San Diego Unified School District

Three-Year Budgeting Planning

Board of Education
July 30, 2013
Motion

- To recognize that the ongoing property sales constitute the School Stabilization Fund

The purpose of the School Stabilization Fund is to partially cover the gap between current costs of operating our schools and the low level of funding from the state until that funding improves sufficiently over the next three years. We will continue to make other cuts, as needed, which are not covered by this fund. Furthermore, any funds in excess of what is required for school stabilization will be directed to one time investments, such as initial expenses to adopt a common calendar.

The Board will not sell properties in excess of the properties already set for sale, for one-time funds.

- To direct staff to come up with a Three Year Budget Plan based upon school stabilization by July 30

A three year budget plan can be developed in July, at which point the 2013-2014 budget will be refined based upon further details following the signing of the state budget by the Governor. The three year budget plan will include that updated information plus a high level review of all assumptions regarding liabilities. The plan will indicate what part of the shortfall will be filled by the School Stabilization Fund and what part will be filled by increased revenue or decreased expenditures. While adjustments would be made each year prior to budget adoption, the three year plan would bring stability to our schools and allow all staff to focus more on our most important bottom line, which is student achievement. Therefore 2016-17 budget ongoing expenses are met by ongoing revenues.

Beyond the three-year projection by 2016-17, ongoing expenditures will be met by ongoing revenue.
Three Year Budget Plan for School Stabilization

- 3-Year budget planning brings stability to schools and safeguards focus on student achievement
  - Necessary adjustments to be made upon new information
  - This will be done with an intent to avoid massive across-the-board-employee layoffs, salary concessions and furlough days

- Bridge between low levels of funding and operational costs
  - Passage of Proposition 30
  - Local Control Funding Formula
    - Slowly increases funding over next 8 years
    - Restoration of funding by 2020/21 to 2007/08 levels
  - One-time property sales
Budget Priorities

- **1<sup>st</sup>** Close structural deficit while honoring employee contracts and focusing on student achievement*
  - School Stabilization Fund will cover structural deficit until State revenues increase
- **2<sup>nd</sup>** Build financial reserves
  - Allows District to avoid instability in future economic downturns
- **3<sup>rd</sup>** Strategically analyze critically needed positions and programs
  - Will be based on alignment of goals in providing a broad and challenging curriculum in quality schools in every neighborhood
- **4<sup>th</sup>** Enhance programs and salaries
  - Broad and challenging curriculum will be enhanced and salaries will make San Diego Unified competitive with other school districts

*This is the major focus of the 3 Year Plan*
School Stabilization Fund 2013-2016

- Alignment with Vision 2020
  - Quality schools in every neighborhood
- **Total Fund: $105.0M from property sales**

<table>
<thead>
<tr>
<th>Year</th>
<th>Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>$57.8M</td>
</tr>
<tr>
<td>2014-15</td>
<td>$43.6M</td>
</tr>
<tr>
<td>2015-16</td>
<td>$3.5M</td>
</tr>
<tr>
<td>2016-17</td>
<td>$0.0M</td>
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</tbody>
</table>
Goal: Three-Year San Diego Unified Budget Plan

• Develop for July 30 Board meeting
  • Use updated 2013-14 revenue calculations to make reasonable projections for 2014-15 and 2015-16
  • School Stabilization Fund must be gradually disbursed through 2015-16, at which point revenues will be more aligned with our operating costs

• Budget Planning Process
  • Careful review of all assumptions, related to revenue (lower dropout rate, higher enrollment, return to neighborhood schools, etc.) and expenditures (utilities, transportation, etc.)
  • Calculation of amount available each year from School Stabilization Fund budget solutions needed for remaining deficit, including staffing and program adjustments
Bridging the Gap for our Schools
Assumptions

- **Local Control Funding Formula (LCFF)**
  - Moderate approach to implementation
    - State budget language indicates funding subject to annual appropriations
    - DOF reflects conservative approach with implementation percentages in the event revenue projections do not materialize

- **“Evolving Change”**
  - Formula components continue to evolve with the Department of Finance (DOF)
  - Planning a 3-year budget projections is based on best information available, which can be challenging especially for Year 3
  - 3-year planning will result in an ongoing working document that will be updated at key checkpoints when new information is available
    - Governor’s January Budget Proposal
    - Governor’s May Budget Revision
    - San Diego County of Education Guidance
  - Strategic adjustments will be made based on new information
  - Revenue assumptions based on gradual stabilization of district enrollment by third year.
# 3-Year Budget Goals

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Beginning Balance</td>
<td>$ 46,004,733</td>
<td>$ 69,608,327</td>
<td>$ 38,991,877</td>
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<tr>
<td>Total Revenues</td>
<td>$ 779,781,398</td>
<td>$ 835,015,468</td>
<td>$ 894,668,162</td>
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<td>Total Expenditures</td>
<td>$(694,835,643)</td>
<td>$(699,056,092)</td>
<td>$(681,782,408)</td>
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<td>Other Sources</td>
<td>$(146,093,597)</td>
<td>$(242,397,936)</td>
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<td>Ending Balance</td>
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<td>$(36,830,233)</td>
<td>$ 27,279,312</td>
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<td>Required Reserve</td>
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<td>$ 38,991,877</td>
<td>$ 30,827,877</td>
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<td>Surplus / (Deficit)</td>
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<td>$(75,822,110)</td>
<td>$(3,548,565)</td>
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<tr>
<td>Draw on Stabilization Fund</td>
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<td>$ 43,599,164</td>
<td>$ 3,548,565</td>
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<td>Program Adjustments</td>
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<td>$ 32,222,946</td>
<td>$ -</td>
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<tr>
<td>Remaining Surplus / (Deficit)</td>
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<td>$ 0</td>
<td>$ 0</td>
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- Program Adjustments will be implemented between 2014-15 and 2015-16
- Goal is to have our annual Expenditures equal to incoming Revenues by 2016-17
- This is a working document that will be regularly updated for the Board. The first update will be in September 2013
Balancing the Budget

- Revenues and Expenditures Include ‘Other Sources’ (Transfers to and from Other Funds)
Budget Planning Process

- Careful review of all assumptions, related to revenue (lower dropout rate, higher enrollment, return to neighborhood schools, etc.) and expenditures (utilities, transportation, etc.).
- Evaluate unfunded liabilities
- Calculation of amount available each year from School Stabilization Fund budget solutions needed for remaining deficit, including staffing and program adjustments.