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**OAKLAND UNIFIED  
SCHOOL DISTRICT**

Community Schools, Thriving Students

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**BOARD OF EDUCATION 2018**

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September 12, 2018

Presiding Judge Wynne Carvill  
Alameda County Superior Court  
1225 Fallon Street, Department One  
Oakland, California 94612

Cassie Barner  
c/o Alameda County Grand Jury  
1401 Lakeside Drive, Suite 1104  
Oakland, California 94612

RE: Response to 2017-2018 Civil Grand Jury Report, "Oakland Unified School District: Hard Choices Needed To Prevent Insolvency"

Dear Presiding Judge Carvill and Foreperson Barner:

The Oakland Unified School District (the "District") submits its Responses to the Findings and Recommendations from the 2017-2018 Civil Grand Jury Report, "Oakland Unified School District: Hard Choices Needed To Prevent Insolvency."

The District appreciates the Jurors' commitment to their role, thoroughness, and diligence in analyzing and understanding many of the complex and critical issues facing the District. The Civil Grand Jury exemplified the effectiveness of a panel of citizens to objectively analyze a component of the District's operations and to provide thoughtful insight and recommendations to the District. The District appreciates the opportunity to raise awareness of these challenges, receive the candid feedback, and implement the recommendations.

The District disagreed with some of the narrative preceding the Findings and Recommendations. However, since these facts did not materially change the District's response to the findings and recommendations, the District only noted a few of the factual inaccuracies relating to the School of Language and Rudsdale Academy in its response.

Presiding Judge Wynne Carvill

Foreperson Cassie Barner

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Notably, at the beginning of the Civil Grand Jury's service, the District began new leadership under the esteemed Dr. Kyla Johnson-Trammell, an Oakland native and long-time educator in the District. Dr. Johnson-Trammell engaged immediately to build a trusted, experienced team of business and fiscal experts to advise and implement improvements. In addition, the Board passed numerous new fiscal policies to help ensure that District staff was implementing the recommendations of the Fiscal Crisis Management Assistance Team (FCMAT) and to prioritize rebuilding fiscal reserves. The Board also reinstated its Budget and Finance Advisory Committee and increased Board trainings and the number of board meetings focused on fiscal and budget topics. Although the hurdles are significant, the District believes it is on its way toward implementing the recommendations of the Grand Jury and becoming a fiscally sustainable, quality educational institution with students who are prepared for college, career and community success.

Sincerely,



Aimee Eng  
President of the Board

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Attachment: Response to 2017-2018 Civil Grand Jury Report, "Oakland Unified School District: Hard Choices Needed To Prevent Insolvency"

## OAKLAND UNIFIED RESPONSE TO FINDINGS AND RECOMMENDATIONS

### **Finding 18-6: Staff and Board of Education efforts to circumvent established budgeting policies along with board efforts to interfere in the administrative responsibilities of the superintendent invite financial instability and contribute to Oakland Unified School District's financial problems.**

The District agrees with this finding with the clarification that it does not believe the efforts referenced in the finding are intentional. One component of the District's theory of action is to maximize school site-based decision-making regarding staffing, finances, calendars, and programs. As a result, there are numerous board policies supporting each principal's and particular school community's fiscal and programmatic autonomy to best meet the needs of its school community. There is considerable research highlighting some of the advantages of this method of budgeting. *See, e.g.,* Rennie Center for Education Research & Policy. (October 2012). Smart School Budgeting: Resources for Districts. Cambridge, MA: Rennie Center for Education Research & Policy. Some of the advantages for these budgeting policies are: "Those who best understand needs have the authority to make decisions. Provides greater control/ reporting of school-level data and greater school-level accountability. Staff/community given a voice, generating public support." *Id.* On the other hand, however, these policies require substantial training and deeper understanding and attention to financial matters than alternative ways of budgeting. In a district with significant administrator turnover and deep instructional needs, these responsibilities can be challenging. Also, it can cause an otherwise "unified" system to have internal discord through numerous parts working separately on individualized goals and accountability.

Some of the Board's legislative proposals relating to creation of personnel positions tended to focus upon development of positions that could assist the Board in fulfilling its role in overseeing the District's budget at a time when the District's financial department was understaffed. These positions were proposed in adherence to the Board's Bylaws and, ultimately, were not adopted by the majority of the Board. The Board has engaged in numerous trainings over the last 15 months to improve its governance.

### **Finding 18-7: Oakland Unified School District's inability to control overstaffing and poor position control decisions have contributed to the district's financial instability.**

The District agrees with this finding. The District's largest fiscal expenditures are salary and salary-driven benefit costs. To drive school improvement, the District has focused

on increases resources to schools, often in the form of staffing. In 2017, \$419.2 million, approximately 80% of the District's budget, was spent on employee salaries and benefits. During the same time, the statutorily required pension benefits for District employees continued to rise an additional 2% from the prior year's increase without additional funding allocated for such purposes. In addition to increasing costs, in 2017, the District's staffing at schools and District-wide support positions (such as substitutes, school security, custodial, nutrition services, and special education staff), increased by 621 general fund positions while central office general fund positions decreased by 383.

This finding highlights the complexity of the District's budget and enrollment patterns, and the pressure placed on specific school communities and the Board when the enrollment upon which school budgets were based changes. Each of the District's eighty-seven schools gets its following school year's budget allocation in the spring based on projected enrollment. Schools develop their staff assignments, class lists, and master bell schedule/ class offerings accordingly. After schools, school communities, and students are assigned to teachers, it is programmatically and politically difficult to make changes to staffing and scheduling after the school year begins and to adjust a school's budget downward. Also, the District also often receives immigrant students, newcomers, and/or transfer students during the school year and need to ensure sufficient staffing to meet these late enrollment needs. Given teacher shortages and recruitment challenges, the District risks being unable to meet these needs if teachers are separated from employment based on enrollment in the first weeks of school. Unfortunately, the state funding model which is based on student attendance rather than the fixed costs of staffing classrooms disparately impacts districts like Oakland Unified that have large numbers of late enrollees and absenteeism due to chronic health conditions.

**Finding 18-8: Lack of transparency related to Oakland Unified School District's financial positions has led to mistrust between the district, the community, and labor organizations.**

The District agrees in part with this finding but believes that other factors, including historical context in Oakland and negative media coverage of the District contribute to distrust even with greater access to information. Also, the District's prior financial system, data management, and generation of reports were inconsistent and unreliable. One issue facing the District is how to best communicate complex fiscal information to a wide audience. For example, in January 2016, School Services of California and the District fiscal team presented information in the District's public board meeting about the expectation of a slowdown in revenue as the Local Control Funding Formula "gap" funding started to narrow to only a cost of living increase while pensions costs were increasing; subsequent budget presentations continued to note this data. Yet, the complexity of the overall budget shielded awareness of this issue.

The District's utilization of and access to data surpasses most other districts. All minutes, videos, and actions taken by the Board since 1999, including all budget presentations and all financial decisions impacting the District, are available in an easily searchable database on the District's website at <https://www.ousd.org/domain/67>. In our analysis of other school districts, few have this level of transparency and accessibility. In addition, the District's Research and Development department maintain data dashboards ([www.ousddata.org](http://www.ousddata.org)) relating to student demographics, performance, discipline and attendance, teacher data, attendance patterns, accountability, wellness, climate and culture data, and post-secondary readiness data for use by the public. In spring 2016, the District also added comprehensive data dashboards of fiscal information that is viewable by school, department, resource, or expenditure type to analyze multiple years of fiscal data. (<https://www.ousd.org/fiscaltransparency>)

**Finding 18-9: High turnover of key administrators has created an atmosphere of mistrust, destroying the continuity of the district's educational mission, and crippling the district's effectiveness in addressing its most pressing fiscal issues.**

The District agrees with this finding. After the Board regained governance following state receivership, the District had five different Superintendents (two of which were interim superintendents) in nine years. Although the overall strategic plan, Community Schools, Thriving Students, has remained in place, each Superintendent's initiatives and focal points within the plan have varied. Without clear leadership and focus, work within District departments and schools seemed less aligned and targeted. Similarly, during leadership transition, retention efforts of other key staff became more difficult which increased costs.

Moreover, superintendent turnover required the Board to spend significant time and energy on recruiting, selection, and vetting of superintendent candidates rather than other important work of the Board. However, the investment in the selection process for Superintendent Kyla Johnson-Trammell has helped position the District on a new trajectory. As an Oakland native and acclaimed educator in OUSD, Dr. Johnson-Trammell has begun to rebuild the trust of the community and staff and is poised to stabilize and lead the District toward its vision.

**Finding 18-10: Financial instability and high staff turnover contribute to poor student performance.**

The District agrees in part with this finding but qualifies its response based on the myriad of factors that may impact student performance. The District believes that inadequate educational funding, even if stable, detrimentally impacts student performance. For districts like Oakland Unified, where schools must serve a variety of student's physical, mental, social, safety, linguistic, and academic needs, incremental

cost of living increases to educational funding that are insufficient to cover increasing mandated costs, will continue to contribute to poor student outcomes.

Relatedly, research data reflects that high teacher and administrator turnover negatively impacts student performance, and adequate funding is a component of retention, particularly in the context of the current teacher shortage.

**Finding 18-11: Operating 86 schools is unsustainable and will lead the district to insolvency.**

The District agrees with this finding in part. Assuming that all current conditions, including revenue, enrollment, class sizes, staffing levels, number of schools, and expenses, remain the same, the District will continue to operate at a fiscal deficit and will become insolvent. Reducing the number of District-operated schools is one way to reduce expenditures. However, from prior experiences, the District believes that to reduce potential loss of enrollment (and corresponding revenues) and creating unintended consequences, school consolidations need to be thoughtful and focused upon increasing quality options for all students. As reflected in a comprehensive independent study, Oakland Unified School District New Small Schools Initiative Evaluation by Ash Vasudeva, Linda Darling-Hammond, Stephen Newton & Kenneth Montgomery The School Redesign Network at Stanford University, the Oakland community has indicated previously that it values small schools and many small schools were regarded as successful. These perspectives and outcomes must be balanced with the District's resources and commitment to a City-wide system of high-quality schools.

Alternatively, if the District increased enrollment or other revenue options, such as optimizing under-utilized property, or decreased expenses, the current school portfolio may be more sustainable. The Board, through its special committee on Fiscal Vitality, is currently exploring a variety of options and combinations of ways to eliminate the structural deficit.

Lastly, there are some factual inaccuracies in the report relating to Rudsdale Academy and the School of Language (SOL). Contrary to the report, Rudsdale Academy is not a new school. Rudsdale Academy is an alternative high school that opened in 2001, prior to that it operated as a continuation high school and prior to that it was a traditional high school. Although SOL was a new school in 2017-18, there was a great deal of strategic planning, development, and community outreach for years preceding the formal Board vote to open the school. Oakland SOL was added to the District's portfolio of schools in order to build a PK-12 multilingual pathway in alignment with the district's strategic plan to "implement strategies that accelerate academic achievement while closing the opportunity gap" (OUSD Pathway to Excellence, 2014) and create strong pathways and feeder patterns in every Oakland neighborhood (OUSD Superintendent's 2016-17 Workplan). The English Language Learner and Multilingual Achievement (ELLMA) office and the Office of Continuous School Improvement supported the launch of Oakland SOL middle school as a critical component of growing equitable dual

language/bilingual pathways in furtherance of the District's 2015-2018 plan for improving outcomes for English Language Learners (ELL Roadmap for Success 2015-2018). This lengthy planning process and alignment to the District's strategic plan, particularly for underserved students, was not captured in the grand jury's report.

**Finding 18-12: Collaboration between traditional public schools and charter schools operating in the district benefit all students in Oakland Unified School District.**

The District agrees with this finding in part. The District does not believe that expending precious, limited resources fighting with charter schools is beneficial to students living in Oakland. The District agrees that collaborating with charters about school quality standards, enrollment and feeder patterns, professional development, placement of programs, special education, governance, fiscal transparency, equity and innovation would be beneficial to students in Oakland. However, there are some areas in which District schools and Charter schools have divergent interests and differential standards imposed by the Education Code. For example, California Charter School Association, on behalf of its Oakland charter school member(s), initiated and is currently pursuing litigation against the District which the District is vigorously defending.

In spring 2018, the Board worked diligently to debate and discuss various issues relating to District and charter schools and the number of schools in Oakland. The discussions culminated in a robust, visionary, and collaborative new Board Policy 6006 System of Schools (attached). The work to build a City-wide plan for a coherent system of schools is ongoing and a retreat on the issue is anticipated for November 2018.

**Recommendation 18-7: The Oakland Unified School District Board of Education must participate in governance training, emphasizing that they are policy makers, not day-to-day administrators.**

This recommendation has been partially implemented. In 2017-18, the entire Governing Board engaged in numerous governance training retreats and special meetings with Ron Bennett of School Services of California (10/5/17), Barbara Anderson and Allan Alson through Panasonic Foundation (10/5/17, 1/20/18, 6/7/18), and Victor Carey of the National Equity Project (10/5/17). In addition, numerous individual board members engaged in individual professional development to assist them in their roles, including attending conferences of the Government Finance Officers Association, Council of Great City Schools, and California School Board Association. The Board has committed to ongoing governance training in the 2018-19 school year, including a

governance retreat/ new board member orientation planned for January 2019.

**Recommendation 18-8: The Oakland Unified School District Board of Education members must communicate with district officials through the superintendent.**

This recommendation has been partially implemented. In a Board Retreat in August 2018, the Superintendent and Board discussed communication protocols in which the Board would direct its communications through the Superintendent and her "CORE Team" of direct reports with a copy or summary to the Superintendent. The consensus of the Board agreed to such communication protocols, but the protocol has not been formally adopted in the Board's Governance Handbook.

**Recommendation 18-9: The Oakland Unified School District must establish a position control system that tracks staff allocation and spending, and better interfaces with payroll systems.**

This recommendation has been partially implemented. In July 2018, the District transitioned to a new financial management system, "ESCAPE", which is fully-integrated with and hosted on the Alameda County Office of Education's servers. As a result, the District anticipates that it will have enhanced controls, data, uniformity, and support from the County. In addition, the District hired a new chief business officer, Marcus Battle, who has extensive business, finance, and systems experience. The District also hired a new Chief Financial Officer, Ofelia Roxas, who is a certified public accountant with experience in school districts and county offices of education. In addition to the ESCAPE implementation, the new business and operations team are in the process of updating fiscal policies and administrative regulations and identifying training needs of the District.

In 2017-18, the Board passed a new reserve policy to help prioritize its reserves and ensure that the District was not overspending in staffing and also passed a resolution to monitor implementation of FCMAT's recommendations.

**Recommendation 18-10: The Oakland Unified School District must provide school site administrators with comprehensive training regarding position control and budgetary policies.**

This recommendation has been partially implemented. In connection with the transition to a financial management system, ESCAPE, school site administrators, school support personnel, and central office staff were offered a series of trainings (April - August



2018) on how to use the new system. ESCAPE includes multiple levels of approvals for hiring, budget modifications, and purchasing transactions; greater keying error and omission safeguards; and more real-time, accurate information for users and supervisors to ensure compliance with budgetary policies. In addition, business leaders are reviewing and updating board policies and administrative regulations to recommend potential updates and improvements. As new policies are developed and training gaps identified, additional trainings and/or support for school site administrators will be developed.

**Recommendation 18-11: The Oakland Unified School District must not hire any new staff or institute any new program unless there is money in the budget beforehand to fund them.**

This recommendation has been implemented. Beginning in January 2018, any contracts that were submitted to the Board for approval were required to have a funding source with sufficient funds identified. Similarly, no position can be posted without the fiscal team identifying the budget and corresponding position code in the budget and no employee can be hired and begin work without a designated funding source. The District anticipates ongoing support and oversight from the Alameda County Office of Education, FCMAT and its state trustee to review budgeting and spending.

**Recommendation 18-12: The Oakland Unified School District must develop a transparent budget platform that better informs the Board of Education and the public regarding long-term consequences of financial decisions.**

This recommendation has been partially implemented. The District has a comprehensive, customizable database of its budget and historical budgets available on its website at <https://www.ousd.org/fiscaltransparency>. In addition, the Board has appointed a special committee for Fiscal Vitality that is charged with, among other things, making recommendations to reduce the structural deficit. The special committee anticipates holding approximately fourteen meetings from August to December 2018 and is engaging community to build awareness and understanding and to exchange ideas for solutions. The meetings, like the District's Board meetings, are recorded and available online.

Although the historical and current information is available online, there are fewer resources available for the public regarding the potential future consequences of the District's structural deficit. The Board is looking for ways to engage a broader, more diverse cross-section of the Oakland community beyond standard board meetings.