



Budget Reflections: 2011/12 & 2012/13

*The Sobering Realities
Of Continuing Deficits*

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SCHOOL DISTRICT



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
<p>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]</p>	<p>(\$1.3) to (\$6) mil additional deficit</p>	<p>\$60 to \$65 Mil</p>
<p>PROBABLE- This scenario includes current fiscal realities AND,</p> <ul style="list-style-type: none"> • 2011/12 Mid Year Reductions, • NO 2012/13 COLA with no offsetting current year budget solutions, • grievance settlements, and • additional excess teachers 	<p>(\$47) to (\$58.0) mil additional deficit</p> <p>(Includes cuts of \$30m midyear and \$30m in 2012/13 and \$18m for COLA)</p>	<p>\$103 to \$118 Mil</p>





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.

