



**CALIFORNIA DEPARTMENT  
OF EDUCATION**

**TONY THURMOND**  
STATE SUPERINTENDENT OF  
PUBLIC INSTRUCTION

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September 13, 2024

Matt Wayne, Ed.D., Superintendent  
San Francisco County Office of Education  
San Francisco Unified School District  
555 Franklin Street  
San Francisco, CA 94102-5207

Dear Superintendent Wayne, Ed.D.:

Subject: 2024–25 County Office of Education and School District Budgets and Local Control Accountability Plans (LCAPs)

Pursuant to California *Education Code (EC)* sections 1622(b) and 42127(i), the California Department of Education (CDE) has examined the budgets for the San Francisco County Office of Education (SFCOE) and the San Francisco Unified School District (SFUSD) to determine whether the following are satisfied:

- Comply with the Criteria and Standards for fiscal stability adopted by the State Board of Education.
- Allow the SFCOE and the SFUSD to meet their financial obligations during the fiscal year.
- Are consistent with a financial plan that will enable the SFCOE and the SFUSD to satisfy their multiyear financial commitments.

Based on this review, the SFCOE and SFUSD's 2024–25 adopted budgets are approved, with the following comments below pertaining to the SFUSD.

Additionally, this letter serves as formal notification that the State Superintendent of Public Instruction (SSPI) has approved the SFCOE and SFUSD's 2022–23 through 2024–25 LCAPs for the 2024–25 school year, consistent with *EC* sections 52070(d) and 52070.5(d).

**Structural Deficit**

The SFUSD is projecting structural deficit spending in the unrestricted general fund for the current and two subsequent fiscal years. In June 2024, the SFUSD Board adopted a Fiscal Stabilization Plan with proposed expenditure reductions and is taking actions to realign resources and eliminate deficit spending. In the event the planned budget

adjustments for the 2025–26 fiscal year are not implemented, the SFUSD will not meet its financial obligations. The two following tables delineates SFUSD’s Unrestricted General Fund fiscal condition under two scenarios:(1) failure to act on planned budget adjustments and (2) implementing the actions outlined in the Fiscal Stabilization Plan.

**SFUSD Unrestricted General Fund Projections  
 Before Implementation of Planned Adjustments  
 (\$ in Millions)**

SFUSD	2024–25	2025–26	2026–27
Beginning Fund Balance	\$159.6	\$83.2	\$10.8
Deficit Spending Before Planned Adjustments	(\$76.4)	(\$72.4)	(\$64.2)
Ending Fund Balance	\$83.2	\$10.8	\$(53.4)
Minimum 2% Reserve for Economic Uncertainties	\$24.5	\$25.5	\$25.8
Minimum Reserve Level Met	Yes	No	No

*Source: SFUSD Board of Education FY 2024–25 Adopted Budget and 2024-25 – 2026-27 Budget Reduction Resolution, Exhibit A: Fiscal Stabilization Plan, FY 25-26 and 26-27 Details*

**SFUSD Unrestricted General Fund Projections  
 After Implementation of Planned Adjustments  
 (\$ in Millions)**

SFUSD	2024–25	2025–26	2026–27
Beginning Fund Balance	\$159.6	\$83.2	\$62.7
Deficit Spending Before Planned Adjustments	(\$76.4)	(\$72.4)	(\$12.3)
Budget Adjustments to be Implemented in 2025–26	--	\$51.9	--
Budget Adjustments to be Implemented in 2026–27	--	--	\$13.0
<b>Remaining Surplus/Deficit Spending</b>	(\$76.4)	(\$20.5)	\$0.7
Ending Fund Balance	\$83.2	\$62.7	\$63.4
Minimum 2% Reserve for Economic Uncertainties	\$24.5	\$24.5	\$24.5

*Source: SFUSD Board of Education FY 2024–25 Adopted Budget and 2024-25 – 2026-27 Budget Reduction Resolution, Exhibit A: Fiscal Stabilization Plan, FY 25-26 and 26-27 Details*

### **Positions Not Budgeted**

The CDE Fiscal Advisers' work with the SFUSD in ensuring that all filled positions are budgeted, discovered 64 certificated and 70 classified positions that were needed for the 2024–25 school year, totaling \$26 million in salary, were not included in the 2024–25 adopted budget. As a result, the budget adjustment needed for these positions will increase expenditures in the current and subsequent years and are not reflected in the tables above. To ensure that fiscal obligations are met, additional actions will be required by the SFUSD to compensate for this increase in expenditures.

### **Declining Enrollment**

SFUSD's 2024–25 budget reflects declining enrollment resulting in projected enrollment of 48,641 for 2024–25, 48,133 for 2025–26, and 47,164 for 2026–27. Updated enrollment estimates since school began are projecting that enrollment is lower than what was projected in the 2024–25 budget, with the current estimate at 46,854 students, a reduction of 1,787 students. This lower enrollment than what was projected in the 2024–25 budget will result in a reduction of revenue for the SFUSD and a need for further budget adjustments. The CDE supports SFUSD's efforts to monitor enrollment trends, realign resources, and consolidate schools to accommodate declining enrollment and reduced revenues.

### **Fiscal Advisers**

Pursuant to *EC* Section 1630(d), the SSPI assigned Fiscal Advisers to assist in developing, in consultation with the SFUSD Board of Education and SFUSD staff, a multiyear financial recovery plan that will enable the SFUSD to meet its future financial obligations. The SFUSD is required to continue working with the assigned CDE Fiscal Advisers to address the structural deficit. The Fiscal Advisers have stay and rescind authority over any action that is determined to be inconsistent with the ability of the SFUSD to meet its financial obligations for the current or subsequent fiscal year.

### **Hiring Freeze**

The SFUSD leadership committed to a hiring freeze for the 2024–25 fiscal year. The SFUSD has been working with the CDE assigned Fiscal Advisers to ensure any new hires are budgeted, essential, and filled with existing staff to the extent possible. The CDE requests that the SFUSD continue working with the Fiscal Advisers to identify any vacant positions that can be eliminated in the current fiscal year to reduce the reductions needed for the 2025–26 and 2026–27 fiscal years.

## **Debt Issuance**

This letter also serves as a reminder of the statutory restrictions on debt issuance for school districts that have qualified or negative interim report certifications. These restrictions are specifically addressed in *EC* Section 42133. The SFUSD may not issue, for the 2023–24 and 2024–25 fiscal years, certificates of participation, tax anticipation notes, revenue bonds, or any other debt instruments not requiring the approval of the voters, unless the SSPI determines that repayment of that indebtedness is probable.

## **Collective Bargaining**

Prior to entering into any collective bargaining agreement, the SFUSD must submit the proposed agreement and required financial documents to the CDE and allow 10 business days for review and comment, in accordance with *Government Code (GC)* Section 3540.2(e). To the extent that collective bargaining agreements result in additional ongoing costs, such increased costs must be supported by additional ongoing revenues or ongoing reduction of expenditures. Pursuant to *GC* Section 3547.5(b), a school district superintendent and its chief business official must certify in writing that the costs incurred under a negotiated bargaining agreement can be met by the school district during the term of the agreement.

## **Required Actions**

With the submission of SFUSD's 2024–25 First Interim Report, due by December 16, 2024, the CDE requests SFUSD provide the following:

- **Fiscal Stabilization Plan** – With the submission of the 2024–25 budget, at CDE's request, the SFUSD provided the CDE with a Fiscal Stabilization Plan (June 2024). The CDE requires the SFUSD submit an updated Board-approved Fiscal Stabilization Plan that will allow the SFUSD to meet its financial obligations in the current and subsequent two fiscal years, to include, but not limited to, identifying specific actions and timelines detailing how the SFUSD will eliminate its structural deficit and maintain the minimum required reserve for economic uncertainty. The plan must incorporate budget balancing solutions to be implemented to address the 134 positions that were not reflected in the 2024–25 adopted budget as noted above. The SFUSD is required to include the necessary budget balancing adjustments at a detailed fund and object code level in its multiyear projections for all fiscal years.
- **Fiscal Crisis and Management Assistance Team (FCMAT) Report Corrective Action Plan**—At CDE's request, the SFUSD provided a status of corrective actions to address deficiencies identified in the FCMAT Fiscal Health Risk Analysis (FHRA) with its June 2024 Fiscal Stabilization Plan. The CDE requests an update to the FHRA corrective actions.

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- **Audit Finding Resolution**—The SFUSD still has several unresolved findings from the 2021–22 and 2022–23 audit reports. The CDE requests an update on the progress of clearing the unresolved audit findings.

The CDE appreciates the budget submissions and awaits the First Interim Reports. Additionally, the CDE expects a timely filing of the 2023–24 Unaudited Actuals Report due October 15, 2024, and the annual audit by SFUSD’s external auditor due December 16, 2024. These reports will determine the actual beginning fund balances for 2024–25 and the audited ending fund balances for 2023–24 which will affect the ending fund balances and reserve levels for 2024-25.

On behalf of the SSPI, we thank you and your staff for your persistent efforts to increase student achievement and close opportunity and achievement gaps for all your students. The CDE looks forward to continued partnership with the SFCOE and SFUSD as we continue to ensure opportunities for every student in California to have a world-class education.

If you have any questions or concerns related to the adopted budget, please contact myself at [EDearstyne@cde.ca.gov](mailto:EDearstyne@cde.ca.gov), or John Miles, Administrator, at [JMiles@cde.ca.gov](mailto:JMiles@cde.ca.gov). If you have any questions regarding the LCAP, please contact Joshua Strong, Administrator, Local Agency Systems Support Office, at [JStrong@cde.ca.gov](mailto:JStrong@cde.ca.gov).

Sincerely,

*Elizabeth Dearstyne*

Elizabeth Dearstyne, Director  
School Fiscal Services Division

*Joshua Strong*

Joshua Strong, Administrator  
Local Agency Systems Support Office

ED/JS:jf  
2024-0202-38c

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cc: Tony Thurmond, State Superintendent of Public Instruction  
Board of Education Members, San Francisco COE and USD  
Abel Guillén, Deputy Superintendent of Public Instruction, Operations and  
Administration Branch  
Michael Fine, CEO, Fiscal Crisis and Management Assistance Team  
Michelle Huntoon, Ed.D., Associate Superintendent, Business Services, San  
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Elliott Duchon, CDE Appointed Fiscal Adviser  
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