



Sacramento City Unified School District

Because It Has Failed to Proactively Address Its Financial Challenges, It May Soon Face Insolvency

Background

Serving over 40,000 students in 83 schools, the Sacramento City Unified School District (Sacramento Unified) is administered by a superintendent. Sacramento Unified's seven-member voter elected board is responsible for Sacramento Unified's long-term vision, ensuring educational and fiscal accountability to the community, and hiring the district superintendent. The Sacramento County superintendent of schools (county office superintendent) provides fiscal oversight over Sacramento Unified.

Our Key Recommendations

- The Legislature should require school district boards to obtain approval from their county office superintendents before considering significant spending actions.
- Sacramento Unified should adopt a detailed plan to resolve its fiscal crisis that estimates savings under multiple scenarios and includes an analysis that assesses the impact of various options in reductions the district can make to ongoing costs such as changes to salaries and employee and retiree benefits.

Key Findings

- Sacramento Unified did not proactively address its financial problems and is close to insolvency.
 - » It has spent more than it receives in revenue each year since fiscal year 2016–17 and has relied on its general funds and one-time funds to cover the yearly shortfalls—it will likely exhaust funds by October 2021.
 - » Although the board voted in February and March 2019 to lay off almost 320 positions of administrators, teachers, and support staff to achieve nearly \$8 million in savings, it rescinded more than 130 of the layoffs seven months later.
 - » Enrollment has been declining since fiscal years 2013–14 by over 160 students per year and is expected to continue declining over the next three years, which is problematic because revenue is based on average daily attendance.
 - » Sacramento Unified may need to request an emergency loan from the State to remain solvent.
- Despite the declining financial position and contrary to the advice from the county office superintendent, the board approved salary increases for its teachers and has not addressed its high costs for employee benefits.
 - » Without making offsetting cost reductions, the board agreed to significant salary increases to teachers making those salaries the highest among nearby districts while also providing generous and expensive employee and retiree health care benefits.
 - » Current proposals from Sacramento Unified and its teachers union are unlikely to resolve the district's financial crisis—Sacramento Unified must make dramatic budget reductions to remain fiscally solvent.
- Sacramento Unified has not had consistent leadership—it has high management turnover that limits its ability to make viable strategic decisions and manage its finances effectively.