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# Memo

**To** Board of Education

**From** Kyla Johnson-Trammell, Superintendent  
Luz T. Cázares, Interim Chief Financial Officer (Consultant)

**Board Meeting Date** August 14, 2019

**Subject** 45 Day Budget Revision

**Action** Presentation and Discussion the 45 Day Budget Revision.

**Background**

On June 27, 2019 the Governor signed the FY19/20 State Budget into law. Pursuant to the provisions of Education Code 42127(i)(4), “Not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act.” This report was made available to the public on August 12, 2019 through the Oakland Unified School District (OUSD) website and the District Office.

The OUSD commits to developing and revising our budget to reflect the best information available to us. With this standard in mind, we are providing two categories of updates: budget revisions to our FY19/20 Adopted Budget due to the Budget Act and other impacts to our budget based on actions taken after the approval of the FY19/20 Adopted Budget.

**Revisions Due to Budget Act**

Special Education Early Intervention Preschool Grant – The Budget Act includes \$493M for this new program to provide funding for early intervention services for preschoolers with individualized education programs. Funding is estimated at \$8,975 per pupil allocated to the school district of residence, or \$3.6M for the OUSD based on an estimated 403 pupil count. These dollars are not reflected in our budget. We will await

guidance from the California Department of Education regarding the use of funds to determine whether to supplement our existing services and/or reduce the contribution to our special education program.

Special Education level-up funding – The Budget Act includes \$152M to raise the lowest-funded Special Education Local Plan Areas (SELPA) to the statewide target rate of \$557 per average daily attendance (ADA). The OUSD SELPA funding rate is above the statewide target rate, thus, there is no impact to our fund balance.

California State Teachers' Retirement System (CalSTRS) Rate – Consistent with the Governor's Proposed Budget in January and Revised Budget Proposal in May, the Budget Act provides a one-time investment toward the CalSTRS unfunded liability, which reduces the employer contribution rate. The Budget Act does include a slight modification from the May Revise in that the investment is now distributed between CalSTRS and CalPERS. Accordingly, the CalSTRS employer rate increased from 16.70% at May Revise to 17.10% at Budget Act, which increased our General Fund expenditures by \$0.8M.

California Public Employees' Retirement System (CalPERS) Rate – The Budget Act includes a one-time investment toward the CalPERS unfunded liability. This is a change from the May Revise, which did not include any investment toward the CalPERS unfunded liability. The investment lowers the CalPERS employer rate from 20.733% at May Revise to 19.721% at Budget Act, which decreased our General Fund expenditures by \$0.9M.

## Discussion

### **Other Impacts to the Adopted Budget**

Tentative Agreement between the OUSD and SEIU - As a result of the tentative agreement between the OUSD and the SEIU approved by the Board on July 2, 2019, our expenditures increased by \$0.7M in FY18/19 and \$3.4M in FY19/20 after the adoption of the budget. As a reminder, the TA with OEA was reflected in the Adopted Budget. We will reflect the impact of future TAs with our other bargaining units once they are approved by the Board.

Vacation Leave Balances – As a result of the reductions implemented for FY19/20, the OUSD issued payments totaling \$0.8M to employees with accumulated vacation leave balances. These payments are one-time payments that increased our expenditures in FY19/20. The OUSD will designate FY18/19 salary savings for this payment. The OUSD commits to matching one-time expenditures with one-time sources as a standard practice.

Board Approved Spending Reductions/Reallocations and Revenue Enhancements – On March 4, 2019, the Board adopted Board Resolution 1819-0144 – Budget Reduction Recommendation to Achieve Fiscal Year 2019-2020 3% Reserve for Economic Uncertainty. The resolution stipulates the FY19/20 Reduction Plan as:

- a) Reduction of \$11.93M in central administrative costs, a total of 90.23 FTE to be eliminated or moved to restricted funding sources
- b) Reduction of \$3.75M in central services to sites, a total of 57.8 FTE to be eliminated or moved to restricted funding sources
- c) Reduction of \$3.0M from school site discretionary budgets
- d) Reduction of \$1.47M in contracts and maximizing restricted resources
- e) Savings of \$1.6M in additional operational costs plus revenue generation

A team of staff has reviewed the FY19/20 Adopted Budget to confirm the Board approved reductions were implemented. Of the 148.03 FTE identified in (a) and (b) above as positions to be eliminated or shifted to restricted resources, staff has verified to date that 125.82 FTE have been eliminated or shifted to restricted resources and 6.0 FTE are scheduled to be reinstated with Board approval. The balance of the positions that were not eliminated or shifted to restricted resources are under review to determine an alternative plan to achieve the reduction. Furthermore, the reduction to school site discretionary budgets listed in (c) above has been confirmed at \$2.5M in reductions. Finally, the items planned for in (d) and (e) above have not been operationalized yet. We are prepared to continue the work that was started last year to achieve the Board approved savings and revenue enhancements. Please note, the FY19/20 Adopted Budget does not include the cost savings and revenue enhancements that have not been operationalized.

**Attachment**

[Resolution 1819-0144](#)