



Special Committee on Fiscal Vitality



August 29, 2018

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Norms



- Honor Time - No Sidebars, Technology Aligned to Meeting Purpose, Start and End on Time
- Act as a Collective Body - Honor Confidentiality
- Check for Understanding, Surface Assumptions
- Share Divergent Views - Value as a Learning Opportunity
- Celebrate Successes and Each Other's Contributions
- Presume positive intent
- No personal attacks

Goals of the Special Committee

1. **Explore Depth of Budget Deficit:** Committee will recommend a target goal for budget reductions needed for 2019-20 and 2020-21 school years.
2. **Build Shared Knowledge:** In order to better support our community of stakeholders, the Committee will build a citywide understanding of (1) OUSD's deficit and strategies being explored to address it; (2) Board Policies and theory of action; (3) Central allocations, (4) Base funding allocations; and (5) Academic Return on Investment.
3. **Alignment with Theory of Action:** Committee will reinforce Board of Education's theory of action around school-based decision-making.
 - a. Given that our theory of change and Board Policies maximize decision-making and resources at school sites, we must closely examine central budgets. When the system deviates from this theory of action, there must be clear and evidence-based reasons for doing so.
4. **Student-centered Budgeting:** Committee will introduce and engage with the idea of academic return on investment for student achievement with emphasis on closing equity gaps and educating the whole child.
5. **Recommendations to Move Forward:** Committee will adopt a resolution, for consideration by the full board, providing directional guidance regarding the budget reductions for the 2019/20 and 2020/21 school years to the Superintendent for improving equity, quality, and sustainability for the district.

Commitment to Doing Better

We are committed to doing better going forward to ensure that we aren't in this situation again. We have begun and will continue closer monitoring of trends, building board capacity to provide oversight in alignment with best practices, and working with staff to address the issues identified by FCMAT and others.

Additional Ways to District will Engage

Group/Event	Date	Location	Time
DBAC Audience: Community Partner Organizations, Unions, Principals & OUSD Staff (will report out at Budget Special Committee)	Monthly Meetings: contact Troy.Christmas@ousd.org	Location Varies	Time varies
PAC Audience: Lead Principals (will report out at Budget Special Committee)	Monthly Meetings:	Location varies	Time varies
PSAC Audience: Parents and Students contact Cintya.Molina@ousd.org	10/17/18 12/19/18 2/20/18	Location TBD	Time TBD
BOE Budget Study Session Audience: parents, staff & community members	11/27/18	Location TBD	5:30-8:30 pm
More to Come (i.e. survey, Board sponsored town halls, survey, etc.) Audience: Neighborhood parents & community members	TBD	Location TBD	5:30 pm

Today's Agenda

Item

Welcome and Review Committee Goals and Meeting Goals

Understanding OUSD's Theory of Action

Review Scope and Drivers of Budget Deficit

Discuss how our Theory of Action and Academic Return on Investment are Reflected in our LCAP

Discussion with Network Superintendents: How is OUSD organized to support site-based decision making and resource allocation?

Reflections from Committee Members on Presentations

Preview Upcoming Session and Review Next Steps

Public Comments

Adjourn

Decision Making Process

The Special Committee on Fiscal Vitality's work will culminate in a set of recommendations (in the form of a resolution) that will go to the full board for approval.

If approved, these recommendations will go to the Superintendent to inform a plan she will bring back to the board for approval, prior to implementation. This plan will detail specific strategies for budget reductions for the 19-20 and 20-21 school years.



Understanding OUSD's Theory of Action

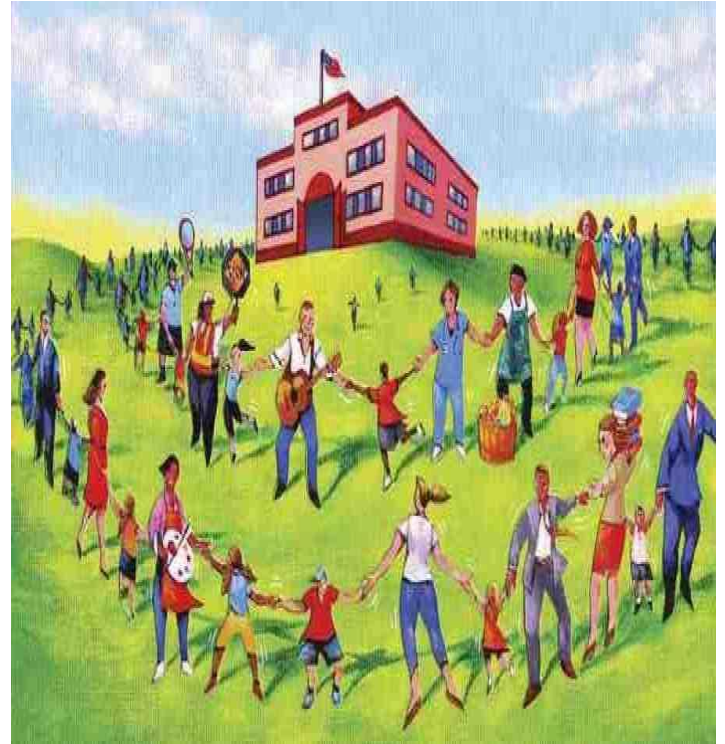
Governance Theory of Action

#	Short Description	Premise
1	Data-Driven Decisions	IF we consistently apply quality data in making decisions about high quality and effective academic and social support for students,
2	Maximize school site decision making	AND in service of high and equitable standards and outcomes for students, we maximize school site-based decision-making regarding staffing, finances, calendars, and programs,
3	High-quality Instruction	AND we ensure that there is high-quality and effective instruction in every classroom that results in high-quality learning for every student,
4	Diverse providers	AND to ensure high quality schools in every neighborhood, we partner with diverse providers in alignment with our policies,
5	Facilities	AND we ensure that all facilities are used in service of quality outcomes for students, including constructing and maintaining facilities in accordance with principles of sustainability,
6	Sustainable central office and portfolio	AND we apply data in ways that maximize fiscal and academic opportunities by operating a central office and the number and type of schools that we can sustain over time,
7	Community	AND we include and partner with the community and families to ensure quality options in each neighborhood throughout Oakland,
8	Equitable access	AND we prioritize equitable allocation of resources across the district based on need , recognizing that students come to school needing different resources and supports,
9	Then	THEN Oakland public schools will operate on principles of equity and ensure that all students have the academic, social, and fiscal supports that they need to succeed.

Our Vision And Mission

Vision: All OUSD students will find joy in their academic learning experience while graduating with the skills to ensure they are caring, competent, fully-informed, critical thinkers who are prepared for college, career, and community success.

Mission: To become a **Full Service Community District** focused on high academic achievement while serving the whole child, eliminating inequity, and providing each child with excellent teachers, every day.



**Focused on Quality,
Equity, Access and Sustainability**

District Priorities



Quality Community Schools

Key Areas of Work: Blueprint for Quality Schools, LCAP Goals & Student Learning Outcomes, Special Education



Fiscal Vitality

Key Areas of Work: Budget Development Process, Internal Controls & Budget Management, Facilities Capital Projects, Increasing Revenue



Organizational Resilience

Key Areas of Work: Central Office Redesign, Employee Retention, Leadership Development, Equity-SEL Practices



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Community Schools, Thriving Students

Special Committee on Fiscal Vitality

Exploring the Depth of the Budget Deficit – Meeting #1



Presented by: Marcus Battle, Chief Business Officer

Ofelia Roxas, Chief Financial Officer

August 29, 2018

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AGENDA

- Section A:** Current Fiscal Realities and Budget Challenges for OUSD
- Section B:** Review Target Goal and assumptions for FY 2019-20 and FY 2020 – 21 Budget Reductions
- Section C:** Revenue Generation and Expenditure Reduction Opportunities

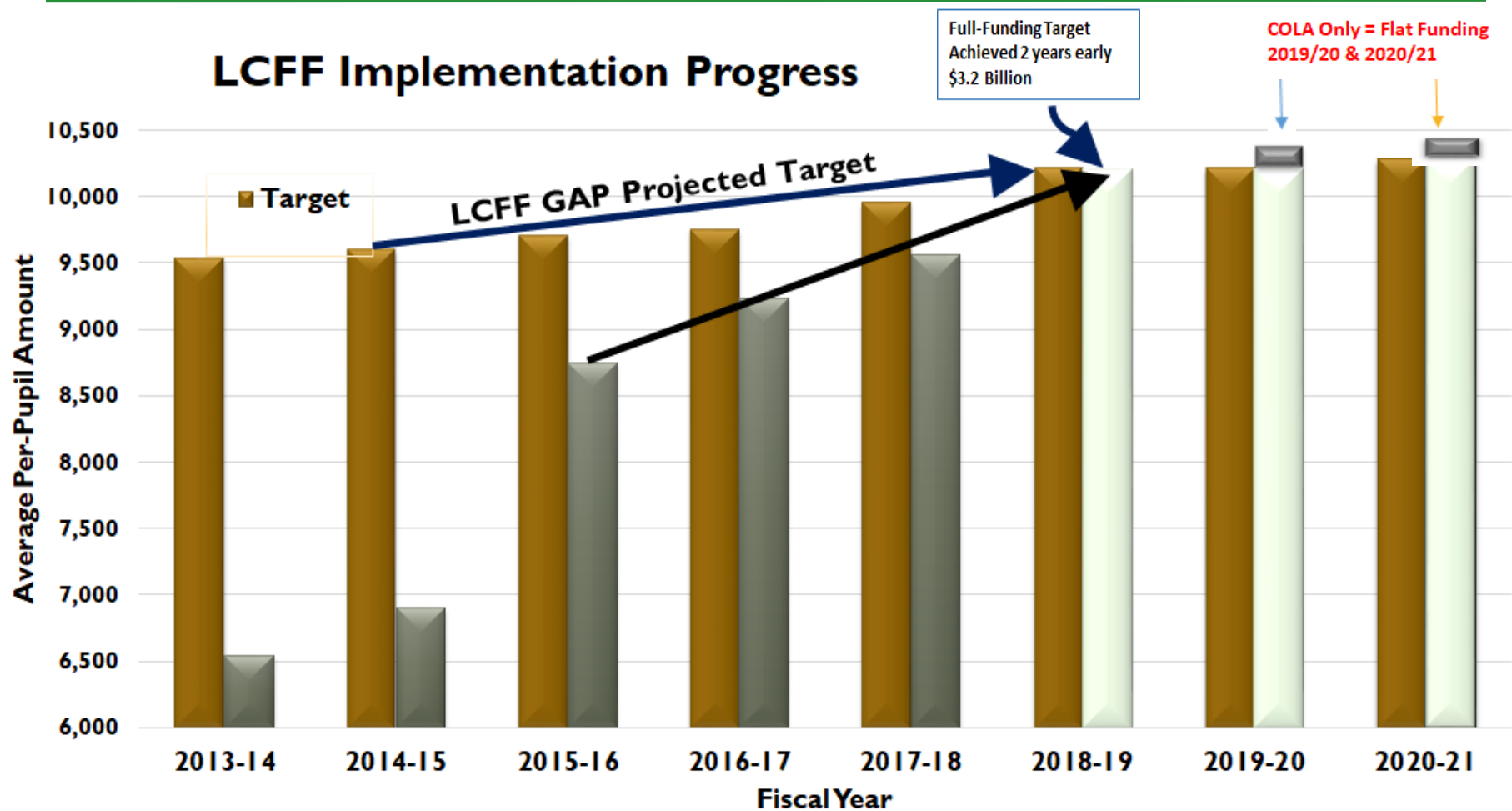
Special Thanks to Jason Bartlett for his assistance in preparing this presentation

Section A

Current Fiscal Realities and Budget Challenges for OUSD

Local Control Funding Formula (LCFF)

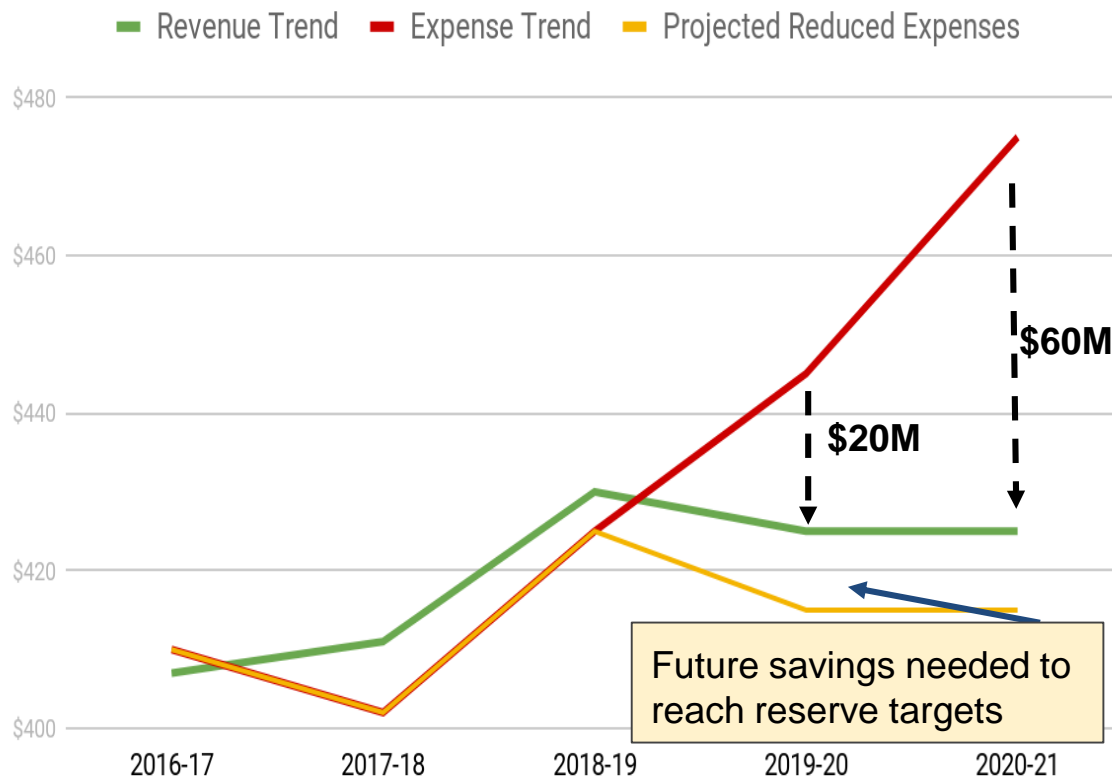
- Full-Funding Environment





Expenses outgrowing Revenue

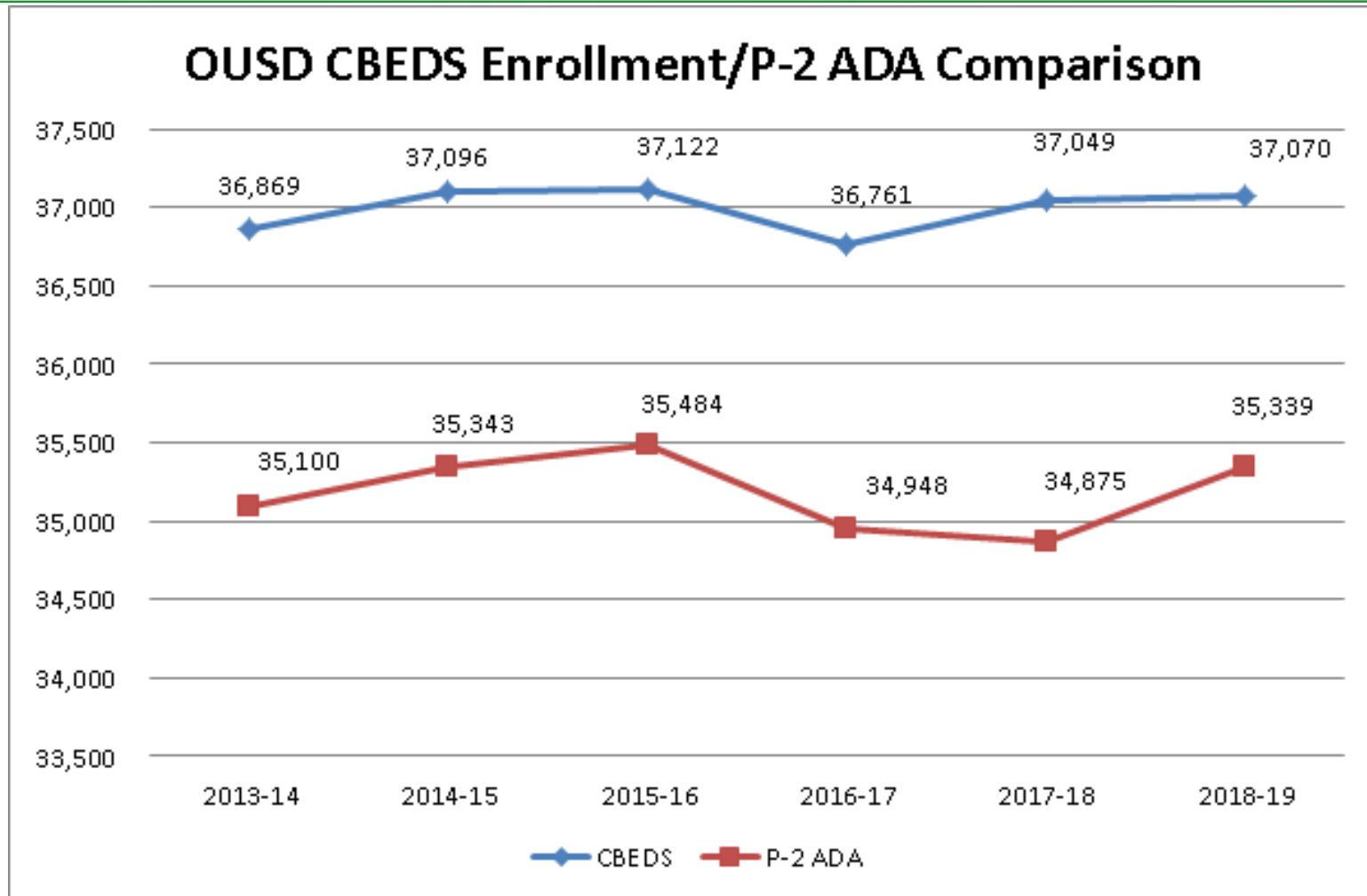
Unrestricted Revenue vs. Expense (For Illustration Purposes Only)



- ⇒ Without changes, Unrestricted Expenses are expected to exceed Revenue by \$60M by 2020-21.
- ⇒ To reach Board targets for reserves, Revenue must exceed Expenses enough to replenish reserves
- ⇒ If no adjustments to the budget are made, driven primarily by declining enrollment, charter school growth, increased STRS and PERS pension costs, and special education growth.

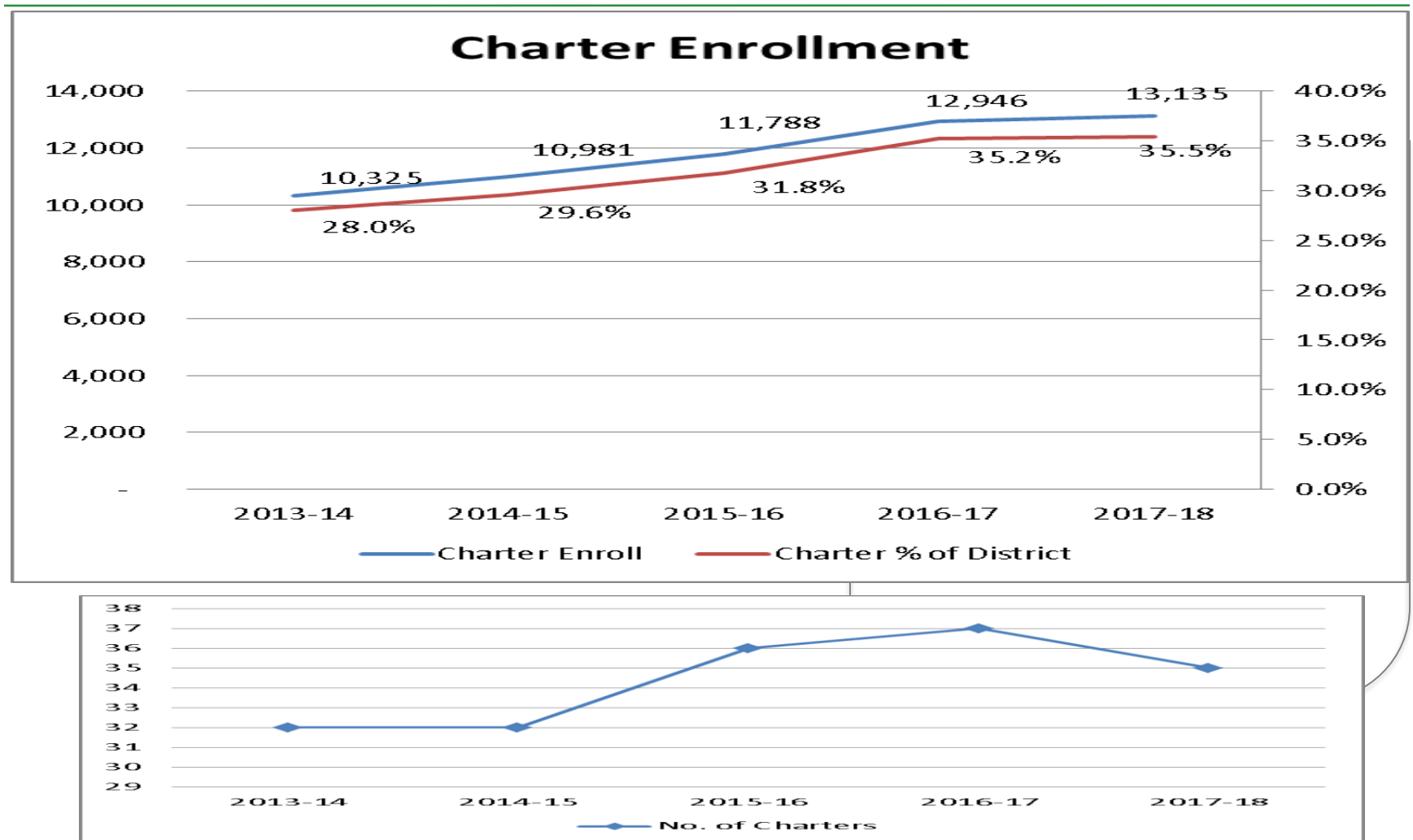


Enrollment/ADA-Driven Revenue Expected Flat



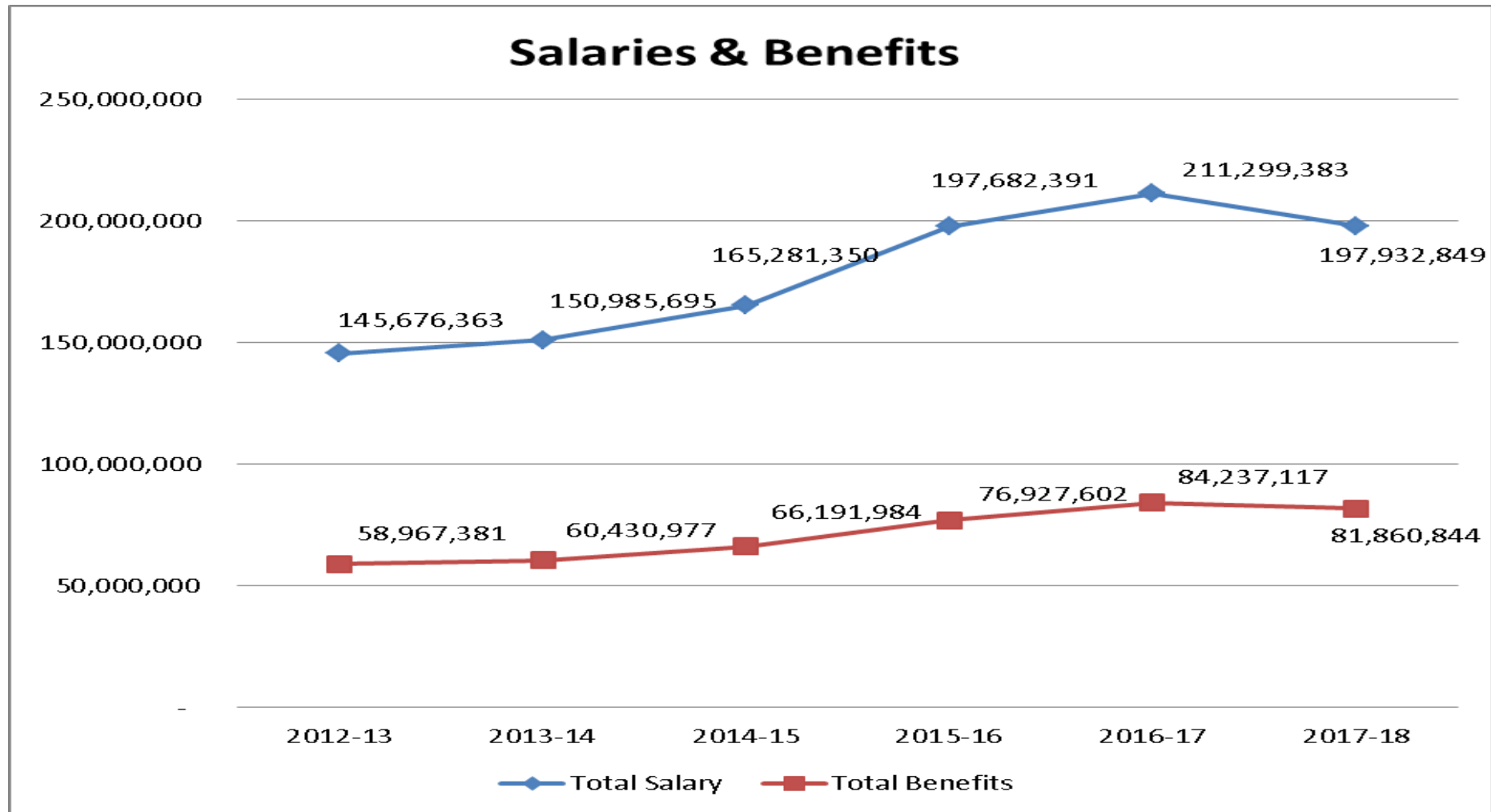


Charter School Enrollment Growth Continues





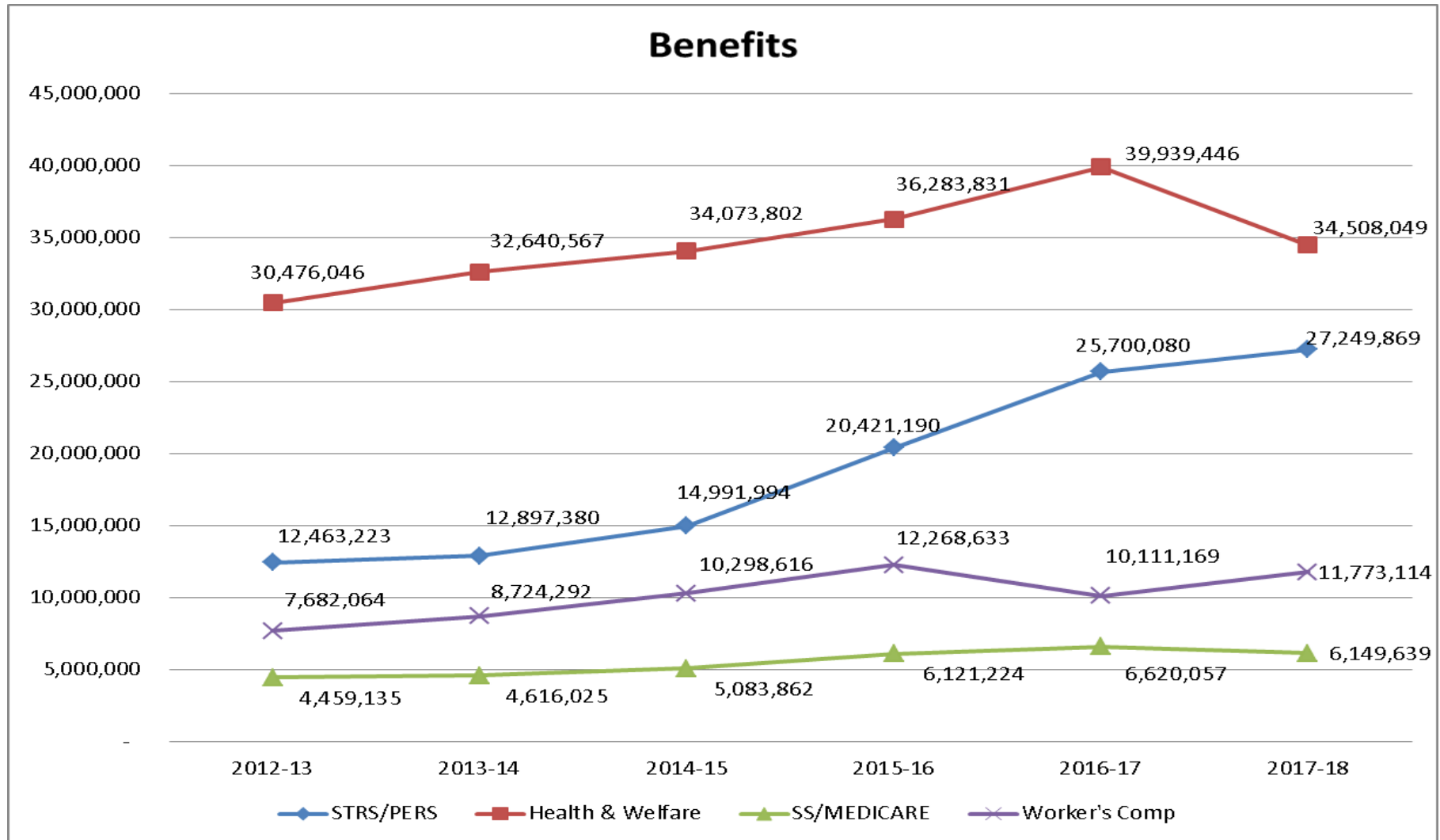
80%+ of Expenses are Salaries & Benefits



Source: Unaudited Actuals through 2016-17; Preliminary Unaudited Actuals 2017-18; Fund 1, Unrestricted resources

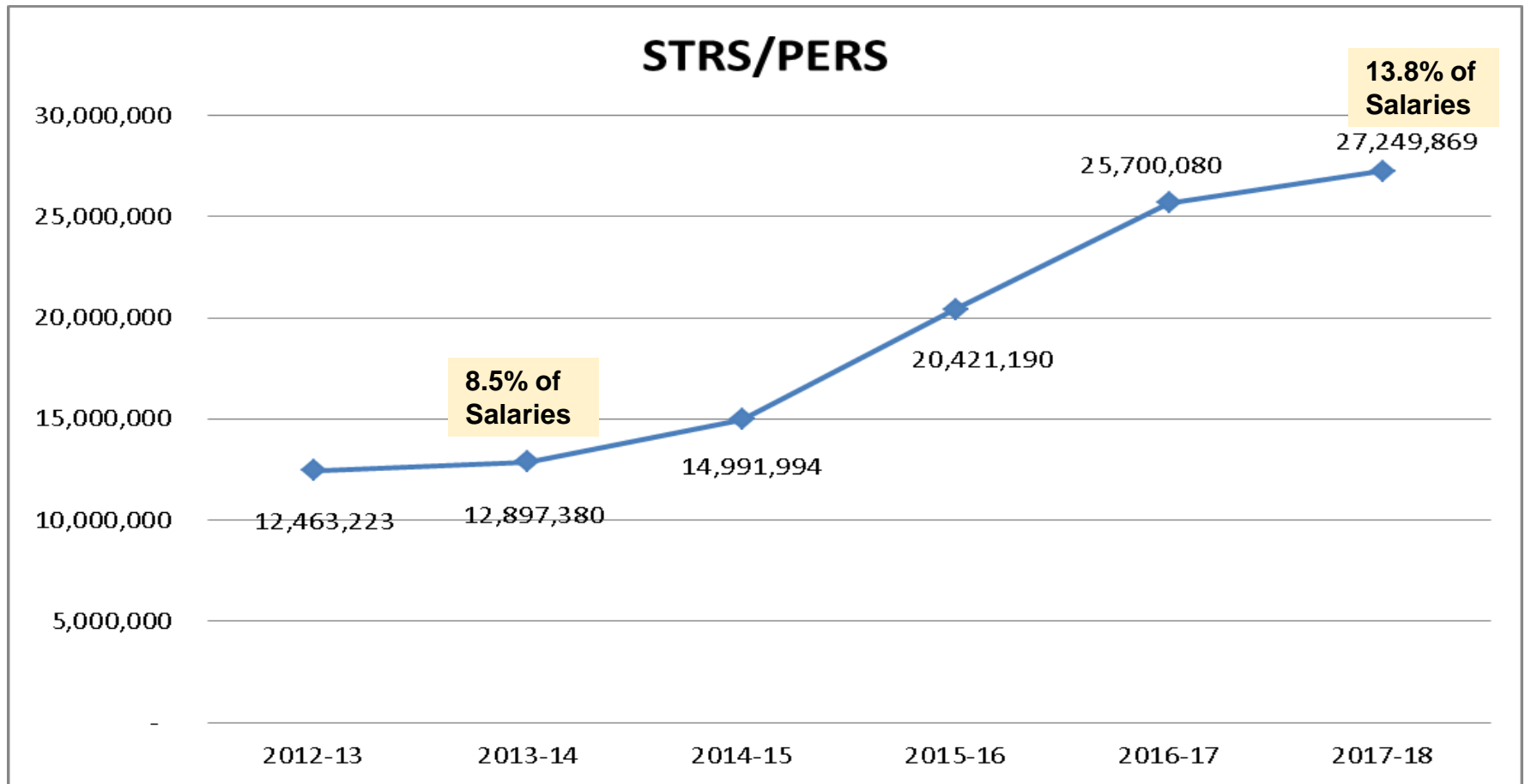


Pension Cost Increases Outpace Health Cost Declines



Source: Unaudited Actuals through 2016-17; Preliminary Unaudited Actuals 2017-18; Fund 1, Unrestricted resources

Pension Contributions as a % of Salaries Increased from 8.5% in FY 2013/14 to 13.8% by FY 2017-18

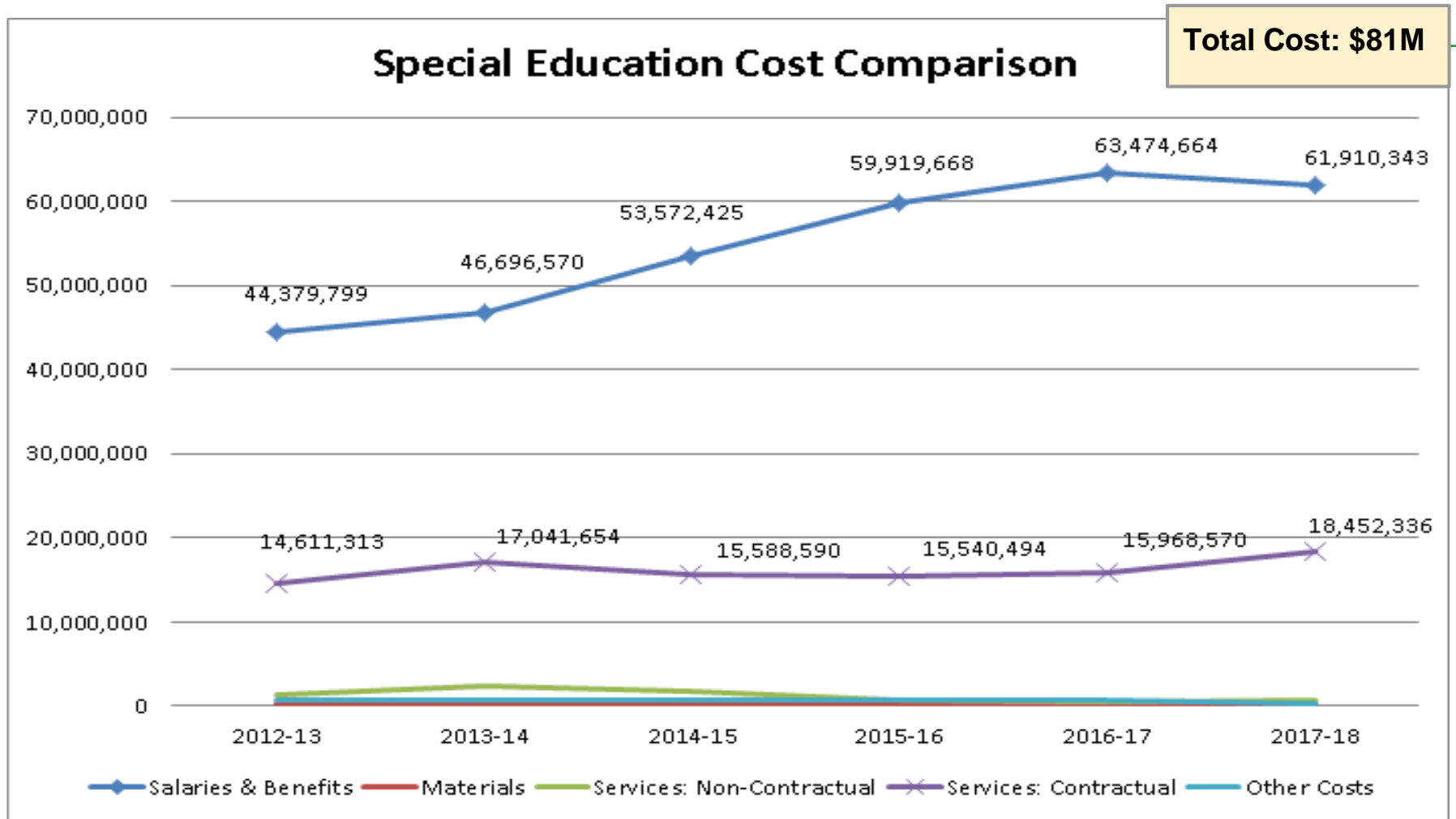


CALSTRS - Employer Contribution Increased from 8.3% in FY 2013-14 to projected 19.1% by FY 2020-21

CALPERS - Employer Contribution Increased from 11.4% in FY 2013-14 to projected 22.7% by FY 2020-21

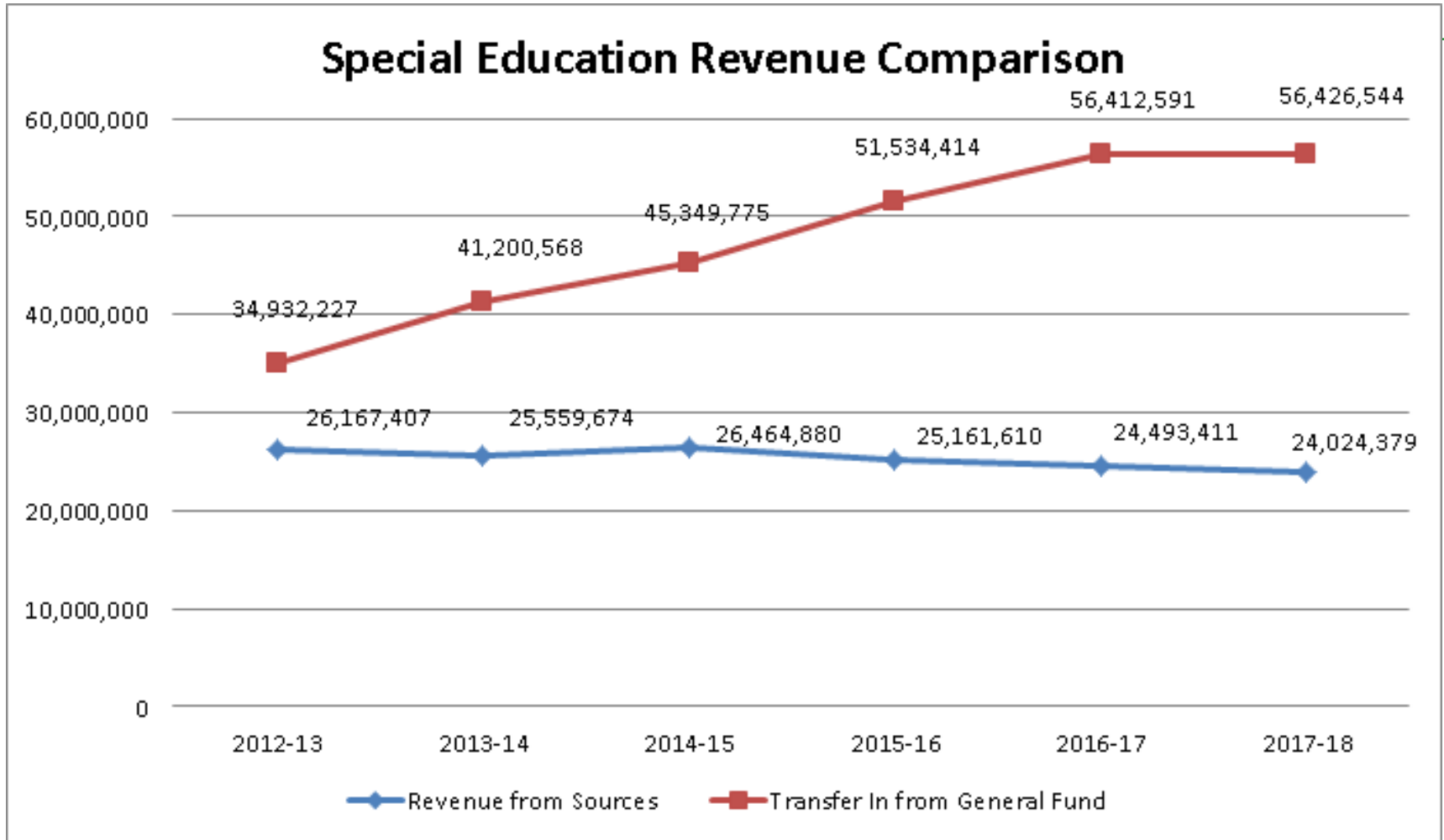
Source: Unaudited Actuals through 2016-17; Preliminary Unaudited Actuals 2017-18; Fund 1, Unrestricted resources

Special Education Costs are Growing Moderately



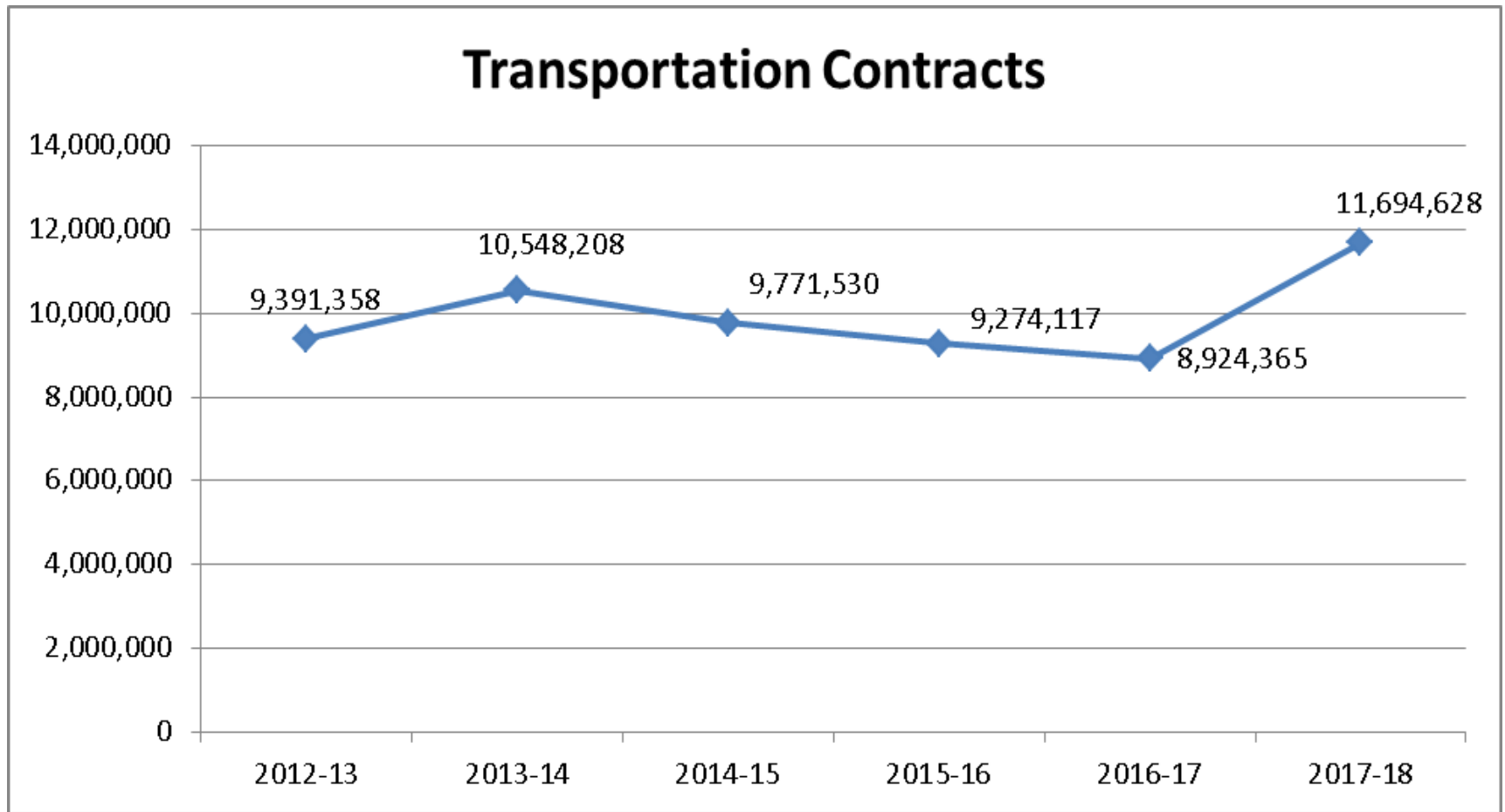
Source: Unaudited Actuals through 2016-17; Preliminary Unaudited Actuals 2017-18; Resource 6500 Only

Unrestricted Contributions to SPED has Grown Dramatically



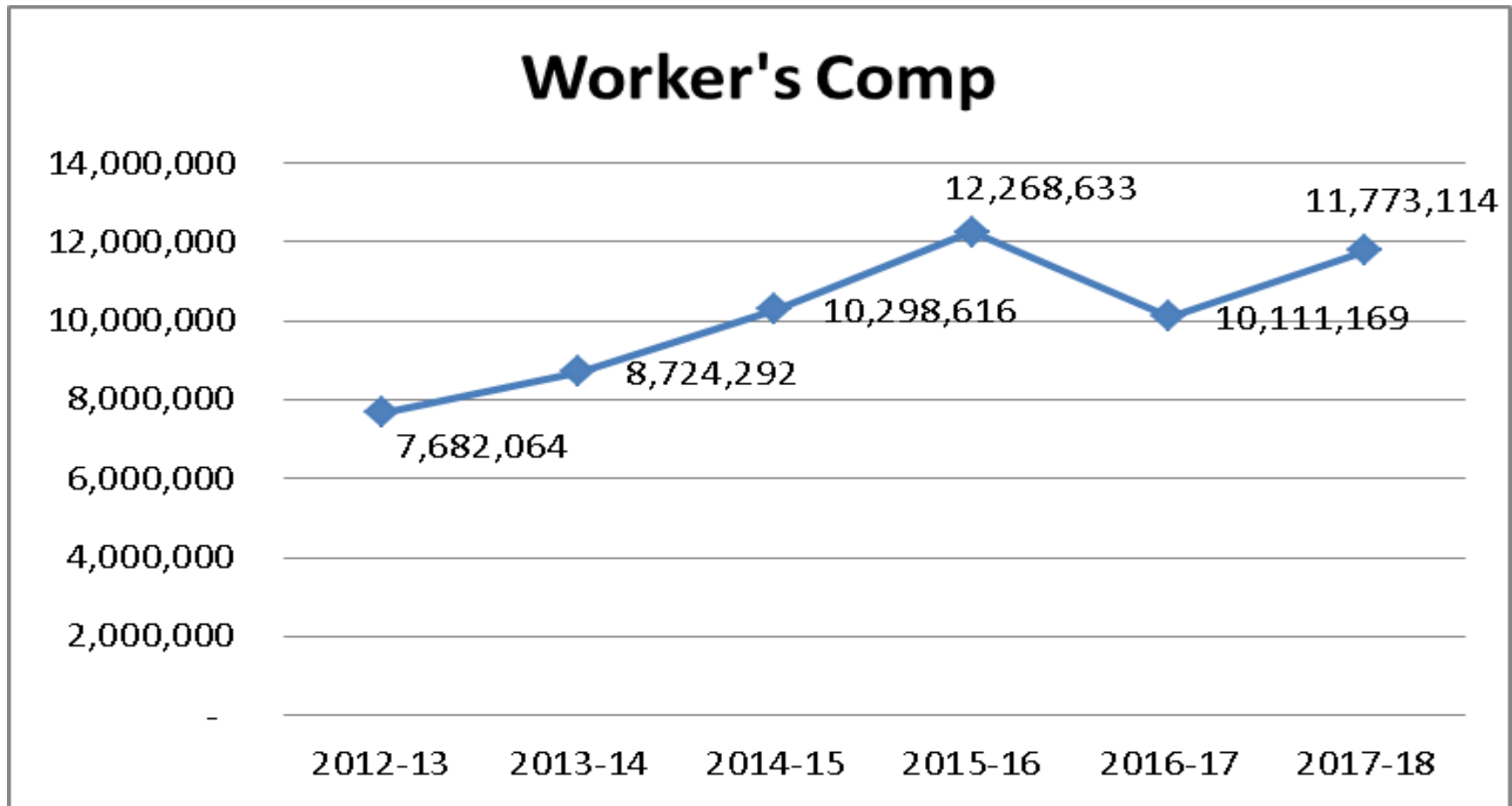
Source: Unaudited Actuals through 2016-17; Preliminary Unaudited Actuals 2017-18; Resource 6500 Only

Transportation Cost Continues to Grow



Source: Unaudited Actuals through 2016-17; Preliminary Unaudited Actuals 2017-18; Fund 1, Unrestricted resources

Workers' Compensation Costs Continue to Rise



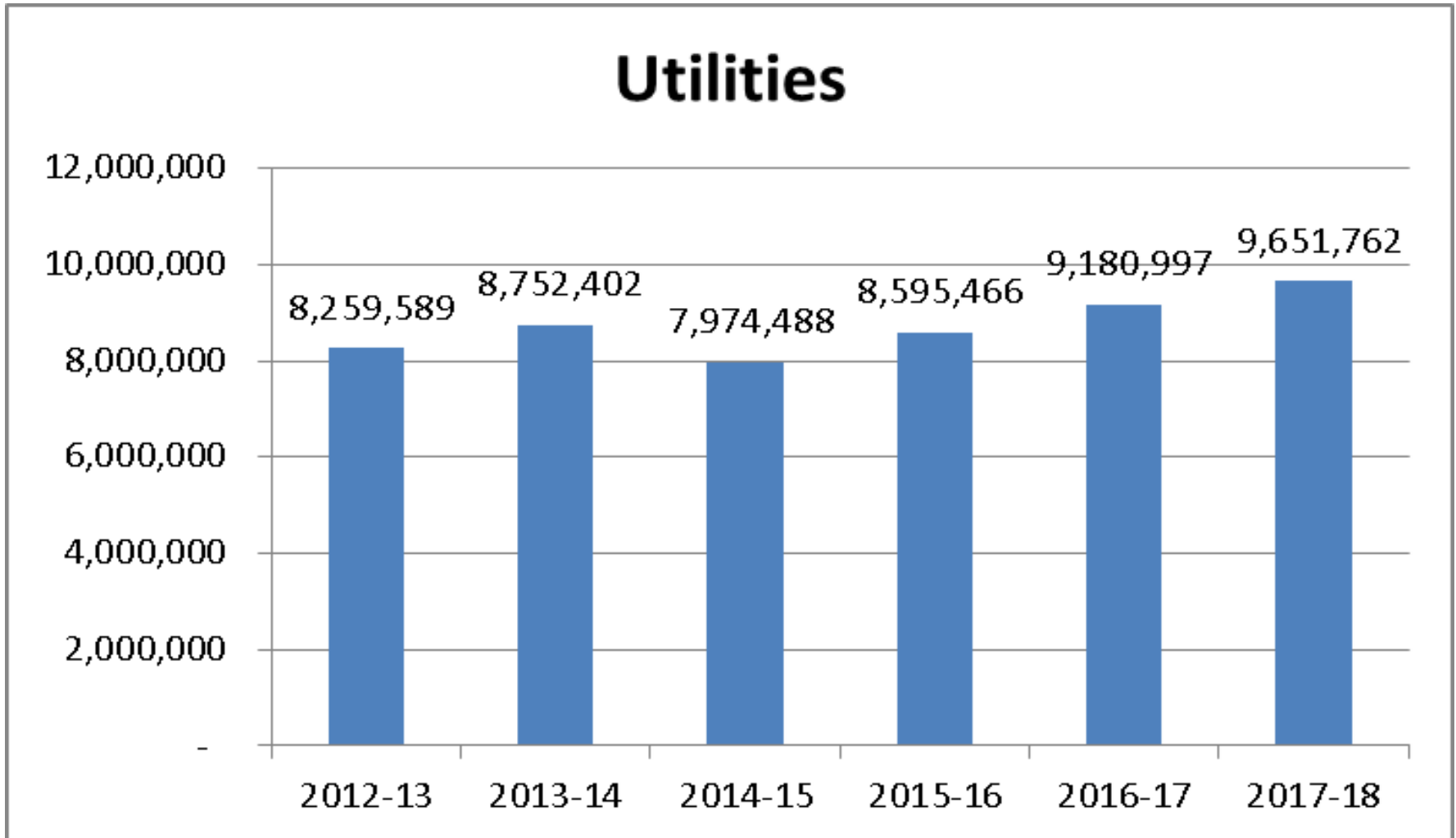
Source: Unaudited Actuals through 2016-17; Preliminary Unaudited Actuals 2017-18; Fund 1, Unrestricted resources



Utilities May Present Opportunities for Savings

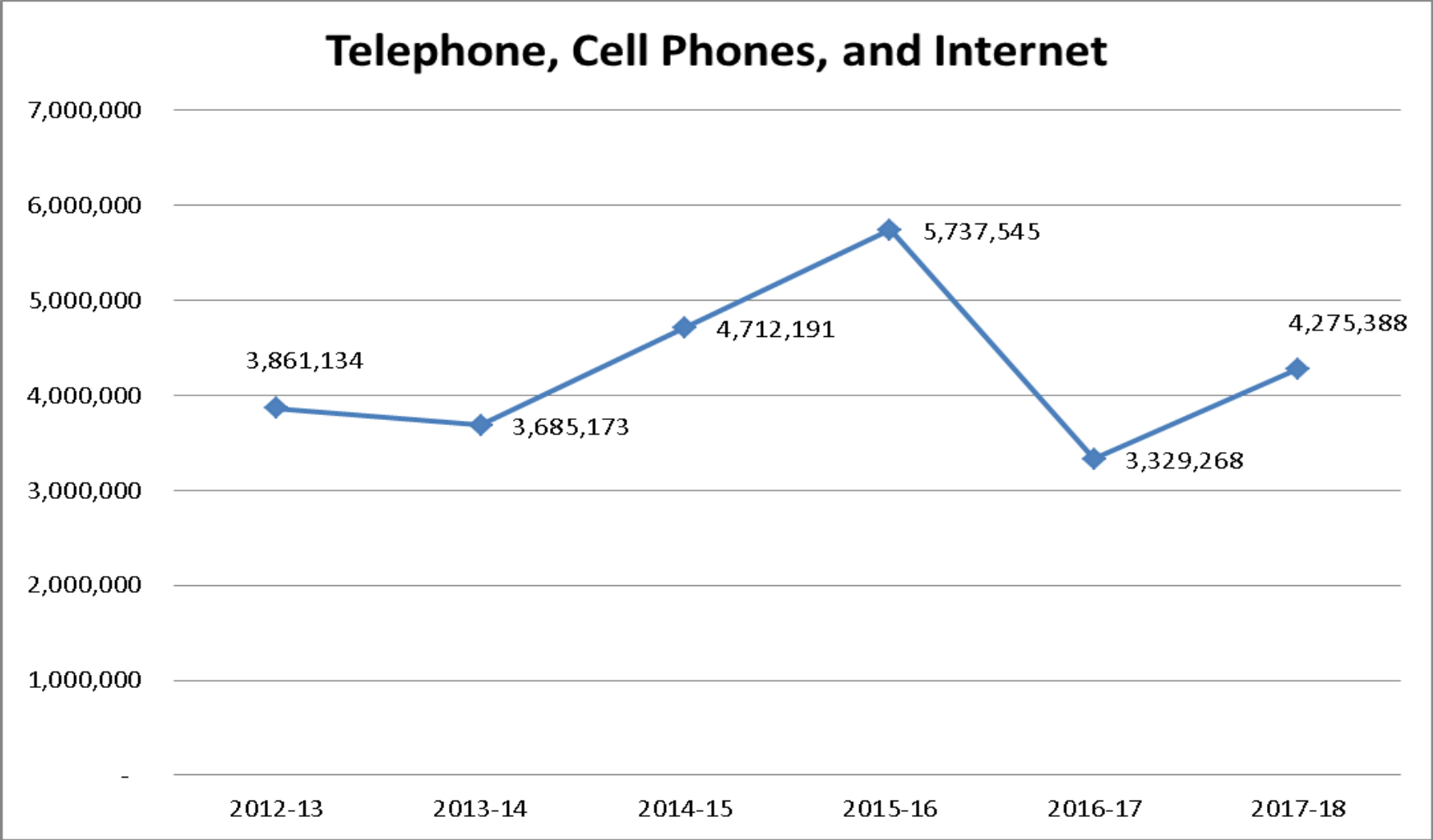


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Source: Unaudited Actuals through 2016-17; Preliminary Unaudited Actuals 2017-18; Fund 1, Unrestricted resources

Without action, Communications costs expected to rise



*The decline in 16-17 is due to a change in the e-rate rebate schedule, which is now phasing out by 19-20. The phasing out of the e-rate rebates could impact communications costs by a significant amount in 19-20 and beyond.

Source: Unaudited Actuals through 2016-17; Preliminary Unaudited Actuals 2017-18; Fund 1, Unrestricted resources



Section B

Target Goal for FY 2019- 20 and FY 2020-21 Budget Reductions

Unrestricted Multi-Year Adopted Budget With No Planned Reductions



Components (Unrestricted Only)	FY 2018-19	FY 2019-20	FY 2020-21
Revenues	\$436,812,261	\$430,637,430	\$436,953,291
Expenses	\$427,945,467	\$449,982,615	\$474,282,115
Net Increase (Decrease)	\$8,866,794	(\$19,345,185)	(\$37,328,824)
Other Sources/Uses			
Beginning Balance	\$5,847,721	\$14,714,515	(\$37,328,824)
Ending Balance before Reserve	\$14,714,515	(\$4,630,670)	\$0
Revolving Cash & Stores/Designations	\$500,000	\$0	\$0
General Fund Reserves	\$14,214,515	\$0	\$0
Reserve %	2.61%	Negative	Negative

Unrestricted Multi-Year Budget With \$30 Million in Reductions Beginning in FY 2019-20



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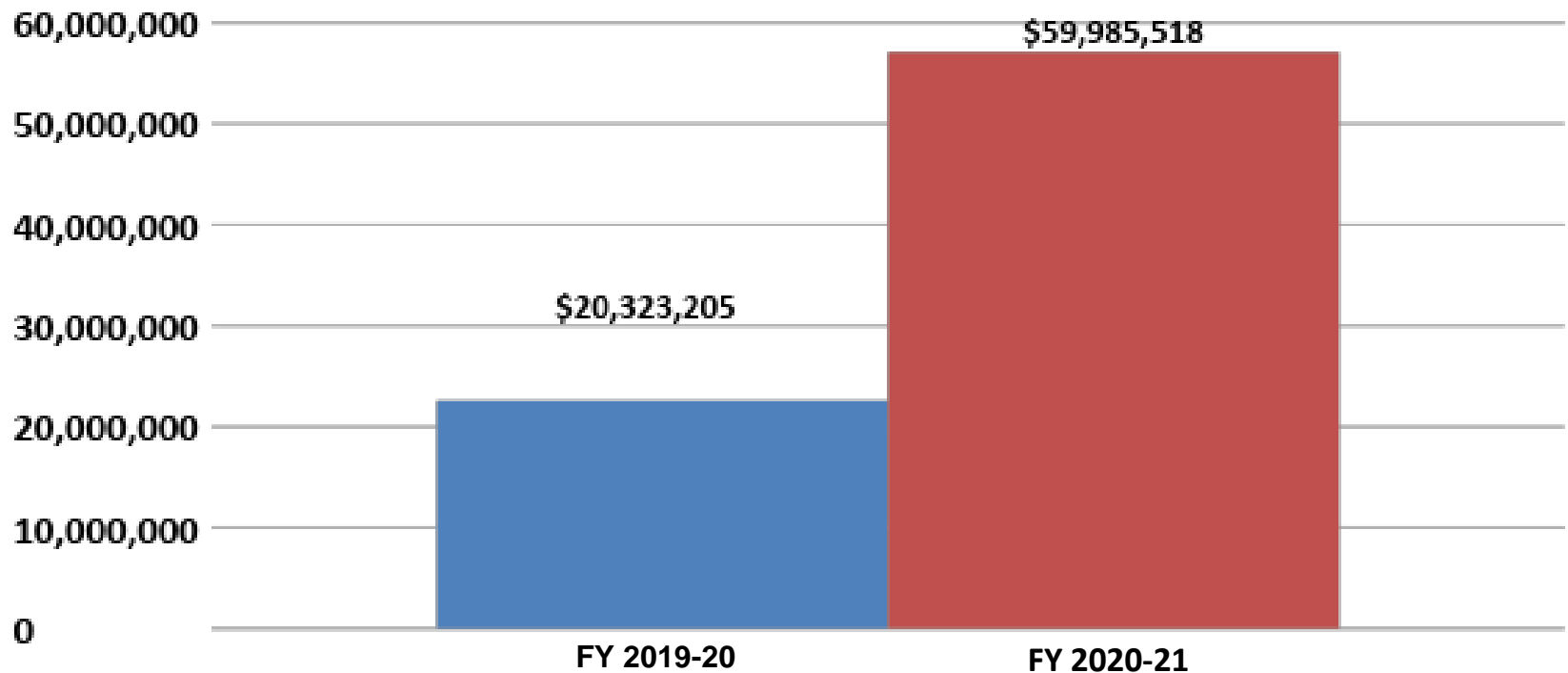
Components (Unrestricted Only)	FY 2018-19	FY 2019-20	FY 2020-21
Revenues	\$436,812,261	\$430,637,430	\$436,953,291
Expenses *	\$427,945,467	\$419,982,615	\$444,282,115
Net Increase (Decrease)	\$8,866,794	\$10,654,815	(\$7,328,824)
Other Sources/Uses			
Beginning Balance	\$5,847,721	\$14,714,515	\$25,369,330
Ending Balance before Reserve	\$14,714,515	\$25,369,330	\$18,040,507
Revolving Cash & Stores/Designations	500,000	\$500,000	\$500,000
General Fund Reserves	\$14,214,515	\$24,869,330	\$17,540,507
Reserve %	2.61%	4.59%	3.11%

**\$30 Mil.
Reductions**

Positive Budget



OUSD Projected Budget Deficit Target as/of June Budget Adoption



It is estimated that the budget deficit would grow to approximately \$20.3 million in FY 2019-20 and \$59.9 million in FY 2020-21 if no adjustments to the budget are made, driven primarily by declining enrollment, charter school growth, increased STRS and PERS pension costs, and special education growth. This expanding gap represents a serious challenge to OUSDs financial stability in the near term, one that insists upon immediate action today.



OUSD Targeted Reduction Assumptions

Adopted Budget Assumptions

Estimated Deficit: \$20M by FYE 2019-20; \$60M by FYE 2020-21

\$30 Million in Reductions beginning in FY 2019-20 to provide for the Board Minimum reserve targets in FY 2019-20 and 2020-21

No Salary Concessions Considered in the Multi-Year Budget and any Increases in Salaries Would be Over and Above the Current Deficit Estimate

Works Toward Board ~10% Reserve Requirement (Per BP 3100.1 Financial Reserves):

The following targets reflect the Board Resolution passed on June 27, 2018.

2018-19 – 2.5%

2019-20 – 3%

2020-21 – 3%



Section C

Revenue Generation and Expenditure Reduction Opportunities

Potential Opportunities (Revenue Increases)

Revenue Increase Opportunities		
Potential Impact 2019-20		
Low \$	Medium \$\$	High \$\$\$
Enrollment Campaign	Facilities Rental Increase Attendance (ADA)	Identification of Surplus Property for Sale, Lease or Swap

Potential Opportunities (Expense Reductions)

Expense Reduction Opportunities		
Potential Impact 2019-20		
Low \$	Medium \$\$	High \$\$\$
<p>Increase Efficiencies by the use of Technology</p> <p>Reduce Sub Costs for all employees</p> <p>Reduce energy consumption with solar</p> <p>Blueprint for Quality Community Schools: Cohort 1 Schools (2 consolidations and 1 expansion)</p>	<p>Changing Bell Schedules (transportation, nutrition)</p> <p>Special Education Program Placement changes (transportation)</p> <p>Vendor Contract reductions</p>	<p>Programmatic Staffing Reductions at Central and/or School Sites</p>

Staff and Community Recommendations

Over 300 Budget Savings Suggestions collected from teachers, principals, school site staff, central staff, parents and community partners on [Fiscal Transparency Website](#).

Staffing (90)	Operations (51)	Facilities (44)	Programs (26)	Revenue (6)
Reduce central office staff salaries Benefit Opt Out (Cash In lieu) Early Retirement Options Implement Mandatory Furlough Eliminate redundancies Fewer Administrators	Eliminate and reduce contracts where possible Implement Internal controls Get relief on state loan Put payroll online Consolidate printing costs across sites Eliminate landline telephones Implement Solar Energy	Charge for facilities use Sell vacant sites Move out of 1000 Broadway	Cut programs least impacting students Stop paying for non-public schools Cut summer school	Sell student art Develop PTAs Alumni Fundraising

Questions/Comments





Understanding OUSD's LCAP and Measures of Success

Academic Theory of Action

If We...



Conditions for Student
& Adult Learning

Provide the conditions for learning



Standards-Based
Instruction

Teach, assess, and plan aligned to
grade-level standards



Language & Literacy

Integrate reading complex text,
academic discussion, and evidence-
based writing throughout the
curriculum

Then..

We will see improved
engagement, academic
outcomes, and graduation
rates for all students and for
our targeted groups:

- Students with Disabilities
- African-American students
- Homeless
- English Language Learners

Summary of Academic Data

We demonstrated

- 6.6pp growth in SRI students reading at or above grade level, from fall 2017 to spring 2018, modest growth
- 3.9pp growth in SRI from spring 2017 to spring 2018, very modest growth
- 1.3pp growth in SBAC ELA Standard Met/Exceeded from 2017 to 2018
- 1.2pp growth in SBAC Math Standard Met/Exceeded from 2017 to 2018

- **More than half** of our students are not meeting standards in ELA: 66.8 %
- **More than half** of our students are not meeting standards in Math: 73.1%

Summary of Distance From 3 (Standards Met)

We demonstrated:

- -49.9 Points away from standard in ELA
- +5.6 Points in ELA growth in DF3 in 4 years
- -74.3 Points away from standard in Math
- + 2.4 Points in Math growth in DF3 in 4 years
- All Subgroups are performing significantly below white students
- Special Education students are -135.1 points from standard in ELA, the group furthest from standard, and -161.8 points from standard in Math, second to last
- We are performing better in ELA (-49.9 Points) than in Math (-74.3 Points).

Why our Instructional Focus?

1) Building **Conditions for Student and Adult Learning**

Culturally Responsive practices

Multi-Tiered Systems of Support

Quality Professional Learning

1) Providing Equitable Access to **Standards-Based Instruction**

Backwards planned, Standards-aligned Tasks; Assess, Adjust and Differentiate based on Assessments

1) Developing **Language and Literacy** Across the Curriculum

Interaction between reading culturally responsive complex text, academic discussions and evidence based writing

Why our Five Student Goals?

- CA Dashboard
- Differentiated Assistance
- Our Students can meet these goals and Standards!

OUSD Instructional Focus 2018 - 2021

A. Our Goals for Students

District Student Learning Goals (LCAP Goals http://bit.ly/LCAP-Goals)	Baseline	2018-19 Targets	2019-20 Targets	2020-21 Targets
Our Primary Goal: All students graduate college, career and community ready. (LCAP Goal 1) (Graduate Profile: http://bit.ly/OUSD-Graduate-Profile)	2016 OUSD Grad: 65.7% Dropout Rate: 20.0% 2017 A-G Rate: 44.0% FAFSA completion: 84% Grade 10 Pathway: 85.2%	OUSD Grad Rate: +2pp +3pp: Latino, ELs, SPED, Foster, Homeless Dropout: -3pp A-G Rate: +3pp FAFSA: 87% Gr 10 Pathway: 90.2%	OUSD Grad Rate: +2pp +3pp: Latino, ELs, SPED, Foster, Homeless Dropout: -3pp A-G Rate: +3pp FAFSA: 90% Gr 10 Pathway: 95.2%	OUSD Grad Rate: +2pp +3pp: Latino, ELs, SPED, Foster, Homeless Dropout: -3pp A-G Rate: +3pp FAFSA: 90% Gr 10 Pathway: 95.2%
1) All students build relationships to feel connected and engaged in learning. (LCAP Goal 5) <i>Focus on African American and Pacific Islander students, and students with disabilities.</i>	Connectedness: 57.2% AA Suspension: 9.0% SPED Suspension: 8.6% AA Chronic Abs: 22.2%	Connectedness: 62.2% AA Suspension: 7.0% SPED Suspension: 6.6% AA Chronic Abs: 20.2%	Connectedness: 67.2% AA Suspension: 5.0% SPED Suspension: 4.6% AA Chronic Abs: 18.2%	Connectedness: 72.2% AA Suspension: 4.0% SPED Suspension: 4.0% AA Chronic Abs: 16.2%
2) All students continuously grow towards meeting or exceeding standards in English Language Arts (LCAP Goal 2) <i>Focus on African American, Latino, Special Education, English Learners, Low Income, and Homeless students</i>	OUSD: -51.5 points AA: -86.0 points Latino: -71.9 points SPED: -135.0 points EL: -68.4 points*** Low Income: -72.2 points Homeless: -135.2 points	+15 points DF3** for All Students +20 points for all focal student groups	+15 points DF3 for All Students +20 points for all focal student groups	+15 points DF3 for All Students +20 points for all focal student groups
3) All students continuously grow towards meeting or exceeding standards in Math (LCAP Goal 2) <i>Focus on African American, Latino, Special Education, and Low Income students</i>	OUSD: -74.8 points below AA: -119.1 points Latino: -98.4 points SPED: -161.6 points Low Income: -95.7 points	OUSD: +15 points DF3 +20 for focal student groups	OUSD: +15 points DF3 +20 for focal student groups	OUSD: +15 points DF3 +20 for focal student groups
4) English Learner students continuously develop their language, reaching English Fluency in 6 years or less (LCAP Goal 4)**** <i>Focus on At-Risk English Learners and Long-term English Learners.</i>	EL Progress in 2017: 67% No EL Progress in 2018**** EL Reclass: 15% LTEL Reclass: 14%	70% EL Reclass: 16% LTEL Reclass: 20%	75% EL Reclass: 16% LTEL Reclass: 25%	80% EL Reclass: 16% LTEL Reclass: 30%
5) All students grow a year or more in Reading each year (LCAP Goal 3) <i>Elementary focus on early literacy - Kinder reach F&P Level D and 1st graders reach 1, (grade-level benchmarks) by end of year</i>	SRI Growth: 34.7% K at benchmark: 52.7% 1st Gr. at benchmark: 51.0%	SRI Growth: 39.7% K at benchmark: 57.7% 1st Gr. at benchmark: 56.0%	SRI Growth: 44.7% K at benchmark: 62.7% 1st Gr. at benchmark: 61.0%	SRI Growth: 49.7% K at benchmark: 67.7% 1st Gr. at benchmark: 66.0%

* School Connectedness is measured by 5 questions on the California Healthy Kids Survey (grades 5-12)

**DF3= Average Scale Score Distance from Level 3 (Standard Met) on SBAC

English Learners includes redesignated English Proficient for this measure * New English Language Proficiency test in 2017-18 (ELPAC) creates baseline for measuring English Learner Progress

Students First

Equity

Excellence

Integrity

Cultural Responsiveness

Joy

3

How will we Monitor Progress?

- Interim Assessment Bs and Formative Assessments;
- Consistently track progress across our District through IAB and SRI;
- Yes, schools should implement Formative Assessments in addition to what we examine at a District Level;
- Support schools to have a healthy balance of assessments;
- Inquiry and Planning Tool: 2 Goals each Cycle- Academic and Conditions for Student Learning
- LCAP Progress Monitoring Tool: LCAP Teams

What is Academic Return on Investment (AROI)?

We need to ensure that we are getting good value for our students with our limited resources. Academic Return on Investment (AROI) is a way to assess the benefit to students of any given investment. Many superintendents and school boards apply this concept intuitively. There is great benefit, however, in doing it explicitly. The formula for academic ROI is straightforward:

$$\frac{(\text{learning increase}) \times (\text{\# of students helped})}{(\$ \text{ spent})}$$

This concept is and will continue to be imperfect and contested when applied in our context as a public school district, however it is better than any other way to describe and to assess whether students are benefitting from OUSD's current and future investments. AROI does not trump our values around equity and educating the whole child, but it can help us to better focus our efforts and understand whether we are achieving our goals.

You can read Levenson's *Academic ROI: What Does the Most Good* here:
<https://www2.ed.gov/programs/slcsp/2012thematicmtg/academic-roi.pdf>

Academic Return on Investment, cont.

As an example, Levenson (2011) studied three methods of service delivery for academic support: push-in, pull-out, and doubling up general education classes for students who needed additional support.

His study on AROI demonstrated that not only did the students attending double general ed classes in reading or math achieve the best academic gains (the number of students with IEPs who reached 10th grade proficiency in math and English nearly tripled), this was also the most cost-effective intervention, by far.

You can read Levenson's *Academic ROI: What Does the Most Good*
<https://www2.ed.gov/programs/slcp/2012thematicmtg/academic-roi.pdf>

Academic Return on Investment, cont.

Centering Student Achievement

Academic return on investment can be applied to district strategy and operations as well as academics. The concept is the same: ask how much learning is taking place, how many students are being helped, and what the cost is per student served.

Managing a shrinking budget is difficult. The academic return on investment approach provides a path to prevent politics, preferences, and tradition from guiding these decisions. It puts student learning and student achievement data at the center of the resource allocation discussion.

Everyone trying to balance school district budget tries to balance learning and cost. Few would lobby to keep an ineffective program or to cut a highly effective, low-cost program. The reason budget debates get heated is that different stakeholders have their own assumptions about the value of particular programs.

Having hard data won't make the process more enjoyable, but it will help keep the discussion data-driven and child-centered (Levenson 2011).



Theory and Practice: A Discussion with OUSD's Network Superintendents

Discussion with Network Superintendents

- To what extent is OUSD organized in support of the theory of action?
- What are the strengths of the current system when it comes to maximizing site-based decision-making and resource allocation?
- What are the opportunities for improvement?
- What are some of the key changes we should make to further implement the theory of action, short-term and long-term?
- How do Network Supes support principals to evaluate AROI when they are making resource allocation decisions?

Board Questions & Public Comment





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