



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 11.2

Meeting Date: February 19, 2015

Subject: Approve 2015-2016 Budget Reductions-Restricted Funds

- Information Item Only
- Approval on Consent Agenda
- Conference (for discussion only)
- Conference/First Reading (Action Anticipated: _____)
- Conference/Action
- Action
- Public Hearing

Division: Business Services

Recommendation: Approve the recommendations for maintaining a balanced 2015-16 and 2016-2017 Budget presented at the February 5, 2015 Board Meeting.

Background/Rationale: Staff provided the First Interim Financial Report at the December 4, 2014 Board Meeting. At that meeting, staff identified a positive budget, but indicated that the District might still need to identify budget reductions due to the ending of one-time funds to balance FY 2015-16 and FY 2016-17.

At the January 22, 2015 Board Meeting, staff debriefed the Board on the Governor's proposed budget for 2015-16. Staff highlighted positive issues such as the Governor maintaining his focus on K-12 education and to continue funding Local Control Funding Formula (LCFF). However, staff pointed out that the majority of additional revenues were one time funds and emphasized that Proposition 30 is a temporary tax. Budget reductions for FY 2015-16 are due to the ending of Categorical Funds. Although the majority of the budget adjustments to restricted funds will be done at the school site level based on School Site Plan, the District knows that FY 2014-15 is the last year of the Quality Education Investment Act funding. Due to additional funding from LCFF, staff is planning a soft landing for schools affected by the reduction of QEIA that has been funded since 2007.

Financial Considerations: Approve recommendations for budget balancing.

LCAP Goal(s): College and Career Ready Students; Family and Community Engagement.

Documents Attached:

1. Executive Summary
2. Information will be provided at the Board Meeting

Estimated Time: 20 Minutes

Submitted by: Gerardo Castillo, CPA, Interim Chief Business Officer

Approved by: José L. Banda, Superintendent

Board of Education Executive Summary

Business Services

2015-2016 Budget Reductions (Restricted Funds)

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I. OVERVIEW/HISTORY:

Over the past eleven years, Sacramento City Unified School District has been forced into making budget reductions every year in order to maintain fiscal stability. These reductions are a result of the state not funding statutory cost of living adjustments since 2007-08 and reducing revenue limit dollars in 2008-09 and 2009-10, increased employee costs due to step and column increases, dramatic healthcare increases, and declining enrollment. Budget reductions have been made to all employee groups, supplies, services, utilities, and capital outlay. Decisions considered “away from the classroom” were made many years ago. Recent budget savings include increasing class sizes, reducing central office staff, the reduction or elimination of many Tier III programs such as Adult Education, Arts and Music block grant, deferred maintenance, reduced staffing at school sites, and the implementation of furlough days.

However, The Governor’s Budget Proposals for 2015-16 continue the positive theme that has existed over the past two years for public education. As the economy has improved, and been aided by the additional \$7 billion in annual revenues provided by Proposition 30, Governor Brown has been able to advance his agenda with authority for public education. This is great news for Sacramento City Unified School District (SCUSD), especially since SCUSD has been in a budget reduction mode since FY 2002-03. In the past seven years, the district has reduced expenditures, enhanced revenues, or used one-time funds for a total of \$150 million dollars to maintain balanced budgets. FY 2014-15 is the first year in several years that SCUSD did not incur reductions, and the first time since FY 2007-08 that positive certification was presented to Sacramento County Office of Education.

The continuing shortfall of previous years was caused primarily by a reduction in state funding with contributing factors of increased employee costs and declining enrollment. California LEA’s experienced a significant reduction in revenue limit dollars in that the revenue limit was up to a deficit of 22.272%. The Governor clearly acknowledged that the growth in education budget was warranted largely due to the fact that the cuts to education were much deeper than other areas of the State Budget. The Governor’s efforts to restore funding to public education are greatly appreciated.

With the release of the Governor’s Proposed Budget for the 2015-2016 fiscal year, we are hopeful that we can continue the recovery process; however, the District still relies on restricted funds to balance FY 2014-15 that will no longer be available for FY 2015-16.

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One such restricted fund is the Quality Education Investment Act (QEIA). Funding was established in 2007 to reduce class size, improve site-based staff development opportunities and increase counseling services. Originally twelve SCUSD schools were chosen to receive funding: eight elementary schools, one K-8, one middle school and two high schools. The total funding to the district was around \$7.5 million per year, and was allocated to the sites based on student enrollment. It became increasingly difficult for schools to meet their QEIA targets over the years due to diminished funding from the state and SCUSD's move away from the 20 to 1 class-size reduction at K-3 grades. As schools exited from QEIA, they received one year of "soft landing funds" from the state settlement. However, the last year of funding for most of our schools was FY 2012-13.

FY 2014-15 is the last year of California's QEIA, the only SCUSD schools receiving QEIA funding are Hiram Johnson and Luther Burbank High Schools. The state is no longer providing "soft landing funds". To help the two high schools in 2015-16, afforded to earlier exiting schools, the district will continue to provide partial funding (approximately 73%) utilizing QEIA carryover and unrestricted general funds for one more year.

II. DRIVING GOVERNANCE:

- Education Code section 42130 requires the Superintendent to submit two Interim Reports to the Board of Education during each fiscal year. The first report shall cover the financial and budgetary status of the district for the period ending October 31. The second interim report shall cover the period ending January 31. All reports required shall be in a format or on forms prescribed by the Superintendent of Public Instruction.
- Education Code section 42131 requires the Board of Education to certify, in writing, whether the district is able to meet its financial obligations for the remainder of the current fiscal year and future fiscal year based on current forecasts. Certifications shall be based on the Board's assessment of the district budget. Certifications shall be classified as positive, qualified or negative. This education code section also outlines the role of the County Office of Education.
- Education Code Sections 44919, 44951 and 44955 require school districts to provide notice on or before March 15th to certificated employees who are designated for layoff for the subsequent year. The final decision for layoff must occur before May 15th.
- Education Code Sections 45114, 45115, 45117, 45298 and 45308 require school districts to provide no less than 60 days' notice to classified employees of a layoff.

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- Education Code section 42127 requires the Governing Board of each school district to adopt a budget on or before July 1. The budget to be adopted shall be prepared in accordance with Education Code section 42126. The adopted budget shall be submitted to the County Office of Education. The County Office of Education determines if the district will be able to meet its financial obligations during the fiscal year and ensures a financial plan that will enable the district to satisfy its multiyear financial commitments.

III. BUDGET:

Given the information currently available, staff projects a budget shortfall in categorical (Title I) funds that schools will identify as part of their school site plans and QEIA of \$3.0 million.

Staff recommends the following action to balance the 2016-17 budget:

Eliminate the positions and expenditures currently funded with QEIA equivalent to \$3 million:

- Although schools will no longer receive QEIA funds for FY 2015-16, schools are allowed to carryover funds for FY 2015-16.
- The state recently allocated \$.9 million this year on top of existing 2014-15 allocation that could be used as carryover for FY 2015-16.
- The remaining schools that have QEIA funding are Hiram Johnson and Luther Burbank High Schools.
- Hiram Johnson currently funds 6 certificated positions and 4.25 classified positions with QEIA:

Certificated:

Teachers 5 FTE

Counselors 1 FTE

Classified:

Teacher Assistant .5 FTE

In House Suspension 1 FTE

Family Advocate 1 FTE

Campus Monitor 1.125 FTE

Clerk .625 FTE

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- Luther Burbank currently funds 18.7 Certificated Positions and 2.8 Classified Positions with QEIA:

Certificated:

Teachers 16.3 FTE

Counselors 2.4 FTE

Classified:

Teacher Assistant .5 FTE

Outreach Worker 1 FTE

Parent Advisor .3 FTE

Gang Prev/Int Specialist 1 FTE

- With proper planning schools will have \$2.2 million (approximately 73% of what they have in FY 2014-15) as one time funds for FY 2015-16.
- School Site Administration will determine which positions will continue for FY 2015-16 based on \$2.2 million available funds.

IV. GOALS, OBJECTIVES AND MEASURES:

Maintain a balanced budget for 2014-2015 and continue to follow the timeline to ensure a balanced 2015-2016 and 2016-2017 budget.

V. MAJOR INITIATIVES:

- Continued analysis of information from the state
- Support implementation of LCFF and the LCAP process
- Fiscal stability for 2015-16, 2016-2017 and outlying years
- Focus expenditures to provide the best possible academic outcome

VI. RESULTS:

The budget reductions approved at the February 19, 2015 Board meeting will enable the District to submit a balanced 2015-16 and 2016-17 budget plan to the Sacramento County Office of Education.

Required Board actions will take place in order to ensure a balanced Adopted Budget is in place on or before July 1, 2015.

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VII. LESSONS LEARNED/NEXT STEPS:

- Follow the approved calendar with adjustments made as necessary
- Continue to monitor the state budget and its impact on the district finances
- Meet and communicate with bargaining unit partners
- Prepare the 2nd Interim