

## **OUSD STRATEGIES FOR LEGISLATIVE RELIEF**

### **Strategy 1: Reduce the Impact of the State Loan**

The OUSD received a line of credit from the state in June 2003 of \$100 million which was accessed in two drawdowns of \$65 million and \$35 million. The District currently owes \$87 million on the combined outstanding amounts of the loans. The General fund loan payment for the \$65 million loan is approximately \$3.9 million annually. The \$35 million loan has an unspent balance of \$20 million, and the loan proceeds (interest) are being used to make the loan payments. The loan proceeds will be spent down by 2018 leaving an unpaid loan balance of approximately \$6 million.

The district respectfully requests that the current balance of the state loans be forgiven in full. This request is based on the financial hardship endured by the District because of lost revenues from declining enrollment of 15% of student enrollment. The annual gross revenue limit loss for this declining enrollment is over \$43 million.

As a secondary action the district respectfully requests that all incurred interest payments on the state loans be permanently deferred. We request that the interest deferment be retroactive to 2005.

### **Strategy 2: Relief from Audit Finding Penalties**

The district respectfully requests relief from the payment of all penalties associated with the audit findings from the independent State Controller's Office (SCO) external audits. The SCO's audit reports are issued two or three years late and therefore does not provide the district the benefit of correcting the audit findings expeditiously during the next fiscal year. The audit reports repeat the findings found in the previous year(s) with repeated penalties. The audit finding penalties place an undue hardship on the District. The district would like relief from audit findings to be retroactive back to the 2002-03 fiscal year.

### **Strategy 3: One-Time Categorical Flexibility**

The District respectfully requests one-time flexibility to use carryover categorical funds for general purpose use to help the OUSD maintain fiscal stability during the transition to local control. This request does not generate additional cost to the State of California. The District would be given the flexibility to transfer a portion of specifically identified prior state categorical funds to the Unrestricted General fund on a one-time basis.

The District is requesting support in authoring and carrying urgency legislation that would create state categorical program flexibility under a framework very similar to that recently created for carryover of certain 2007-2008 categorical funds.

The district believes that a one-time flexibility bill will provide our district and similar districts under state administration, with a means to provide the Board of Education a fiscally sustainability budget when they resume local control. Again there would be no additional cost to the State of California budget.

#### **Sample Legislation Title:**

Local Control Stability Plan (Categorical Program Carryover Flexibility Option)

#### **Affected School Districts:**

Oakland Unified School District  
West Contra Costa Unified School District  
Vallejo Unified School District  
West Fresno Unified School District

#### **Background:**

During the 2008 May Revision budget process the Governor proposed a one-time categorical program flexibility program in which certain 2007-08 state categorical fund carryover balances could be

transferred to the Unrestricted General fund of school districts. The Governor's state budget proposal of December 31, 2008 again raises the possible strategy of categorical program flexibility of certain state categorical funds. This proposal is very similar to the May 2008 revise and December 2008 proposals suggested by the Governor. It will provide each district with the flexibility to transfer specific state categorical carryover balances that have not been spent, to the Unrestricted General Fund to help assure financial sustainability during the transition to local control.

### **General Legislation Language:**

The coalition of school districts (OUSD, WCCUSD, VUSD, WFUSD) bring forth a one-time comprehensive categorical program flexibility plan which will provide needed stabilization for these districts that are emerging from state receivership at no additional cost to the California state budget.

The 2007-08 categorical fund carryover balances of selected categorical programs can be redirected to the Unrestricted General fund. This action will provide fiscal sustainability protection for these districts that are emerging from state receivership status. There will be no impact on the current 2008-09 budget as districts will have the flexibility of allocating the funds back to the same programs the carryover funds came from. We stipulate that specific categorical programs be **excluded** from the flexibility options including the following:

- Economic Impact Aid, LEP & SCE
- Instructional Materials
- High Priority School Grant
- TIIG Block Grant
- Quality Education Investment Act
- Instructional & Library Materials Block Grant
- Routine Restricted Maintenance Account
- Federal Categorical Funds
- General Obligation Bonds
- State Proposition 39 Facility Funds
- Child Nutrition Fund

- Adult School Fund
- Child Development Fund
- Any Other Program Excluded by Law

The benefit of providing these districts with this one-time flexibility option is fiscal sustainability with no additional financial impact on the state budget.

We conclude that this legislation be immediately implemented within the time restraints of the state legislation process for bill adoption.

### LEGISLATIVE FILE

File ID No. 09-0346  
Introduction Date 7/4/09  
Enactment No. \_\_\_\_\_  
Enactment Date \_\_\_\_\_  
By \_\_\_\_\_