



Fiscal Stabilization Plan

March 2025

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SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FISCAL STABILIZATION PLAN UPDATE AS OF December 2024

EXECUTIVE SUMMARY

In May 2024, the California Department of Education invoked its authority under EC Section 42131(a)(2) and changed the San Francisco Unified School District's (SFUSD)'s certification from qualified to ***negative*** for the Second Interim Fiscal report of 2023-2024. Due to the negative certification, the CDE required the district to submit **a fiscal stabilization plan by July 1, 2024**, that addresses the district's path to fiscal solvency. The plan must include, but is not limited to, how the district will identify and implement solutions to resolve the ongoing deficit in the 2024-25 budget and the two subsequent years.

This document highlights the District's fiscal condition since 2018-19 and provides a fiscal status update as of June 30, 2024. Included is a background on the District's fiscal history, prior fiscal status information, current fiscal status review, an update to the CDE budget requirements, an update on FCMAT recommendations, and an overview of the budget for 2024-25 and two subsequent years, including building necessary reserves. This updated fiscal stabilization plan is a work in progress; however, the plan includes approximately \$103M in budget balancing solutions for 2024-25 that were achieved by a combination of the following:

Decrease of Expenditures:

- Reductions or elimination of management, certificated and classified position full-time equivalents (FTEs)
- Reductions of operating expenses 4XXX-6XXX (materials, supplies, services, etc.) and contributions to restricted programs

Decrease of One-Time Revenue and Expenditures

- Reduction of one-time funds which will be sunseting this fiscal year (shown separately with corresponding expenditure reductions)

Increase of Revenues:

- Increase of average daily attendance (ADA) through enrollment to ADA analysis and LCFF re-calculation
- Increases in restricted revenue funding

The detailed planned expenditure reductions of \$113M for the 2025-26 fiscal year and \$13M for the 2026-27 fiscal year can be accessed [here](#) with the corresponding budget reduction timeline.

San Francisco Unified School District's unwavering priority is to create strong, supportive learning environments for each and every student in each and every school each and every day. Strong schools have excellent instruction, nurturing environments, prepared and collaborative staff, robust programming, and reliable resources. Strong schools also have the resources and structures to accelerate learning for the students we have historically underserved. We have heard our families loud and clear. They want access to an array of academic options, strong instruction, and holistic support. We are committed to creating a district where each and every student attends a strong school every day.

BACKGROUND

Beginning in 2018-19, the District began exhibiting signs of fiscal distress that progressed through the end of the fiscal year and carried into the 2019-20 fiscal year. The District ended the 2018-19 fiscal year with an unrestricted fund balance of \$40.8 million, which included a reserve for economic uncertainty of \$18.27 million. The fund balance was \$16.2 million less than the \$57.0 million projected at the Estimated Actuals reporting period. The District avoided state receivership by taking immediate action to ensure there was not a negative ending fund balance in the Unrestricted General Fund. However, the California Department of Education took action in October 2021 and assigned two fiscal experts to the District.

FISCAL RECOVERY PLAN (2023-2025)

Understanding the gravity of the long term situation, the District took immediate steps to reduce deficit spending and began rectifying unsustainable budgeting and financial practices. As a part of these steps, the District developed a “Fiscal Recovery Plan” (FRP), which included recommendations that would, if implemented, put the District on a path to strong financial health. The FRP was designed to start in 2023 and conclude in 2025.

Listed below is a recap of the July 2023 Phase I Fiscal Recovery Plan that was presented to CDE.

Phase I (July 2023)

Recovery

The SFUSD Fiscal Recovery plan identified the first set of 10 “Recovery” recommendations to cover actions for SFUSD to implement in the immediate to short-term (one to six months) that allow the district to stabilize its current situation and plan for the future.

- 1. Restore the ending fund balance and maintain the state-mandated reserve for economic uncertainty***
- 2. Review position control for anomalies that may reduce costs associated with budgeted positions***
- 3. Maximize the use of restricted revenue resources***
- 4. Evaluate Central Office and site-based contracts and books/supplies for possible freeze and capture of savings***
- 5. Adjust school site per pupil allocations to enrollment in an effort to capture savings***
- 6. Institute closer monitoring of contributions to other programs, e.g., special education, nutrition, and early childhood***

7. *Update and implement budget forecast and projection practices*
8. *Review and update cash flow monitoring practices*
9. *Institute immediate protocols to limit and review spending among Central Office and school sites*
10. *Hire senior leaders for the Business Services division with high levels of subject matter expertise*

Progress Update July 2023

SFUSD balanced its budget for 2023-2024 and for two subsequent years in the multi-year projection. It was acknowledged in July 2023 that the district's fiscal position may change once collective bargaining agreements were settled. However, at that time, the district identified and set aside one-time funds to cover district settlement offers for 3 years. The strategy was to provide SFUSD the flexibility to settle negotiations while addressing other budget related challenges. Additionally, the governing board passed a resolution that directed a clear pathway for fiscal stability and provided direction to the superintendent to take any and all actions, including layoffs, to maintain fiscal stability.

FISCAL STATUS REVIEW (JULY 2023-MARCH 2024)

First Interim- December 2023

In July 2023, negotiations with SFUSD's three largest labor partners went differently than what was originally anticipated. All three labor groups avoided a strike, and in turn, SFUSD agreed to unprecedented ongoing salary increases. These increases negatively impacted the district's fiscal position without budget balancing solutions to address immediate budget reductions. At that time, it was projected that salary settlements would cost approximately \$172.0M for 2023-24 and increase to \$178.9M in 2024-25. This necessitated a need to reduce expenditures of approximately \$103.1M in 2024-25 and an additional \$52M in 2025-26.

In December 2023, [the SFUSD First Interim](#) included the following:

1. \$48.3M in expenditures moved to restricted resources one time for 2023-24. For 2024-25, equivalent expenditures will be eliminated unless other restricted funds are identified to cover costs.
2. \$40M in on-going expenditure reductions from the unrestricted general fund for 2023-24.
3. \$95.3M in on-going expenditure reductions from the unrestricted general fund for 2024-25.
4. \$7.7M in on-going expenditure shift to restricted resources for 2024-25.

(See link: [2023-24 First Interim SFUSD Budget Balancing Solutions 2023-24 and 24-25 Presentation](#))

While these shifts allowed SFUSD the ability to maintain the minimum 2% reserve level, the shifts did not address the structural deficit and need for additional budget balancing solutions. If unaddressed, the district acknowledged that it [may become fiscally insolvent within the next two years](#) and as a result filed a [Qualified 1st Interim Budget Certification](#) that CDE subsequently concurred with.

Second Interim-March 2024

The [SFUSD Second Interim](#) included a breakdown of action items that were incorporated into the 2023-24 [budget and actions that would be incorporated into the 24/25 budget](#). The items included the following:

1. \$48.3M in expenditures moved to one-time restricted resources in 2023-24. For 2024-25, if additional funding is not identified, these expenditures will be eliminated.
2. Transfer \$28.3M out of \$48.3M from restricted funds back to the UGF which will be incorporated into the 2024-25 Adopted Budget.
3. Reduced \$15.8M due to vacant position eliminations. More work was underway to finalize the elimination process. Remaining \$24.2M in reductions to be incorporated into the 2024-25 Adopted Budget.
4. \$55.3M in on-going expenditure reductions beginning in 2024-25.
5. \$7.8M in on-going expenditures shifted to ongoing restricted resources beginning in 2024-25.

Additionally, [SFUSD acknowledged that \\$52M in on-going expenditure reductions from the unrestricted general fund for 2025-26](#) were necessary in order to remain fiscally solvent and as a result, filed a Qualified Second Interim Certification.

2024-25 First Interim- December 2024

1. \$33 million increase in expenditures at 1st Interim for 2024-25. The district has increased expenditures from \$148 million at Adopted Budget to \$181 million. The increase is based on expenditures brought forward after the Adopted Budget was approved in June 2024.
2. \$9.2 million negative ending fund balance for 2025-26. The budget imbalance of \$9.2 million impacts the district's ability to meet its statutory requirement of the Economic Uncertainty reserve for 2025-26.
3. To underscore the need to implement the Fiscal Stabilization Plan's reductions, the 1st interim report projected a \$127 million deficit in UGF for 2026-2027 fiscal *if* the district did not implement the reductions required in the Fiscal Stabilization plan.
4. The district has identified the budget reduction strategies for 2025-26 and 2026-27 in the Fiscal Stabilization Plan. In addition, the district will continue to identify operational

reductions that will allow the district to meet its goal of fiscal solvency in the 2025-26 and 2026-27 fiscal years.

2024-2025 Second Interim - March 2025

- **The budget at 2nd Interim is slightly lower compared to 1st Interim**, primarily due to savings from vacant positions and moving expenditures to eligible Restricted Resources.
- Despite a lower budget, **SFUSD continues to deficit spend at a high rate.**
- The Rainy Day Reserve is restored to its original \$40 million.
- **Expenditure growth in future years reflects modest increases** for step & column and cost-of-living adjustments.
- **Without reductions, SFUSD will continue its pattern of deficit spending.**
- Although we anticipate some growth in revenue, **we will spend down available reserves** and will not be able to meet minimum requirements.

CDE RESPONSE AND RECOMMENDATIONS

CDE's Response to SFUSD's Second Interim Report - June 2024

Pursuant to California Education Code (EC) sections 1240(l) and 42131(g), the California Department of Education (CDE) reviewed the San Francisco Unified School District's (SFUSD) Second Interim Report and the accompanying certifications of financial solvency. The purpose of the review was to determine whether the district's Second Interim Report complied with the Criteria and Standards for fiscal stability adopted by the State Board of Education and was consistent with a financial plan that would enable the school district to satisfy its multi year financial commitments, including all financial obligations in the current year. However, because SFUSD was still in the process of implementing a Fiscal Stabilization Plan to resolve its deficit spending, the CDE revised the district's certification to Negative, indicating that the SFUSD will not meet its financial obligations for the remainder of the fiscal year or for the subsequent fiscal year.

In [CDE's May 3, 2024 response letter to SFUSD's Second Interim report](#), the agency downgraded the district to a negative certification and moved the fiscal experts to fiscal advisors with stay and rescind authority over board actions. Additionally, CDE's Second Interim letter noted the following:

Because of SFUSD's distressed financial condition, EC Section 1630(d) allows the SSPI to intervene and compel the SFUSD to implement measures to improve its financial condition. On September 15, 2021, Fiscal Experts were assigned to the SFUSD. Pursuant to EC Section 1630(d) and SFUSD's negative certification, the SSPI is extending the authority of the Fiscal Experts to Fiscal Advisers, with stay or rescind authority over any action that is determined to be inconsistent with the ability of SFUSD to meet its obligations for the current or subsequent fiscal year. In addition, the Fiscal Advisers will assist in developing, in consultation with the board of education and SFUSD, a multiyear financial recovery plan that will enable SFUSD to meet its future obligations along with a budget for the 2024–25 fiscal year.

The CDE requires that SFUSD work with the Fiscal Advisers to address deficit spending, with detailed, specific actions and timelines, in an updated Board-approved Fiscal Stabilization Plan to be submitted to the CDE with its Adopted Budget by July 1, 2024. The SFUSD is required to include the necessary adjustments at a detailed fund and object code level in its 2024–25 Adopted Budget and multiyear projections to maintain minimum reserve levels in all fiscal years.

Commitments by District Leadership

CDE and SFUSD leadership along with CDE assigned Fiscal Experts, and Mike Fine with FCMAT, met on Wednesday, May 1, 2024, to discuss SFUSD’s Second Interim Report and the continued fiscal challenges facing the SFUSD. At that meeting, the following items were discussed and there was a commitment by the district’s superintendent to implement the following actions as the SFUSD proceeds with the development of its 2024–25 budget:

- Immediate freeze on hiring.*
- Reconciliation of retirements and resignations for 2024–25: the district will determine the number of retirements and resignations and will identify which current staff may appropriately be placed into those positions before hiring new employees.*
- Position Alignment: the district will confirm the accuracy of its current vacancies (490 committed to by the district’s superintendent) and ensure the 2024–25 adopted budget only reflects positions SFUSD intends to fill.*
- Restricted Revenue Alignment: as part of the 2024–25 adopted budget, the district will provide CDE with a detailed reconciliation of the \$20 million in expenditures moved from restricted to unrestricted, noted in the table above.*

CDE’s Response to SFUSD’s First Interim Report - December 2024:

In [CDE’s February 2025 response letter to SFUSD’s First Interim report](#), CDE concurs with the assessment that, based on current projections:

- SFUSD will not meet its financial obligations for the current or subsequent fiscal year and a negative certification is appropriate.
- SFCOE will be able to meet its financial obligations for the current and subsequent two fiscal years and that a positive certification is appropriate.

The follow actions are required:

With the submission of SFUSD’s 2024–25 Second Interim Report, due by March 17, 2025, the CDE requests SFUSD provide the following:

- The Second Interim Report must include a clear plan to address deficit spending and allow the SFUSD to meet its financial obligations in the current and subsequent two fiscal years. Assumptions in the multiyear projections must be well-documented and significant reductions explicitly identified.
- The CDE requires the SFUSD to submit an updated Board-approved Fiscal Stabilization Plan 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 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.
- 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.

Status of CDE Requirements and Recommendations

The CDE’s response also included specific requirements and recommendations for the District. A summary of the requirements and recommendations, as well as the status of district progress, which include addressing the requests above, are included in the table below:

CDE Requirement/Recommendation	Status
CDE recommends that SFUSD continue to assess and adjust staffing needs and facilities planning for the upcoming years based on the projected rate of decline in enrollment.	<p>June 2024: In progress. SFUSD is continuing to assess and adjust staffing needs and facilities planning for the upcoming years based on enrollment projections. The process includes school portfolio review, additional position closures during 2024-25 and program strategic abandonment. Progress will be reviewed monthly with district senior staff and the board fiscal ad hoc committee.</p> <p>Final evaluation metrics will be set in partnership with the incoming Associate Superintendent of Business Services and Superintendent.</p> <p>December 2024: In progress: The district paused school closure in October 2024. The Superintendent’s Office has the authority over facility planning and enrollment projections. The Business Office is utilizing industry standards for enrollment projections for staffing and revenue projections.</p>

	<p>March 2025: In progress. The Enrollment Center released capacities to school sites in January 2025 based on the following guidance from the Executive Cabinet: 1) In elementary schools: align the number of classrooms with the maximum number of students and combine grade levels when needed and 2) In middle and high schools: align the number of classrooms with the maximum number of students and ensure that each student is offered a sixth period day.</p> <p>School capacities are based on our projected enrollment and are adjusted according to the number of applications received. SFUSD received 150 more Kindergarten applications than projected and subsequently opened up additional classrooms in several schools that had been projected to have K-1 combination classes. SFUSD received 2000 TK applications, 700 more than projected and are increasing TK classroom capacity as well.</p>
<p>CDE recommends that SFUSD monitor enrollment trends and adjust financial projections if further material reductions in enrollment occur or are expected to occur.</p>	<p>June 2024: Completed. SFUSD now works with a demographer annually and uses the demographer's report to inform budget development.</p> <p>December 2024: In progress. As stated above, the Business Office is utilizing industry standards for enrollment projections. The EPC is utilizing demographer information and capacity for operationalizing the district's policy of a lottery for enrolling students into SFUSD schools.</p> <p>March 2025: In progress. The Enrollment Center released capacities to school sites in January 2025 based on the following guidance from Executive Cabinet: 1) In elementary schools: align the number of classrooms with the maximum number of students and combine grade levels when needed and 2) In middle and high schools: align the number of classrooms with the maximum number of students and ensure that each student is offered a sixth period day.</p> <p>School capacities are based on our projected enrollment and are adjusted according to the number of applications received. SFUSD received 150 more Kindergarten applications than projected and subsequently opened up additional classrooms in several schools that had been projected to have K-1 combination classes. SFUSD received 2000 TK applications, 700 more than projected and are increasing TK classroom capacity as well.</p>

<p>With SFUSD’s submission of the Adopted Budget on July 1, 2024, CDE requests an update on the progress of clearing audit findings identified in the 2021-22 and 2022-23 audit report.</p>	<p>June 2024: Completed. Corrective action plans (here) were submitted with the 2021-22 and 2022-23 audits. Staff will monitor progress every 60 days until submitting the 2023-24 audit. Progress will be reviewed monthly with district senior staff and the board fiscal ad hoc committee.</p> <p>December 2024: In Progress. The corrective action plans are still in progress as staff works with CDE staff to finalize the 2021-22 and 2022-23 audit report findings.</p> <p>March 2025: In Progress: The 2023-24 Audit was completed and the corrective actions for FY21-22 - #3,4,5,7,8,9,10 FY22-23 # 3,5,6,7,8,9,10 are noted as implemented based on the 2023-2024 audit report.</p>
<p>The CDE requests that the governing board adopt a corrective action plan no later than June 30, 2024, to address deficiencies identified in the FCMAT reports.</p>	<p>June 2024: In progress. This document identifies how the district is addressing deficiencies identified in the FCMAT report.</p> <p>December 2024: No Change</p> <p>March 2025: No Change</p>
<p>In accordance with EC Section 1630, please continue to keep the CDE informed of any studies, reports, evaluations, or audits of the SFUSD or the SFCOE that contain evidence showing any fiscal distress.</p>	<p>June 2024: In progress. The District plans to engage FCMAT to conduct an audit of Special Education in September 2024. The contract is on the June 25th board agenda. Additionally, the District plans to engage the Council of Great City Schools to conduct an operational audit. Progress will be reviewed monthly with district senior staff and the board fiscal ad hoc committee.</p> <p>December 2024: In progress. The FCMAT review is in progress and will be issued by early January 2025. Staff is unaware of any other reviews that have been convened.</p> <p>March 2025: In progress: The FCMAT review of the Special Education Program was recently received and is under review. The Study will be presented to the Board of Education in April as part of the ongoing review to address concerns noted in the Study</p>
<p>Prior to entering into any collective bargaining agreement, SFUSD must submit the proposed agreement and required</p>	<p>June 2024: In progress. SFUSD plans to comply with this requirement as new collective bargaining agreements reach the level of requiring board approval.</p> <p>December 2024: No Change.</p>

financial documents to CDE and allow 10 days for review and comment, in accordance with Government Code Section 3540.2(d).	March 2025: No Change
SFUSD is required to submit to the CDE ... referred to as a third interim report and is due with supporting assumptions by June 1, 2024. (The date was subsequently revised to June 11, 2024 by CDE.)	June 2024: Completed December 2024: No Change March 2025:- The district will submit the Third Interim report to the Board of Education in May, 2025.
The CDE requires that SFUSD work with the Fiscal Advisers to address deficit spending, with detailed, specific actions and timelines, in an updated Board-approved Fiscal Stabilization Plan to be submitted to the CDE with its Adopted Budget by July 1, 2024. SFUSD is required to include the necessary adjustments at a detailed fund and object code level in its 2024-25 Adopted Budget and multiyear projections to maintain minimum reserve levels in all fiscal years.	June 2024: In Progress. The Fiscal Stabilization Plan, once board approved, will be shared with CDE by July 1, 2024. Fiscal Advisers have been consulted on the plan throughout the process and shared updates with CDE. December 2024: In Progress. The district will maintain the Fiscal Stabilization Plan approved in June 2024. The district's financial status and report demonstrate the necessity to stay the course on the original FSP approved by the Board in June 2024. The district will submit the December 2024 FSP with the CDE by December 15, 2024, as part of the 1st Interim. The Fiscal Advisers have been consulted on the plan throughout the process for the 1st Interim and shared updates with CDE. March 2025: In Progress: The district continues to work towards the Fiscal Stabilization Plan approved in June 2024. The BOE approved preliminary layoff notices for classified and certificated staff on February 25, 2025 .
There was a commitment by the district's superintendent to implement the following actions as the SFUSD proceeds with the development of its 2024–25 budget: <ul style="list-style-type: none"> • Immediate freeze on hiring. 	June 2024: In Progress. HR staff has completed the consolidation process for certificated staff and paraeducators. Retirements and resignations were processed and internally consolidated employees were placed in open positions. Once the consolidations were completed, the hiring process was expanded to include external candidates. We are currently staffing for site based positions that were approved in each site budget template. The District is continuing with a hiring freeze for additional positions beyond what was approved in each site budget

<ul style="list-style-type: none"> • Reconciliation of retirements and resignations for 2024–25: the district will determine the number of retirements and resignations and will identify which current staff may appropriately be placed into those positions before hiring new employees. • Position Alignment: the district will confirm the accuracy of its current vacancies (490 committed to by the district’s superintendent) and ensure the 2024–25 adopted budget only reflects positions SFUSD intends to fill. • Restricted Revenue Alignment: as part of the 2024–25 adopted budget, the district will provide CDE with a detailed reconciliation of the \$20 million in expenditures moved from restricted to unrestricted, noted in the table above. 	<p>template. When additional resignations or retirements are received the position is evaluated based on need and the source of funding (restricted or unrestricted). All positions require the approval of the Executive Cabinet before they can be posted or filled. CDE fiscal advisors are included in these conversations where applicable.</p> <p>Progress will be reviewed monthly with district senior staff and the board fiscal ad hoc committee.</p> <p>Final evaluation metrics will be set in partnership with the incoming Associate Superintendent of Business Services, Associate Superintendent of Human Resources and Superintendent.</p> <p>December 2024: In Progress. Two items of note that are different from what was reported in June 2024. The district instituted temporary contracts for all hires in 2024-25 after the Budget was adopted in June 2024. The Ad Hoc Committee was disbanded and eliminated on November 12, 2024, by the Board. Outside of these two items all actions put in place by the district are still in place.</p> <p>March 2025: In Progress: The BOE approved noticing of provisional layoffs for classified and certificated staff on February 25, 2025. The March 15th, 2025 preliminary notices sent will be based on seniority and will include that the position may be eliminated with final notices be sent by May 15, 2025. In addition, the BOE approved a Supplemental Educational Retirement Plan on December 10, 2024. The offering of the plan closed on February 21, 2025 with 352 employees submitting an application for the plan. The May 2025 update will have more detail on the potential salary savings. In addition, the district is developing a supplemental hiring guide for school sites to support the use of school site restricted and discretionary funds for existing positions to reduce the reliance on unrestricted funds. Any new positions will continue to be subject to the hiring freeze.</p>
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Updates on the Fiscal Stabilization Plan ([2024-2025 1st Interim](#))

CDE required SFUSD to provide an update on the Fiscal Stabilization Plan (formerly the Fiscal Recovery Plan before June 2024) and its impact on the 2024-25 fiscal year and MYP. Listed below is a summary of the district’s prior progress from July 2023 and current status as of June 2024.

<p>Restore the ending fund balance and maintain the state-mandated reserve for economic uncertainty</p>	<p>June 2024: In Progress. In the 2024-25 fiscal year, the District is projected to meet its minimum 2% reserve requirement and has set aside an additional \$59,841,320 rainy day and system reserve in the unrestricted general fund. Approximately \$103M in budget balancing solutions were implemented in the 2024-25 budget that include:</p> <ol style="list-style-type: none"> 1. Increased revenue (restricted and unrestricted), 2. Ongoing budget reductions, and 3. Additional expenditure shifts to restricted resources <p>The minimum reserve is met in all three years of the 2024-25 and 2026-27 MYP, only through additional reductions in 2025-26 and 2026-27. Details of the reduction plan are linked here.</p> <p>Staff will work between July 2024-December 2024 to finalize the review of the planned reductions for 2025-26 and 2026-27. It is important to note that the reduction plan for 2025-26 and 2026-27 will adjust based on new funding or priority shifts if applicable.</p> <p>Final evaluation metrics will be set in partnership with the incoming Associate Superintendent of Business The District has updated the Fiscal Stabilization Plan to address the shortfalls in 2025/26 and 2026/27.</p> <hr/> <p>July 2023: Complete/Continually Monitor. The District met its 2% reserve requirement and has set aside an additional 13.7% reserve. The minimum reserve is met in all three years of the 2023-24 MYP.</p>
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	<p>March 2025: In Progress: The District has updated the Fiscal Stabilization Plan to address the shortfalls in 2025/26 and 2026/27</p>
<p>Review position control for anomalies that may reduce cost associated with budgeted positions</p>	<p>March 2025: In Progress: The district is developing a supplemental hiring guide for school sites to support the use of school site restricted and discretionary funds for existing positions to reduce the reliance on unrestricted funds. Any new positions will continue to be subject to the hiring freeze.</p> <p>The functionality in Frontline will be utilized to ensure position creations and changes are coordinated within the live system. These controls will prevent the creation of positions lacking adequate funding, eliminate duplications, and provide a single source of truth for budget and HR needs. A permanent 1.0 FTE position will be created solely responsible for position control.</p> <p>June 2024: In Progress. During the budget adoption process, vacant positions were carefully monitored and reduced as needed. As of April 2024, the district's Executive Cabinet now reviews requests to open/add positions regardless of funding source and monitors site enrollment patterns to determine where classes have the potential to close or merge. Statutory and benefit costs were reviewed and adjusted upwards to account for cost increases.</p> <p>As of June 2024, much of the position control management is a manual process and needs a more streamlined approach that includes automation inflow/exflow between Human Resources and Business Services in terms of position additions/terminations/changes and encumbrances of annual salary and benefit costs. It is widely recognized that a final solution to this issue will occur when the district moves to the new ERP system-Frontline (formerly called ESCAPE) in July 2025.</p>

	<p>Final evaluation metrics will be set in partnership with the incoming Associate Superintendent of Business Services and Superintendent.</p> <hr/> <p>July 2023: In Progress. Positions were reviewed during budget development; however more work will continue to review positions for duplications and vacant positions currently covered by contracted services. Additional support has been hired to assist with this review process.</p>
<p>Maximize the use of restricted revenue resources</p>	<p>March 2025: In Progress: As part of the second interim report, the district updated fund balances on restricted resources and identified positions on expiring restricted resources to be noticed as part of the March 15th, 2025 provisional layoff notices. The district’s strategy was to “over notice” positions funded by restricted resources, in particular the Learning Recovery funds, to give the district as much flexibility as possible. The district has targeted a \$20M reduction in unrestricted funds for the central office budget and is working to leverage restricted resources, such as the Public Enrichment Education Fund (PEEF) Other General Uses, to the extent possible</p> <p>June 2024: Complete-Monitor Progress. The district has continued to review unrestricted general fund expenditures that have the potential to be funded out of restricted resources. Where appropriate, expenditure shifts have been made to maximize the use of restricted resources first. The adopted budget includes an additional \$33.9 M of new restricted revenue that was used to cover expenditures in the unrestricted general fund that matched the grants expenditure criteria. As of 2024-25 budget adoption, restricted resource fund balances will be reduced to \$103.8 million at the beginning of 2024-25. The current MYP also identifies expenditures that will be eliminated in the two subsequent years due to the expiration of restricted funding. This is in alignment with</p>

	<p>the board-approved expenditure plan adopted during the 2023-24 budget adoption process.</p> <hr/> <p>July 2023: Progress Made. The District has significantly improved how it uses and budgets restricted revenues. In the 2023-24 budget, \$32M was cut from the unrestricted general fund expenditures and moved them to restricted resources. The review process will continue and more expenditures follow the same path.</p>
<p>Evaluate Central Office and site-based contracts and books/supplies for possible freeze and capture of savings.</p>	<p>June 2024: In progress. The 2024-25 budget includes reductions to the total books and supplies object codes of 55.3% and a reduction to contracted services of 23% for a general fund combined reduction of approximately \$98M. This budget area will be carefully monitored throughout the fiscal year recognizing that additional reductions are necessary in 2025-26 and 2026-27.</p> <hr/> <p>July 2023: In Progress. The District has started the process of analyzing Central Office-based contracts and books/supplies for possible freeze and capture of savings.</p>
<p>Adjust school per pupil allocations to enrollment in an effort to capture savings.</p>	<p>March 2025: The Enrollment Center released capacities to school sites in January 2025 based on the following guidance from Executive Cabinet: 1) In elementary schools: align the number of classrooms with the maximum number of students and combine grade levels when needed and 2) In middle and high schools: align the number of classrooms with the maximum number of students and ensure that each student is offered a sixth period day.</p> <p>School capacities are based on our projected enrollment and are adjusted according to the number of applications received. SFUSD received 150 more Kindergarten applications than projected and subsequently opened up</p>

	<p>additional classrooms in several schools that had been projected to have K-1 combination classes. SFUSD received 2000 TK applications, 700 more than projected and are increasing TK classroom capacity as well.</p> <p>June 2024: Progress made. District school portfolio and school site allocation conversations continue. Site and community meetings have begun and it is anticipated that work in this area will continue for the next 12 months. It is anticipated that additional reductions will occur in 2025-26 at the school site level.</p> <p>Progress will be reviewed monthly with district senior staff and the board fiscal ad hoc committee.</p> <hr/> <p>July 2023: Progress made. School site budgets have begun to be aligned to enrollment. As the district school portfolio continues to be evaluated, work will continue in this area.</p>
<p>Institute closer monitoring of contributions to other programs, e.g., special education, nutrition, and early childhood.</p>	<p>March 2025: In Progress: As part of the 2025-26 Budget Development, the district will discontinue PEEF Other General Uses and UGF contributions to Fund 12 (Early Childhood) and Fund 13 (Student Nutrition Services). In addition, the district will discontinue UGF contributions to Real Estate and other departments in Facilities that can be funded through Fund 5 (Real Estate leases).</p> <p>The district is reviewing the FCMAT recommendations related to Special Education in the development of the staffing allocation process for the 25-26SY. The goal is to determine ways of shifting to the recommended adult to student ratios for staffing for Special Day Classes and as one way of generating less referrals for 1:1 paraeducators.</p> <p>In the 2025-26SY, the Special Education and Early Education Department will partner together to consider</p>

	<p>how to situate programming and services for students with disabilities and fund services differently.</p> <p>June 2024: Progress made: During the 2024-25 budget adoption process, conversations continued with programs requiring an unrestricted general fund contribution. The Child Nutrition contribution was eliminated by realigning the program. The Special Education program will begin a FCMAT review in the next few months with a desired outcome of addressing some of the required contributions. For 2024-25, \$10M of PEEF funding will be used to offset the unrestricted general fund's contribution to the Special Education program.</p> <p>Progress will be reviewed monthly with district senior staff and the board fiscal ad hoc committee.</p> <hr/> <p>July 2023: Progress made. Unrestricted general fund contributions have been reviewed and will continue to be monitored as positions/contracts are adjusted.</p>
Update and implement budget forecast and projection practices.	<p>June 2024: Completed-monitor progress. Flo Analytics projections are now being used as the baseline for enrollment projections and are being monitored for variances. The budget is now being adjusted during reporting periods for any anomalies that require a budget adjustment. Enrollment projections are reviewed every 60 days by Business Services to determine changes in enrollment patterns or trends.</p> <hr/> <p>July 2023: Progress made. SFUSD hired Flo Analytics to serve as the district's demographer. Fall projections will be incorporated into the 45 Day Budget Revision if necessary.</p>
Review and update cash flow monitoring practices.	<p>March 2025: Continuous Review. No additional update noted.</p> <p>July 2024: Continuous Review. No additional update noted.</p>

	<hr/> <p>July 2023: Complete/Continually Monitor. Cashflow is currently being monitored as well as general fund expenditures. The review occurs on a monthly basis.</p>
<p>Institute immediate protocols to limit and review spending among Central Office and school sites.</p>	<p>March 2025: In progress: The hiring freeze continues to be in effect as well as review of all contracts, both below and above the delegable amount.</p> <p>June 2024: Complete-monitor progress. Education and Academic Services saw shifts in focus during 2023-24. That progress continued during the 2024-25 budget development cycle with certain departments i.e. Department of Technology seeing additional budget reductions. As the district's budget continues to be reduced, more spending plans will be reviewed for priority and funding constraints in the spirit of district vision, values, goals and guardrails .</p> <hr/> <p>July 2023: Progress made. During the 2023-2024 budget development process, additional requests for spending authority were carefully reviewed and vetted with the Superintendent. As a result, some departments were required to narrow their focus to the district vision, values, goals and guardrails in an effort to remain focused on core objectives.</p>
<p>Hire senior leaders for the Business Services division with high levels of subject matter expertise.</p>	<p>March 2025: In Progress: There has been significant changes to positions in the Business Services Department. The Superintendent has taken action to appoint interim positions in the role of Financial Services Officer and Executive Director of Accounting and Executive Director of Budget. In addition the Superintendent has appointed the Head of Staff and a Senior Executive Director in the Superintendent's Office to support the day to day operations of Business Services. The Recruitment is currently in progress to fill these important positions in the Business Services Division</p>

	<p>June 2024: Complete-monitor progress. A permanent Associate Superintendent of Business Services has been hired effective July 1, 2024. The Executive Director of Budget and Accounting was filled effective December 2023. A Budget Director position was filled effective May 2024. Currently, all senior leadership positions in Business Services remain filled. One FTE hired last year was terminated and the position was posted and filled during the 2023-24 fiscal year. All staff hired in these positions have prior K-12 school business expertise and aligned education in accounting, finance or a business related field.</p> <hr/> <p>July 2023: Progress made. Dr. Candi Clark was hired (contracted through December 31, 2024) to support SFUSD in an interim capacity to stabilize the Business Services Division. Through her efforts, three positions have been filled and the individuals started June 21, 2023. The critical filled positions are: Financial Services Officer (CFO); Executive Director of Payroll, Retirement and Operations; and Executive Director of Budget and Accounting. All three employees have strong K-12 school business and years of experience in their field. Onboarding, training and support is currently underway. Work continues to be under way to fill technical positions within HR, Payroll, Budget and DoT.</p>
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FCMAT FISCAL HEALTH RISK ANALYSIS (2024)

In September 2021, CDE directed the District to work with the Fiscal and Crisis Management Assistance Team (FCMAT) to complete a Fiscal Health Risk Analysis (FHRA) for both the District and County Office of Education. The District received a "lack of going concern" designation from the CDE, which necessitated the FHRA. The FHRA indicated that the District's fiscal solvency risk level was high. Since then, the District has remained in a "lack of going concern" designation. After two years, the CDE requires FCMAT to conduct another FHRA in response to the designation. The [most recent FHRA](#) was completed in May 2024.

SFUSD's Response to FCMAT's Fiscal Health Risk Analysis (May 2024 and June 2024)

Below are SFUSD's responses to the findings as reported by FCMAT in May 2024. SFUSD's responses are from May 2024 and June 2024.

FCMAT Report Summary

The FCMAT report summary identified several areas of concern with the District's fiscal operations. These concerns were based on our 2023-24 adopted budget and operations at the time of the analysis. Since then, there have been several developments that directly address the issues identified in the FHRA.

Business Services Staffing

At the time of the report, FCMAT noted that the District has many consultants in a variety of positions in Business Services and Human Resources. Since then, the District has hired staff with California K-12 experience in several critical leadership positions, including an Executive Director of Payroll, a Financial Services Officer, a Director of Budget, an Executive Director of Business Services, and a Director of Accounting. FCMAT made note that the District has lacked a qualified chief business official for several years. The District went out for recruitment and has hired an experienced Associate Superintendent of Business Services that will start with the District July 1, 2024.

The District has experienced over the last several months a vacancy for the Financial Services Officer and an upcoming vacancy will occur on December 6, 2024, for the Executive Director of Budget and Accounting. Recruitment for these positions are underway for potential staff that have highly qualified knowledge and experience in K-12 school districts in hopes of positions being filled by March or April 2025. We currently have highly qualified consultants to fill the positions to assist with 1st Interim and training of staff in the financial area of budget and accounting.

Staff Training

The report notes that District staff could benefit from additional training and greater collaboration with other districts across the state. The District recognizes this need and has begun sending staff to state-level business services and human resources conferences. This practice will continue and be expanded as the District adopts a new enterprise resource planning (ERP) system that is used by over 60% of districts in the state.

District's Financial System

The FHRA report notes that the financial system is a significant barrier. Since the report was completed, the District has approved implementing a new system for the 2025-26 school year. The new system will integrate the Budget, Accounting, Procurement, Fiscal, Payroll, Position Control, Procurement and Contracts, and Human Resources modules. By moving away from

over 12+ separate systems to less than 3 systems, the District’s operational systems will become integrated, highly automated and more efficient.

Position Control

The lack of position control is noted as a serious issue. The District is in the process of establishing position control and expects to have this in place for the 2024-25 school year. Most importantly, the District is stopping its practice of budgeting for more positions than it expects to fill and then creating an “offset” in the budget to account for those vacancies. This offset has made it difficult to monitor actual expenditures and salary savings. Full implementation of a resolution is not anticipated until July 2025 when the new ERP system will go live.

Staffing Allocations

FCMAT highlights the District’s school funding allocation process as problematic and not following best practices in this area. Since the report was completed, the District has shifted to a centralized allocation approach. This allows the District to have greater control over the staffing expenditures at school sites.

Material Weaknesses

Five material weaknesses were identified in the FHRA based on the District’s 2023-24 adopted budget. The District has addressed numerous material weaknesses since the report was completed. Below is a status update of each material weakness.

1. 3.6 Addressed deficiencies identified by the California Department of Education	At Risk. The FCMAT report notes the issues identified by the California Department of Education that must be addressed to remove the lack of going concern designation. Our progress in each of these areas is noted in the CDE section of this report.
2. 4.3 Cash flow forecast	May 2024: Resolved. Starting with the 2023-24 first interim report, the District has been forecasting cash flow accurately in its budget reports. June 2024: No change December 2024-Resolved: Monthly Cash Flow statements are prepared by Accounting Director

<p>3. 4.4 Cash flow plans</p>	<p>May 2024: In Progress. Starting with the 2023-24 first interim report, the District demonstrates that it has sufficient cash flow. If the District does not demonstrate this in future reports, it will have a reasonable plan to address cash flow needs for the current and subsequent years. Strategies include issuing tax revenue anticipation notes (TRANS), interfund borrowing or borrowing from the county treasurer (if applicable).</p> <p>June 2024: No Change</p> <p>December 2024-In Progress: The 1st Interim assessment of cash flow demonstrates negative cash for the District in November 2026. In September 2024, The District was in in contact with the City regarding “dry period” loan options. Waiting for a response. In addition, other options are under review regarding a TRANS, which would only be acted upon if the “dry period” loan is not an option.</p> <p>March 2025: The 2nd Interim assessment of cash flow continues to demonstrate negative cash for the District in November 2026. The Fiscal Stability Plan will help to reduce expenditures in 25/26 and 26/27 which will help the cash flow. The District will be in contact with the City regarding "dry period" loan options.</p>
<p>4. 10.6 Enrollment projections</p>	<p>In Progress</p> <p>December 2024-In Progress: The District leadership is currently in conversations regarding the methodology to be used in ensuring enrollment projections are as accurate and appropriate for the District. The EPC Center and Business Office is currently reviewing Enrollment projections for 25-26</p> <p>March 2025: In Progress: The Enrollment Center released capacities to school sites in January 2025 based on the following guidance from Executive Cabinet: 1) In elementary schools, align the number of classrooms with the maximum number of students and combine grade levels when neededand 2) In middle schools and high schools, align the number of classrooms with the maximum number of students and ensure that each student is offered a six period day. School capacities are based on our projected enrollment and are adjusted according to the number of applications received. SFUSD received 150 more Kindergarten applications than projected and subsequently opened up additional classrooms in several schools that had been projected to have</p>

	K-1 combination class. SFUSD received 2000 TK applications, 700 more than projected and are increasing TK classroom capacity as well..
5. 19.1 Position control	<p>May 2024- In Progress. The District expects to account for all positions and costs for the 2024-25 school year, using actual costs for filled positions and average costs for vacant positions.</p> <p>June 2024: No Change</p> <p>December 2024-In Progress Still in progress for the 25-26 implementation. This area is in green according the FL dashboard.</p> <p>March 2025: In Progress: Still in progress for the 25-26 implementation.</p>

CDE Deficiencies as Noted in the FCMAT Report

FCMAT reported on the status of six deficiencies identified by the CDE that need to be addressed. Here is the status of the District's efforts to address these deficiencies.

1. Issues with EMPowerSF System	<p>May 2024: In Progress. The District is moving to a new system and will stop using EMPowerSF by 2025-26. The District expects to resolve over/under payments and reconcile retirement system contributions within the next 24 months.</p> <p>June 2024-In Progress. The District's Payroll team is able to identify over/under payments more expeditiously than before. However, more work is needed to resolve the issue in its entirety.</p> <p>December 2024-In Progress: The District has continued to reconcile and assess overpayments. A group of the overpayments have been solidified and the District will move forward with letters to employees. First, the District will meet with labor partners to brief them on the process.</p> <p>March 2025: In Progress: No progress at this time.</p>
2. Structural Deficit	<p>May 2024:At Risk . While the District has taken steps to reduce deficit spending, additional action is necessary, particularly for the 2025-26 school year.</p>

	<p>June 2024: In Progress. This assessment is based on the adopted 2024-25 budget and MYP. Based on the 2024-25 budget and MYP, the District has developed a plan to address structural deficit spending in the 2024-25 fiscal year and two subsequent years. More review and discussion will continue for the next six months. Any update will be provided by First Interim by December 15, 2024.</p> <p>December 2024: In Progress The District continues to work towards a reduction in the deficit and structural deficit through reductions in positions where applicable. The District is taking a SERP offering to the Board on December 10 for consideration and approval. This will start the process. On track for December 15, 2024.</p> <p>March 2025: In Progress: The BOE approved noticing of provisional layoffs for classified and certificated staff on February 25, 2025. The March 15th, 2025 preliminary notices sent will be based on seniority and will include that the position may be eliminated with final notices be sent by May 15, 2025. In addition the BOE approved a Supplemental Early Retirement Plan on December 10, 2024. The offering of the plan closed on February 21, 2025 with 352 employees submitting a package. In addition, the district is developing a supplemental hiring guide for school sites to support the use of school site restricted and discretionary funds for existing positions to reduce the reliance on unrestricted funds. Any new positions will continue to be subject to the hiring freeze.</p>
3. Inadequate Position Control	<p>May 2024: In Progress. The District is working to establish position control for the 2024-25 school year through the new ERP system.</p> <p>June 2024: In Progress. As previously noted, this issue will not be fully resolved until July 2025 which is when the new ERP system is planned to go live.</p> <p>December 2024 - No Change: Pending until July 1, 2025</p>
4. Accuracy of Financial Projections	<p>May 2024: At Risk. For the 2024-25 school year, the District will still not be able to include actual salaries in its budget planning rather than District averages due to its financial systems. When the new ERP system is implemented, this will be corrected.</p>

	<p>June 2024: No Change</p> <p>December 2024:No change Still pending until a PC is in place, July 1, 2025.</p>
<p>5. Hire for Vacant Associate Superintendent of Business Services</p>	<p>May 2024: Resolved . At the time of the report, the District did not have an Associate Superintendent of Business Services. (This is often referred to as a Chief Business Official in other districts.) The District has recruited for the position and will have a permanent experienced Associate Superintendent of Business Services in place on July 1, 2024.</p> <p>June 2024: No change</p> <p>December 2024: Completed Currently filled.</p> <p>March 2025: In Progress: The Superintendent has designated key staff in interim positions to support the Business Services team. These changes will enable us to maintain operational excellence while focusing on our fiscal sustainability and successfully implementing our new Enterprise Resource Planning (ERP) system (Frontline).</p>
<p>6. Audit Reports</p>	<p>May 2024: In Progress. The 2022-23 audit report was completed and submitted to the CDE on May 6, 2024. This report was submitted late because the District switched to a new auditor, Christy White, in 2023. The auditing firm needed more time to understand and address the District's prior year auditing issues while auditing the 2022-23 year. We expect to have the 2023-24 audit submitted by the December 14, 2024 deadline.</p> <p>June 2024: In progress. The 2023-24 audit is planned to be presented for board approval by December 15, 2024.</p> <p>December 2024-In progress The audit report for the 23-24 year will have an extension until February 15, 2025.</p> <p>March 2025: In progress. The district received the 2023-24 district audit <u>report</u> along with the board communication.</p>

