

# County Oversight of Oakland Unified School District

# **L.K. Monroe**

Alameda County Superintendent of Schools

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## **Presenters**

**Dr. Candi Clark**, Associate Superintendent of Business Services

**Chris Learned**, Trustee

# TODAY'S TOPICS

- AB 1200
- AB 1840
- Role of Trustee
- Lessons Learned
- Intensive Support and Technical Assistance (ITSA)
- Journey Ahead

# What is AB 1200

- AB 1200 was created in 1991 to ensure that local educational agencies throughout California adequately prepared to meet their financial obligations.
  - The concern arose following the bankruptcy of the Richmond School District and the fiscal collapse of a few other districts that were preparing to request an emergency loan from the state.

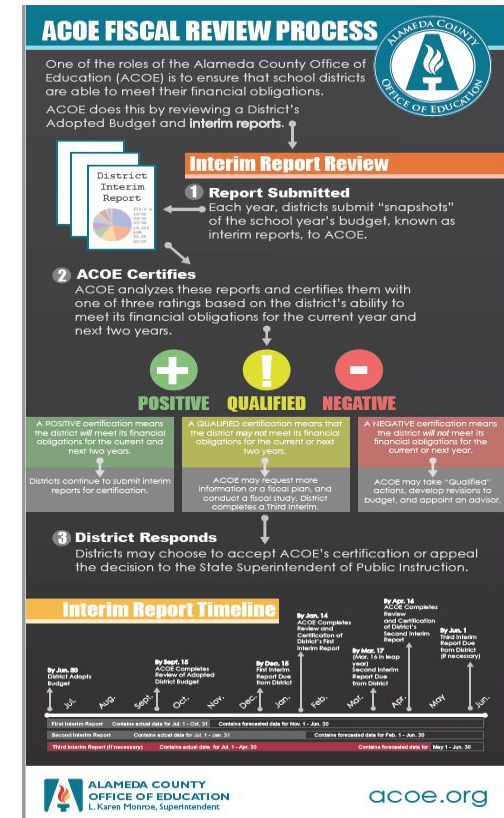
# What is AB 1200 (continued)

- AB 1200 improved fiscal procedures, standards, and accountability at the local level and expanded the role of county offices of education (COEs) in monitoring school districts by mandating that COEs intervene under certain circumstances to ensure districts can meet their financial obligations.

# What is AB 1200 (continued)

## County Office expanded oversight includes:

- examinations, and audits of districts, and providing written notifications of the results, at least annually, on the fiscal solvency of the districts with disapproved budgets, qualified or negative certifications, or districts facing fiscal uncertainty.



# What is AB 1200 (continued)

## The law requires districts to:

- provide multi-year financial projections;
- identify sources of funding for substantial cost increases, such as employee raises;
- and make public the cost implications of such increases before approving employee contracts.

# What is AB 1200 (continued)

- Collective Bargaining Agreements: The superintendent of the school district and the chief business official shall certify in writing that the district can meet the costs it is incurring under the agreement during the term of the agreement and implement any revisions necessary.



# AB 1200 and Oakland Unified Fiscal Distress

**How did the OUSD get to a point of bankruptcy and a state loan?**

- History of operational decline
- History of deficit spending
- History of declining enrollment
- History of leadership and governance challenges
- FCMAT Reviews and recommendations not successfully implemented
- **Overall inability to reverse course and stabilize the district financially**

# OUSD & State/County Oversight

- Oakland Unified Bankruptcy (State Loan)
  - 06/04/03 1st Issuance \$65,000,000
  - 06/28/06 2nd Issuance \$35,000,000
    - = **\$100,000,000 total issuance**
- Oakland Unified - State and County Oversight
  - Administrator, 06/16/03 – 06/28/09
  - Trustee, 06/29/09 – Present

<https://www.cde.ca.gov/fg/fi/ir/loanlist.asp>

# AB 1840

Why the extra layer of oversight for OUSD?

- **Increased risk of fiscal insolvency in 2016-2017**
  - While fiscal distress improved over the years, it then reverted to prior distress patterns such as:
    - Declining enrollment and average daily attendance
    - Lack of effective operational systems (i.e. position control)
    - Inability to eliminate deficit spending in order to balance the budget (i.e. leadership and governance decision making)

# AB 1840 in effect 2018-2019

- Completion of comprehensive operational reviews that compare the needs of the school district with similar school districts and provide data and recommendations regarding changes the school district can make to achieve fiscal sustainability.



# AB 1840 (continued)

## AB 1840 in effect 2018-2019

### Identified specific OUSD actions (continued):

- Adoption and implementation of necessary budgetary solutions, including the consolidation of school sites.
- Completion and implementation of multi-year, fiscally solvent budgets and budget plans.
- Qualification for positive certification pursuant to Article 3 (commencing with Section 42130) of Chapter 6.

# AB 1840 (continued)

## AB 1840 in effect 2018-2019

### Identified specific OUSD actions (continued):

- Sale or lease of surplus property.
- Growth and maintenance of budgetary reserves.
- Approval of school district budgets by the Alameda County Superintendent of Schools.

# AB 1840 (continued)

## Additional elements of AB 1840

- Moved oversight of OUSD from the California State Superintendent to Alameda County Superintendent
- ACOE became more intensively involved with OUSD daily academic and operational activities

# AB 1840 (continued)

## Additional elements of AB 1840

- State administrators and/or trustees now report to County Superintendents
- Funding associated with AB 1840 if certain conditions are met
  - Funding was designed to be a soft landing as OUSD balanced it's budget and right sized the district
  - FCMAT releases an AB 1840 Update to the Legislature on March 1



# AB 1840 (continued)

## Additional elements of AB 1840

- Recognizes that the need to improve student achievement is also critical to the fiscal solvency of the district
- Makes the district eligible for assistance from the California Collaborative for Educational Excellence (CCEE)

# AB 1840 and CCEE

*Ed Code § 52074(g)(2)(B):*

- Directs the CCEE to conduct a **systemic review** of the school district to identify needs and strategies to improve pupil academic achievement.
- Based on the results of the systemic review, the CCEE shall coordinate and facilitate the assistance provided to the school district by governmental agencies to provide coherent and effective support.
- The governmental agencies may include: CDE, COE, Geo Lead, FCMAT.
- No single governmental agency providing assistance in partnership with other governmental agencies bears the full cost of assistance.

# OUSD and Trustee

- **Under AB 1840, a Trustee is:**
  - selected from a list of candidates identified and vetted by FCMAT
  - appointed jointly by the county superintendent, SSPI and president of the State Board of Education.

# Role of the Trustee

- The trustee role is in addition to, not in place of, the county superintendent's role under AB 1200.
- As defined in code and historically, the Trustee shall perform the following functions on behalf of the county superintendent (partial list):
  - Provide advice and make recommendations to district staff and governing board members regarding budgetary, fiscal, or any issues that may affect the financial condition of the district.
  - Attend all meetings of the governing board and review all governing board materials prior to each board meeting to determine if any items or intended action will have a negative fiscal impact on the district's financial condition.

# Role of the Trustee (continued)

- Stay or rescind an action of the governing board of the district that, in the judgment of the trustee, may affect the financial condition of the district.
- Monitor the financial projections and cash balances of all funds of the district for the current and two subsequent fiscal years, and, if necessary, assist district staff in the preparation of these projections.
- Monitor all collective bargaining activity and review all proposals currently being considered, including the resulting fiscal impact.

# Role of the Trustee (continued)

- Communicate openly and in a timely manner with the county superintendent, district staff, governing board, and community, and promptly inform the county superintendent of critical issues or incidents.
- Review and approve the district's required annual report of the financial condition of the district.
- Using the Fiscal Crisis and Management Assistance Team's Fiscal Health Risk Analysis, annually evaluate the district's risk of insolvency in the current and two subsequent fiscal years and communicate findings to the county superintendent.

# Role of the Trustee (continued)

- Determine, with concurrence from the county superintendent and SSPI, that future compliance by the district with the approved recovery plan is probable so that the district can meet its future financial obligations.
- With approval from the county superintendent, the SSPI, and the president of the state board, the trustee may retain the authority and responsibilities of a state administrator, as set forth in Education Code Section 41325.

# Lessons Learned from Distressed Districts

## Aligned to FCMAT Risk Indicators

- Low Staff and Student Attendance
- Enrollment Declines
- Staff Turnover
- Inventory control (including instructional materials and textbooks)
- Position Control
- Monitor / control staffing formulas
- Employee contract ramifications



# Lessons Learned from Distressed Districts (continued)

- Inefficient work processes
- Neglected facility maintenance
- Transportation costs
- Budget overruns
- Litigious environments / workers' compensation claims
- Campus crime
- Vandalism
- High special education contributions

# Intensive Support & Technical Assistance (ISTA)

**Goal:** ACOE staff and specialists support OUSD staff to accelerate implementation of OUSD's Fiscal Vitality Plan recommendations.

**Start:** April 2019

**End:** Based on implementation of agreed upon recommendations

**Areas of Support:** Categories align with FCMAT's Fiscal Health Risk Analysis upon which the Fiscal Vitality Plan is based.

# Intensive Support & Technical Assistance (ISTA) (continued)

## Areas of Support (continued):

- **Position Control:** Includes position control analysis and adjustments; staffing; and process improvements.
- **Payroll & Benefits:** Includes, but not limited to, employee stipend payments; health benefits reconciliation; vacation liabilities; and payroll tax deposits.
- **Other Internal Controls & Fraud Prevention:** Includes, but not limited to, Escape user permissions; payroll reconciliations; budget development practices; organizational structure; processing of contracts; business services manual; and a whistleblower policy.

# Intensive Support & Technical Assistance (ISTA) (continued)

## Area of Support (continued):

- **Budget Development & Monitoring:** Includes budget policies, budget development process & calendar, stricter adherence to internal controls & best practices during budget development, and improved opportunities for Board & stakeholder engagement.
- **Information Systems & Data Management:** Includes voluntary deduction processing, Escape training, and online information and systems related to contracts and procurement.

# Intensive Support & Technical Assistance (ISTA) (continued)

## Areas of Support (continued):

- **Special Education Staffing:** Includes recommendations to improve budgeting practices for special education staffing and to manage special education teacher vacancies centrally and assign staff to school sites based on student needs.
- **Cash Flow Monitoring:** Includes close monitoring of cash flow reports and training of staff.

# Making The Connection:



1. **AB 1840**
2. **Intensive Support & Technical Assistance (ISTA)**
3. **Fiscal Vitality Plan**
4. **Trustee**

# Making The Connection (continued):

AB 1840, ISTA, Trustee, and the Fiscal Vitality Plan are all connected because they:

- establish basic operational structures needed for any LEA to thrive
- connect academic objectives to the financial resources
- establish standard operating procedures (SOPs) for OUSD processes
- work to support budget balancing efforts



***OUSD has made progress  
in many ways  
and there is more work to be done.***



# OUSD JOURNEY AHEAD

## GATEWAY TO EXCELLENCE

### Critical actions necessary to move OUSD forward:

- Continue to develop standard operating procedures based on industry best practices
- Continue to develop instructional practices and pedagogy to support rigorous student learning
- Commit to align student academic goals to financial resources as a 1st priority

# OUSD JOURNEY AHEAD (continued)

- Continue to engage in realistic conversations regarding facility needs and the size of OUSD schools
- Deficit spending must be eliminated in order to create a sustainable budget and fiscal plan
- Pay close attention to how collective bargaining agreements impact OUSD's budget
- Commit to complete ISTA projects within the next 12-15 months

# Questions

