

# The Sacramento City Unified School District Budget in Perspective: A Brief Overview

## Introduction:

In August, 2018, the Sacramento County Office of Education (SCOE) rejected for the first time the Sacramento City Unified School District (SCUSD) budget. Today, both District leaders and the Sacramento County Office of Education now agree that the finances of the Sacramento City Unified School District are sound. The District's finances have been strong for more than a decade (SCUSD has operated with a surplus for 12 out of the last 13 years).<sup>1</sup>

Since the state of California introduced the Local Control Funding Formula (LCFF) in the 2012-13 school year, SCUSD has operated with a surplus in every year except the 2017-18 school year when the District spent \$6 million on unbudgeted vacation buyouts for top administrators and increased a number of unbudgeted administrative positions.

The SCUSD surpluses have been as follows<sup>2</sup>:

- 2012-13: (\$185,000)
- 2013-14: (\$17 million)
- 2014-15: (\$9.9 million)
- 2015-16: (\$28 million)
- 2016-17: (\$4.7 million)
- 2018-19: (\$857,000)
- 2019-20: (\$23.5 million)
- 2020-21: (\$19.0 million)
- 2021-22: (\$8.7 million, adjusted)

This is an overview of the past several years of SCUSD budgeting practices and a comparison and contrast with the two most analogous neighboring districts: Elk Grove Unified and San Juan Unified.

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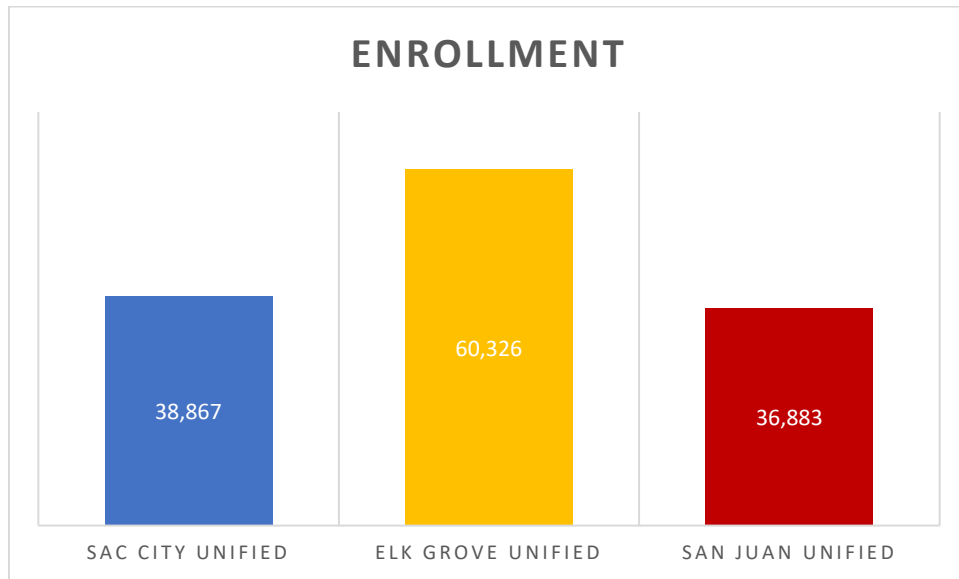
<sup>1</sup>At the December 15, 2022, SCUSD school board meeting, SCOE Chief Financial Officer Nick Schweizer acknowledged: "You do have an incredibly strong budget at the moment. It is an opportunity to make investments." Unfortunately, Mr. Schweizer did not stop there, urging caution about "Not beginning to deficit spend as has been an issue in the past." The District has no history of deficit spending. On Friday, January 13, 2022, we requested that Mr. Schweizer and SCOE provide any documentation that they possessed that reflected SCUSD deficit spending. To date there has been no response. SCOE's inappropriate role in creating and perpetuating the false narrative about SCUSD's deficit spending is detailed more thoroughly below.

<sup>2</sup>These figures are set forth in the SCUSD "Unaudited Actuals" for each fiscal year and available on the SCUSD website. The adjustment calculation in 2021-22 is discussed in more detail below.

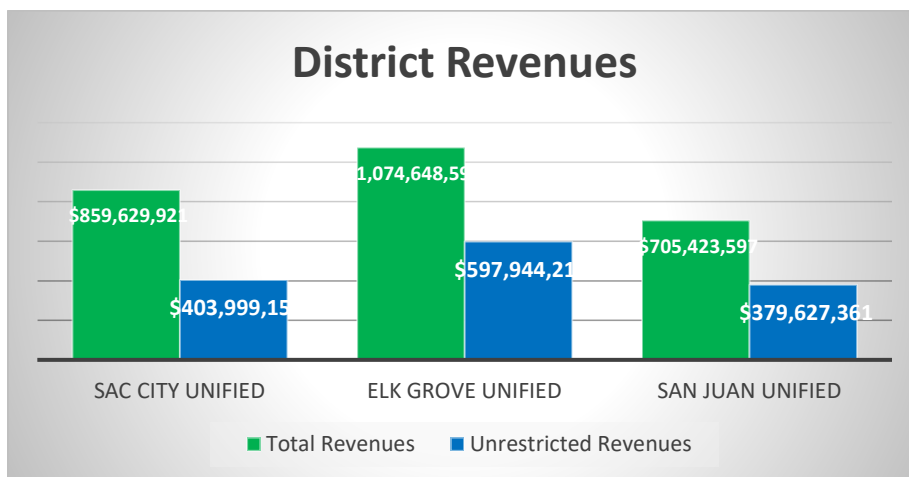
## SCUSD, EGUSD and SJUSD: The Broad Outlines

Sacramento City Unified, Elk Grove Unified, and San Juan are all large school districts within Sacramento County. All three are among the twenty largest school districts in the state of California, and among the 250 largest school districts in the United States.

Of the three, the largest student enrollment is in Elk Grove (60,326), followed by Sac City (38,867) and San Juan (36,883).<sup>3</sup>

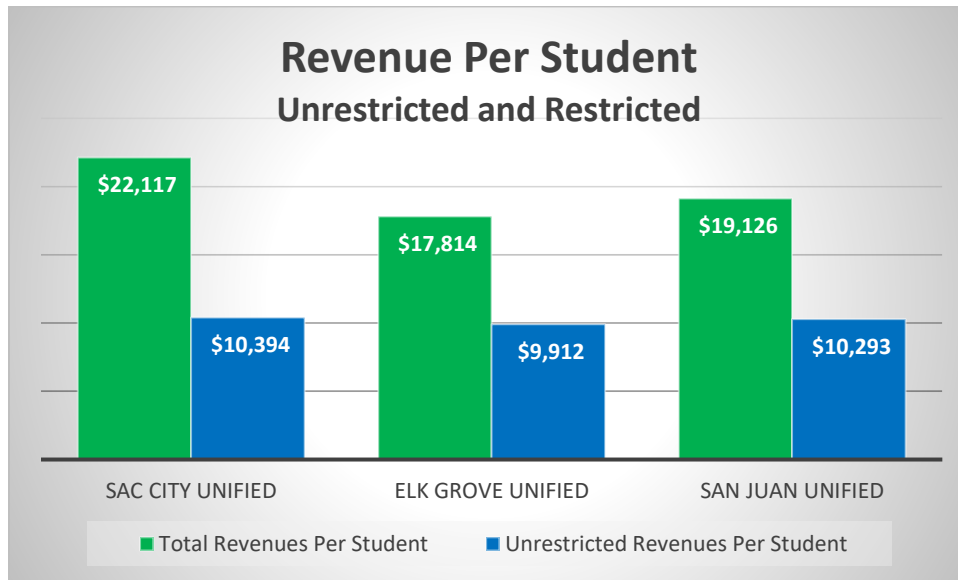


Accordingly, the Elk Grove budget is roughly 1/3 larger than both Sac City and San Juan.



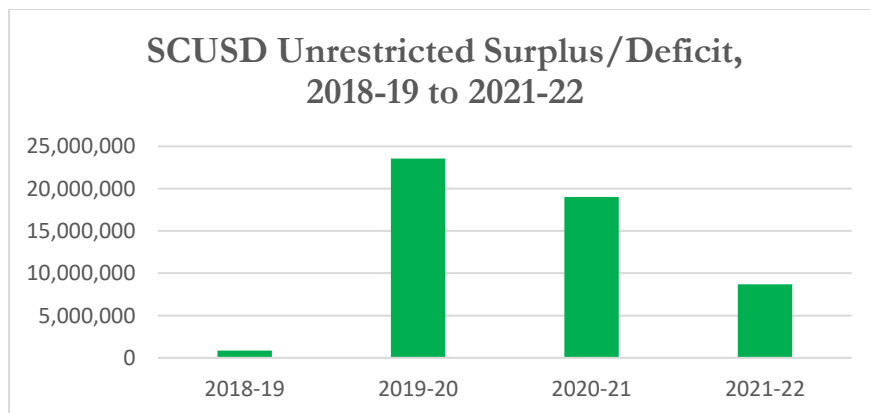
<sup>3</sup>Unless otherwise noted, the figures are taken from the 2022-23 First Interim Budgets of SCUSD, EGUSD, and SJUSD.

Because of student demographics of each of the districts, Sac City receives the highest revenue per student:



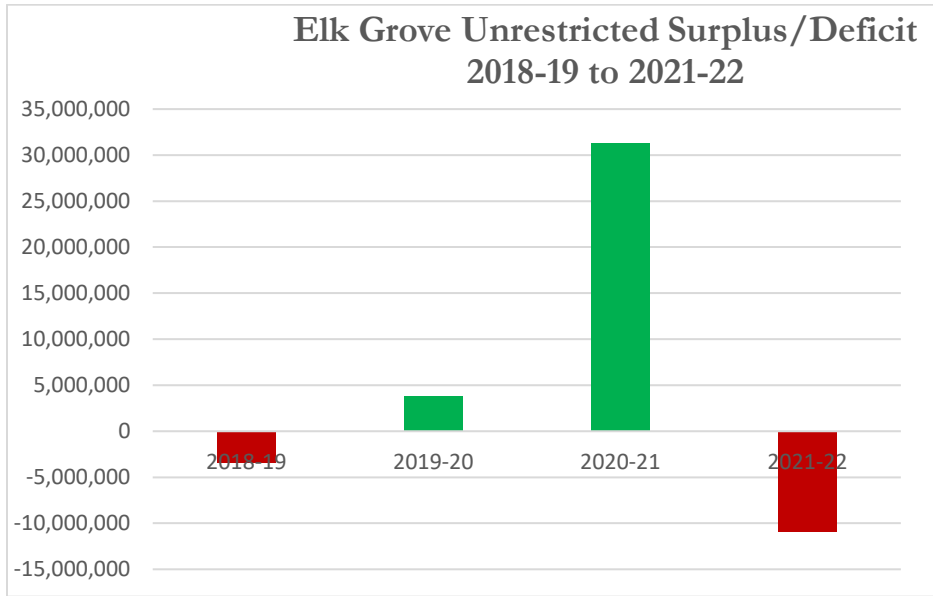
**Recent Financial Performance: 2018-19 to 2021-22**

Over the past four years<sup>4</sup>, despite repeated statements by District and SCOE representatives that SCUSD was on the verge of insolvency, SCUSD was the only district that experienced surpluses in each of those four years:

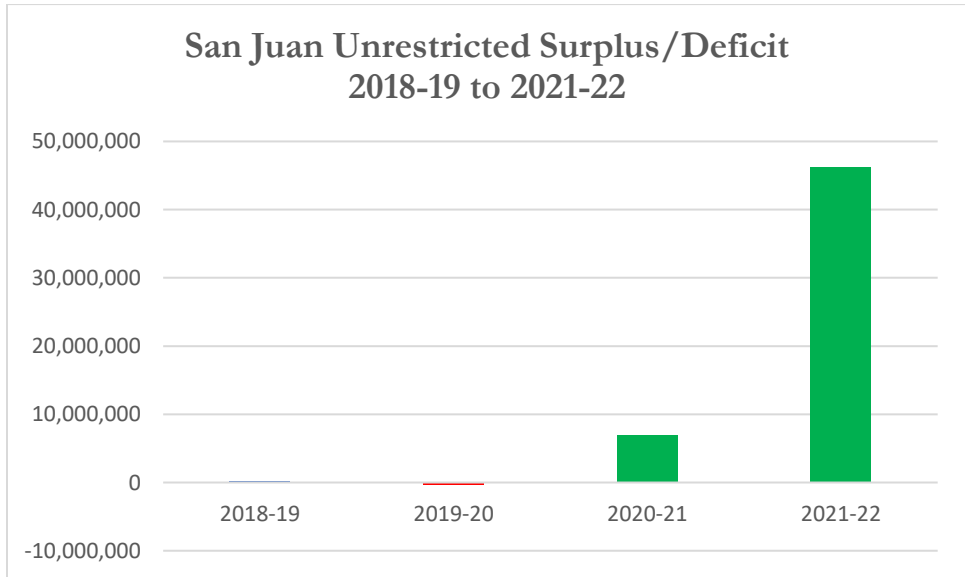


<sup>4</sup>The financial information is compiled from the each of the district’s unaudited actuals for 2018-19, 2019-20, 2020-21, and 2021-22. Notably, although the District received an additional \$320 million in state and federal COVID funds, this presentation does not include those funds in this analysis. There appears to have been little oversight regarding how the District spent its COVID funds, but will be the topic of a forthcoming presentation. It is important to emphasize, however, that although the District has repeatedly stated that the COVID funds were the salvation to the SCUSD purported budget woes, its strong financial performance as detailed in this analysis are separate and apart from \$320 million the District received in COVID funds.

In contrast, Elk Grove experienced deficits in two out of the four years:



San Juan had a deficit in one out of the four years, and barely broke even in another.



A side-by-side of each district’s financial performance<sup>5</sup> can be found here:

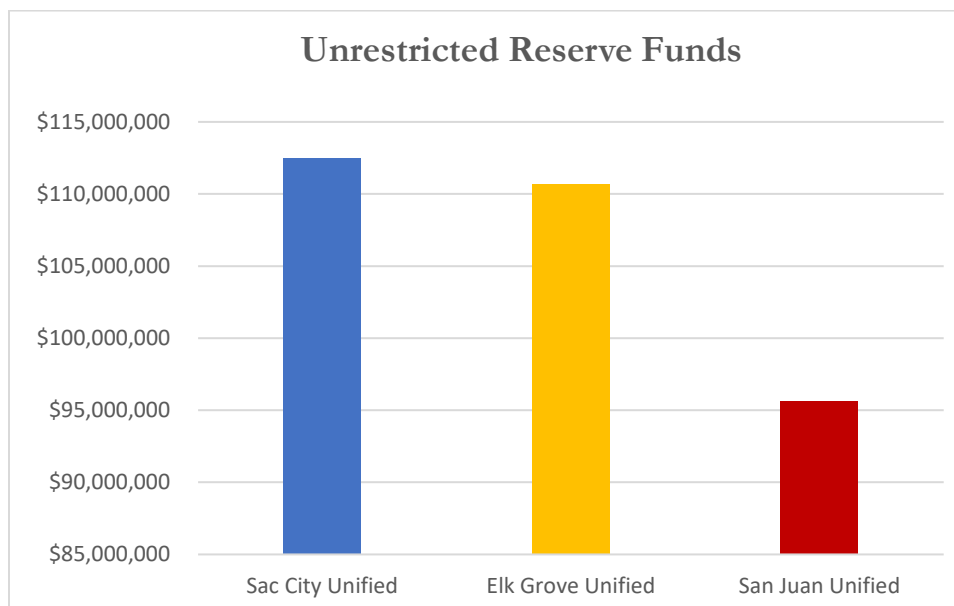
	Sac City	Elk Grove	San Juan
2018-19	\$857,200	-\$3,418,500	\$191,364
2019-20	\$23,565,268	\$3,783,262	-\$404,263
2020-21	\$19,009,011	\$31,320,795	\$6,957,729
2021-22	\$8,686,449	-\$10,930,554	\$46,205,314
<b>Total</b>	<b>\$52,117,928</b>	<b>\$20,755,003</b>	<b>\$24,524,984</b>

SCOE has not intervened in either Elk Grove or San Juan.

### The Unrestricted Reserve Fund

SCUSD’s consistently inaccurate budget projections have led to an inflated unrestricted reserve fund-- the largest unrestricted reserve fund as an absolute number (\$112,466,563), even in comparison to Elk Grove (\$110,692,816) which has a student population 30% higher than Sac City.

**Those funds should have been spent on students.**



All three districts are required to maintain an unrestricted reserve fund of 2% of total district expenditures, transfers out and other uses, and all three significantly exceed that threshold, with San Juan the highest at 15.3%, Sac City at 14.5%, and Elk Grove at 10.5%.

<sup>5</sup>The surplus/deficit looks at unrestricted funds for each of the three districts. The figures used are from each district’s Unaudited Actuals for 2018-19, 2019-20, 2020-21, 2021-22, with the exception of the Sac City 2021-22 unaudited actual. Because SCUSD has accounted for the \$46,552,297 penalty for its failure to provide the required number of instructional days and minutes, we did not deduct that amount from the District’s bottom line. Accordingly, with that adjustment, the District ended 2021-22 with a surplus of \$8,686,449.

Current California state law triggers a 10% cap when certain state budget triggers occur, those conditions have been met for 2022-23 and 2023-24 budget years, and they impact the SCUSD budget. SCUSD's 2% minimum is currently \$15,500,090, and the 10% cap is estimated at \$77,500,450. **The difference between the 10% and SCUSD's current unrestricted reserve fund is \$34,966,113.**

Finally, it is worth noting, that since the District's budget was rejected by SCOE in August 2018, it has ended every year with a unrestricted reserve fund that substantially exceeds the 2% minimum required by the state of California; in fact, according to its Unaudited Actuals, the District has ended each year since then with an unrestricted reserve fund that exceeds 10%.<sup>6</sup>

### SCUSD's Budgeting Practices

SCUSD's dysfunctional budgeting practices have overshadowed SCUSD strong financial position. The District's budgeting practices have been universally criticized by the California Fiscal Crisis Management Assistance Team (FCMAT), the California State Auditor as well as other entities that have reviewed the District's finances.<sup>7</sup> Four years after the fact, the District still has failed to complete implementation of nearly one-third of process improvements recommended by FCMAT.<sup>8</sup>

Moreover, despite the assignment of a Fiscal Advisor by the Sacramento County Office of Education after SCUSD budget was rejected in August 2018, the District deficient budgeting practices have persisted, even while the District's finances remain strong. For example, even with Fiscal Advisor oversight, SCUSD failed to include 5 schools in its budget projections, a \$25 million mistake.<sup>9</sup>

Following are SCUSD's budget projections for the past four years. It must be noted, in addition, that the projections for 2019-20, 2020-21 and 2021-22 were developed with SCOE's fiscal advisor whose cost (approximately \$150,000 per year for a part-time "advisor," plus additional consultants) is being borne by the District.<sup>10</sup> Notably this analysis does not explore a number of questionable SCUSD budgeting decisions, which included allocating tens of millions in the books and supply line item that were never intended to be spent on books and supplies, or pre-funding the cost of

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<sup>6</sup>These balances are taken from the SCUSD Unaudited Actuals, 2018-19 through 2021-22.

<sup>7</sup>See for example, <https://www.sacbee.com/article232782067.html>, <https://sacteachers.org/fcmat-emails-show-district-deceived-community/>.

<sup>8</sup>The most recent update available on the status of completion of the sixty (60) recommendations made by FCMAT in December 2018 can be found in the SCUSD 2022-23 First Interim Budget. Seventeen of the sixty recommendations remain identified as "In Progress."

<sup>9</sup>See for example, <https://sacteachers.org/no-joke-superintendent-confirmed-multimillion-undercount-mistake-on-april-1-while-still-publicly-portraying-the-district-as-on-the-brink-of-insolvency/>.

<sup>10</sup>For example, Terri Ryland, the outside consultant appointed by SCOE as its Fiscal Advisor to SCUSD was paid \$304,000 for services in calendar years 2019 and 2020; Ms. Ryland continues to serve as the SCOE-appointed Fiscal Advisor. SCUSD has also spent hundreds of thousands of additional dollars on other "fiscal consultants" since the budget was first rejected in 2018.

employees post-retirement benefits by millions of dollars more than required by collective bargaining agreements and past practice.<sup>11</sup>

	<b>SCUSD Original Budget Projected Deficit</b>	<b>SCUSD Actual Unrestricted Surplus</b>	<b>Inaccuracy of SCUSD's Calculations</b>	<b>Inaccuracy Amount as a % of the District Total Unrestricted Revenue</b>
<b>2018-19</b>	<b>-\$26,937,063</b>	<b>\$857,200</b>	<b>\$27,794,263</b>	<b>8.07%</b>
<b>2019-20</b>	<b>-\$12,344,416</b>	<b>\$23,565,268</b>	<b>\$35,909,684</b>	<b>10.89%</b>
<b>2020-21</b>	<b>-\$75,373,163</b>	<b>\$19,009,011</b>	<b>\$19,009,011</b>	<b>32.14%</b>
<b>2021-22</b>	<b>-\$6,694,864</b>	<b>\$8,686,449</b>	<b>\$8,686,449</b>	<b>4.42%<sup>12</sup></b>
	<b>-\$121,349,506</b>	<b>\$52,117,928</b>	<b>\$173,467,434</b>	<b>13.88% average</b>

Additionally, the District rate of miscalculation is substantially worse when 2021-22 is taken into consideration. Throughout 2021-22, District leaders continued to insist that SCUSD was on the brink of fiscal insolvency while demanding over \$20 million in concessions from certificated and classified educators. The strike settlement resulted not only in the rejection of those concession demands, but new ongoing wage increases and retroactive bonuses that the District had not budgeted for.<sup>13</sup> If the District had been successful in its demand for millions in cost shifting, the surplus in 2021-22 would have been \$40 million or more higher.

<sup>11</sup>Chief Business Officer Rose Ramos admitted the District put \$101.3 million in its books and supplies line item in its 2020-21 budget, see <https://sacteachers.org/scusd-admits-to-hiding-an-astounding-101-3-million-in-books-and-supplies-budget/>. The actual amount spent on books and supplies, according to the 2020-21 unaudited actuals, was \$60 million—a difference of \$40 million. According to documents recently provided by the District, SCUSD has chosen to pre-fund the cost of “other post-employment benefits,” over and above the amounts required by collective bargaining agreements. See here: <https://sacteachers.org/wp-content/uploads/2023/01/CERBT-OPEB-Contributions-SCTA-2017-18-2021-22.pdf>.

<sup>12</sup>SCUSD booked the cost of the \$46.5 million penalty for failing to provide the required number of instructional days and minutes, even though the actual penalty has not yet been assessed. Additionally, the District had budgeted for negotiating a contract with significant concessions from both SCTA and SEIU, none of which they were able to accomplish. The budget also did not account for wage increases and bonuses that were also part of the collective bargaining settlements. To provide a more accurate picture of the District’s budgeting practices, we have only adjusted it to reinstate the penalty related to the failure to provide instructional days.

<sup>13</sup>For the certificated bargaining unit alone, the District demanded an estimated \$22 million in concessions. The estimated 2021-22 cost of the actual settlement, again for the certificated bargaining unit alone, was approximately \$22.4 million in one-time costs, and \$11.2 million for 2021-22. For the classified staff represented by SEIU Local 1021, the District estimated the costs of that settlement of \$20.3 million in one-time costs and \$3.47 million in ongoing costs for 2021-22. Together the SCTA and SEIU settlements total an estimated \$57.4 million. This also does not include the additional wage improvements the District then extended to other staff not represented by SEIU and SCTA, including non-represented management. The calculations were provided by the District at the April 21, 2022 meeting of the SCUSD Board of Education where the board voted on the settlements. <https://www.scusd.edu/board-education-meeting/board-education-meeting-118>. If the District had been successful at the bargaining table without a strike, the SCUSD surplus for 2021-22 would have exceeded \$70 million, while it projected a \$6.7 million deficit.

In contrast, both Elk Grove and San Juan are much more accurate in their projections.

Here is Elk Grove:

	EGUSD Original Budget Projected Surplus or Deficit	EGUSD Actual Unrestricted Surplus or Deficit	Inaccuracy of EGUSD's Calculations	Inaccuracy Amount as a % of the District Total Unrestricted Revenue
2018-19	-\$4,566	-\$3,418,500	\$3,423,066	.68%
2019-20	-\$12,623,414	\$3,783,262	\$16,406,676	3.36%
2020-21	\$5,166,023	\$31,320,795	\$26,154,772	5.26%
2021-22	\$9,677,536	-\$10,930,554	\$20,608,090	4.00%
	\$2,215,579	\$20,755,003	\$66,592,604	3.33% average

And here is San Juan:

	SJUSD Original Budget Projected Deficit	SJUSD Actual Unrestricted Surplus	Inaccuracy of SJUSD's Calculations	Inaccuracy Amount as a % of the District Total Unrestricted Revenue
2018-19	-\$1,492,046	\$191,364	\$1,683,410	.54%
2019-20	-\$7,021,246	-\$404,263	\$6,616,983	2.07%
2020-21	-\$23,999,920	\$6,957,729	\$30,957,649	10.67%
2021-22	\$10,213,743	\$46,205,314	\$35,991,571	10.66%
	-\$22,299,469	\$52,950,144	\$75,249,613	5.95% average

**The District's poor budgeting practices means that students are denied services that they deserve and are entitled to.** For the past several years--based on inaccurate information from both District staff and SCOE--the board has acted as if we were in a time of austerity rather than a period of prosperity.

That prosperity is reflected in the District 2022-23 First Interim Budget. For the first time in four years, SCUSD submitted a budget with a "positive" certification. In California, when a school district submits a budget it also includes a certification of its status: positive, qualified, or negative. According to the California Department of Education:

'A **positive certification** is assigned when the district will meet its financial obligations for the current and two subsequent fiscal years. A **qualified certification** is assigned when the district may not meet its financial obligations for



the current or two subsequent fiscal years. A **negative certification** is assigned when a district will be unable to meet its financial obligations for the remainder of the current year or for the subsequent fiscal year.”<sup>14</sup>

Notably, previous SCUSD school boards, following the lead of Superintendent Aguilar, submitted budgets with “negative” certification throughout 2018, 2019-20, and 2020-21, **even when the District met the standard for budgets with either a qualified or positive certification.** The negative role played by Dave Gordon, the SCOE superintendent and his staff must also be pointed out. For example, in March 2021, the SCUSD school board by a vote of 4 to 3 voted to reverse the Superintendent Aguilar recommended 2020-21 Second Interim Budget certification from “negative” to “qualified.” SCOE Superintendent Gordon rejected the SCUSD school board’s “qualified” certification, and down-graded the certification to “negative,” even though SCUSD actually met the standard for a “positive certification.”<sup>15</sup> As noted above, the District ended 2020-21 with a \$19 million surplus.

According to the SCUSD 2022-22 First Interim Budget report, the District provided the following projections:

- 2022-23: \$30.1 million surplus
- 2023-24: \$23.3 million surplus
- 2024-25: \$7.5 million surplus.

On January 10, 2023, the Governor unveiled his initial budget for the state, which will have the following estimated impact on SCUSD’s budget<sup>16</sup>:

- 2022-23: \$30.1 million surplus
- **2023-24: \$36.8 million surplus (increase of \$13.5 million)**
- **2024-25: \$21.1 million surplus (increase of \$13.6 million).**

With SCUSD’s track record of grossly underestimating its actual performance by an average of \$43 million per year over the last four years, we can expect an even stronger financial outlook.

Today, there are over 125 certificated vacancies in the District<sup>17</sup>, with hundreds more among classified staff, resulting in thousands of students being deprived of an adequate education.

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<sup>14</sup> <https://www.cde.ca.gov/fg/fi/ir/interimstatus.asp>.

<sup>15</sup> SCUSD could have appealed Gordon’s unilateral reversal to the California Department of Education, but then-Board President Christina Pritchett and Superintendent Aguilar failed to inform the board of that option. SCTA and SEIU outlined their concerns with Pritchett and Aguilar’s actions in a letter to them both on May 3, 2021. The letter also contains pertinent analysis of the misleading certification designation employed by the District. The letter can be found here. <https://sacteachers.org/wp-content/uploads/2023/01/SCTA-SEIU-to-JA-CP-about-budget-certification-5-3-21.pdf>.

<sup>16</sup> Our estimate recalculation is based on the Governor’s proposed increase of the LCFF COLA to 8.13% in 2023-24. The actual improvements to the SCUSD budget are expected to be even higher.

<sup>17</sup> The list of vacancies provided by Superintendent Aguilar on December 9, 2022, can be found here: <https://sacteachers.org/wp-content/uploads/2022/12/SCTA-Reopener-Negotiations-Vacancy-list-12.6.22.pdf>.

At the last board meeting, new board members spoke of the importance of spending District resources on improving services to students while rejecting calls to grow an even larger reserve fund. Voters have clearly indicated their choice for moving the District in a different direction.