

**RESOLUTION
OF THE
GOVERNING BOARD
OF THE OAKLAND UNIFIED SCHOOL DISTRICT**

RESOLUTION NO. 1718-0197

**Board of Education - Direction - Fiscal Years 2018-2019 and 2019-2020 Budget
Reductions**

WHEREAS, on January 25, 2017, the Oakland Unified School Board passed Resolution 1617-0122 which directed “at least \$14 million dollars be reduced from the unrestricted General Fund base program” in the development of the 2017-18 budget recommendations and asked staff to examine the district’s school portfolio to maximize access to OUSD's high quality school programs (including opportunities to operate schools more efficiently through school consolidation) and to “develop and present a plan to address the consistent structural funding overages issue in Programs for Exceptional Children, Early Childhood Education, and the Cafeteria Fund”; and

WHEREAS, in May 2017, the Board took additional action to reduce an additional \$9.3 million in expenditures from the 2017-18 budget recommendations after the Spending Limitations Protocol was not yielding the desired results;

WHEREAS, in June 2017, the Senior Business Officer advised the Board of Education that he recommended a hiring freeze on all Central Office departments until after the Unaudited Actuals for 2016-17 was presented (Closing of the Books);

WHEREAS, the Closing of the Books for Fiscal Year 2016-2017 revealed: 1) A \$9.1 million increase in expenditures over levels projected in the 2016-2017 Third Interim Report; 2) OUSD ended the fiscal year \$8 million short of maintaining its 2% Reserve for Economic Uncertainties, a state-mandated requirement; and 3) OUSD used \$8 million from the Self-Insurance Fund to pay for General Fund expenses, leaving the Self-Insurance Fund with a balance of \$6.8 million; and

WHEREAS, the District’s September 2017 budget revisions revealed that there were at least \$4.4 million unbudgeted for expenses, a hiring freeze was not implemented, and there were 75 positions that were hired for but not budgeted; and

WHEREAS, the Board passed Board Policy 3100.1 (Financial Reserves) in August 2017 which set an ambitious long-term goal of three months of operating expenditures to be held in the reserve for economic uncertainty, roughly equivalent to 10% of the district’s operations; and

WHEREAS, in October 2017 the Budget and Finance Committee presented an update to the Board of Education acknowledging that “achieving fiscal solvency in the immediate and near-term will require sizeable upfront investment” and identified that between \$25.4 to \$27.4 in reductions will be needed to reach the Board’s goals; and

WHEREAS, based on the above research, the Budget and Finance Committee put forward a resolution which called for \$15.1 million in midyear reductions for the 2017-18 year and \$11.2 million in the 2018-19 adopted budget due to severity of the budget situation which was discovered after the Closing of the Books for the 2016-17 school year; and

WHEREAS, after several meetings held public on the budget through the Fall, on December 13, 2017, the Oakland Unified School Board directed the Superintendent to make \$9 million in reductions to the 2017-18 school year adopted budget to support the following priorities: 1) restoring the reserve for economic uncertainty to the state required minimum; 2) account for specified risks (potential increase in costs related to special education, transportation, food services, etc.); 3) account for unspecified risks (i.e. historic fluctuations between third interim and closing of the books); and

WHEREAS, the resolution also identified budget priorities and a methodology to use for the 18-19 school year which included: 1) building the reserve for economic security; 2) setting aside funds to rebuild the self-insurance fund; 3) setting aside any one-time funds from the State to rebuild the reserve for economic uncertainty; and

WHEREAS, in February 2018, the Board passed Board Policy 3100.2 (Structurally Balanced Budget) which states that the “District shall endeavor to adopt a structurally balanced budget” and that “generally, this means that ongoing expenditures should be covered by ongoing revenues and that one-time revenues should be used to fund one-time expenditures; and

WHEREAS, increasing mandated expenditures, increasing pension obligations, and flat revenue beginning 2019-20 will continue to hinder the district’s ability to achieve fiscal stability and solvency and further cuts that are not planned carefully and strategically will further erode public trust and may impact student academic achievement; and

WHEREAS, as of May 7, 2018, district staff is projecting that \$6.92 million will be recaptured in the 2017-8 year which is \$2.08 million short of the \$9 million goal for mi-year adjustments and the district is in jeopardy of falling below the 2% state mandated reserve for the third year in a row; and

WHEREAS, according to a presentation to the Board at the May 7 Budget Study Session, the combined unanticipated and anticipated expenditures increased by \$7.5 million from the 2017-18 adopted budget which does not account for the fluctuations generally seen between third interim and closing of the books; and

WHEREAS, the district's Board and staff recognizes the undue hardships that unplanned midyear reductions have on students, staff, schools, and departments;

THEREFORE BE IT RESOLVED that the Oakland Unified Board of Education hereby directs the Superintendent to:

1. Identify the target number that needs to be reduced in 18-19 and 19-20 that will satisfy obligations in the Resolution 1718-0087 including, but not limited to: restoring the reserve for economic uncertainty to at least 3%; using one-time funds for ongoing expenditures; restoring the self-insurance fund; contributing to the Health Benefit Governing Board (HBGB); continuing our investment in human capital; and other timely, critical investments such as updated textbooks and curriculum based on new curriculum adoptions this year.
2. Present to the Board multiple options for meeting the goals of the December 2017 resolution, which are consistent with Board Policy 3150, which prioritizes maximizing dollars to school sites. Options should achieve a minimum of \$10 million in additional reductions for the 2018-19 year, and should focus on reducing ongoing expenditures and include examination of investing Supplemental and Concentration dollars and restricted funds (Title 1, etc.) directly at school sites;
3. Implement a hiring freeze on central department vacancies being funded by the unrestricted general fund, with the exception of the Chief Financial Officer and other critical positions in the Budget and Finance Department until after 2017-18 Unaudited Actuals are presented to the Board;
4. Present to the Board no later than September 2018 various options for cost efficiencies and associated costs savings in Transportation, Food Services, and Programs for Exceptional Children, such as coordinating bell schedules, that can be pursued for the 2019-20 school year as well as plans to outreach and engage impacted families and school communities;
5. In accordance with the Blueprint for Quality Schools recommendations in June 2018 and beyond, present the potential fiscal impact (immediate, near and long-term) including staff investments to implement the work on any recommendations coming to the Board and how the options will achieve the desired impact of access to high-quality school programs and operational efficiencies;
6. Present a preliminary 2019-2020 budget to the Board in December 2018; and

BE IT FURTHER RESOLVED that the Board's B & F Committee will hold a series of meetings in fall of 2018, focused on zero-based budgeting and making recommendations for the 19-20 school year.