

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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Policy Analysis Report

To: Supervisor Hillary Ronen
From: Budget and Legislative Analyst's Office
Re: Review of Changes to San Francisco Unified School District's Central Administration Budget, FY 2020-21 to FY 2022-23
Date: June 13, 2023



Summary of Requested Action

Your office requested that the Budget and Legislative Analyst conduct an independent analysis of San Francisco Unified School District's budgeted and actual central administrative expenditures, to compare budgeted and actual expenditures in fiscal year (FY) 2020-21, FY 2021-22, and FY 2022-23, and to identify key changes that SFUSD has made in its budget allocations during these years, focused on SFUSD's operating budget in its General Fund and special revenue funds, and on central administrative functions.

For further information about this report, contact Fred Brousseau, Director of Policy Analysis, at the Budget and Legislative Analyst's Office.

Executive Summary

- We compared SFUSD's budgeted and actual expenditures in fiscal year (FY) 2020-21, FY 2021-22, and FY 2022-23 to identify significant areas of change over the three-year period. We focused our analysis on SFUSD's main funds: the General Fund, County Office of Education Fund, and special revenue funds.
- As shown in Exhibit A, our analysis found that SFUSD's total operating budget in its main funds grew by \$133.6 million, or 11 percent, from \$1.2 billion in FY 2020-21 to \$1.3 billion in FY 2022-23.
- Budgeted expenditures for central administrative functions decreased by \$9.2 million and non-central administrative functions (instruction and school site related functions) increased by \$142.8 million, for a net increase of \$133.6 million between FY 2020-21 and FY 2022-23.

Exhibit A: SFUSD Budgeted Expenditures, FY 2020-21 through FY 2022-23

	FY 2020-21	FY 2022-23	Change	% Change
Central Administration Operating Expenditures				
Budget	\$321,425,485	\$312,211,308	(\$9,214,177)	-3%
Non-Central Administration Operating Expenditures				
Budget	866,467,180	1,009,296,629	142,829,450	16%
Total Operating Expenditures				
Budget	\$1,187,892,664	\$1,321,507,937	\$133,615,273	11%

Source: SFUSD budget and actual summary detail reports, FY 2020-21, FY 2021-22, FY 2022-23.

- “Central administrative” operating expenditures at the District cover functions such as Instructional Supervision and Administration, Centralized Data Processing, Fiscal Services, Maintenance, and Operations, consistent with classifications established in the California School Accounting Manual.
- For the \$9.2 million decrease in central administrative functions budgeted expenditures between FY 2021-21 and FY 2022-23, the most significant areas of change were:
 - Instructional Supervision and Administration, which decreased by \$35.3 million, or 27 percent (covers assistance for instructional staff in planning, developing, and evaluating instruction, including curriculum development and staff professional development and training),
 - Centralized Data Processing, which increased by \$13.0 million, or 28 percent,
 - Facilities Acquisition and Construction, which increased by \$5.7 million, or 33 percent, and
 - Personnel/Human Resources Services, which increased by \$5.2 million, or 56 percent.
- Net decreases in all other central administrative functions were \$2.2 million, resulting in a total decrease of \$9.2 million in expenditures on all central administrative functions between FY 2020-21 and FY 2022-23, as detailed in Exhibit B.

Exhibit B: SFUSD Central Administrative Functions Budgeted Operating Expenditure Details, FY 2020-21 and FY 2022-23

	FY 2020-21	FY 2022-23	<i>Change</i>	
	\$	%		
Instructional Supervision and Admin.	\$132,746,249	\$97,484,286	(\$35,261,964)	-27%
Board and Superintendent	20,079,004	20,038,583	(40,421)	0%
Fiscal Services	9,183,280	9,096,525	(86,755)	-1%
Personnel/Human Resources Svcs.	9,243,277	14,412,720	5,169,443	56%
Centralized Data Processing	46,038,445	58,991,933	12,953,488	28%
Other Gen. Admin. and Central Support	12,835,375	9,445,477	(3,389,898)	-26%
Maintenance	12,768,903	12,177,816	(591,087)	-5%
Operations	46,728,402	48,261,489	1,533,086	3%
Security	8,915,088	9,393,950	478,862	5%
Facilities Acquisition and Construction	17,325,513	23,016,264	5,690,751	33%
Other Plant M&O / Rents and Leases	5,561,948	9,892,265	4,330,317	78%
Total: central administrative functions	\$321,425,485	\$312,211,308	(-\$9,214,177)	-3%

Source: SFUSD budget and actual summary detail reports, FY 2020-21, FY 2021-22, FY 2022-23.

- For budgeted expenditures on non-central administrative functions, which increased by \$142.8 million between FY 2020-21 and FY 2022-23, the most significant areas of change were:
 - Instruction, which increased by \$144.7 million, or 25 percent,
 - Pupil Services, which increased by \$39.2 million, or 25 percent,
 - School Administration, which increased by \$13.8 million, or 26 percent (covers administrative costs such as principals and office staff at school sites), and
 - Transfers, including transfers between agencies and interfund transfers, which decreased by \$56.6 million, or 89 percent.

Exhibit C: SFUSD Non-Central Administrative Functions and Grand Total Budgeted Operating Expenditure Details, FY 2020-21 and FY 2022-23

	FY 2020-21	FY 2022-23	<u>Change</u>	
			\$	%
Instruction	576,067,006	720,752,077	144,685,071	25%
Instructional Resources	13,405,091	13,753,353	348,262	3%
School Administration	54,282,424	68,126,515	13,844,091	26%
Pupil Services	154,728,247	193,942,968	39,214,720	25%
Ancillary Services	4,706,273	5,782,120	1,075,847	23%
Community Services and Enterprise	18,086	241,639	223,553	1,236%
Transfers	63,260,052	6,697,808	(56,562,244)	-89%
n/a	0	150	150	-
Subtotal: Non-central functions	866,467,180	1,009,296,629	142,829,450	16%
Subtotal: central administrative functions	321,425,485	312,211,308	(9,214,177)	-3%
Grand total: all functions	1,187,892,664	\$1,321,507,937	\$133,615,273	11%

Source: SFUSD budget and actual summary detail reports, FY 2020-21, FY 2021-22, FY 2022-23.

- Actual District expenditures grew by \$164.2 million overall between FY 2020-21 and FY 2021-22, entirely in [non-central administrative functions](#) (an overall increase of \$172.7 million that was offset by a decrease in actual expenditures of \$8.5 million in central administrative functions).
- Our analysis found a significant amount of year-to-year variability in the budgets for certain functions. According to SFUSD, during FY 2021-22 and FY 2022-23, the District reclassified some budgeted expenditures, including from central administrative functions to non-central administrative functions in some instances, to more appropriately reflect the type, nature, and/or fund of the expenditure. For example, in FY 2021-22 and FY 2022-23, SFUSD re-distributed some expenditures between the General Fund and the County Office of Education Fund, which had the effect of increasing and/or decreasing the budgets of these funds without necessarily representing a meaningful change in expenditures overall. While these adjustments make SFUSD's budget more accurate, it also makes year-over-year budgetary comparisons highly variable.
- It was not possible to identify the exact amounts of certain expenditure changes, such as the large reduction in budget for Instructional Supervision and Administration, that were reclassified compared to reduced using SFUSD's budget summary detail reports. We submitted follow-up questions to SFUSD staff about the nature of the significant areas of change we identified in our analysis, and we provide the District's responses in this report.
- According to SFUSD, the District reduced its central administrative functions by 158.56 full-time equivalent positions between FY 2020-21 and 2022-23, 34.36 FTEs of which

were reclassified out of central administrative functions and moved to non-central administrative functions, and 124.2 of which were eliminated. Our project scope did not include a review of District position control documentation to analyze these changes.

- Focusing on changes in central administrative spending, as noted above, the \$9.2 million decrease in the budget for central administrative functions occurred primarily in Instructional Supervision and Administration, which decreased by \$35.3 million between FY 2020-21 and FY 2022-23 (this decrease was offset by increases in other areas), primarily in SFUSD's General Fund and the County Office of Education Fund. According to SFUSD, the primary drivers of this reduction were (1) reductions to the Curriculum and Instruction and Student and Family Services budgets, and (2) the reclassification of expenditures to Instruction, Pupil Services, and Personnel/Human Resources (all non-central administrative functions) to better align with California's standardized accounting structure for K-12 education.

Policy Options

The Board of Supervisors should:

1. Request that the District provide the Board of Supervisors with annual summary reports on changes in its budgeted and actual expenditures over the most recent three years, identifying which costs and positions have been reclassified between functions, which have been eliminated, and the functions to which new costs and positions have been added.

<i>Project Staff: Fred Brousseau and Linden Bairey</i>
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Overview of San Francisco Unified School District

Background

The San Francisco Unified School District (“SFUSD” or the “District”) provides public education to students in grades pre-kindergarten to 12 in San Francisco. SFUSD also administers the San Francisco County Office of Education, which is responsible for oversight functions and specific county-provided programming within SFUSD and is the chartering entity with oversight responsibility for the City’s charter schools. SFUSD is governed by a Board of Education of seven members who are elected at large to serve four-year terms. The Board of Education is responsible for establishing educational goals and standards, approving curriculum, adopting the District’s budget, appointing District personnel, and approving purchases, contracts, capital projects, and other items. The Board of Education appoints a superintendent of schools to manage the day-to-day administration and operations of the District.

District Funding, Budgeting, and Accounting

School districts in California receive funding from an array of state, federal, and local funding sources. California allocates funding for K-12 education according to the Local Control Funding Formula, which distributes education funding to school districts, county offices of education, and charter schools according to a complex formula that incorporates grade span, average daily attendance, unduplicated percentages of disadvantaged pupils, and other components. SFUSD also receives revenue from federal sources (primarily Every Student Succeeds Act funding), other state sources (primarily the After School Education and Safety fund, lottery funding, and special education funding), and local sources. SFUSD’s budget is adopted annually by the Board of Education, in accordance with the provisions in Section 42127 of the California Education Code.

California Education Code Section 41010 requires that school districts in California follow the definitions, instructions, and procedures in the California School Accounting Manual (“CSAM”) for the management of their financial resources. The manual establishes policies and procedures related to the basis of accounting, revenue and expenditure recognition, fund types, types of transactions, methods of posting transactions, documentation required to substantiate transactions, and year-end closing processes. The CSAM also establishes the chart of accounts that corresponds to an account string that contains seven numerically coded fields known as the standardized account code structure (“SACS”). For each field, the manual defines a set of accounts so that transactions can be grouped according to the classification of the field. Each school district in California, including SFUSD, is required to adhere to the standardized structure and the definitions established in the manual.

Report to Supervisor Ronen

June 13, 2023

The most relevant SACS account code types for the purposes of this analysis are summarized in Exhibit 1 below. Detailed definitions of SACS funds, functions, and objects as established in the CSAM are provided in Appendix I.

Exhibit 1: SACS Account Code Types

Type	Definition
Fund	The fund field identifies the fund that is receiving the revenue, paying the expenditure, or is otherwise affected by the transaction. A fund is a fiscal and accounting entity with a self-balancing set of accounts that record cash and other financial resources and related liabilities. Examples include the general fund, child development fund, and cafeteria special revenue fund.
Function (Activity)	The function field identifies the activities or services performed or describes the activity for which a service or material is acquired. Examples include instruction, school administration, pupil transportation, and general administration.
Object	The object field classifies expenditures by type of commodity or service. Examples include salaries, employee benefits, or books and supplies.

Source: California School Accounting Manual

Role of the County Office of Education

In California, county offices of education are responsible for the oversight and monitoring of school districts within county jurisdictions. (For example, the Alameda County Office of Education oversees the 18 school districts within Alameda County, including the Oakland Unified School District, the Berkeley Unified School District, and the Fremont Unified School District.) County offices of education are typically managed by a county superintendent of schools and an elected county board of education. Under California Education Code Section 1240, the county superintendent of schools supervises the schools of that county, is responsible for the fiscal oversight of school districts in the county, enforces the course of study, and conducts site visits to schools. County offices of education are also responsible for providing direct services to students enrolled in special programs like some special education programs, community schools, and juvenile court schools.

Most county offices of education have multiple school districts within their jurisdictions. However, San Francisco County has a single district: SFUSD. As a result, SFUSD also functions as the San Francisco County Office of Education, the SFUSD Board of Education functions as the County Board of Education, and the SFUSD Superintendent functions as the County Superintendent of Schools.

For financial reporting and control purposes, SFUSD maintains a separate budget for the San Francisco County Office of Education in a single, separate fund (Fund 05). Fund 05 records County Office of Education revenues (including Local Control Funding Formula revenue from the state) and County Office of Education expenditures. Expenditures that are joint or shared between SFUSD and the San Francisco County Office of Education are allocated proportionally between SFUSD funds and the County Office of Education Fund. For example, the salary and benefits costs of the SFUSD

Superintendent position, who serves as both the SFUSD Superintendent and the County Office of Education Superintendent, are paid in part from SFUSD's General Fund (Fund 01) and in part from the San Francisco County Office of Education Fund (Fund 05).

SFUSD FY 2020-21, FY 2021-22, and FY 2022-23 Expenditures

For this report, we were requested to conduct an independent analysis of SFUSD's budgeted and actual central administrative expenditures, to compare budgeted and actual expenditures in fiscal year (FY) 2020-21, FY 2021-22, and FY 2022-23, and to identify key changes that SFUSD has made in its budget allocations during these years, focused on SFUSD's operating budget in its General Fund and special revenue funds, and on central administrative functions.

Defining Central Administrative Expenditures

In a prior report released by our office, *San Francisco Unified School District Central Administrative Expenditures and Staffing Analysis* dated January 10, 2023, we conducted an analysis of SFUSD's staffing and actual expenditures on central administrative functions in FY 2020-21 (the most recent year for which comprehensive financial data was available) and compared SFUSD's allocations to comparable peer school districts in California. To do this comparison, we defined "central administrative functions" according to the chart of accounts established in the California School Accounting Manual to allow for consistent comparisons to other school districts. Because all school districts in California must report their expenditures to the California Department of Education using the standardized account code structure, this analytical approach allowed us to collect and compare expenditure and staffing data for SFUSD and our comparison districts by fund, function, and object consistently.

For consistency, this analysis continues to use the same definition of central administrative functions as our prior January 2023 report, with one notable difference. This analysis, which is limited to SFUSD, includes the San Francisco County Office of Education Fund (Fund 05) in the definition of SFUSD's operating budget and central administrative functions, in order to provide the most accurate view of SFUSD operational spending. Therefore, the amounts reported in this analysis will vary from the amounts reported in our January 2023 report, which excluded the County Office of Education Fund (Fund 05) from SFUSD's operating expenditures in order to ensure consistency with other school districts.

The functions and funds we determined to include in our analysis are summarized in Exhibit 2 below. Appendix II contains a more in-depth discussion of the methodology we used to define central administrative functions.

Exhibit 2: Central Administrative Operating Budget Functions and Funds

Central Administrative Functions	SACS Code	Definition
Instructional Supervision and Administration	2100-2200	Spending on activities to assist instructional staff in planning, developing, and evaluating instruction, including curriculum development and staff professional development and training.
General Administration	7000-7999	Agency-wide administrative activities, including: the administrative and policy roles of the Board of Education and Superintendent; staff relations and negotiations; public information; financial auditing; budgeting; accounts payable and receivable; payroll; accounting; personnel and human resources; staff development; planning, research, and development; purchasing; warehousing and distribution; printing, publishing, and duplicating; and data processing, computer facility management, and systems development.
Plant Services	8000-8999	Services that include activities that keep a district's physical locations open, comfortable, and safe for use, and keeping the grounds, buildings, and equipment in working condition and satisfactory repair; activities concerned with capital projects such as acquiring land and buildings, remodeling or constructing buildings, and improving sites; and activities to acquire facilities through operating leases or rentals.
Operating Budget Funds	SACS Code	Definition
General Fund	01	The chief operating fund of SFUSD, which is used to account for the ordinary operations of SFUSD. All transactions except those accounted for in another fund are accounted for in this fund.
County Office of Education Fund	05	The chief operating fund of the San Francisco County Office of Education, which is used to account for the ordinary operations of the Office of Education.
Adult Education Fund	11	Used to account separately for federal, state, and local revenues that are restricted or committed for adult education programs. Moneys in this fund are expended for adult education purposes only.
Child Development Fund	12	Used to account separately for federal, state, and local revenues to operate child development programs for expenditures for the operation of child development programs.
Cafeteria Special Revenue Fund	13	Used to account separately for federal, state, and local resources to operate the District's food service program.
Deferred Maintenance Fund	14	Used to account separately for revenues that are restricted or committed for deferred maintenance purposes. Moneys in this fund are used for major repairs facility repairs and painting and asbestos and lead remediation.

Source: California School Accounting Manual.

SFUSD Budgeted and Actual Operating Expenditures, FY 2020-21 to FY 2022-23

Exhibit 3 below displays SFUSD's budgeted and actual operating expenditures and full-time equivalent (FTE) positions in FY 2020-21, FY 2021-22, and FY 2022-23. For FY 2023-23, the actuals are not reported because the fiscal year is still underway.

**Exhibit 3: SFUSD Budgeted and Actual Operating Expenditures,
FY 2020-21, FY 2021-22, FY 2022-23**

	FY 2020-21	FY 2021-22	FY 2022-23	Change*	% Change*
Central Administration Operating Expenditures					
Budget	\$321,425,485	\$316,260,136	\$312,211,308	(\$9,214,177)	-3%
Actual	261,620,092	253,140,980	-	(8,479,112)	-3%
Actual vs. budget	-19%	-20%	-	-	-
Budgeted FTEs	1,474.79	1,272.15	1,316.23	(158.56)	-11%
Non-Central Administration Operating Expenditures					
Budget	866,467,180	1,080,958,886	1,009,296,629	142,829,450	16%
Actual	833,883,553	1,006,548,636	-	172,665,083	21%
Actual vs. budget	-4%	-7%	-	-	-
Budgeted FTEs	6,127.84	7,065.92	6,077.33	(50.51)	-1%
Total Operating Expenditures					
Budget	1,187,892,664	1,397,219,022	1,321,507,937	133,615,273	11%
Actual	1,095,503,645	1,259,689,616	-	164,185,971	15%
Actual vs. budget	-8%	-10%	-	-	-
Budgeted FTEs	7,602.63	8,338.07	7,393.56	(209.07)	-3%

Source: SFUSD budget and actual summary detail reports, FY 2020-21, FY 2021-22, FY 2022-23. Operating expenditures include funds 01, 05, 11, 12, 13, and 14.

*Value changes are calculated from FY 2020-21 to FY 2022-23 for budgeted and FTE amounts, and from FY 2020-21 to FY 2021-22 for actual amounts.

As shown in Exhibit 3 above, SFUSD's total operating budget in the General Fund, County Office of Education Fund, and special revenue funds grew by \$133.6 million, or 11 percent, from FY 2020-21 to FY 2022-23. Budgeted expenditures on central administrative functions decreased by \$9.2 million, or by three percent, during the time period, and budgeted expenditures on non-central administrative functions increased by \$142.8 million, or by 16 percent. Actual expenditures grew by \$164.2 million overall between FY 2020-21 and FY 2021-22, entirely in non-central administrative functions (an overall increase of \$172.7 million that was offset by a decrease in actual expenditures of \$8.5 million in central administrative functions).

Although budgeted and actual operating expenditures increased, FTE positions decreased overall by 209.07 between FY 2020-21 and FY 2022-23; the decrease occurred primarily in central administrative functions, by 158.56 FTEs. According to SFUSD, of the 158.56 FTE reduction in central administrative functions, 34.36 FTEs were positions that were reclassified out of central administrative functions and moved to non-central administrative functions. The District reports that

Report to Supervisor Ronen

June 13, 2023

124.2 central administrative positions were eliminated between FY 2020-21 and 2022-23. Our project scope did not include a review of District position control documentation regarding these changes.

Exhibit 4 displays additional details for SFUSD's budgeted operating expenditures in FY 2020-21, FY 2021-22, and FY 2022-23. As shown below and discussed in more detail, there is a significant amount of year-to-year variability in the budgets for certain functions. According to SFUSD, during FY 2021-22 and FY 2022-23, the District reclassified some budgeted expenditures to more appropriately reflect the type, nature, and/or fund of the expenditure. For example, in FY 2021-22 and FY 2022-23, SFUSD re-distributed some expenditures between the General Fund and the County Office of Education Fund, which had the effect of increasing and/or decreasing the budgets of these funds without necessarily representing a meaningful change in expenditures overall. While these adjustments make SFUSD's budget more accurate, it also makes year-over-year budgetary comparisons highly variable. It was not possible to identify the exact amounts of *reclassified* compared to *reduced* expenditures, such as the reduction in FTEs budgeted in central administration functions, using SFUSD's budget summary detail reports. For more information and explanation, we submitted follow-up questions to SFUSD staff about the nature of the significant areas of change we identified in our analysis. We include the District's responses summarizing the changes that were the subject of our inquiries below in this report.

**Exhibit 4: SFUSD Budgeted Expenditure Details,
FY 2020-21, FY 2021-22, FY 2022-23**

	FY 2020-21	FY 2021-22	FY 2022-23	FY 20-21 to 22-23	
				\$	%
<u>Central Administration Budgeted Operating Expenditures</u>					
Instructional Supervision and Admin.	\$132,746,249	\$116,644,765	\$97,484,286	(\$35,261,964)	-27%
Board and Superintendent	20,079,004	19,524,591	20,038,583	(40,421)	0%
Fiscal Services	9,183,280	10,295,319	9,096,525	(86,755)	-1%
Personnel/Human Resources Svcs.	9,243,277	8,221,063	14,412,720	5,169,443	56%
Centralized Data Processing	46,038,445	50,388,934	58,991,933	12,953,488	28%
Other Gen. Admin. and Central Support	12,835,375	10,558,583	9,445,477	(3,389,898)	-26%
Maintenance	12,768,903	13,344,073	12,177,816	(591,087)	-5%
Operations	46,728,402	49,425,153	48,261,489	1,533,086	3%
Security	8,915,088	8,562,137	9,393,950	478,862	5%
Facilities Acquisition and Construction	17,325,513	19,408,556	23,016,264	5,690,751	33%
Other Plant M&O / Rents and Leases	5,561,948	9,886,964	9,892,265	4,330,317	78%
Total	321,425,485	316,260,136	312,211,308	(9,214,177)	-3%
<u>Non-Central Administration Budgeted Operating Expenditures</u>					
Instruction	576,067,006	757,273,373	720,752,077	144,685,071	25%
Instructional Resources	13,405,091	13,730,444	13,753,353	348,262	3%
School Administration	54,282,424	66,095,966	68,126,515	13,844,091	26%
Pupil Services	154,728,247	198,000,308	193,942,968	39,214,720	25%
Ancillary Services	4,706,273	5,980,270	5,782,120	1,075,847	23%
Community Services and Enterprise	18,086	18,917	241,639	223,553	1236%
Transfers	63,260,052	15,859,607	6,697,808	(56,562,244)	-89%
n/a*	0	24,000,000	150	150	-
Total	866,467,180	1,080,958,886	1,009,296,629	142,829,450	16%
Total Operating Expenditures	1,187,892,664	1,397,219,022	1,321,507,937	133,615,273	11%

Source: SFUSD budget and actual summary detail reports, FY 2020-21, FY 2021-22, FY 2022-23. Operating expenditures include funds 01, 05, 11, 12, 13, and 14.

* According to SFUSD, this one-time budgeted expenditure of \$24 million was budgeted for District-wide classified retiree benefits to reduce ongoing liabilities.

As shown in Exhibit 4 above, the largest (over \$5 million) areas of budget changes for central administrative functions in SFUSD's operating funds were as follows. As noted above, it was not possible using SFUSD's budget summary detail reports to identify the exact amount of *reclassified* compared to *reduced* expenditures that would allow us to identify which budget decreases represented a material decrease in spending and which budget decreases were simply due to the expenditure being moved elsewhere in the budget. For more information and explanation, we submitted follow-up questions to SFUSD staff about the nature of the significant areas of change we identified in our analysis. The District's responses are provided below in this report.

- Instructional Supervision and Administration decreased by \$35.3 million, or 27 percent, between FY 2020-21 and FY 2022-23. Instructional Supervision and Administration captures activities for assisting instructional staff in planning, developing, and evaluating instruction,

including curriculum development and staff training on techniques of instruction, as well as instructional administration of special projects. This function had the second largest decrease in District budgeted expenditures between FY 2020-21 and 2022-23, behind Transfers, which decreased by \$56.6 million during the review years. According to SFUSD, the primary drivers of this reduction were (1) reductions to the Curriculum and Instruction and Student and Family Services budgets, and (2) the reclassification of expenditures to Instruction, Pupil Services, and Personnel/Human Resources to better align with California's standardized accounting structure for K-12 education.

- Centralized Data Processing increased by \$13.0 million, or 28 percent, between FY 2020-21 and FY 2022-23. Centralized Data Processing accounts for the costs of District-wide administrative data processing services, including computer facility management, computer processing, systems development, and other related data functions, for applications that support attendance accounting, grade reporting, financial accounting, and other data processing needs. According to SFUSD, the primary drivers of this increase were increased expenditures related to operations of EMPowerSF, the new employee information and payroll system launched in January 2022.
- Facilities Acquisition and Construction, which increased by \$5.7 million, or 33 percent, between FY 2020-21 and FY 2022-23. Facilities Acquisition and Construction captures costs related to capital projects, such as acquiring land and buildings, remodeling buildings, constructing buildings and additions to buildings, initially installing or extending service systems and other built-in equipment, and improving sites. According to SFUSD, the primary driver of this increase was increased rates for the provision of standard services.
- Personnel/Human Resources Services, which increased by \$5.2 million, or 56 percent, between FY 2020-21 and FY 2022-23. Personnel/Human Resources Services includes activities such as staff development, recruitment and placement, staff transfers, health services, and staff accounting, including legal costs directly identifiable with personnel/human resources activities. According to SFUSD, the primary drivers of this increase were expenditures related to the operations of EMPowerSF and the reclassification of expenditures from Instructional Supervision and Administration to better align with California's standardized accounting structure for K-12 education.

The largest (over \$5 million) areas of budget changes for non-central administrative functions in SFUSD's operating funds were as follows.

- Instruction increased by \$144.7 million, or 25 percent, between FY 2020-21 and FY 2022-23. Instruction spending captures all instructional interactions between teachers and students, including special education, as well as the activities of aides and classroom assistance. This increase represents the single largest increase in budgeted expenditures between FY 2020-21 and 2022-23 in the District. According to SFUSD, the primary driver of this increase was

the reclassification of expenditures previously coded to Instructional Supervision and Administration that offer direct services to students such as afterschool programming.

- Transfers, including transfers between agencies and interfund transfers, decreased by \$56.6 million, or 89 percent, between FY 2020-21 and FY 2022-23. Transfers, which are considered Other Outgo rather than Expenditures in the California School Accounting Manual, are movements of resources between agencies (including outgoing tuitions and transfers of apportionments and resources) and between funds (not classified as quasi-external transactions, reimbursements, interfund loans or borrowing, or advances). According to SFUSD, the primary driver of this decrease is a change in the District's approach to budgeting for Special Education. Special Education costs used to be budgeted in the County Office of Education Fund, which required an interfund transfer from District funds to the County Office of Education Fund. Because the revenue for Special Education is first received by the District, Special Education costs have now been shifted to District funds to more accurately reflect both the receipt of funds and the services budgeted.
- Pupil Services increased by \$39.2 million, or 25 percent, between FY 2020-21 and FY 2022-23. Pupil Services captures spending on non-instructional services for pupils, including guidance and counseling, psychological services, attendance and social work services, health services, speech pathology and audiology services, testing services, transportation services, and food services. According to SFUSD, the primary driver of this increase was the reclassification of expenditures to more accurately reflect the services provided.
- School Administration increased by \$13.8 million, or 26 percent, between FY 2020-21 and FY 2022-23. School Administration captures activities related to directing and managing the operations of a particular school site, including the activities of the principal, assistant principals, and clerical staff who provide and/or support school operations, the evaluation and support of teaching and administrative duties, and coordination of instructional activities. According to SFUSD, the primary driver of this increase was a savings offset applied to School Administrator salaries in FY 2020-21 that was removed in subsequent years.

Exhibit 5 below summarizes SFUSD's budgeted operating expenditures on central administrative functions by fund.

Report to Supervisor Ronen

June 13, 2023

**Exhibit 5: SFUSD Central Administrative Functions Budgeted Operating Expenditure
Details by Fund, FY 2020-21, FY 2021-22, FY 2022-23**

	FY 2020-21	FY 2021-22	FY 2022-23	FY 20-21 to 22-23	
				\$	%
General Fund					
Instructional Supervision and Admin.	\$106,543,201	\$109,264,263	\$91,068,153	(\$15,475,047)	-15%
Board and Superintendent	19,216,018	18,362,323	15,736,755	(3,479,263)	-18%
Fiscal Services	9,183,279	10,295,318	6,726,189	(2,457,090)	-27%
Personnel/Human Resources Svcs.	9,169,490	8,156,169	13,619,430	4,449,940	49%
Centralized Data Processing	46,038,445	50,384,319	58,987,318	12,948,874	28%
Other Gen. Admin. and Central Support	9,932,168	7,931,992	7,212,355	(2,719,813)	-27%
Maintenance	12,708,903	13,283,131	12,116,874	(592,029)	-5%
Operations	46,064,801	48,520,612	47,197,918	1,133,117	2%
Security	8,901,114	8,536,071	9,318,785	417,672	5%
Facilities Acquisition and Construction	13,683,603	13,014,474	9,975,223	(3,708,380)	-27%
Other Plant M&O / Rents and Leases	5,168,948	9,498,464	9,643,265	4,474,317	87%
Total	286,609,970	297,247,136	281,602,267	(5,007,703)	-2%
County Office of Education Fund					
Instructional Supervision and Admin.	17,066,255	1,735,343	765,777	(16,300,478)	-96%
Board and Superintendent	862,985	1,162,268	4,301,827	3,438,842	398%
Fiscal Services	-	-	2,370,336	2,370,335	-
Personnel/Human Resources Svcs.	73,787	64,894	793,290	719,503	975%
Centralized Data Processing	-	4,614	4,614	4,614	-
Other Gen. Admin. and Central Support	190,564	81,994	126,472	(64,093)	-34%
Maintenance	60,000	60,942	60,942	942	2%
Operations	48,010	-	-	(48,010)	-100%
Security	7,974	26,066	5,592	(2,382)	-30%
Facilities Acquisition and Construction	171,603	-	-	(171,603)	-100%
Total	18,481,180	3,136,122	8,428,851	(10,052,329)	-54%
Adult Education Fund					
Instructional Supervision and Admin.	436,469	329,447	208,443	(228,026)	-52%
Other Gen. Admin. and Central Support	-	6,542	29,768	29,768	-
Total	436,469	335,988	238,211	(198,258)	-45%
Child Development Fund					
Instructional Supervision and Admin.	8,700,325	5,315,712	5,441,912	(3,258,412)	-37%
Other Gen. Admin. and Central Support	1,510,527	1,345,817	1,431,527	(78,999)	-5%
Operations	615,591	904,542	1,063,570	447,979	73%
Security	6,000	-	69,573	63,573	1060%
Other Plant M&O / Rents and Leases	393,000	388,500	249,000	(144,000)	-37%
Total	11,225,442	7,954,571	8,255,582	(2,969,860)	-26%
Cafeteria Special Revenue Fund					
Other General Admin. and Central Support	1,202,116	1,192,238	645,356	(556,761)	-46%
Facilities Acquisition and Construction	47,552	-	-	(47,552)	-100%
Total	1,249,669	1,192,238	645,356	(604,313)	-48%
Deferred Maintenance Fund					
Facilities Acquisition and Construction	3,422,756	6,394,082	13,041,042	9,618,286	281%
Total Central Admin. Operating Exp.	\$321,425,485	\$316,260,136	\$312,211,308	(\$9,214,177)	-3%

Source: SFUSD budget and actual summary detail reports, FY 2020-21, FY 2021-22, FY 2022-23.

Report to Supervisor Ronen

June 13, 2023

As shown in Exhibit 5 above, of SFUSD's budgeted central administration operating expenditures, the majority are budgeted in the General Fund (\$281.6 million, or 90 percent, of the total \$312.2 million budgeted in FY 2022-23). However, by fund, the largest dollar value changes between FY 2020-21 and FY 2022-23 occurred in the County Office of Education Fund, which was reduced by \$10.1 million or 54 percent between FY 2020-21 and FY 2022-23, and the Deferred Maintenance Fund, which increased by \$9.6 million or 281 percent between FY 2020-21 and FY 2022-23. According to SFUSD, the primary drivers of these decreases were a technical change to the Special Education budget, an increase in the cost of facilities maintenance, and increased facilities enhancements expenditures to ensure that facilities are safe for students after COVID-19. Notably, the amounts budgeted for Instructional Supervision and Administration in both the General Fund and the County Office of Education Fund decreased significantly, by \$15.5 and \$16.3 million respectively, between FY 2020-21 and FY 2022-23. According to SFUSD, the primary drivers of these decreases were a combination of budget reductions and the reclassification of budgeted expenditures that had been classified as Instructional Supervision and Administration but actually provide direct services to students. The distribution of decreased budget amounts between reductions and reclassifications is not available using the District's budgets summary detail reports.

Exhibit 6 below displays central administrative functions and non-central administrative functions budgeted by object.

**Exhibit 6: SFUSD Operating Budget Expenditure Details by Object,
FY 2020-21, FY 2021-22, FY 2022-23**

	FY 2020-21	FY 2021-22	FY 2022-23	FY 20-21 to 22-23	
				\$	%
Central Administration Budgeted Operating Expenditures					
Certificated Personnel Salaries	41,525,235	33,387,136	40,115,856	(1,409,379)	-3%
Classified Personnel Salaries	99,027,164	90,918,842	100,121,999	1,094,835	1%
Employee Benefits	59,637,543	57,753,018	58,748,496	(889,047)	-1%
Books and Supplies	18,162,405	24,137,282	17,393,371	(769,035)	-4%
Services and Other Operating Expenditures	91,400,704	100,909,322	80,997,350	(10,403,354)	-11%
Capital Outlay	11,555,209	8,868,919	14,826,429	3,271,220	28%
Other Outgo/Financing Uses	117,225	285,619	7,807	(109,417)	-93%
Total	321,425,485	316,260,136	312,211,308	(9,214,177)	-3%
Non-Central Administration Budgeted Operating Expenditures					
Certificated Personnel Salaries	415,698,222	446,978,369	447,999,311	32,301,088	8%
Classified Personnel Salaries	91,214,126	101,839,756	122,054,381	30,840,255	34%
Employee Benefits	186,634,797	341,101,758	265,635,349	79,000,552	42%
Books and Supplies	39,208,961	54,001,906	45,493,759	6,284,798	16%
Services and Other Operating Expenditures	70,344,484	121,177,538	120,914,097	50,569,613	72%
Capital Outlay	106,550	-	501,929	395,379	371%
Other Outgo/Financing Uses	63,260,038	15,859,558	6,697,802	(56,562,237)	-89%
Total	866,467,180	1,080,958,886	1,009,296,629	142,829,450	16%
Total Operating Expenditures	1,187,892,664	1,397,219,022	1,321,507,937	133,615,273	11%

Source: SFUSD budget and actual summary detail reports, FY 2020-21, FY 2021-22, FY 2022-23. Operating expenditures include funds 01, 05, 11, 12, 13, and 14.

Report to Supervisor Ronen

June 13, 2023

As shown in Exhibit 6 above, of the \$9.2 million in budgeted reductions in central administrative functions between FY 2020-21 and FY 2022-23 in SFUSD's operating budget, \$10.4 million was recorded in Services and Other Operating Expenditures, which are expenditures for services, rentals, leases, maintenance contracts, insurance, utilities, and other operating expenditures. According to SFUSD, the primary drivers of this decrease were reductions to the budget as part of the FY 2022-23 Budget Balancing Plan. An additional \$1.4 million reduction occurred in Certificated Personnel Salaries, which are salaries for credentialed or permitted staff. These reductions are partially offset by increases in the budgets for Capital Outlay (\$3.3 million) and Classified Personnel Salaries (\$1.1 million).

Of the \$142.8 million increase in the operating budget for non-central administrative functions, the largest area of increase was in Employee Benefits (\$79.0 million), followed by Services and Other Operating Expenditures (\$50.6 million), and Certificated and Classified Personnel Salaries (\$32.3 and \$30.8 million, respectively). These increases were partially offset by a reduction of \$56.6 million in Other Outgo/Financing Uses. According to SFUSD, the primary drivers of these decreases were a change in the District's approach to budgeting for Special Education. Special Education costs used to be budgeted in the County Office of Education Fund, which required an interfund transfer from the District. Since the revenue for Special Education is received by the District, Special Education costs have been shifted to the District fund to more accurately reflect both the receipt of funds and the services budgeted.

To further investigate the changes in Instructional Supervision and Administration, Exhibit 7 below displays Instructional Supervision and Administration spending budgeted by object across all operating funds.

Exhibit 7: SFUSD Budgeted Expenditures on Instructional Supervision and Administration, FY 2020-21, FY 2021-22, FY 2022-23

	FY 2020-21	FY 2021-22	FY 2022-23	FY 20-21 to 22-23	
				\$	%
Instructional Supervision and Administration					
Certificated Personnel Salaries	\$35,615,940	\$27,305,690	\$34,010,572	(\$1,605,368)	-5%
Classified Personnel Salaries	21,700,924	14,074,978	17,475,882	(4,225,041)	-19%
Employee Benefits	21,946,995	16,326,657	19,637,415	(2,309,579)	-11%
Books and Supplies	5,171,551	6,327,037	4,383,545	(788,006)	-15%
Services and Other Operating Exp.	48,308,460	52,573,743	21,926,871	(26,381,589)	-55%
Capital Outlay	2,380	19,591	50,000	47,620	2001%
Other Outgo/Financing Uses	-	17,069	-	-	-
Total	132,746,249	116,644,765	97,484,286	(35,261,964)	-27%

Source: SFUSD budget and actual summary detail reports, FY 2020-21, FY 2021-22, FY 2022-23. Operating expenditures include funds 01, 05, 11, 12, 13, and 14.

As shown in Exhibit 7 above, of the \$35.3 million decrease in the budget for Instructional Supervision and Administration in SFUSD's operating budget between FY 2020-21 and FY 2022-23, \$26.4 million

occurred in Services and Other Operating Expenditures, followed by Classified Personnel Salaries (\$4.2 million), Employee Benefits (\$2.3 million), and Certificated Personnel Salaries (\$1.6 million). These results are consistent with Exhibit 6 above, which shows that overall, within central administrative functions, the largest area of budget reductions was in Services and Other Operating Expenditures. While the decrease in salaries and benefits expenditures shown in Exhibit 7 implies that a reduction in personnel assigned to this function occurred over the period reviewed, the reduction in Services and Other Operating Expenditures is responsible for reduction in budgeted expenditures to a much greater degree.

Summary and Conclusion

Overall, SFUSD's total operating budget in the General Fund, County Office of Education Fund, and special revenue funds grew by \$133.6 million, or 11 percent, from FY 2020-21 to FY 2022-23. Budgeted expenditures on central administrative functions decreased by \$9.2 million, or by three percent, during the time period, and budgeted expenditures on non-central administrative functions increased by \$142.8 million, or by 16 percent.

The \$9.2 million decrease in the budget for central administrative functions occurred primarily in Instructional Supervision and Administration, which decreased by \$35.3 million between FY 2020-21 and FY 2022-23 (this decrease was offset by increases in other areas), primarily in SFUSD's General Fund and the County Office of Education Fund. Both within central administrative functions overall and within Instructional Supervision and Administration specifically, the largest category of reductions in SFUSD's operating budget was in Services and Other Operating Expenditures. Some of these reductions are due to the reclassification of certain expenses previously classified as central administrative functions, as discussed below.

According to SFUSD staff and as noted in this report, during FY 2021-22 and FY 2022-23, the District reclassified some budgeted expenditures to more appropriately reflect the type, nature, and/or fund of the expenditure. For example, in FY 2021-22 and FY 2022-23, SFUSD re-distributed Special Education expenditures between the General Fund and the County Office of Education Fund, which had the effect of increasing and/or decreasing the budgets of these funds without representing a meaningful change in expenditures overall. Similarly, SFUSD reclassified some services and positions that had previously been classified as Instructional Supervision and Administration to different, more appropriate areas such as Instruction, Pupil Services, or Personnel/Human Resources. While these adjustments make SFUSD's budget more accurate, it also makes year-over-year budgetary comparisons highly variable, as shown in the summary exhibits presented in this report. As noted in the text of this report, some of the larger and more significant changes observed between FY 2020-21 and FY 2022-23 are due in part to budgetary reclassification, rather than actual material reductions in budgeted amounts for particular line items. The exact distribution of reductions

compared to reclassifications of expenses previously included in central administration was not available using the District's budget summary detail reports, though the District reports elimination of 124.2 positions between FYs 2020-21 and 2022-23 that were formerly part of central administration costs.

Policy Options

The Board of Supervisors should:

1. Request that the District provide the Board of Supervisors with annual summary reports on changes in its budgeted and actual expenditures over the most recent three years, identifying which costs and positions have been reclassified between functions, which have been eliminated, and the functions to which new costs and positions have been added.

Appendix I: Definitions of Standardized Funds and Functions used by SFUSD and other School Districts in California

Exhibit 8: Fund Definitions

Type	Definition
General fund	The general fund is the chief operating fund of a school district that accounts for the ordinary operations of the district. Resources within a general fund may be restricted (resources that have special accounting or reporting requirements, or that are legally restricted to certain uses) or unrestricted.
Special revenue funds	Special revenue funds account for the proceeds from specific revenue sources that are restricted or committed to certain activities. SFUSD's primary special revenue funds are the Child Development Fund (fund 12), which accounts for federal, state, and local revenues to operate child development programs, and the Cafeteria Special Revenue Fund (fund 13), which accounts for federal, state, and local revenues to operate the district's food service program.
Capital projects funds	Capital projects funds account for financial resources used for the acquisition or construction of major capital facilities and other capital assets. SFUSD's primary capital projects funds are the Building Fund (fund 21), which accounts for proceeds from the sale of bonds; the Capital Facilities Fund (fund 25), which accounts for revenues received from fees levied on development projects; the Special Reserve Fund for Capital Outlay Projects (fund 40), which accumulates general fund monies for capital outlay purposes; and the Capital Projects Fund for Blended Component Units (fund 49), which accounts for capital projects financed by Mello-Roos Community Facilities Districts ¹ and similar entities.
Debt service funds	Debt service funds account for the accumulation of resources for and payment of principal and interest on general long-term debt. SFUSD's only debt service fund is the Bond Interest and Redemption Fund (fund 51), for the repayments of bonds issued by the District.
Proprietary funds	Proprietary funds include enterprise funds, which account for activities for which a fee is charged to external users for goods or services (typically operated more similarly to a private business enterprise) and internal service funds, which account for services that are rendered to other organizational units of the district on a cost-reimbursement basis (designed to be self-supporting with the intent of full cost recovery). SFUSD's internal service fund is its self-insurance fund, which accounts for and reports activities related to the self-insured workers compensation program.
County school service fund	The general fund for a county office of education is called the county school service fund. At SFUSD, revenues and expenditures associated with the San Francisco County Office of Education are accounted for in fund 05.

Source: California School Accounting Manual.

¹ The Mello-Roos Community Facilities Act of 1982 (Government Code Section 53311 et seq.) allows any county, city, special district, school district, or joint powers authority to establish, with voter approval, a community facilities district for the purpose of selling tax-exempt bonds to finance public improvements and services.

Exhibit 9: Function Definitions

Type	Definition
Instruction	Instruction includes the activities dealing directly with the interaction between teachers and students. The instruction function area includes special education instruction, including special education separate classes, in-classroom special education services, and other specialized services for special education.
Instruction-related services	Instruction-related services provide administrative, technical, and logistical support to facilitate and enhance instruction. The main categories of instruction-related services are: <u>instructional supervision and administration</u> , which are activities to assist instructional staff in planning, developing, and evaluating instruction including curriculum development and staff training; <u>instructional library, media, and technology</u> , which are activities concerned with media and audiovisual teaching and learning resources, including printed and non-printed educational materials, audiovisual hardware and content materials, and the costs of librarians, library clerks, and audiovisual personnel; and <u>school administration</u> , which are activities to manage and direct the operation of a particular school, including the functions of the principal, assistant principals, and clerical staff who work in support of school-based administrative duties.
Pupil services	Pupil services are support services provided directly to students that are not instructional services. Pupil services include: guidance and counseling; psychological services; attendance and social work services; health services; speech pathology and audiology services; pupil testing services; pupil transportation; and food services.
Ancillary services	Ancillary services are school-sponsored activities during the day that are not instructional, instruction-related, or pupil services. Ancillary services may include school-sponsored co-curricular activities like band, choir, speech, and debate, as well as school-sponsored athletics and physical education.
Community services	The community services function captures activities concerned with providing community services to community participants other than students (for example, the operation of a community swimming pool, a recreation program for the elderly, or a community childcare center).
Enterprise	Enterprise activities are financed and operated similar to private business enterprises, with the intention that costs are financed or recovered primarily through user charges. At SFUSD, enterprise expenditures are associated with its self-insurance fund, which accounts for activities related to the District's self-insured workers compensation program.
General administration	General administration refers to agency-wide administrative activities, including: the administrative and policy roles of the Board and Superintendent; staff relations and negotiations; public information; financial auditing; budgeting; accounts payable and receivable; payroll; accounting; personnel and human resources; staff development; planning, research, and development; purchasing; warehousing and distribution; printing, publishing, and duplicating; and data processing, computer facility management, and systems development.
Plant services	Plant services include <u>plant maintenance and operations</u> , which capture activities that keep a district's physical locations open, comfortable, and safe for use, and keeping the grounds, buildings, and equipment in working condition and satisfactory repair; <u>facilities acquisition and construction</u> , which are activities concerned with capital projects such as acquiring land and buildings, remodeling or constructing buildings, and improving sites; and <u>facilities rents and leases</u> , which are activities to acquire facilities through operating leases or rentals.
Other outgo	Other outgo records debt service payments, transfers between the district and another agency, and interfund transfers, which are transfers between different funds of the district.

Source: California School Accounting Manual.

Appendix II: Defining and Calculating Central Administration Functions

To define “central administration” functions, we relied on the California School Accounting Manual’s categorization of function codes. We chose this method in our January 2023 report² because the CSAM allows our methodology to be replicated for each comparison school district, since each school district follows the uniform CSAM accounting procedures.

For this analysis, we define Central Administration as any authorized position that is coded under the function groups **Instructional Supervision and Administration**, **General Administration**, or **Plant Services**.

General Administration and Plant Services are both functions that are straightforward to classify as Central Administrative. These include the functions of district-wide fiscal/budget, human resources, security, maintenance, research and development, policy and communications, and custodial services as well as the Superintendent’s office and the Board of Education.

Instructional Supervision and Administration is a sub-category of Instruction-Related Services. Instruction-Related Services includes functions of instructional supervision and administration, instructional library, media, and technology, and school administration, which includes school-site principals and other administrators. Based on the definitions in the CSAM, we concluded that some of the Instruction-Related Services functions are district-wide while others are more specific to school sites. The definitions of each function within the Instruction-Related Services group are:

- Instructional Supervision and Administration: activities primarily for assisting instructional staff in planning, developing, and evaluating the process of providing learning experiences for students, including curriculum development and staff training on techniques of instruction and awareness of how children develop and learn, and the instructional administration of special projects.
- Administrative Unit of a Multidistrict Special Education Local Plan Area (“SELPA”): activities concerned with the receipt and distribution of regionalized services funds, provision of administrative support, and coordination of the implementation of the local plan.
- Instructional Library, Media, and Technology: activities concerned with the use of all teaching and learning resources, including hardware and content materials, methods, or experiences used for teaching and learning, including librarians, library clerks, and audiovisual personnel.

² San Francisco Unified School District Central Administrative Expenditures and Staffing Analysis, Report to Supervisor Hillary Ronen, Budget and Legislative Analyst. January 10, 2023.

Report to Supervisor Ronen

June 13, 2023

- School Administration: activities concerned with directing and managing the operation of a particular school, including the principal, assistant principals, and other assistants, and clerical staff.
- Other instructional resources, such as parent participation.

Based on these definitions, we determined that of Instruction-Related Services, only Instructional Supervision and Administration would be considered Central Administration.