



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item 10.1

Meeting Date: March 2, 2017

Subject: Approve 2017-18 Budget Reductions

- ☐ 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 made at the February 16, 2017 Board Meeting for maintaining a balanced 2017-2018 Budget.

Background/Rationale: Staff provided the First Interim Financial Report at the December 8, 2016 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 and grants to balance FY 2017-18.

At the January 19, 2017 Board Meeting, Kevin Gordon, from Capitol Advisor debriefed the Board on the Governor's proposed budget for 2017-18. At the February 2, 2017 Board Meeting, staff highlighted that the Governor is projecting flat funding for 2017-18, the only increase is a 1.48% COLA for Local Control Funding Formula (LCFF), and revenue projections for 2017-18 are less than estimated at 1st Interim. Staff pointed out that the majority of one time funds received in 2015-16 and 2016-17 do not continue for 2017-18 under the Governor's Budget Proposal. With the increase in pension cost and health benefits for the ongoing years, the need for adequate reserves to prepare for the volatility in State revenues increases. In addition, staff highlighted that there is a great uncertainty in federal funding under the new federal administration and we are projecting a 7% decrease in federal funding for 2017-18.

Budget reductions for FY 2017-18 are due to the ending and reduction of Categorical Funds. In addition, there are some reductions due to the adjustment for enrollment at some schools. Once funding is determined, staff will look into retaining positions.

Financial Considerations: Board approval of recommendations for budget balancing. Staff presented the reductions at the February 16, 2017 meeting as first reading.

LCAP Goal(s): College, Career and Life Ready Graduates; Family and Community Empowerment; Operational Excellence.

Documents Attached:

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

Estimated Time: 5 Minutes

Submitted by: Gerardo Castillo, CPA, Chief Business Officer

Approved by: José L. Banda, Superintendent

Board of Education Executive Summary

Business Services

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I. OVERVIEW/HISTORY:

While the fiscal condition of Sacramento City Unified School District has been stronger than usual these past three fiscal years, the district is projecting a return to normal fiscal conditions starting in FY 2017-18. As a result, the district may need to reinstate routine layoffs, which was standard practice in the district between 2003 and 2014. Whether or not these cuts are necessary will depend on whether certain grants are renewed. If layoffs, in many cases temporary, have to be implemented, it would impact less than 2% of our workforce.

Sacramento City Unified School District was forced into making budget reductions for twelve years in order to maintain fiscal stability, with the exception of the last three years, due to the implementation of Local Control Funding Formula. These reductions were a result of the State not funding statutory cost of living adjustments since 2007-08 and reducing revenue limit dollars in 2008-09, 2009-10 and 2011-12, 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. Budget savings included 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 2014-15 thru 2016-17 were positive for public education. As the economy improved, and had been aided by the additional \$7 billion in annual revenues provided by Proposition 30, Governor Brown was able to advance his agenda with authority for public education. This was 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 eight 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 was 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.

Presently, under the Governor’s proposal for 2017-18, the significant increase in revenues that helped SCUSD become positive during the last three years has come to an end. For 2017-18 the increase in pension costs, health benefits and step and column are greater than the increase LCFF revenues. 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%.

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During the last three years, 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. However, the State does not have the revenues to continue the increase in funding for 2017-18. As presented at the February 16th Board meeting, the District still relies on restricted funds to balance FY 2016-17 that will no longer be available for FY 2017-18. Such restricted funds are Title I, Title IV, After School Education and Safety (ASES) and local grants.

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 45 days' notice to classified employees of a layoff.

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.

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III. BUDGET:

As presented at the February 16th Board meeting, staff projects a budget shortfall in Title I. In addition Title IV (21st Century), After School Education and Safety (ASES), Tobacco Use Prevention Education (TUPE), Medical, LCFF and Local Grants such as Bechtel. Staff recommends the following action to balance the 2017-18 budget:

- Eliminate the positions and expenditures currently funded with Title I equivalent to \$2.9 million (an estimated reduction of 7%) for 2017-18.

The grant cycles are ending 6/30/2017 for the below grants. We have applied for renewal and/or submitted new competitive grant applications for all of these funds, totaling \$12 million a year.

- Eliminate the positions and expenditures currently funded with Title IV (21st Century) equivalent to \$3.83 million
- Eliminate the positions and expenditures currently funded with After School Education and Safety (ASES) equivalent to \$6.3 million
- Eliminate the positions and expenditures currently funded with Tobacco Use Prevention and Education (TUPE) equivalent to \$1.0 Million for a period of three years
- Eliminate the positions and expenditures currently funded with Bechtel Grant equivalent to \$.9 Million
- In addition to grants that are ending, there will be reduction of staffing at some schools due to adjustments to enrollment projections for both General Fund and Charter Fund. Most of these reductions will be offset by increase in enrollment in other schools.

IV. GOALS, OBJECTIVES AND MEASURES:

Maintain a balanced budget for 2016-17 and continue to follow the timeline to ensure a balanced budget for 2017-18 and 2018-19. The District's One-Stop staffing process will soon be completed. At that time, Human Resources will complete an analysis to determine the final outcome of the reductions to positions and staff. Any reductions in positions or staff will come before the Board under Resolution # 2926: Intention to Eliminate Positions Due to a Reduction of Particular Kinds of Service

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V. MAJOR INITIATIVES:

- Continued analysis of information from the state
- Support implementation of LCFF and the LCAP process
- Fiscal stability for 2017-2018, 2018-2019 and outlying years
- Focus expenditures to provide the best possible academic outcome

VI. RESULTS:

The budget reductions approved at the March 2, 2017 Board meeting will enable the District to submit a balanced 2017-18 and 2018-19 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, 2017.

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 and LCAP Committee
- Present the 2nd Interim by March 16th