

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item 7.1

Meeting Date: January 26, 2021

Subject: Resolution No. 3180: Recognition of District Structural Deficit

- Conference/First Reading (Action Anticipated February 4, 2021)**
- Conference/Action**
- Action**
- Public Hearing**

Division: Office of the Superintendent

been analyzed by

independent entities have offered recommendations aimed at reducing the District's challenges and to establish the goal of taking actions to address such challenges. Independent entities include the Fiscal Crisis & Management Assistance Structural Deficit. The proposed Resolution aims to recognize the District's Fiscal Team (FCMAT), the California State Auditor, the Sacramento County Office of

Financial Considerations: The proposed Resolution is directed at recognizing and addressing the District's Structural Deficit.

LCAP Goal(s): Operational Excellence

Documents Attached:

1. Resolution No. 3180 to follow subsequently prior to the Board Meeting

Estimated Time of Presentation: 15 minutes

Submitted by: President Pritchett, Board of Education

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION
RESOLUTION NO. 3180

RESOLUTION ON RECOGNITION OF STRUCTURAL DEFICIT

WHEREAS, the Sacramento City Unified School District (“District”) is facing a significant structural budget deficit in the unrestricted General Fund and independent entities expect that deficit to grow in future years if corrective action is not taken because as noted by the State Auditor, the district spends more than it receives in revenue and its costs are growing faster than its revenues (Audit Report at Figure 9, pg. 35); and

WHEREAS, The Board recognizes that budget projections of both revenue and expenditures are made at a specific point in time, that projections are updated and are expected to change often based on numerous factors, and that the District uses industry standards to make budget projections, including relying on a cohort method for enrollment projections and using the latest factors released by the Department of Finance (DOF) and Fiscal Crisis & Management Assistance Team (FCMAT) tools that districts are expected to utilize as planning factors, including primarily State required reports and key information regarding budget assumptions, multi-year projections, and cash flow reports (First Interim Report Assumptions at pg. 187; FCMAT 2020 Report at pg. 6); and

WHEREAS, the Sacramento County Office of Education disapproved the District’s adopted budget for the 2018-2019, the

state loan and takeover of the District; and

WHEREAS, State Takeover or “receivership” results in the loss of local board control of the District with the appointment of an outside administrator and additional costs for repaying the state loan with interest as well as additional oversight, and as recognized by the State Auditor, “[f]urther, when a district must make loan and related interest payments, it has less funding available for students. As a result, it may need to increase class size and reduce programs and opportunities for students.” (Audit Report at pg. 13); and

WHEREAS, the District’s budget has been analyzed by numerous outside independent entities, including the California State Auditor pursuant to its authority under Government Code Section 8543, et seq., the

3. [Fiscal Crisis & Management Assistance Team \(FCMAT\) - 2020](#)
4. [Policy Analysis for California Education \(PACE\) - 2019](#)
5. [Sacramento County Office of Education \(SCOE\) Analyses Continuing](#)

Critical conclusions from these independent entities include:

1. The District does not have sufficient ongoing resources to support ongoing expenses. As noted by the [State Auditor](#), [“Sacramento Unified’s costs, such as salaries and benefits, have increased at a rate that has outpaced the ongoing revenue it receives.”](#) (Audit Report at pg. 9, Figure 2)

2. The District should not rely on one-time funds to support ongoing expenses. As recognized by the [State Auditor](#), [“The Legislature appropriates one-time funds for a specific purpose and for a limited term, and subsequent legislation is necessary to renew them. Thus, such funds are fundamentally different from funds that districts generally use for ongoing costs, which consist of appropriations for the same purpose that are funded on an annual basis or continuously appropriated funds that are appropriated from year to year.”](#) (Audit Report at pg. 16) For example, in fiscal year 2017–18, Sacramento Unified received \$5.7 million in one-time funds from the State for the purpose of satisfying potential outstanding state mandate claims.

3. The District muso mpi

WHEREAS, the District's current benefit structure includes [significantly underfunded retiree lifetime health benefits in addition to fully-paid, high-priced health benefits for active employees](#) (Audit Report at pg. 20-22, Figure 7; see also [FCMAT 2018](#))

WHEREAS, the Board recognizes that the District has been able to supplement its budget and temporarily mitigate its deficit with Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and recent Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSA Act) **one-time restricted revenues** which must be [spent for specific COVID related purposes](#) as further [outlined by the California Department of Education \(CDE\) and School Services of California](#) (SSC) (Adopted Budget at pg. 7-31), and the Board of Education understands that these funds are one-time restricted funds and non-sustainable as they must be expended by June 2021, December 2021, September 2022, and June 2023; and

WHEREAS, the Board understands that the District accounts for these res cricsen-3nb 0.00.8.1d ())Tj 0.

The District's on-going, structural budget deficit would increase to approximately \$33 million by 2022-2023 based on 2020-2021 First Interim and factoring in generous assumptions from the Governor's January Proposed Budget (see Budget and Fiscal Recovery Plan Update, Board Presentation Item 7.2, January 26, 2021)

A prolonged inability to reach a point of fiscal recovery where the District can afford to invest in programs, services, and staff training to support student safety, wellness, academic success and social and emotional well-being, such as: expanding inclusive practices for students with disabilities throughout the district; offering additional specialized programs of study; providing equitable extracurricular activities and replacing the current "pay-to-play" and fundraising models for athletic and experiential activities, which are pervasive in our District; enhancing cultural competency and linguistic services, expanding enrichment programs such as college visits; adopting new, updated, socially and culturally relevant curricular materials; and providing high-quality ongoing professional staff development

NOW, THEREFORE, BE IT RESOLVED that, the SCUSD Board of Education recognizes the existence of and significant threat posed by the District's ongoing structural deficit, and;

BE IT FURTHER RESOLVED that the District must act to reduce the ongoing unrestricted general fund expenditures in order to balance the multi-year budget that meets the state mandated 2% reserve, avoids a state loan and takeover, and provides a foundation for solvency and reinvestment in critical priorities when resources allow.

PASSED AND ADOPTED by the Sacramento City Unified School District Board of Education on this ____ day of _____ 2021, by the following vote:

AYES: _____

NOES: _____

ABSTAIN: _____

ABSENT: _____

ATTESTED TO:

Jorge A. Aguilar
Secretary of the Board of Education

Christina Pritchett
President of the Board of Education