



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 9.1

Meeting Date: June 23, 2011

Subject: **Public Hearing and Adoption of Proposed Fiscal Year 2011-12 Budget for All Funds and use of Categorical Transfers and Uses in Accordance with SBX3 4**

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

Learning Support Unit/Department: Administrative Services

Recommendation: Conduct a public hearing on the proposed 2011-12 Budget for all funds and adopt the proposed 2011-12 Budget for all funds. In addition, conduct a public hearing on the Categorical Fund Transfers and Uses in accordance with SBX3 4.

Background/Rationale: By June 30th of each year, the school district must adopt a budget for all funds for the ensuing fiscal year. Prior to adoption of the budget, the Board must conduct a public hearing. This is in accordance with state prescribed procedures for single budget adoption, which require that the budget be adopted and submitted to the County Office of Education on state required forms by June 30th. The 2011-12 budget establishes expenditure authority for the district to conduct business in the coming year.

The proposed 2011-12 budget is based upon the May Revise that was presented by the Governor on May 16th, but incorporates recommendations from the Sacramento County Office of Education. While the Governor's May Revise is a very significant event in the process, the final impact to the district will not be known until the State budget is signed. School districts have 45 days after the final state budget is signed to amend and resubmit their budget.

The complete set of state required forms is quite voluminous and will be available on the District's website.

Financial Considerations: The proposed budget establishes expenditure authority for all funds.

Documents Attached:

1. Executive Summary
2. Adopted Budget Documents are available for viewing in the Board of Education Office and on the web at <http://www.scusd.edu/BoardofEducation/Meetings/Pages/20110623.aspx>

Estimated Time of Presentation: 15 Minutes

Submitted by: Gerardo Castillo, CPA, Director III, Budget Services

Approved by: Patricia A. Hagemeyer, Chief Business Officer

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I. Overview/History:

This document provides an overview of the budget process and time-line used in preparing the 2011-12 Adopted Budget. Despite the financial condition of the state, staff continues to work towards the long- term fiscal health of the district.

- **December 9** - Staff presented a budget timeline and process for preparing the 2011-12 Adopted Budget. The process of developing a school district budget is an ongoing function that must be addressed by the Board and administration throughout the school year. In order to effectively develop a fiscal document that reflects the goals and objectives of the school district, the budget process must include a well-defined budget calendar outlining when specific activities will be completed.
- **January/February** - Based on the Governor's January budget, the budget shortfall was projected based on two scenarios. The first scenario (best case) included the assumption that tax extensions would be passed by the voters, providing additional funding for education. The first scenario led to an initial estimated budget deficit of \$6.64 million. This included a reduction of \$19 per Average Daily Attendance in our revenue limit funding. Later in February, as more information was known, the projected deficit was increased to a projected deficit of \$9.2 million. The second scenario (worst case), which did not include the tax extensions, brought the projected deficit to \$20.44 million. This scenario included a reduction of \$349 per Average Daily Attendance. This also was increased later in February to a projected deficit of \$22.35 million. In February, the district surveyed parents, students and staff to provide feedback to the district on budget issues. The results of the survey were provided in May. Starting in February and concluding in March, seven community forums were held throughout the district. Superintendent Raymond and staff presented an overview of the district's budget along with challenges that face the district. The Superintendent responded to many questions regarding the budget and community concerns. At the February 17 meeting, the Board took action and approved budget-saving recommendations totaling \$14.51 million. The recommendations approved by the Board were not easy or made lightly. One specific area of difficulty included the elimination of home-to-school transportation.
- **March 3** – The Board took action to balance the remaining budget deficit. As many of the recommendations were negotiable, the Board approved recommendations totaling \$28.13 million as a safeguard in case negotiations with our bargaining unit partners did not come to fruition. These were not easy decisions for the Board or staff but few options remained. One area of particular concern was the elimination of co-curricular support which includes athletics. In addition to this action, the Second Interim Financial Report was approved, again with a Qualified certification.

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- **May 19** – The Board received information from staff regarding the Governor’s May Revise which was released on May 16. While the May Revise provided good news, revenue assumptions were still based on the passage of tax extensions by the voters. State revenues were higher than anticipated and cash deferrals were eliminated. However, there were still words of caution due to the uncertainty of the tax extensions. The May Revise included flat funding and reinstated the previous reduction of \$349 per Average Daily Attendance.
- **June 2** – As required by the Qualified status as of Second Interim, staff presented the Third Interim Financial Report for approval by the Board. At that time, staff’s recommendation included the reinstatement of home-to-school transportation and co-curricular support as the May Revise appeared to provide positive news.

The 2011-12 Adopted Budget includes flat revenue funding with budget-saving recommendations totaling \$22.35 million. The revenue generated from flat funding leaves a balance of \$13.95 million which is set aside in a reserve in the ending fund balance. Should the flat funding not materialize, this reserve of \$13.95 million will be used to offset the revenue reduction. Should the flat funding materialize, this reserve would be available to reinstate some salary savings and programs. The budget section of this report outlines the specific areas of budget savings.

II. Driving Governance:

- 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:

Board Approved on February 17 and March 3:

Federal Education Jobs Funds

\$3,150,000

The district received an allocation of \$8.4 million from the Federal Education Jobs and Medicaid Assistance Act of 2010. These funds were to be used for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees and to hire new employees in order to provide early childhood, elementary or secondary education and related services. Staff projected the use of \$4.38 million to retain existing

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school site staff in the 2011-12 budget. In addition, \$868,000 was set aside in 2010-11 for additional common planning time hours. The remaining amount of \$3.15 million will be used to retain existing school site staff -- in effect, helping to offset our budget deficit.

Tier III Programs **\$3,830,000**

Starting in 2008-09, the state provided complete flexibility of approximately 26 formerly restricted state-funded programs. The projected revenue for these programs was \$32.58 million. In balancing the 2010-11 budget, \$15.0 million was reduced from some Tier III programs. This recommendation will further reduce four Tier III programs.

The Adult Education budget will be reduced by \$3.0 million, leaving that program approximately \$5.0 million to fund a scaled-back program. This assumes the Adult Education Program will continue to generate fees of \$2.2 million that are contributed to the district. The Instructional Materials Block Grant will be reduced from the current allocation of \$1.5 million to \$1.0 million. These are funds that pay for textbooks and replacement materials. The School Library Improvement Block Grant will be reduced from \$954,000 to \$724,000, saving \$230,000. The remaining funds will pay for librarian time at middle schools and literacy support at the K-8 schools. The allocation of \$230,000 was used for literacy interventions at several elementary schools. The Teacher Credentialing Block Grant would be eliminated entirely, saving \$100,000. This program supports new teachers.

Increasing Class Size **\$7,050,000**

Increasing class sizes above contract limits is negotiable.

Class sizes at grades 4-6 would be increased by one student bringing the class load from 33:1 to 34:1. This increase would result in reducing teacher staff by 18 positions. (\$1.35 million)

Class sizes at grades 7-8 would be increased by five students bringing the class load from 31:1 to 36:1. This change would result in reducing teacher staff by 28 positions. (\$2.1 million)

Class sizes at grades 9-12 would be increased by five students bringing the class load from 35:1 to 40:1. This would result in reducing teacher staff by 48 positions. (\$3.6 million)

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Increase K-3 Class Size from 24.9:1 to 29:1 at Two Grade Levels **\$1,843,000**

This increase of four students per class would reduce the K-3 Class Size Reduction (CSR) revenue received from the state but is then offset by the loss of about 41 teaching positions. SCTA is contributing \$950 per teacher annually to support the lower class sizes in two grade levels. This recommendation would increase class size at the remaining two grade levels and does not require negotiations.

Savings from Remarketing of Certificates of Participation **\$500,000**

At the February 3, 2011 Board meeting, the remarketing of the 2002 Certificates of Participation was approved by the Board. Staff, along with the district's financial advisor, anticipates a reduction in debt service payments. Current projections indicate a General Funds savings of approximately \$500,000. Using this savings towards the budget deficit would eliminate the possibility of using the Qualified School Construction Bond allocation for the 2011-12 year. That allocation could be utilized in future years if funds become available.

Reduce Counselors by 14.6 positions **\$1,240,000**

The General Fund currently supports 14.6 counseling positions. Remaining counselor time (approximately 25 FTE's) would be funded categorically.

Print Shop – Self Supporting **\$100,000**

Generate revenue by providing printing services to outside agencies to fully pay for all staff, equipment and materials needs.

Reduce One Assistant Principal at Four High Schools **\$430,000**

Currently, the General Fund supports three assistant principals at each of our comprehensive high schools. This recommendation would reduce four of our high schools to two assistant principals.

Salary Reductions for All Employees - Negotiable **\$4,207,000**

Negotiations are taking place for furlough days with the understanding that should education take a reduction greater than that projected in the May Revise, additional salary reductions would be discussed. The savings amount has been reduced by \$2.2 million to allow for the \$950 per teacher contribution negotiated with SCTA for 2011-12.

TOTAL SAVINGS FROM ALL RECOMMENDATIONS **\$22,350,000**

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Detail of Tier III Transfers

Tier III Program	Original Funding	2010-11 Funding	2011-12 Funding	2011-12 Savings
Adult Education Program	\$12,452,096	\$8,093,862	\$5,093,862	\$3,000,000
Arts and Music Grant	\$620,318	\$565,000	\$565,000	
Cal Safe Academic Support	\$190,262	\$0	\$0	
California High School Exit Exam	\$439,001	\$0	\$0	
Certificated Staff Mentoring	\$86,771	\$0	\$0	
Child Oral Health Assessment	\$24,550	\$0	\$0	
Class Size Reduction – 9 th Grade	\$442,363	\$0	\$0	
Community Based English Tutoring	\$365,620	\$0	\$0	
Community Day School	\$39,164	\$39,164	\$39,164	
Deferred Maintenance*	\$1,550,422	\$0	\$0	
Gifted and Talented Education	\$311,839	\$311,839	\$311,839	
Instructional Materials Block Grant	\$2,206,123	\$1,500,000	\$1,000,000	\$500,000
PE Teacher Incentive Grant	\$159,392	\$0	\$0	
Peer Assistance and Review	\$152,530	\$0	\$0	
Professional Development Block Grant	\$2,358,344	\$1,572,229	\$1,572,229	
Pupil Retention Block Grant	\$840,175	\$0	\$0	
Regional Occupational Program	\$1,885,702	\$1,618,226	\$1,618,226	
School Library/ Improvement Block Grant	\$3,361,349	\$953,663	\$723,663	\$230,000
School Safety Competitive Grant	\$531,667	\$531,667	\$531,667	
Staff Development – Administrator Training	\$33,472	\$0	\$0	
Staff Development – Math and Reading Professional Development	\$195,647	\$0	\$0	
Supplemental School Counseling	\$1,164,990	\$896,150	\$896,150	
Targeted Instructional Improvement Block Grant	\$2,419,063	\$1,406,000	\$1,406,000	
Teacher Credentialing Block Grant	\$756,940	\$100,000	\$0	\$100,000
Total	\$32,587,800	\$17,587,800	\$13,757,800	\$3,830,000

*Deferred Maintenance funded at \$750,000 for 2011-12 in original budget projections and not included in the Tier III budget savings line item.

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IV. Goals, Objectives and Measures:

Present a balanced 2011-12 Adopted Budget to the Board for approval by June 30, 2011. Minimize reliance on the use of one-time funds as much as possible.

V. Major Initiatives:

- Continued analysis of information from the state
- Budget Revision within 45 days from signing of State Budget

VI. Results:

Budget development for 2011-12 has followed the timeline approved by the Board. With the approval of the 2011-12 Adopted Budget, expenditure authority for 2011-12 will be in place and the June 30, 2011 timeline will be met.

VII. Lessons Learned/Next Steps:

- Continue to monitor the State budget and its impact on the District finances.
- Continue to meet with bargaining units to seek cost reductions and long term budget savings.