions, and obtain input. Ideas gleaned from these meetings and the district's website will be shared with the members of the Board for their consideration. You can be assured that the Board of Trustees and staff are exploring every possible avenue to preserve the excellence of our schools, the cornerstone of Manhattan Beach.

Sincerely,

Beverly J. Rohrer, Ed.D.
Superintendent of Schools