



OAKLAND UNIFIED  
SCHOOL DISTRICT

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# **Governor's Budget Proposal: Potential Impact for the 2008-09 and 2009-10 Fiscal Years**

**Wednesday, January 14, 2008**

# Agenda

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- Governor's Proposal for 2008-09 Mid-Year Cuts
  1. Impact on OUSD
  2. Actions to Mitigate Mid-Year Cuts
- Governor's Proposal for 2009-10 Budget
  1. Impact on OUSD
  2. Next Steps: 2009-10 Budget Development

# Governor's Revised Proposal for Mid-Year Budget Cuts: 2008-09

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**January 9, 2009:** Governor calls on Legislature to pass legislation to address the State's budget deficit.

- This proposal follows very similar parameters as the November proposal to address the budget gap.
- The size of the problem has changed; the January budget deficit is now estimated at **\$41.7 billion.**
- In addition, state is estimated to run out of cash by March.

# Governor's Proposed Mid-Year Cuts to Education: 2008-09

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- Governor released a set of slightly revised proposals for 2008-09 mid-year cuts.
- Includes removal of 0.68% COLA included in 2008-09 state budget for K-12 education.
- Additional reduction of **\$1.6 billion** to education in the current year.
- Deferral of cash apportionments from April to July.

# Governor's Proposed Relief to School Districts: 2008-09

- ***Categorical Flexibility:*** School districts would be allowed to move any categorical (restricted) resources to the district's unrestricted General Fund. As long as it complies with federal and state law.
- ***Two Year Provision:*** The Governor has proposed that this flexibility be available for a minimum of two years.
- ***Reduce RRMA Contribution:*** Proposed reducing contribution from 3% to 1% of General Fund expenditures.
- ***Eliminate Deferred Maintenance Match:*** Proposed elimination of school district match.

# Impact to OUSD Budget under Governor's Proposal: 2008-09

Category	2008-09
Eliminate 0.68% COLA	(\$1,468,000)
Reduce current year revenue limit (Approximately 4.5% or \$302 less in revenue limit funding per ADA)	(\$10,997,000)
<b>Total Impact to OUSD in 2008-09</b>	<b>(\$12,465,000)</b>

# OUSD Prioritization to Mitigate Mid-Year Budget Cuts: 2008-09

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It is suggested that because of the depth of these potential mid-year budget cuts that the District prioritize looking for solutions in the following ways.

1. Strategies Already Employed
2. Central Office
3. Schools

# Summary of Suggested Actions to Mitigate Mid-Year Budget Cuts: 2008-09

<b>Proposed Action</b>	<b>Est. Savings</b>
Pay-off Series J COPs lease-revenue bonds	\$680,000
Categorical Carryover <u>Already Held</u> for Flexibility	?? \$4,000,000
Categorical Carryover <u>Already Allocated to Central</u>	?? \$3,000,000
Controlled Hiring Freeze for classified, Central Office staff	\$655,000
Reduce utility and energy costs	TBD
Institute energy and recycling reviews	TBD
Out-of-state employee travel and conferences	\$400,000
Reduce Ending Fund Balance for 2008-09	?? \$2,000,000
Reduce 2008-09 Budget at School Sites	TBD
<b>Total</b>	<b>?? \$10,735,000</b>



# Actions Initiated by District to Mitigate Mid-Year Budget Cuts: 2008-09

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1. Temporary hiring freeze for all vacant Central Office classified positions.
2. Schools will be allowed to carryover 80% of unspent funds in selected school-based resources.
3. Hold back of certain categorical dollars in the event that categorical flexibility is available.
4. Temporary freeze on all out-of-state travel.
5. Scrutiny of contracts using GP resources.
6. Look into reducing employee overtime.

# School-Based Carryover

## 2008-09 to 2009-10

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In light of the state budget crisis, the District is encouraging all schools to conserve their resources for a tight budget year in 2009-10.

Therefore, for the 2008-09 fiscal year, 80% of any unspent funds by the school will be returned in the following fiscal year (2009-10). This applies to the resources listed below.

- General Purpose
- EIA – SCE
- EIA – LEP
- School, Library, Info Block Grant
- Arts & Music Block Grant

# Proposed Governor's Budget Highlights: 2009-10

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- Governor released his 2009-10 budget proposal which continues to address the state budget crisis.
- Cost avoidance of statutory and discretionary cost of living adjustments for education (**\$2.5 billion**).
- Decrease of **\$1.5 billion** to school district revenue limits.
- Additional decrease of **\$1.1 billion** in education funding.

# Governor's Proposed Relief to School Districts: 2009-10

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- ***Categorical Flexibility:*** School districts would be allowed to move any categorical (restricted) resources to the district's unrestricted General Fund. As long as it complies with federal and state law.
- ***Reduce RRMA Contribution:*** Proposed reducing contribution from 3% to 1% of General Fund expenditures.
- ***Eliminate Deferred Maintenance Match:*** Proposed elimination of school district match.

# Impact to OUSD Budget under Governor's Proposal: 2009-10

Category	2009-10
Reduction in revenue limit allocations (Approximately 7% or \$410 less in revenue limit funding per ADA over current year)	(\$15,317,000)
<b>Other Adjustments:</b>	
<ul style="list-style-type: none"> <li>• Anticipated reductions in other unrestricted revenues</li> </ul>	(\$2,164,000)
<ul style="list-style-type: none"> <li>• Eliminate current year deficit spending</li> </ul>	(\$5,741,000)
<ul style="list-style-type: none"> <li>• Reduction in indirect cost</li> </ul>	(\$2,742,000)
<ul style="list-style-type: none"> <li>• Reductions in Transfers In from State Loan</li> </ul>	(\$3,667,000)
<b>Total Impact to OUSD in 2009-10</b>	<b>(\$29,631,000)</b>

# Suggested Prioritization to Mitigate Proposed Budget Cuts: 2009-10

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Consistent with the approach to mid-year budget cuts, it is suggested that the District prioritize looking for solutions in the following ways.

- 1. District-wide Expenses** – Augment or move district-wide expenses to other funding sources.
- 2. Central Office** – Align investments with new BOE direction.
- 3. Schools** – Minimize impact on schools

# Budget Development Timeline Update: 2009-10

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## Next Steps:

1. Cabinet will develop a budget for 2009-10, identifying budget cuts.
2. On January 24<sup>th</sup> the BOE will hold a retreat to, among other things, learn about and provide input on the budget development process for 2009-10. At the session:
  - a. Clear understanding of what portion of budget cuts will be absorbed by schools and Central Office;
  - b. Per student allocations for schools will be presented along with understanding of how formulated;
  - c. Set of proposed Central Office reductions will be presented.

# Budget Development Timeline

## Decision and Dependencies: 2009-10

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A cornerstone of the budget development process is allowing both school and Central Office administrators to develop their budget through RBB. In order to ensure this can occur and the District able to progress towards it's state and county deadlines, the following is necessary:

1. Per student allocations are acknowledged and understood at the Jan. 24<sup>th</sup> BOE retreat;
2. Implications for Central Office reductions are understood.