San Francisco Unified School District

Budget Planning Update
FY 2011-12
April 2011
State Budget Recap

- In January Governor Brown proposed a budget for 2011-12 which would have closed the State’s $26.7 billion budget gap mostly through a combination of non-K-12 spending cuts and 5-year extension of temporary tax increases enacted 2 years ago.
- He proposed to keep K-12 funding at current year levels (but with no COLA), noting that education has borne a disproportionate share of cuts in the past.
- Governor’s plan depended on:
  - 2/3 of the Legislature agreeing to place on a June special election an extension of the temporary tax increases.
  - A majority of voters approving the measure.
- The Legislature has approved the non K-12 spending cuts but has fallen short of approving the tax extensions.
- Time has run out for a June ballot measure.
- Governor is still trying to convince Republican legislators and their constituents to support tax extensions, maybe through legislative action first followed by voter approval later.
Budget Contingency Plans

- Like other school districts, we have been planning for two scenarios:
  
  **Scenario A**
  - The extension of tax increases is approved by the voters and funding is maintained flat. Under this scenario, the average unified school district will see a $19 per ADA reduction in revenue limit funding.

  **Scenario B**
  - The Legislature fails to place the measure on the ballot or a majority vote of the electorate is not successful. This would result in an additional loss of $330 per ADA ($349 total).

- Because a June ballot measure is not possible, we must now focus on Scenario B.

- Many are speculating that things could be even worse than that.

*In addition to these cuts to the state Revenue Limit (ADA) funding, increasing costs including benefits and step and column adjustments are contributing to our projected deficit.*
How Bad Could It Get?

THE SKY IS FALLING!

THE SKY IS FALLING!

THAT'S MY LINE.
Governor and legislators are increasingly talking about an “all-cuts” budget, to lay out consequences of not extending taxes

- Governor has stated that education would face a cut of $4 to 5 billion in an all-cuts budget
- That could mean a cut of $825 per ADA (instead of $349)

This would require a suspension of Prop 98, which needs a 2/3 vote of the Legislature

In this situation, rules would likely need to change for schools (such as reducing days, making more restricted programs flexible, removing class size restrictions)

- Otherwise, many districts will require State bailout loans – reversing much of the savings from K-12 funding cuts

CA schools have been in crisis mode for a long time but things keep getting worse
What Happens Next in Sacramento?

- Some speculate it’s still possible to approve the tax extensions legislatively (but not by voter approval) by the beginning of the fiscal year (July 1)
  - Theoretically, tax measure(s) could be placed on a fall special election ballot but by then would represent a tax increase (not an extension)

- In the meantime, economic changes could also cause a revision, up or down

- Governor releases his next plan by the May Revision (mid-May), considering the possibility of new taxes and latest news on current year revenues
SFUSD Plans

- We are basing our current projections on Scenario B, the $349 per ADA cut
  - This approach is tied directly to the Governor’s January budget
  - Although there is speculation about a higher cut to education, there is currently no proposal by the Governor or Legislature
  - FCMAT, School Services and business officials of most County Offices of Education do not believe we should attempt to guess at a new number until the Governor announces a new plan
  - Increases in our costs bring the projected shortfall up to $25 million, or about $485 per ADA, after taking federal jobs funds into account
- We should know more by the May Revision at the latest (mid-May)
- Remember these latest cuts will be on top of those identified last year for FY 2010-11 and FY 2011-12 to close a $113 million shortfall, including:
  - Furlough (no school) days
  - Use of Prop A revenues
  - Reduce summer school
  - Reduce transportation
  - Tier 3 program flexibility sweeps
  - Reduce STAR support
  - Central services cuts
  - Reduce PEEF (Other General Uses)
## Current Multi-Year Baseline Projections (Before New Cuts)

<table>
<thead>
<tr>
<th>(All $ in millions)</th>
<th>FY 2009-10 Actuals</th>
<th>FY 2010-11 2nd Interim</th>
<th>FY 2011-12 Projected</th>
<th>FY 2012-13 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Unrestricted Revenues</td>
<td>382.6</td>
<td>381.9</td>
<td>358.5</td>
<td>364.8</td>
</tr>
<tr>
<td>Total Unrestricted Expenditures</td>
<td>365.0</td>
<td>353.0</td>
<td>388.9</td>
<td>401.2</td>
</tr>
<tr>
<td>Surplus/(Deficiency)</td>
<td>17.6</td>
<td>28.9</td>
<td>(30.5)</td>
<td>(36.4)</td>
</tr>
<tr>
<td>Total Other Sources/(Uses)</td>
<td>(8.8)</td>
<td>(9.0)</td>
<td>(9.3)</td>
<td>(9.3)</td>
</tr>
<tr>
<td>Interfund Transfers</td>
<td>(13.5)</td>
<td>(12.8)</td>
<td>(13.6)</td>
<td>(13.6)</td>
</tr>
<tr>
<td>Net Increase / (Decrease) in Fund Balance</td>
<td>(4.7)</td>
<td></td>
<td>(53.4)</td>
<td>(59.3)</td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>43.5</td>
<td>38.8</td>
<td>45.9</td>
<td>(7.5)</td>
</tr>
<tr>
<td>Ending Fund Balance</td>
<td>38.8</td>
<td>45.9</td>
<td>(7.5)</td>
<td>(66.8)</td>
</tr>
<tr>
<td>EFB After Reserves &amp; Designations</td>
<td>21.5</td>
<td>29.1</td>
<td>(24.8)</td>
<td>(84.1)</td>
</tr>
<tr>
<td></td>
<td>FY 2009-10 Actuals</td>
<td>FY 2010-11 2nd Interim</td>
<td>FY 2011-12 Projected</td>
<td>FY 2012-13 Projected</td>
</tr>
<tr>
<td>----------------</td>
<td>--------------------</td>
<td>------------------------</td>
<td>----------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>43.5</td>
<td>38.8</td>
<td>45.9</td>
<td>45.9</td>
</tr>
<tr>
<td>Ending Fund Balance</td>
<td>38.8</td>
<td>29.1</td>
<td>-7.5</td>
<td>-7.5</td>
</tr>
<tr>
<td>EFB After Reserves &amp; Designations</td>
<td>21.5</td>
<td>29.1</td>
<td>-24.8</td>
<td>-66.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Multi-Year Baseline Projections: Fund Balance
(All $ in millions)
Guiding Principles for Budget Process

- **Fight for long-term solutions** - The SFUSD community can lead the call for systemic change to fund schools adequately
- **Consider students with the highest need** – To the greatest extent possible, prioritize resources and services to students with greatest academic needs
- **Prioritize services directly impacting achievement**
- **Be willing to change the status quo** – Reduce investments that haven’t shown enough results and focus resources on research-based initiatives
- **Plan thoughtfully** – Consider short- and long-term impact of cuts and how other funding sources can help reduce the impact
- **Keep SFUSD financially healthy** – maintain solvency, avoid state takeover and survive to see better times ahead
- **Engage the community** – Provide meaningful opportunities for stakeholders to inform budget decisions at schools and at the district level
## Potential Ways to Close Deficit

<table>
<thead>
<tr>
<th>(All $ in millions)</th>
<th>FY 2010-11 2nd Interim</th>
<th>FY 2011-12 Projected</th>
<th>FY 2012-13 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional Revenues - Rainy Day Reserves</td>
<td>8.35</td>
<td>TBD</td>
<td></td>
</tr>
<tr>
<td>Central Services Expenditure Reductions</td>
<td>5.5</td>
<td>5.5</td>
<td></td>
</tr>
<tr>
<td>WSF Reductions - (Scenario B)</td>
<td>5.3</td>
<td>5.3</td>
<td></td>
</tr>
<tr>
<td>Lower Contributions to SpEd, EED, SNS, Maintenance</td>
<td>2.0</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>Reductions in Tier III Programs</td>
<td>3.0</td>
<td>3.0</td>
<td></td>
</tr>
<tr>
<td>Reduction to Gen Ed Transportation</td>
<td>0.84</td>
<td>1.39</td>
<td></td>
</tr>
<tr>
<td>Other Adjustments</td>
<td>0.86</td>
<td>2.21</td>
<td>1.71</td>
</tr>
<tr>
<td>Extend Furlough (non-school) Days</td>
<td></td>
<td>6.6</td>
<td></td>
</tr>
<tr>
<td>Extend Ongoing Prop A Offsets / Cuts</td>
<td></td>
<td>6.0</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>0.86</td>
<td>27.2</td>
<td>32.0</td>
</tr>
</tbody>
</table>
Other Options

- Other potential cuts include (but are not limited to):
  - Reduce AP prep allocation*
  - Increase K-3 Class size*
  - Transportation (Special Ed, faster cuts to Gen. Ed.)
  - Freeze Step & Column*
  - Close Schools
  - Deeper reductions to items listed on p.7

- Revenue-generating efforts
  - Real estate leases
  - Medi-Cal recovery
  - Local parcel tax
  - Additional Rainy Day funds (in 12-13)
  - Grants and donations
  - Increase attendance rates

*Subject to collective bargaining.

We welcome suggestions from employees and community members

Please email your ideas to: budget@sfusd.edu
School Budget Planning

- Schools were asked to submit two versions of site-based budgets.
  - Scenario A: Allocations assumed “flat funding” of K-12 education (tax extensions).
  - Scenario B: Allocations assumed a reduction of K-12 education (no tax extensions).

- We need to plan for Scenario B

- If things get even worse, we will need to adjust accordingly

_We know school budgets are already “bare bones” and we’re trying to find cuts elsewhere as much as possible_
What Can We Do?

- Legislative Advocacy - “No Suspension” Pledge
- Joint advocacy with CORE network of large districts
- Seek assistance from City’s Rainy Day Reserve
  - Mayor and several Supervisors have pledged $8.3 million for FY 2011-12
  - May seek additional funds in FY 2012-13

Local efforts and support have been critical to SFUSD. Thanks to the Public Education Enrichment Fund, Prop A Quality Teacher and Education Act, SFUSD facilities bonds and the City’s Rainy Day Reserve, we have been able to maintain more services than most California school districts.
## Draft Budget Development Timeline*

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb. 12</td>
<td>School Planning Summit</td>
</tr>
<tr>
<td>March</td>
<td>Preliminary notification of certificated layoffs</td>
</tr>
<tr>
<td>March 24</td>
<td>School budgets and BSC’s submitted</td>
</tr>
<tr>
<td>May 5, 12</td>
<td>Community meetings</td>
</tr>
<tr>
<td>Mid-May</td>
<td>Governor’s May Revision; layoff notification for certificated (final notice) and other employees</td>
</tr>
<tr>
<td>May-June</td>
<td>Superintendent’s recommended budget revised based on updated projections</td>
</tr>
<tr>
<td>June 28</td>
<td>Board of Education adopts budget for FY 2011-2012</td>
</tr>
</tbody>
</table>

*Some dates are subject to change pending new information*
Appendix A: Underfunding CA Schools
Projected vs. Actual Funding Per ADA

Failure of tax proposals (Scenario B) translates to underfunding of $83 million in FY 2011-12
Appendix A: Underfunding CA Schools
CA’s K-12 Spending Lags the U.S.

California’s K-12 Spending Per Student Lags Behind That of the Rest of the U.S. More Than at Any Time in 40 Years

*2008-09 and 2009-10 estimated.
Note: Rest of U.S. excludes the District of Columbia
Source: National Education Association
Appendix B: Guide to Acronyms

- ADA – Average Daily Attendance
- COLA – Cost of Living Adjustment
- CORE – California Office to Reform Education
- EED – Early Education Department
- FCMAT – Financial Crisis Management and Assistance Team
- PEEF – Public Education Enrichment Fund
- SNS – Student Nutrition Services
- SpEd – Special Education
- STAR – Students and Teachers Achieving Results
- Tier 3 – State funds for formerly restricted programs that are now flexible, including funding for maintenance, textbooks, professional development and other expenses
- WSF – Weighted Student Formula
Appendix C: SFUSD Budget Overview* (FY 2010-11)

The UGF is the focus for determining the overall “bottom line” but SFUSD budgets and pays for other important activities through other funds.

*Does not include County Office of Education.
Appendix C: SFUSD Budget Overview
Unrestricted General Fund (FY 2010-11)

The UGF is affected by contributions to several other funds (in “Other Outgo” and “Other Uses” categories).