



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

*The Sobering Realities  
Of Continuing Deficits*

**Scott Barnett  
Board Trustee**



**San Diego Unified**  
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**

<b>Mid Year Cuts Projected Total</b>	<b>\$30.2 mil</b>
<b>Partial List of Solution Options</b>	<b>Reduction (\$mil)</b>
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><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 &amp; counselors; T-dap ADA loss]</p>	<p><b>(\$1.3) to (\$6) mil additional deficit</b></p>	<p><b>\$60 to \$65 Mil</b></p>
<p><b>PROBABLE</b>- This scenario includes current fiscal realities AND,</p> <ul style="list-style-type: none"> <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>	<p><b>(\$47) to (\$58.0) mil additional deficit</b></p> <p><b>(Includes cuts of \$30m midyear and \$30m in 2012/13 and \$18m for COLA)</b></p>	<p><b>\$103 to \$118 Mil</b></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.*

