The Implications of District Budgetary Challenges for Local and State Policy

Lessons from Sacramento and Marin

By most accounts, California is thriving. Industries including entertainment, technology, real estate, and agriculture are flourishing, and state coffers are growing thanks to a booming economy and additional revenues raised by voters at the ballot box. At the same time, teachers are receiving only modest raises and district leaders are facing hard choices about which programs and services to cut. Why?

California school districts are facing budget challenges that have been well-documented by reports such as The Big Squeeze: How Unfunded Pension Costs Threaten Educational Equity, The Silent Recession, and Getting Down to Facts II. These budget challenges impact all students, and especially harm vulnerable students who are most in need of additional resources and opportunities. Recent funding increases have been outpaced by rising costs in the following areas:

BUDGET CHALLENGES AFFECTING DISTRICTS STATEWIDE

PENSIONS

The state has required school districts to increase their contributions to the state's teacher pension system to make up for the state's large unfunded liability.

HEALTH CARE

The cost of health care has increased, yet some districts have allowed health care costs to soar unchecked.

SPECIAL EDUCATION

The number of young people with disabilities is rising, but funding has not kept up to meet the need for special education services.

DECLINING ENROLLMENT

Families are increasingly leaving high-cost metro areas for lower cost-of-living regions and even other states, but districts must still keep up with fixed costs.

OTHER RISING COSTS

School facilities are aging and demand expensive repairs and utilities, other operational costs, and labor costs are rising. In many cases, these expenses are growing faster than revenues.

Two new case studies produced in partnership by Policy Analysis for California Education (PACE) and Pivot Learning drill into how these budget pressures are playing out in Sacramento City Unified School District (SCUSD) and in Marin county school districts.

While SCUSD and Marin have markedly different local contexts, education stakeholders in both places report budget challenges. In SCUSD, increasing health care costs and poor business practices have led to deficit spending and cuts to programs and services. In Marin, local parcel taxes have begun attracting more organized opposition due to increasing public perception that tax dollars will be used to fund pension liabilities, rather than being used directly to support students.

KEY FINDINGS

- **SCUSD and many Marin County districts feel the effects of declining enrollment, increased special education costs, and larger pension payments.** However, SCUSD and Marin each have other cost pressures as well, unique to their local context:
  - **Many stakeholders agree that the greatest fiscal challenge in SCUSD is the cost of health care.** SCUSD is an outlier, paying more than most other districts for health care and offering generous retiree benefits—which has contributed to a large unfunded liability. This problem has been compounded by a long history of budgetary mismanagement.
  - **The greatest fiscal challenge in Marin is rising pension costs**, in combination with rising teacher salaries, which many feel necessary to attract and retain teachers in this high cost-of-living area.
- **Leaders in both Marin and SCUSD say these budget challenges are diminishing the flexibility afforded by LCFF** and limiting their ability to invest in new programs and services, particularly for high-need students.
- **The budget pressures felt by SCUSD and Marin districts are leading to cuts**, or will lead to cuts in the near future. These reductions in services are likely to be most harmful to vulnerable students.
- **Both SCUSD and Marin face lagging public confidence because of budget challenges**. In SCUSD, stakeholders are concerned that families will leave the district or that voters will be unwilling to invest more in their schools. In Marin, parcel taxes have faced increasing opposition due to a growing concern that dollars are not reaching schools but instead being used to pay for increasing pension costs. In both places, stakeholders reported that confusion and disagreement about budgets and benefits has strained relationships between districts and the community.

Recommendations and Lessons Learned

These case studies lift up considerations for policymakers and lessons that may apply to other school districts facing similar budget pressures. These lessons learned include:

- **District and state leaders must build public awareness about budget issues.** Many stakeholders feel confused or misled when it comes to education budgets and spending decisions. Before stakeholders can problem solve together, they must have a shared understanding of the problem—and that begins with transparency, outreach, and engagement.
- **Stakeholders must work together to address budget challenges.** Budget issues impact students, but so does the behavior of adults who must work together to find solutions. All stakeholders – including district leaders, labor leaders, state leaders, community advocates, and families – need to build collaborative relationships and restore trust. These are conditions that must be in place for districts to make strategic spending decisions and inspire the community and voters to invest in California's schools.
- **Additional statewide resources are needed, in combination with improvements in systems and structures.** Across California, districts are struggling with limited funding, and this is harming students and shortchanging teachers. Additional resources should be paired with systems improvements, including stronger fiscal oversight, support, and intervention, as well as modernizations in the way policymaker and education decision-makers think about pension and healthcare benefits.

Learn more about these two reports:

https://edpolicyinca.org/publications/implications-sacramento-city-unifieds-ongoing-budgetary-challenges-local-and-state-policy

https://edpolicyinca.org/publications/canary-gold-mine-marin

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