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CALIFORNIA STATE AUDITOR'S ASSESSMENT ON THE JULY 2020 UPDATE FROM SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

To provide clarity and perspective, we are commenting on Sacramento City Unified School District's (Sacramento Unified) July 2020 update letter.

While the district notes that it is attempting to obtain savings through revising its healthcare benefit structure—an issue noted in our audit—we are concerned that the district still has not developed a detailed plan to address its budget deficit. At the time of our audit in December 2019, the district's proposed solution to its budget deficit was also adjusting healthcare benefits for its teachers, which we noted at that time would not be sufficient to fully address its budget deficit. Since the audit, the impacts of the COVID-19 pandemic on the State and district in particular have only worsened the district's financial problems. The State's fiscal year 2020–21 budget defers existing funding into the next fiscal year. The deferred funding is of particular concern for Sacramento Unified as it may experience cash shortages during the current fiscal year and be unable to wait for the deferred funding. Additionally, the district is projecting increased costs to provide distance learning and address public health concerns at its facilities. Given all of these factors, the district should look beyond just its health care costs and develop a plan that includes estimated savings under multiple scenarios to address its financial concerns, as we recommended. It should use this plan as the basis for it discussions of potential solutions with its teachers union.

The district has also not addressed many of our recommendations. For example, to better illustrate its fiscal challenges, we recommended that the district develop and publish a methodology for its multiyear projections. Multiyear projections are critical as they indicate when the district expects to run out of funds and thus sets a timeline for when the district needs to address its fiscal challenges. Despite the critical nature of this recommendation, at its six month response, the district indicated it would not have a methodology developed until September 2020. Having such a methodology sooner and disclosing it publicly could aid the district in developing a plan to resolve its financial problems and informing stakeholders of the extent of the financial issues it faces.

Further, we are concerned that the negotiations to this point do not address the district's retiree health care obligations. As we note in our audit, the district has accumulated a substantial unfunded retiree health care liability, which impacts the minimum amount the district has to contribute each year to pay for current and future retiree health benefits. If not addressed, its annual contributions could encompass a greater share of the district's funds.

We look forward to the district's August update and expect to see that the district has made progress in implementing our recommendations to address its financial problems.

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