

# **Budget Reflections:** 2011/12 & 2012/13

The Sobering Realities
Of Continuing Deficits





### Sobering Realities Ahead

#### San Diego Unified's Budget Challenges

- 2012/13 Shortfall in range of \$60 to \$115 million
- Threat of Mid-Year Cuts... December Decision
- Uncertainty about Funding Levels for 2012/13
- Budget Solution Options...All Detrimental
- Tight Timeline for Budget Decisions with Little or No Information
  - 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
  - Followed direction of AB 114, used revenue to recall teachers and restore K-3 class ratios
  - 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
  - Cuts could be imposed in January
- Revenue Projections for first two months already nearly \$600 million Below Estimates!





## Mid Year Solutions: Grim Options

- 7-Day Furlough Option Will Not Work for SDUSD
- 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<br>(\$ Million)   | Required 2012/13 Budget Solutions to BALANCE GF BUDGET |
|---|---|--|
| <b>CERTAIN</b> — 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                                       |
| <ul> <li>PROBABLE- This scenario includes current fiscal realities AND,</li> <li>2011/12 Mid Year Reductions,</li> <li>NO 2012/13 COLA with no offsetting current year budget solutions,</li> <li>grievance settlements, and</li> <li>additional excess teachers</li> </ul> | (\$47) to (\$58.0) mil<br>additional deficit<br>(Includes cuts of \$30m<br>midyear and \$30m in<br>2012/13 and \$18m for<br>COLA) | \$103 to \$118 Mil                                     |





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

- \$60 Million Shortfall Before Any Midyear Cuts
  - All solution options have dire consequences
  - Severe impacts on education programs and staffing
- Employee Concessions Will Be Needed
- Even With Concessions More Reductions Will Be Necessary to Balance the Budget:
  - Implement more Certificated layoffs
  - Implement more Classified layoffs
  - Close more schools (10 or more?)
  - Sell more District real estate
  - Consider other options





## **Employee Concessions:**A Painful Solution

- Certificated and Classified Staff Are Below Comparable District Salary Levels
- 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

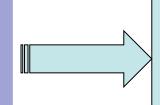
**Health & Welfare** 

Contributions

**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

