



OAKLAND UNIFIED
SCHOOL DISTRICT
Community Schools, Thriving Students

2019-20 Budget Reduction Plan (First Read)

February 6, 2019



iam OUSD

Presented by: Kyla Johnson-Trammell
To: OUSD Board of Education

Outcomes for Tonight

1. Start by grounding ourselves in our North Star
2. Understand why we need to make budget reductions for 2019-2020
3. Understand how our priorities guided the recommended budget reductions
4. Review recommended reductions and their impact
5. Identify next steps



What is our North Star?
What shifts do we need to make?

Our North Star

Quality & Sustainable Community Schools in every Neighborhood that have:

- Safe, engaging and clean learning environment
- Staff that feel supported and continually improve their practice
- Resources to support the whole child.

Vision: Thriving Students who are prepared for college, career and community success.

Mission: Full Service Community Schools focused on academic achievement while serving the whole child.



Necessary Shifts to Reach our North Star

Shift from limited resources spread across too many schools to ...

→ Fewer schools that receive more resources and are supported by a smaller central office

Shift from high turnover rates at every level of the organization to...

→ High retention rates, particularly of our teachers

Shift from providing many under-resourced programs and services to sites to...

→ Fewer and more focused programs and services that we can do well

Shift from reliance on inadequate funds from the state to...

→ Seeking new ways to generate revenue for our district



What are we focused on today?

Why we need to make budget reductions?

Where must the reductions come from?

Reasons for Reductions in 2019-20

(1) Invest in Employee Retention

67% of teachers say that their salary makes them want to leave the district (OUSD Retention Survey).

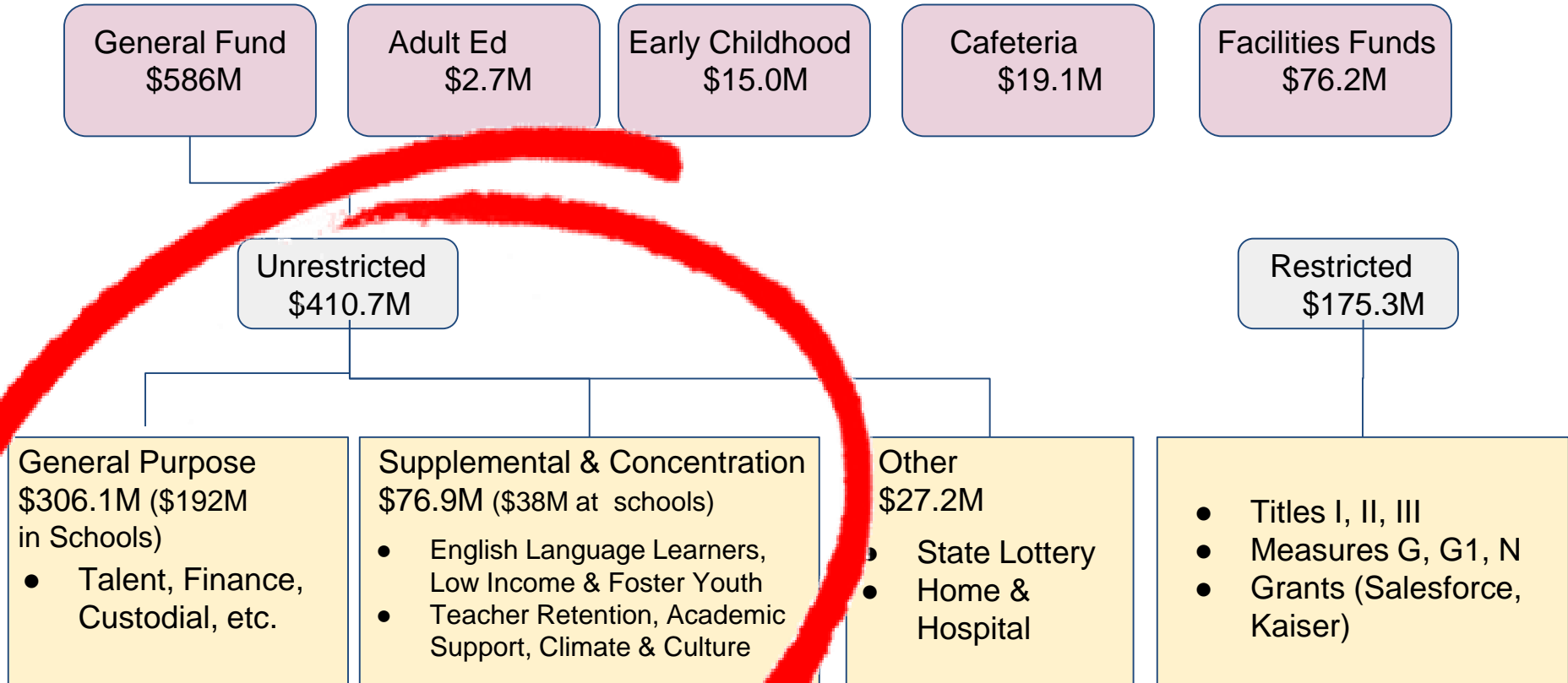
Students, Principals and Community Surveys all list Teacher Quality and Teacher Retention as top priorities.

(2) Eliminate the Projected Deficit & (3) Build Up Our Financial Reserves

Our expenses (rising costs of pensions, costs of special education) are outgrowing our revenue (flat enrollment, 46th in per pupil funding from the state) means if we don't make reductions now, we will not have enough money in our reserves by 2020-21.



District Funds (2018-2019)



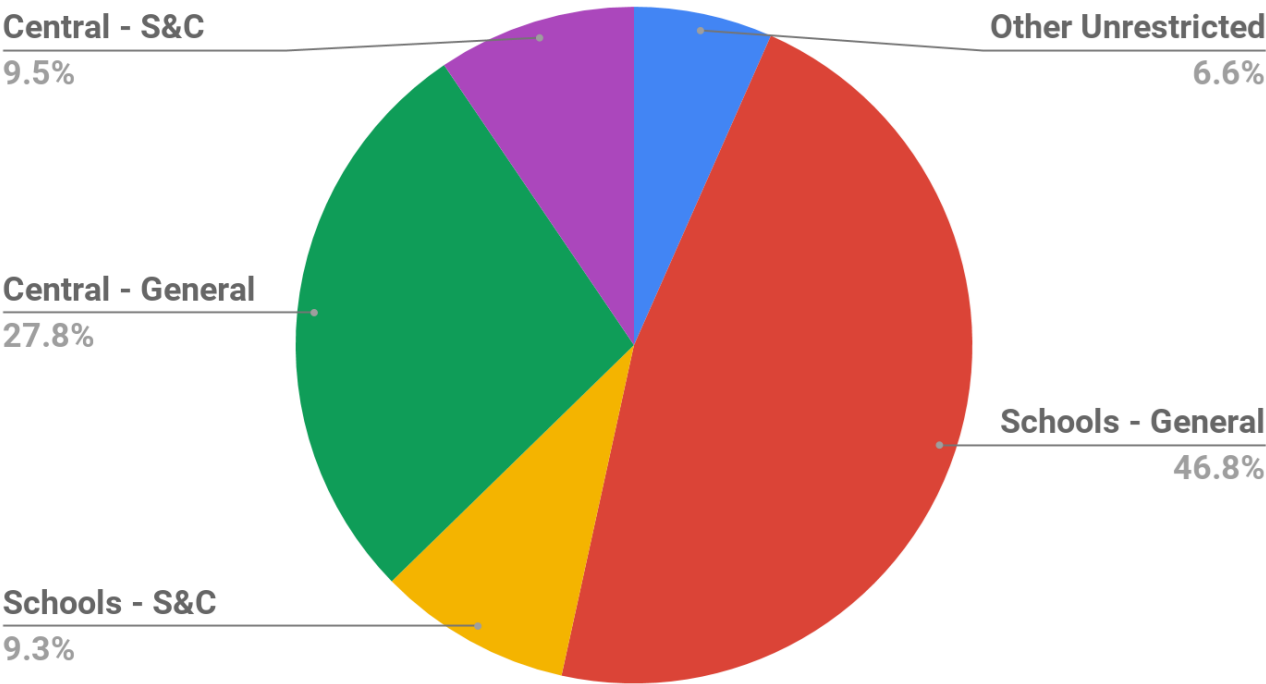
Reductions Must Come from Unrestricted Funds

Unlike Restricted Funds, Unrestricted Funds can largely be used for any purpose.

- Compensation increases must be based on Unrestricted Funds.
- Our State-required Reserve for Economic Uncertainty (REU) can only be comprised of Unrestricted General Purpose Funds.

Unrestricted Breakdown of Schools & Central Budgets

Unrestricted Funds Breakdown - Schools & Central



What is guiding our decision making process?

District Priorities



Quality Community Schools

Key Areas of Work: Citywide Plan, 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 Practices, Teacher Compensation

Stakeholder Input

Input Highlights

Students (All-City Council): Four priority areas: 1) Student Leadership Programs; 2) College Support Programs; 3) Teacher Quality: Recruitment, Retention and Relationships; and 4) Mental Health, Nutrition & Wellness.

Principals (PAC Survey): Critical Departments are Buildings and Grounds, Custodians, Special Education, Talent and Linked Learning; reduce other depts that are less critical

Other Staff & Community (Community Survey): Prioritize staff retention, equity and class size. Rate top central function as maintaining clean and safe school facilities. Encourage maximizing percentage of funds directed to school budgets

Board Fiscal Directives

1. **Implement Board Policy 3150:** Use Board Guidelines for Spending Unrestricted Funds.
1. **Redesign the District:** Focus on services that lead to rapid acceleration of students' academic outcomes and improved social emotional well-being and redesign central office departments to provide high priority services.
1. **Provide Competitive Employee Compensation:** Prioritize funds to enable the District to remain competitive in teacher compensation.
1. **Commit to Shared Decision Making and Multi-Stakeholder Teams:** Seek input from multiple stakeholders on the Budget Reduction Development Process.
1. **Prioritize a Minimize 3% Reserve and Continue to Increase the Reserves Overtime**

Board Policy 3150

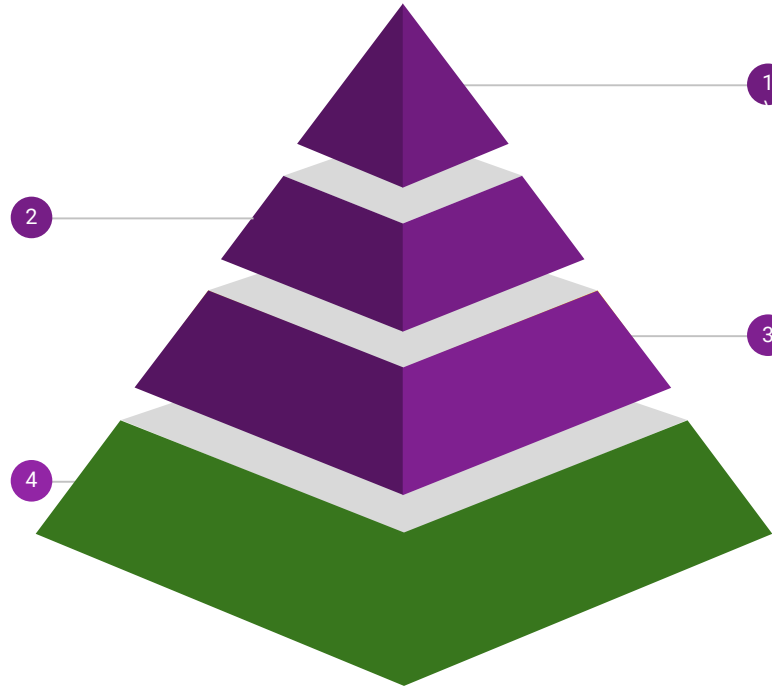
12% for District-Wide Administrative Services

12% = For example: Indirect admin costs, both mandatory expenses and commitments

All Remaining Unrestricted Revenue to School Sites

Based on the projected student enrollment and the following:

1. Gradespan
2. Free & Reduced Lunch
3. English Learners
4. Foster Care
5. high-stress neighborhoods



Legally Required District-Wide Obligations

For example: State Loan Audit Findings, etc.

Specific Central Services to Schools

Named Services:

1. Special Education
2. Custodial and Buildings & Grounds
3. School Police & School Security Officers
4. School Nurses
5. School Counselors
6. Specified Enrichment Resources (i.e. summer school, music, art)

Decision Making Process Steps

1. Reviewed stakeholder surveys
2. Accounted for legally obligated and mandated services
3. Prioritized superintendent and board priorities, and stakeholder feedback
4. Reviewed restricted and grant funded services for possible reallocation
5. Prioritized reducing Central Classified Administrators
6. Recommended a revised reduction target to reflect improved finances and the difficulty in making larger cuts in one fiscal year
7. Launch Central Office Redesign (phase 2) engagement

What is our recommended reduction plan and what is the impact?

Recommended Reduction Target- \$21.75M

Based on current information, our recommended reduction target has been revised to \$21.75M to reflect improved finances and the difficulty in making larger cuts in one fiscal year.

Jun - Aug 2018

Projected Deficits from 2019-20 prompt Board to direct \$30M in reductions to ensure solvency & reserves

Sep - Nov 2018

Better-than-expected results, including 2017-18 closing. Board revises \$30M in reductions to fund priorities.

Dec - Feb 2018

Updated financial information and impact analysis prompt staff to recommend \$21.75M in ongoing cuts in 2019-20.



Proposed Reductions to Unrestricted Funds

Category	Reduction
1. Central Administration	\$11.93M (20% reduction) Reduce or reallocate funding 90.23 FTE
2. Central Services to School Sites	\$3.75M (4% reduction) Reduce or reallocate funding 57.8 FTE
3. School Sites (Discretionary Funds)	\$3M (1.3% reduction) Reductions were based on a per pupil ratio
4. Contracts & Max. Restricted Funds	\$1.47M \$.4M in contracts, \$1.07M in maximizing restricted funds
5. Operational Savings	\$1.6M
Total	\$21.75M

1. Central Administration: Business Operations

Role in Service to Students	To provide critical and mandatory core functions to support school sites (e.g. hiring, payroll, technology services, etc.). “To Keep the Lights On”
Prioritized Services	We prioritized what we believe are the most critical services (e.g. paying staff, transportation for students, technology infrastructure, hiring, teacher recruitment & retention) and made strategic reductions in other areas.
Reduction & Rationale	The implementation of ESCAPE allows us to streamline positions and processes. Internal controls have become more automated requiring fewer staff. We also proposed the reduction of vacant and duplicated classified management positions in several departments.
Impact of Reductions	The reductions will require the continued work of streamlining and documenting clear processes for operational functions to ensure efficiency and effective operational services to school sites particularly in the following departments; Enrollment, State & Federal, Accounting, Fingerprinting and Credentialing.

1. Central Administration: Academic Operations

Role in Services to Students	<ul style="list-style-type: none">-Implement mandated services (e.g., Special Education, Textbooks (Williams), reporting on state testing, etc.).-Build the capacity of school sites to meet our six goals from our LCAP (e.g. professional development, network supports, etc.).-Hold schools accountable for continuous improvement (e.g., Data Dashboard, Instructional Guidance, Defined Autonomies, etc.).
Prioritized Services	Prioritized academic mandated services, investment in our Special Education programming, and strategies that are leading towards increased student outcomes (LCAP) and maintained staff and programs for key academic strategies (e.g. English Language Arts, STEM, Language Learner Support, and Behavioral Health).
Reduction & Rationale	We propose a reduction in Community Schools Central Management which will require a reorganization of the department.
Impact	A redesign of Community Schools Department will take place to accommodate staffing reduction. Less direct support from central staff to school sites. Schools will be responsible for ensuring that staff have access to centralized training.

1. Central Administration: Superintendent Oversight & Communication

Role in Services to Students	<p>To provide management and oversight to all district functions</p> <p>To ensure implementation of Board policies</p> <p>To reduce the District's legal risks and liability</p> <p>To support communication and engagement (including translation)</p> <p>To provide strategy and leadership for district wide initiatives (e.g., Innovation, Equity)</p>
Prioritized Services	<p>Prioritized mandated services (e.g., legal, translation) and family engagement</p>
Reduction and Rationale	<p>Moved strategic administrative positions to grant funding (e.g. Equity, Org Effectiveness, Strategic Support).</p> <p>We will reorganize how legal services will be provided.</p>
Impact of Reductions	<p>Services provided by positions moved to grant funding will not be impacted. The reductions will require a reorganization of the legal office, communication and engagement services.</p>

2. Central Services to Sites

Role in Services to Students	To provide direct supports to school sites via positions or funding for specific services at school sites.
Prioritized Services	We prioritized legal obligations and input from stakeholder surveys: Special Education, Custodians, Building & Grounds, and Nurses.
Reduction and Rationale	<p>Programs with some reduction or reorganization include Positive Behavior Intervention System, Restorative Justice, School Security Officers (SSOs), and Social Emotional Learning. The reduction or reorganization for each program includes:</p> <ul style="list-style-type: none">● elimination of centrally funded portion of positions at school sites● reduction of central admin. support and movement of remaining supports to restricted funds● school sites decide which services they want to invest in with discretionary funds
Impact of Reductions	SSOs will be allocated based on school climate data. The Community Schools Student Services Department will be redesigned so that schools continue to receive a level of guidance, but likely less direct implementation support.

3. School Site Reductions to Discretionary Funds

Rationale for Reductions	<ul style="list-style-type: none">- Principals provided feedback that if reductions to school site budgets are necessary, they should be based on the recommendation of the School Site Council (SSC) rather than a decision made by central office. <p>* LCFF provides base funding to all school sites; schools then receive an equitable allocation based on their unduplicated LCFF rate (Supplemental) and Environmental Factors (z score; Concentration).</p>
Impact of Reductions	<ul style="list-style-type: none">- School sites collaborate with SSCs on designing strategic investments, discussing trade-offs and make reductions based on priorities.- School sites will receive more Title 1 allocations in 19-20 which will offset some of the reductions to discretionary funds at most sites.

4. Contracts (Part 1)

Summary	<ul style="list-style-type: none">- Preliminary data show 2018-19 contract spending has shifted to Restricted Resources- \$24M in unrestricted funds are for student transportation contracts (e.g., Special Education and Oakland Athletic League)- We have reviewed the largest group of remaining contracts which are technology-related (\$3.7M) to find preliminary savings; however, many of these are mission critical: ESCAPE, Aeries, and SchoolMint.- Currently, we have identified \$400k in reductions.
Further Reductions	<ul style="list-style-type: none">- Further reductions must come from central contracts funded by General Purpose and S&C. These are currently under review.
Next Steps	<ul style="list-style-type: none">- We intend to further reduce the overall central spending of contracts in Unrestricted Funds in 2019-20.

4. Maximizing Restricted Local Funds (Part 2)

Legal Parameters	Need to comply with the rules of the restricted local funds
Rationale for Maximizing Restricted Funds	<p>Using restricted funds to pay for currently unrestricted expenditures allows us to reduce unrestricted spending while keeping a similar level of service.</p> <ul style="list-style-type: none">✓ We have ~\$13M in total carryover in local funds.<ul style="list-style-type: none">→ ~\$10M is for Parcel Taxes (e.g. Measure N and G1 expenses)→ ~\$1.93M is for specific donations to school sites with active activity (e.g. donations from Salesforce, Kaiser, etc.)✓ \$1.07M instructional services, currently funded by unrestricted funds, will be transferred to restricted funds
Impact	<p>No impact on services. We will be compliant with the FCMAT finding that recommends we improve our ability to maximize unrestricted funds. (Item 1.3 in our Fiscal Vitality Plan)</p>

5. Operational Savings & Revenue Generation

Action	Projected Savings or Revenue
Facilities Rentals Redesign	\$429,000
Districtwide Saturday School - ADA Recovery Program (minimum 24 sites)	\$945,000
School Consolidations and Closures	\$81,000
Reduced Energy & Utilities Costs	\$150,000

Trade Offs

Any request from board members to not make any of the recommended reductions, or requests to increase the reduction target will require a trade off from the options listed below:

OPTION	PROS	CONS
Lower the reserve target for 19-20 and 20-21	-Lessen the draconian impact of having to make such a larger reduction in one year	-Not aligned to board policy -Not aligned with FCMAT recommendations to build reserve
Increase reductions to central budgets	-Attempt to limit direct impact to school sites	-Additional reductions will not be able to be made in a strategic way, we do not believe this is possible. We would violate basic core functions.
Increase reductions to school site budgets	-Most of the unrestricted budget is in school site budgets	-Already impacted by reduction to central services and reductions to discretionary funds.



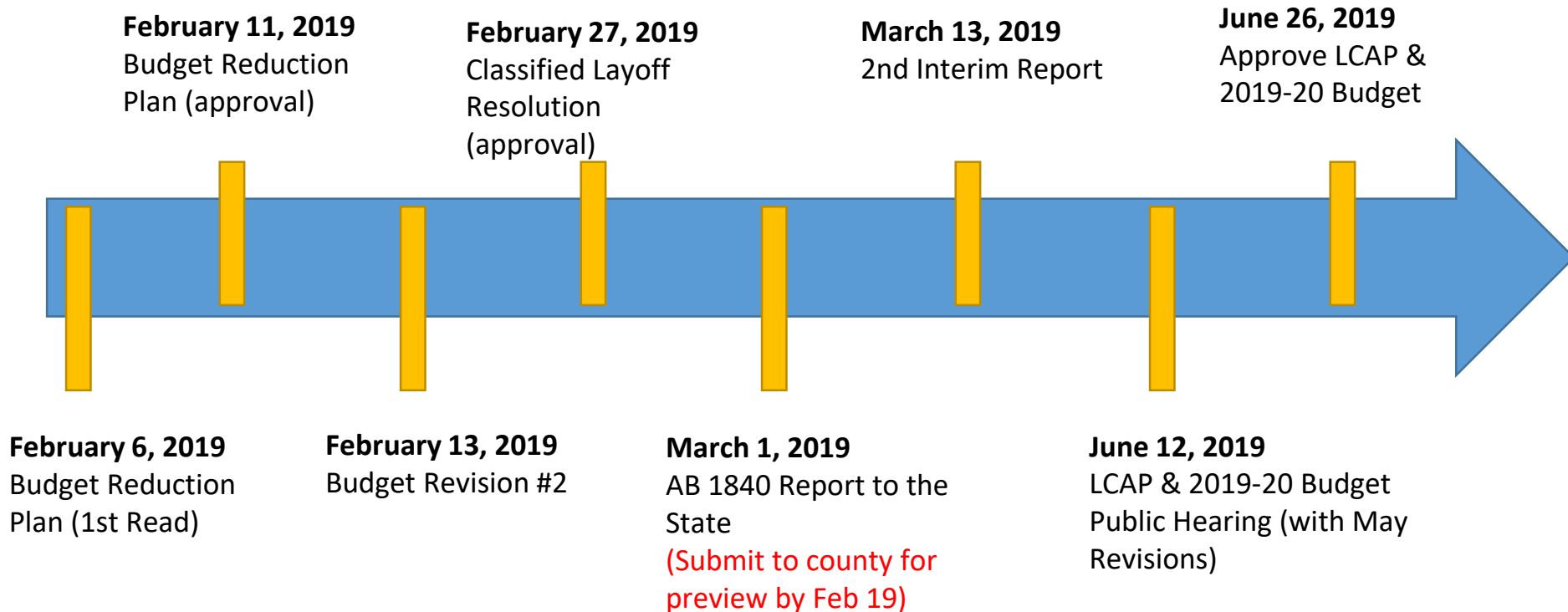
What are the next steps?

Continuing the Work this Spring

Update to Board	Next Steps
February	Site budgets will be finalized on February 15
March	Initiate engagement with staff and key stakeholders about the Central Office Redesign for 2019-2020
April	Share an update on Central Office Reorganization Await potential grant awards (e.g., Career Tech Innovation Grant, Strong Workforce Grant, Anonymous Donors).
May	Confirm one-time dollars from final Governor's Budget Central Office Reorganization Plan for 2019-2020



Budget Timeline





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1000 Broadway, Suite 680, Oakland, CA 94607

www.ousd.org



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APPENDIX

Recent Budget History

