School Money
Do you ever wonder where money for schools comes from and where it goes? Here is a primer.

Where does it come from?
Every year, SFUSD receives money from sources ranging from federal, state, and local levels. Some of the funds are earmarked for specific purposes such as building maintenance, and others are for even more defined uses, like intensive algebra instruction or professional training for teachers.

In budget-speak, money that is applied to the day-to-day operations of schools, and is not designated for specific projects, is called unrestricted general fund money. For example, a teacher is usually paid through unrestricted general fund money, whereas voter-approved bond money to fix school buildings is paid through a restricted category.

California currently ranks 49th among 50 states and Washington, D.C. in per pupil spending at only $8,482 per student, compared to the national average of $11,824 per student.* Since Proposition 13 (the voter-approved initiative passed in 1978 that severely restricted property taxes and transferred control of that revenue to the state level) California schools have had to generate funds from local ballot measures to make up for the subsequent loss of tax revenues.

In 2004, San Francisco voters approved Proposition H, known as the “public education enrichment fund,” which has begun providing new librarians, PE teachers, and visual and performing arts. Additionally, over the past ten years, voters have approved three ballot measures authorizing SFUSD to issue bonds to pay for capital improvements for over 60 schools. SFUSD maintains credit ratings for its general obligation bonds in the “Double-A” category from both Moody’s (Aa2) and Standard & Poor’s (AA-). These ratings are higher than those of most California school districts and are based on San Francisco’s large and diverse tax base, the District’s moderate debt burden, management practices, and other factors.

In the past few years, another fund source for the district has been in the news, called the “rainy day fund” from the city of San Francisco. Voters approved a ballot measure in 2003 that required the city to save reserve ‘extra’ money during healthy economic times. There are strict guidelines for how that money can be used — either on city needs if revenue is down or on public schools if they face state-funding cuts. The district is allowed up to 25 percent of the fund in any given year.

Over the last several years, SFUSD has qualified for amounts ranging from $6-24 million to help cover shortfalls in state funding. As the fund runs out, the district will receive less in future years.

In truth, local efforts and support have been critical to SFUSD, which has been able to maintain more services than most surrounding school districts.

Where does it go?
Like a family household budget, SFUSD’s expenses have to cover everything from daily dish detergent to new plumbing.

About 70 percent of the district’s unrestricted general funds pay for teachers and their classroom supplies. The next largest expenses were for special education programs, building maintenance and custodians, substitute teacher salaries, utility bills, and security. Central administration — for school district operations such as supervising principals, hiring personnel, and the Board of Education - amounts to just under four percent of SFUSD’s unrestricted budget.

According to the National School Boards Association, this is slightly lower than the national average for central offices in urban school districts.

Each school has a unique student population and a set of needs that varies from site to site. One way the budget allocation process works to ensure that schools have adequate money to educate their particular students is a system called the Weighted Student Formula (WSF). This is a certain dollar amount that each student ‘brings’ to a school based on his or her English proficiency, special education needs, and family income. Every school builds its budget each spring based on its projected Weighted Student Formula.

A Budget in the Balance
Like many households lately, SFUSD has seen some expenses rise quickly while at the same time the ‘household’ income sharply decreases. For example, the district is required to contribute over $100 million each year to health care coverage for employees and retirees.


* Based on financial data reported in Education Week Quality Counts 2013