

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

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

Documents Attached:

1. Executive Summary

Board of Education Executive Summary

Business Services

2017-2018 Budget Reductions

March 2, 2017



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

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III. BUDGET:

As presented at the February 16

