

FAQ ABOUT THE SFUSD BUDGET: RESERVES / FUND BALANCE

April 2010

How much money must SFUSD hold in reserve?

By state law, SFUSD must maintain a minimum undesignated reserve in the Unrestricted General Fund equal to 2% of our total General Fund (Unrestricted plus Restricted General Fund) budget. In addition, we must set aside funds for certain required designated reserves, the largest of which is for prepayment of health care premiums to the City's Health Service System. While our budget for the 2010-2011 school year is not finalized, we project a need for at least \$15.8 million in total reserves.

How much money is SFUSD planning to hold in reserve at the end of FY 2009-10, FY 2010-2011 and FY 2011-2012?

Our baseline projections (i.e., the fund balance that would result if no steps were taken to address the budget shortfalls) are that our Unrestricted General Fund (UGF) balance would be \$24.2 million, negative \$37.9 million, and negative \$97.6 million at the end of the three respective years. At the end of FY 2009-10, we would have \$8.4 million more in fund balance than the \$15.8 million required. However, we would fall short of our required fund balance in the following two years by \$53.7 million and \$113.4 million, respectively. If the Superintendent's Budget Deficit Action Plan were implemented, our UGF fund balance would be \$33.5 million, \$23.6 million, and \$15.8 million at the end of the three respective years.

What is the rationale for holding money in reserve?

As indicated in the table above, SFUSD will quickly draw down all available reserves in the next two years as a result of expenditures that exceed revenues by tens of millions of dollars. Even if all the steps outlined in the Superintendent's Budget Deficit Action Plan are implemented, the UGF fund balance at the end of FY 2011-12 would barely cover the required reserves.

In addition, it is especially important now when the State is deferring more and more revenue to pay attention to reserves and cash flow. Low reserves lead to significant pressure in cash flow, and running out of cash is the most immediate path to invite state control.

FAQ ABOUT THE SFUSD BUDGET: CONSULTANTS

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What constitutes a consultant?

Generally, a consultant is a contracted individual or firm that may be contracted by more than one organization for a specified period of time to provide a specialized service for the organization.

What are the major consultant expenditures in SFUSD?

The largest categories of SFUSD consultant contracts are directed to:

- Transportation (First Student);
- Services for special education students provided by nonpublic schools
- Private providers of Supplemental Educational Services (SES) tutoring required by NCLB for Program Improvement schools;
- After-school programs funded by the state After-School Education and Safety (ASES) funds and federal 21st Century Community Learning Centers dollars;
- Professional Development;
- Technology;
- Legal services, and
- Visual and performing arts (e.g., artists in residence).

Where does the money for consultants come from?

78% of General Fund money spent on consultants comes from specific restricted grant program funding. Most of the remaining 22% goes to pay for legal consultation, audits and other necessary services.