



## *Sacramento City Unified School District*

Because It Has Failed to Proactively Address  
Its Financial Challenges, It May Soon  
Face Insolvency

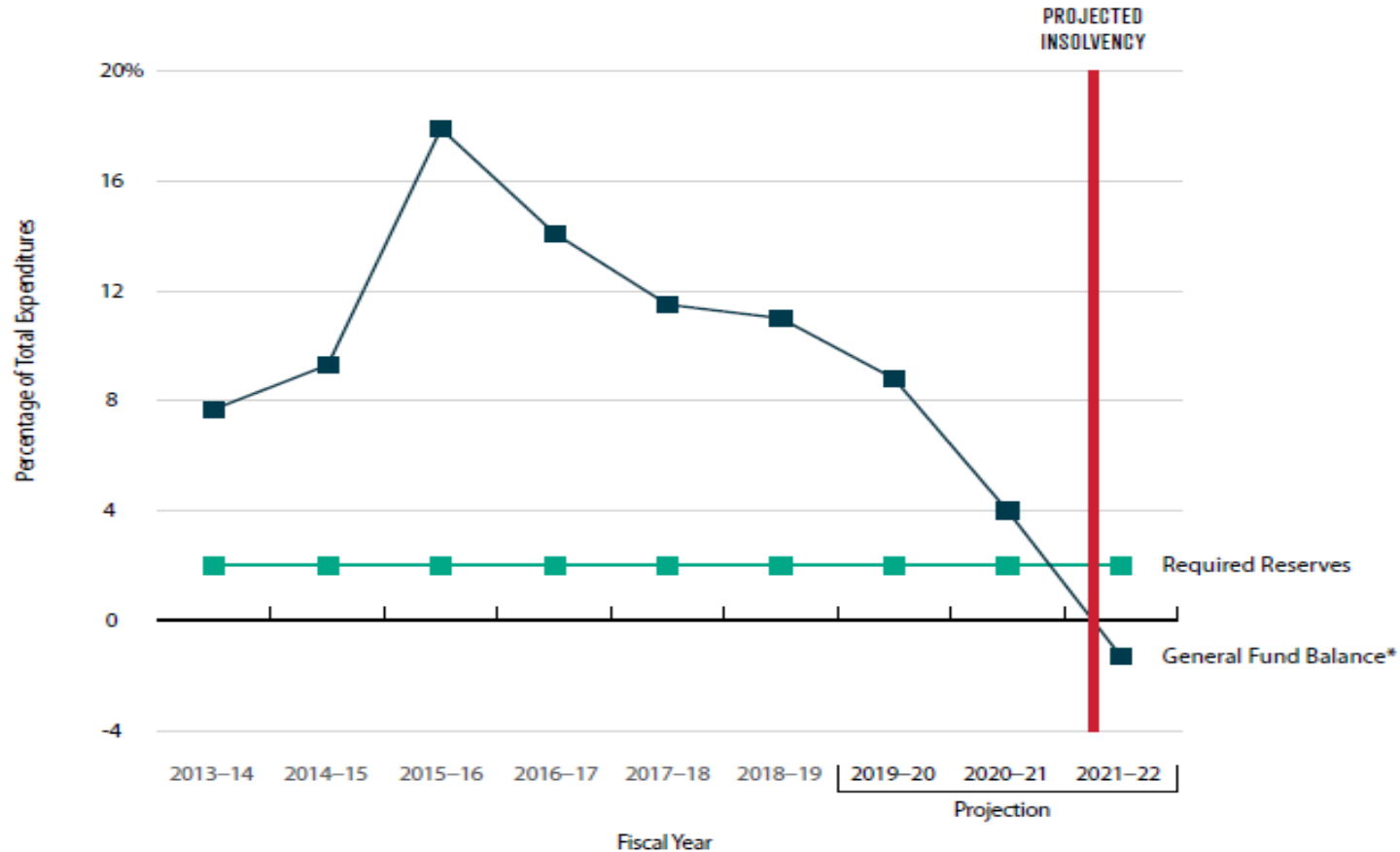
*December 2019*

REPORT 2019-108



# BECAUSE OF ITS OVERSPENDING, SACRAMENTO UNIFIED FACES INSOLVENCY

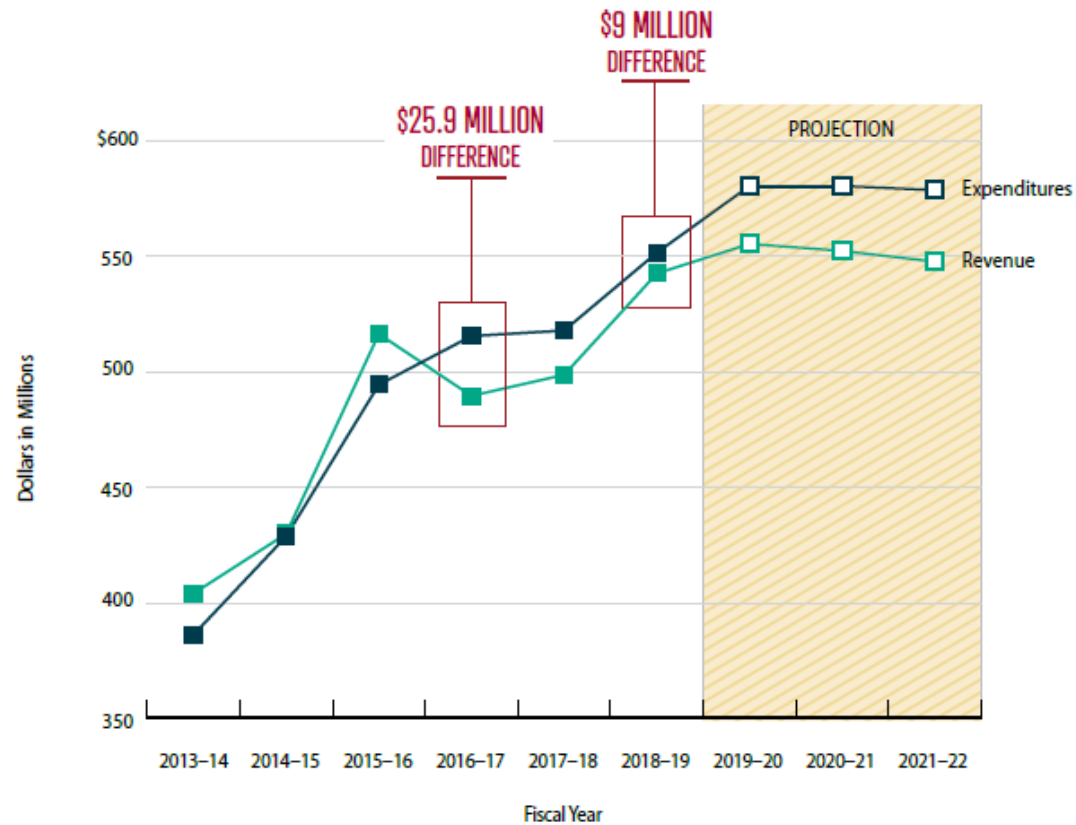
For more information, see page 17 of our report.



- Sacramento Unified expects to have major cash challenges in October 2021.
- Reaching insolvency means less funds for students.
- We estimate that the interest and other costs on a loan to avoid insolvency will reduce funds for students by \$5 million each year.

# SACRAMENTO UNIFIED HAS CONSISTENTLY SPENT MORE THAN IT RECEIVED IN REVENUE SINCE FISCAL YEAR 2016–17

For more information, see page 10 of our report.



We focus the above graphic on the ongoing revenue the district receives which is what it should be spent to cover ongoing costs like teacher salaries. We exclude one-time revenue received from the state.

# SACRAMENTO UNIFIED AND ITS TEACHERS UNION HAVE MADE PROPOSALS BUT NONE WOULD SOLVE THE OVER \$27 MILLION ANNUAL DEFICIT

	SUGGESTION	FISCAL IMPACT
<b>Sacramento City Teachers Association</b>	Rescind 2019 layoffs	Increase ongoing costs by \$14 million
	Lower class sizes	Hire over 300 additional staff at an ongoing cost of \$26 million
	Reduce district contributions towards retiree health care	Save \$7 million over three years with diminishing savings over time
	Reduce administrator pay by 20 percent.	\$1 million in ongoing savings
	Reduce contract expenditures by 10 percent	Not feasible for all contracts as they include special education and necessities like power and water
<b>Sacramento City Unified School District</b>	Cap contribution for teachers' health care at the lowest cost plan for employee plans and 75 percent of the lowest cost plan for family plans	\$16 million in ongoing savings

- Suggestion results in savings
- Suggestion results in greater costs

Sacramento Unified recommended to its board that the district needs to make \$27 million in ongoing spending reductions.

# WE PRESENT OPTIONS THAT SACRAMENTO UNIFIED COULD TAKE TO AVOID INSOLVENCY

For more information, see page 37 of our report.

The information below represents estimated potential savings based on available district documentation

POTENTIAL CHANGES TO SALARIES	POTENTIAL SAVINGS
→ Cut all salaries by 2%	\$6,854,000
Cut only teacher salaries by 2%	\$4,704,000
Cut only classified salaries by 2%	\$1,361,000
Cut only administrator salaries by 2%	\$789,000
<b>POTENTIAL CHANGES TO RETIREE HEALTH BENEFITS</b>	
→ Teachers pay 3.5 percent of salary toward retiree health benefits*†	\$7,064,000
All staff pay 3.5 percent of salary toward retiree health benefits†	\$9,997,000
<b>POTENTIAL CHANGES TO HEALTH CARE BENEFITS</b>	
<i>CHANGES AFFECTING TEACHERS HEALTH CARE BENEFITS</i>	
Cap district payment at lowest-cost plan for employee-only and family plans	\$7,867,000
Cap district payment at lowest-cost plan for employee-only plans and 75 percent for family plans	\$15,682,000
<i>CHANGES AFFECTING ALL EMPLOYEES HEALTH CARE BENEFITS</i>	
→ Cap district payment at 90 percent of the lowest-cost plan for employee-only and family plans	\$14,078,000
Cap district payment at 80 percent of the lowest-cost plan for employee-only and family plans	\$20,419,000