

Budget Reflections: 2011/12 & 2012/13

The Sobering Realities
Of Continuing Deficits

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Sobering Realities Ahead:

San Diego Unified's Budget Challenges

- 2012/13 Shortfall of \$60 to \$115 million
 - 5-Day Furlough and Salary Increases total \$38 million
 - Step in Column \$ 12 million
- Threat of Mid-Year Cuts... December Decision
 - \$30 million in current year
- Uncertainty about Funding Levels for 2012/13
- Tight Timeline for Budget Decisions
 - Must act before January to accommodate mid-year cuts
 - Must decide before March 15 on certificated staff reductions in order to build 2012/13 budget





The Last Four Years ... Never Ending Budget Reductions

- \$450 Million Cut in General Fund since 2007/08
- 2008/09/10 Sweeping and Devastating Cuts
 - Departments slashed and reorganized... Program offices closed
 - Academic programs curtailed
 - Class sizes increased
 - Custodial Services reduced (once every 3 days)
 - One-time funds depleted (Federal Stimulus)
 - Hundreds of layoffs
 - Support contracts eliminated
 - Early Retirement Package (SERP) Offered
- Total Staffing Reduced 15% since 2008
 - 2,442 fewer staff since 2008



Last Year Revisited: January 2011

- 2011... Began with Hope for Public Education
 - Governor's January Budget Proposal attempted to protect education with flat funding
 - Bold strategy was dependent on a public vote for tax extensions to support education
- School districts still had to build budgets based on funding cuts!
 - Operating in parallel universes... hoping for the best





March Budget Madness

- Disconnected Process... Districts are Forced to Issue Certificated Layoff Notices by March 15 deadline (Ed Code)
 - Personnel reductions driven by statutory calendar, not a logical budget process
 - 1,300+ notices issued to District certificated staff
- State Legislature Failed to Adopt Early Budget
 - June ballot measure disappeared no bi-partisan consensus
 - No hope for stable school funding



The Pressure of TRANs Funding

- State Payments to Schools Uneven
 - Across Fiscal Years Causing Significant Budget Turmoil
- SDUSD Must Borrow Funds on Public Markets
 - To Meet Cash Flow and Payroll Obligations
- SDUSD Needed \$218 million TRANs Notes
 - To Bridge 2011/12 Cash Flow Needs
- TRANs Issue Must Be Tied To Positive Cash Flows
 - Using Conservative Projections
- Securing the 2012/13 TRANs Will Be More Challenging
 - Must Demonstrate Fiscal Solvency





June Budget Adoption

- June 28 Board of Education Adopted Budget with \$110 million in reductions and layoffs
- June 30 Governor Signed State Budget
 - State budget provided \$30 million "flat funding" to SDUSD
- August 2 Board Adopted Revised Budget
 - Board acted to recall teachers and restore K-3 class ratios approximately \$29 million restored
 - Scope of restoration was limited by impact of state deferrals





Mid Year Cuts: A Trigger at the Head of Public Education

- State Budget Includes Threat of Mid Year Cuts to Public Education
 - If state revenues fall below projections by \$2.0 billion or more,
 K-12 will be cut up to \$1.5 billion
 - State authorized 7-day school year reduction as solution option with no consideration of collective bargaining limitations (Savings of \$17.5 million unrestricted)
 - Up to \$30 million in cuts for SDUSD could be imposed in January
- Revenue Projections for first three months already more than \$700 million Below Estimates!





Mid Year Solutions: Grim Options

 Ending Balance Available but Draw Down will increase 2012/13 Deficit significantly

Mid Year Cuts Projected Total	\$30.2 mil
Partial List of Solution Options	Reduction (\$mil)
Use of Ending Balance (will cause increase to 2012/13 deficit)	\$25.4
Sale of Property (Armstrong, Fairbrook)	\$6.0
Mid Year Classified Layoffs (5 mo. Savings @ 64 FTE)	\$2.0





2012/13 Budget Challenges

Best Case Shortfall: \$60 million

Worst Case Shortfall : More than \$100 million

Deficit Risks	Range (\$ Million)	Required 2012/13 Budget Solutions to BALANCE GF BUDGET
CERTAIN — Based on current assumptions, current district realities and the current fiscal environment these factors will come to pass [e.g enrollment decline; excess teachers & counselors; T-dap ADA loss]	(\$1.3) to (\$6) mil additional deficit	\$60 to \$65 Mil
 PROBABLE- This scenario includes current fiscal realities AND, 2011/12 Mid Year Reductions, NO 2012/13 COLA with no offsetting current year budget solutions, grievance settlements, and additional excess teachers 	(\$47) to (\$58.0) mil additional deficit (Includes cuts of \$30m midyear and \$30m in 2012/13 and \$18m for COLA)	\$103 to \$118 Mil





2012/13 Solutions \$60 Million Deficit - Terrible Options

- \$60 Million Shortfall Before Any Midyear Cuts
- Solutions Include:
 - Employee Concessions
 - Transportation cuts
 - Layoffs
- Even With Concessions More Reductions Will Be Necessary:

Implement more Certificated layoffs 100 = \$8.8 million (approx.)

Implement more Classified layoffs 100= \$5.5 million (approx.)

- Close more schools (10 or more?)
- Consider other options





Employee Concessions:A Painful Solution

- There Have Been No Raises in Several Years
 - As Cost of Living Increased
- All Employees Have Sacrificed During This Crisis
 - Two Years of additional furlough represent a real salary cut
- More Concessions for Deferral of Raises and Continuation of Furloughs will Impact all Employees





Midyear Cuts: A Huge Challenge to Avoid Insolvency

Damaging layoffs and cuts AND deeper employee concessions would be necessary to balance a worst case 2012/13 budget.

Staff Concessions

Continue 5-day furlough

Defer Contract Raises

Health & Welfare Contributions

(staff pays no premium for employee or family)

Layoff

Potential Cuts Needed

K-3 Class size increase

Classified/ Other Central Office Reductions

Additional Certificated Layoffs

Reduce Police Services

Special Ed Contribution

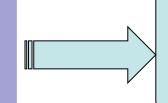
Cap

Athletics Reduction

More Property Sales

School Closures

And, more...



\$100m or larger deficit 2012/13 Worst Case Scenario

