



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 10.2

Meeting Date : January 22, 2015

Subject : 2015-2016 Governor's Budget Proposal

- Information Item Only
- Approval on Consent Agenda
- Conference (for discussion only)
- Conference/First Reading (Action Anticipated: _____)
- Conference/Action
- Action
- Public Hearing

Division : Business Services

_____ : The budget cycle is an evolutionary process that is refined as new information becomes available. As the district executes the current year budget, the process begins to develop the budget for the next fiscal year. The first event of the new budget cycle is the presentation of the Governor's Proposed Budget that becomes public in January of each year.

Financial Considerations : Board review and preparation for actions required to effectively balance the 2015-2016 and 2016-2017 budgets.

Documents Attached:

1. Executive Summary

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| Estimated Time of Presentation: 10 minutes Submitted by: Gerardo Castillo, CPA, Interim Chief Business Officer Approved by: José L. Banda, Superintendent |
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Board of Education Executive Summary

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2015-2016 Governor's Budget Proposal

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The Governor's Budget Proposals for 2015-16 continue the positive theme that has existed over the past two years for public education. As the economy has improved, and been aided by the additional \$7 billion in annual revenues provided by Proposition 30, Governor Brown has been able to advance his agenda with authority for public education. This is great news for Sacramento City Unified School District (SCUSD), especially since SCUSD has been in a budget reduction mode since the 2002-03 school year. In the past seven 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 is 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.

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%. The Governor clearly acknowledged that the growth in education budget was warranted largely because of the fact that the cuts to education were much deeper than other areas of the State Budget. The Governor's effort to restore funding to public education is greatly appreciated.

Budget reductions have been made to all employee groups, supplies, services, utilities, and capital

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- Reminder: LCFF is designed to distribute additional funds to all school districts over time, but

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Overall, a very good State Budget for public education, funding is however only part of the equation. Declining enrollment, increased operating expenses and uncertain future state resources are the key issues facing the Sacramento City Unified School District. The development of future budgets will be influenced by external variables such as the State Budget and enrollment changes. Internal factors of compensation and number of employees must be commensurate with the number of students. Sacramento City Unified School District must be vigilant in monitoring all expenditures to avoid fiscal distress.

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 15

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III. BUDGET:

Budget projections remain extremely fluid at this point in terms of the budget process. The Governor's Budget Proposals do not mark the end of the Budget cycle—they mark the beginning. The Legislature will have a lot to say about the Governor's priorities, especially with all the new revenues streaming in. This would be the third year in a row that the Governor has made public education his highest priority. In his press conference announcing his Budget, the Governor made the valid point that education took more than its fair share of reductions during the last recession. The Legislature will push for improvements in other areas of the Budget, as they did the last couple of years. The Governor will again be tested, but he has proven that he can stand his ground.

Staff attended the Budget Conference on January 15th and is still reviewing the details.

IV. GOALS, OBJECTIVES AND MEASURES:

Maintain a balanced budget for 2014-2015 and continue to follow the timeline to ensure a balanced 2015-2016 budget.

V. MAJOR INITIATIVES: ::