



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 10.1

Meeting Date: March 3, 2011

Subject: 2011-12 Budget Recommendations and Reductions

- 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: Approve additional recommendations to provide a balanced 2011-12 Adopted budget.

Background/Rationale: On January 10, 2011 the Governor released his proposed budget for fiscal year 2011-12. On January 20, 2011, a representative from School Services of California presented a state budget overview and staff presented additional information related to our specific budget. On February 3, 2011, two scenarios were outlined. The first scenario assumes that tax extensions are approved by voters in June. This scenario would create a \$9.2 million shortfall to the district's budget and is the best case. A second scenario – worst case - was discussed assuming the tax extensions are not approved by voters in June – this would create a \$22.35 million shortfall.

At the February 17, 2011 meeting, the Board took action on \$14.51 million in budget reductions as a first step towards balancing the 2011-12 budget. In order to submit the 2010-11 Second Interim Financial Report, remaining actions must take place that will ensure a balanced budget for 2011-12. Staff will provide additional recommendations to address the worst case scenario.

Financial Considerations: Board approval on recommendations totaling \$13.62 million.

Documents Attached:

1. Executive Summary

Estimated Time of Presentation: 15 Minutes

Submitted by: Patricia A. Hagemeyer, Chief Business Officer

Approved by: Jonathan P. Raymond, Superintendent

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I. Overview/History:

Starting with mid-year reductions in 2002-03, Sacramento City Unified School District has reduced expenditures, enhanced revenues or used one-time funds for a total of \$177.36 million to maintain balanced budgets. This shortfall was caused by reductions in state revenues, increased employee costs and declining enrollment. Over the past decade, enrollment has declined. At our peak in the 2000-01 school year, our K-12 enrollment was 52,340. This year, our enrollment is at 43,799. Our district one-time funds, used to help nine years of reductions, are gone. Employee salaries and benefits make up 89 percent of our discretionary funds. School Services of California has reported that an economic recovery could take until 2016, particularly because California was hit harder by the recession than other states.

Over the past nine years, 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 included increasing class sizes, reducing custodial and central office staff, reduction of the summer school program, charging adult education fees and using the state-approved flexibility on certain categorical programs.

At the February 3, 2011 Board meeting, staff outlined a best case and worst case scenario based on the best information available. At this time, the district must assume the worst case scenario and develop a balanced budget based on a projected \$22.35 million shortfall for 2011-12.

On February 17, 2011, a staff recommendation totaling \$14.511 million in budget savings was approved by the Board. These recommendations were not easy or made lightly. As we move towards balancing the worst case scenario, the recommendations will become more difficult. These recommendations are needed to maintain a "Qualified" certification status on our Second Interim Financial Report. The Sacramento County Office of Education requires Board action on items included in the Second Interim Financial Report which must be approved by March 15th. The recommendations presented this evening to balance the \$22.35 million shortfall are necessary to demonstrate to the Sacramento County Office of Education that there will be a balanced 2011-12 budget. Staff will continue to look for options to reduce costs for contracts and other services, generating revenue and will continue meeting with bargaining units to identify additional savings.

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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 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 fiscal year and, based on current forecasts, for the future fiscal year. 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 not less than 45 days notice to classified employees of a layoff. Classified layoff is generally brought forward to the Board in early April.
- 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:

The following recommendations were approved at the February 17, 2011 Board meeting.

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 school site staff in the 2011-12 budget. In addition, \$868,000 was set aside 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 Reductions **\$2,830,000**

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 \$2.0 million, leaving that program approximately \$6 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.

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Increasing Class Size \$7,050,000

Increasing class sizes above contract limits is negotiable. Board approval will provide direction to continue the negotiating process.

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)

Eliminate Home-to-School Transportation \$981,000

The elimination of home-to-school transportation would leave transportation only for Special Education students and program improvement choice. All routes established for the 1.5 mile walking distance, safety routes and concapping routes would be eliminated. The elimination of these routes would result in approximately 18 fewer bus drivers.

The 1.5 mile walking distance and safety routes will impact approximately 1,377 students. The savings from eliminating these two criteria will be about \$800,000.

Concapping transportation impacts approximately 325 students and the savings from eliminating this transportation will be approximately \$181,000.

Special Education and program improvement choice transportation, which will not be eliminated, impact approximately 1,438 students.

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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, anticipate 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.

Total Recommendations Approved **\$14,511,000**

Staff recommendation to balance \$22.35 million shortfall and exceed projected deficit:

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

This increase of 4 students per class would reduce the K-3 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.

Elimination of Co-Curricular Support **\$1,261,000**

This would mean the elimination of all extra pay for extra duty stipends which includes such things as athletic coaching, band, choir, drama and yearbook as well as other activities. It would also mean the elimination of uniform replacement funds, athletic trainer funds and co-curricular transportation funds. This would impact K-8, Middle and High School activities.

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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.

Reduce Adult Education **\$1,000,000**

This reduction would reduce the Adult Education Program by \$1.0 million on top of the \$2.0 million already approved on February 17. As discussed at the February 17 meeting, this additional reduction would impact the summer program at Fremont School for Adults and eliminate a night program at Charles A. Jones Business and Education Center.

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.

Five Percent Salary Reductions for All Employees - Negotiable **\$7,747,000**

In lieu of furlough days, all employees would take a five percent salary reduction. Every effort would be made to treat this in a manner that doesn't impact salary rates for retirement purposes. Unrepresented Management, Supervisors and Confidential staff have already agreed to this reduction. The savings amount has been reduced by \$2.2 million to allow for the \$950 per teacher contribution negotiated with SCTA for 2011-12. The five percent salary reduction would replace that contribution.

Total Recommendations for Approval **\$13,621,000**

Total Recommendations from February 17 and March 3 **\$28,132,000**

Amount Needed to Balance for Worst Case Scenario **\$22,350,000**

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IV. Goals, Objectives and Measures:

The Second Interim Financial Report filed with the Sacramento County Office of Education by March 15th will reflect these recommendations so that the district presents a balanced 2011-12 budget in order to maintain our Qualified status.

V. Major Initiatives:

Under the leadership of the Superintendent, surveys submitted by community and staff will continue to be reviewed to provide guidance as we move forward with budget recommendations. In addition, feedback from seven community forums will continue to be gathered and studied.

VI. Results:

Budget development for 2011-12 will follow the timeline approved by the Board. Required Board actions will take place in order to ensure a balanced adopted budget is in place by June 30, 2011.

VII. Lessons Learned/Next Steps:

- Follow the approved budget timeline with adjustments made as necessary.
- Continue to monitor the State budget and its impact on the district finances.
- Continue to engage stakeholders in the budget development process through community budget meetings and other forms of communication.
- Continue to meet with bargaining units to seek cost reductions and long-term budget savings.
- Continue reviewing contracts to identify additional savings and pursue revenue generating options such as summer school and fees for adult education.