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Memo

To Board of Education

From Kyla Johnson-Trammell, Superintendent
Luz Cazares, (Consultant) Interim Chief Financial Officer

Board Meeting Date December 11, 2019

Subject Revisions to 2020-21 Budget Reductions and Funding to School Sites

Action Approve Board Resolution No. 1920-0180 - Revisions to 2020-21 Budget Reductions and Funding to School Sites

Background On June 26, 2019, the Board approved a budget reduction target of \$10 million for 2020-21 and \$10.5 million for 2021-22 based exclusively on information provided in the Adopted 2019-20 Annual Budget, which only incorporated compensation increases for Oakland Education Association (“OEA”) members. This is appropriate as the OEA contract was the only collective bargaining agreement that had been approved at the time the 2019-20 Annual Budget was adopted.

The First Interim Report updated our multi-year projections (“MYP”) based on new information. For example, after our budget was adopted, a new collective bargaining agreement with SEIU was approved and is now incorporated into the MYP. Because of the new SEIU contract and other updated financial information presented during the first interim report, the MYP currently projects a need to reduce spending and/or increase revenue by at least \$15.5 million for 2020-21 in order to maintain the District’s 3% reserve.

However, the MYP does not include a number of likely new costs, particularly the cost of providing competitive compensation for the other five unions within OUSD, maintaining access to modern technology for all students and staff, and full staffing of the new Central Kitchen. Based on what is known at this time, it is possible that there will be up to an additional \$5-6 million in expenses that are not (and shouldn’t be) captured in the MYP at this time. This brings to

approximately \$21 million staff's estimate of how much OUSD could need to reduce expenses and/or increase revenue for 2020-21. Please note that this is only an estimate and the actual number is likely to be different.

Staff does not advise identifying a more specific reduction target for the 2021-22 school year due to a number of unknowns, particularly the outcome of potential revenue measures on the ballot as well as an uncertain economic forecast.

Separately, in March 2019, the Board previously directed staff to allocate, under certain conditions, additional unrestricted general fund revenue to schools for site-based budgeting. The goal was to replenish up to \$3 million in reductions to site discretionary budgets. The funds were only to be replenished if there was remaining funds after the 3% Reserve and all legal and mandatory obligations were met. Any allocations that did occur were to prioritize sites with disproportionate impact of reductions that serve concentration of most vulnerable and highest needs students.

While this direction has not been implemented, the following additional allocations to sites have been made. First, the discretionary fund reductions were lowered from the \$3.0 million target to a \$2.5 million reduction. Additionally, other funds were directed to sites as outlined in the table below:

Description	Resource	Amount
Supplemental Funding to School Sites	Supplemental	\$2,750,000
Title 1 (carryover returned to sites)	Title 1	\$1,500,000
Title 4 (new allocation)	Title 4	\$550,000
New Funding to Sites		\$4,800,000

If any additional funds are allocated to sites, they would need to be offset by new revenue or additional reductions in spending. Given the scope of reductions required to achieve a balanced budget in 2020-21, it is recommended that the Board direct the Superintendent not to replenish site discretionary budgets for this year.

Discussion

Board Resolution No. 1920-0180 - Revisions to 2020-21 Budget Reductions and Funding to School Sites directs the Superintendent to identify sufficient reductions in General Fund expenditures and/or increases in General Fund revenues to ensure that the District can maintain its 3% reserve for 2020-21 and commits the Board to approving the requisite amount of reductions in General Fund expenditures and/or increases in General Fund revenues to maintain its 3% reserve for 2020-21.

Additionally, the Resolution directs the Superintendent to wait to identify reductions in General Fund expenditures and/or increases in General Fund revenues for 2021-22 until after the November 2020 election. Lastly, the Resolution supersedes the prior budget reductions targets and removes the direction to replenish \$3 million in reductions to school site discretionary budgets.

Fiscal Impact

Board Resolution No. 1920-0180 - Revisions to 2020-21 Budget Reductions and Funding to School Sites directs the Superintendent to identify sufficient reductions in General Fund expenditures and/or increases in General Fund revenues to ensure that the District can maintain its 3% reserve for 2020-21 and commits the Board to approving the requisite amount of reductions in General Fund expenditures and/or increases in General Fund revenues to maintain its 3% reserve for 2020-21; the exact fiscal impact is unknown at this time.

Attachments

Board Resolution No. 1920-0180 - Revisions to 2020-21 Budget Reductions and Funding to School Sites
Presentation

RESOLUTION
OF THE
BOARD OF EDUCATION
OF THE
OAKLAND UNIFIED SCHOOL DISTRICT
NO. 1920-0180

Revisions to 2020-21 Budget Reductions and Funding to School Sites

WHEREAS, the Governing Board (“Board”) recognizes that, in order to best serve the students of the Oakland Unified School District (“District”), the District must ensure that it remains fiscally solvent in the next three (3) school years, as well as years to come; and

WHEREAS, on June 26, 2019, as part of Resolution 1819-0219, the Board approved a budget reduction target of \$10 million for 2020-21 and \$10.5 million for 2021-22 based exclusively on information provided in the Adopted 2019-20 Annual Budget; and

WHEREAS, the Adopted 2019-20 Annual Budget solely incorporated compensation increases for Oakland Education Association (“OEA”) members as that was the only collective bargaining agreement that had been approved at the time;

WHEREAS, the Board strongly desires to offer all District employees competitive wages; and

WHEREAS, the Board understands the increased costs of living to staff in the Oakland community and greater Bay Area and the impacts on recruiting and retaining highly skilled teachers and staff; and

WHEREAS, the Board recognizes that the District is highly dependent on revenue from the State of California and that this revenue source is dependent on the on-going stability of the California economy; and

WHEREAS, the State is not expected to provide the District with sufficient increases in state revenue to keep pace with the District’s expenses, particularly the need to offer competitive compensation to all of its employees; and

WHEREAS, the State has imposed significant increases in the District’s contributions to the California State Teachers’ Retirement System and California Public Employees’ Retirement System, increases which primarily come out of the District’s General Fund; and

WHEREAS, the District’s first interim budget projects that at least \$15.5 million in reductions for 2020-21 are needed in order to ensure that the District meets its required 3% reserve (including the state-required 2% reserve); and

WHEREAS, the District and Service Employees International Union – Local 1021 (“SEIU”) approved a collective bargaining agreement in July 2019 (after the adoption of the 2019-20 Annual Budget) that increased compensation for SEIU members; and

WHEREAS, the District’s first interim budget includes the cost of the compensation increases for both OEA and SEIU; and

WHEREAS, the Board recognizes the need to provide competitive compensation for the other five of the District's seven bargaining units, although the District's first interim budget does not (and should not) include such expenses because no new collective bargaining agreements with those units have been approved; and

WHEREAS, the Board is committed to improving opportunities and outcomes for all students and closing equity gaps for our historically underserved and most vulnerable students, while maintaining financial stability; and

WHEREAS, the Board desires to minimize the impact of any budget reductions on the level of service, quality of staff, and education programs for District students; and

WHEREAS, there is the possibility that the District could receive additional State revenue from one or more statewide ballot propositions (e.g., the Schools and Communities First Initiative) on the November 2020 ballot; and

WHEREAS, on March 4, 2019, the Board approved Resolution No. 1819-0144, which stated that "for the 2019-20 school year only, once the 3% Reserve for Economic Uncertainty has been met and all legal and mandatory obligations are met, that any additional unrestricted general fund revenue, including but not restricted to one-time funds from the Governor's May Revision budget, be allocated to schools for site-based budgeting in order to replenish the \$3 million in reduction to school site discretionary budgets mentioned above; in allocating these funds, first priority will be given to school sites with a disproportionate impact of multiple reductions to their school in 2019-20 (money and positions) and are serving a concentration of our most vulnerable and highest needs students," although this direction has not been implemented; and

WHEREAS, the actual reductions to school sites were \$2.5 million (as opposed to the projected \$3 million) and sites saw an overall increase of Supplemental funding of \$2.75 million as well as an increase in \$1.5 million from Title 1 carryover and \$0.55 million in a new Title 4 allocation, with these resources being allocated to schools serving higher populations of unduplicated students and students qualifying for free and reduced lunch; and

WHEREAS, any additional expenses (including any additional funds allocated to schools for site-based budgeting) will need to be offset by additional reductions and/or new revenue.

NOW, THEREFORE, BE IT RESOLVED, the Board hereby directs the Superintendent to identify sufficient reductions in General Fund expenditures and/or increases in General Fund revenues for 2020-21 to ensure that the District can maintain its 3% reserve for 2020-21;

BE IT FURTHER RESOLVED, the Board will approve the requisite amount of reductions in General Fund expenditures and/or increases in General Fund revenues for 2020-21 by March 2020 to maintain its 3% reserve for 2020-21; and

BE IT FURTHER RESOLVED, the Board will wait to direct the Superintendent to identify any needed reductions in General Fund expenditures and/or increases in General Fund revenues for 2021-22 until after the November 2020 election; and

BE IT FURTHER RESOLVED, that the Board and Superintendent will continue to collaborate with our stakeholders—including students, families, teachers, school staff, principals and community, with support from central office leaders—to build stronger partnerships with the City, County, and State to better align resources to the District’s priorities, including but not limited to working with the Youth Ventures Joint Powers Authority and the City of Oakland Education Partnership Committee; and

BE IT FURTHER RESOLVED, this Resolution supersedes the budget reductions targets found in Resolution No. 1819-0219 and the removes the direction to replenish \$3 million in reductions to school site discretionary budgets found in Resolution No. 1819-0144.

PASSED AND ADOPTED this 11th day of December, 2019, at the Regular Meeting of the Governing Board by the following vote:

PREFERENTIAL AYE: None

PREFERENTIAL NOE: None

PREFERENTIAL ABSTENTION: None

PREFERENTIAL RECUSE: None

AYES: Jumoke Hinton Hodge, Gary Yee, Shanthi Gonzales, Vice President Jody London

NOES: Roseann Torres, James Harris

ABSTAINED: None

RECUSE: None

ABSENT: President Aimee Eng, Denilson Garibo (Student Director), Micha Dahl-Smith (Student Director)

CERTIFICATION

We hereby certify that the foregoing is a full, true and correct copy of a Resolution passed at a Regular Meeting of the Board of Education of the Oakland Unified School District held on December 11, 2019.



Aimee Eng, President, Board of Education



Kyla Johnson Trammell, Secretary, Board of Education