



CALIFORNIA STATE AUDITOR'S ASSESSMENT ON THE AUGUST 2020 UPDATE FROM SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

To provide clarity and perspective, we are commenting on Sacramento City Unified School District's (Sacramento Unified) August 2020 update letter.

We appreciate that developing a robust distance learning plan to ensure a quality education for the students Sacramento Unified educates will take time and be a priority for the district before it begins its fall semester. However, we once again encourage the district to develop and implement a plan that will fully address its budget deficit as soon as possible. Sacramento Unified estimated in July 2020 that it will have cash shortages at some point during the upcoming school year, which may result in the need to seek state assistance. As we discuss in our report, a loan from the state means the district will have to spend its limited resources on interest payments and not on the services it provides. To avoid the negative effect on students, parents, and teachers that comes with accepting state assistance, the district must act as quickly as possible to reach agreements to address its financial condition.

The district also notes in its letter that it is developing revised board policies related to its use of one-time funds for ongoing expenses and establishing an adequate general fund reserve. The revised board policies developed by Sacramento Unified in response to our recommendations should help address some of the issues we identified in the audit that contributed to its current financial situation.

We look forward to the district's September 2020 update and finalized board policies. Given the pressing nature of its fiscal concerns, we expect to see that the district has made substantial progress in implementing our recommendations. In particular, we note that the district has previously stated that it will complete a draft of its methodology for its multiyear projections by September 2020. As we note in our report, identifying the reasoning and key assumptions for these multiyear projections is critical to ensuring the district does not become insolvent sooner than it expects. Therefore, we expect that Sacramento Unified will discuss the status of its methodology for its multiyear projections and our other recommendations in its next update.