



A New OUSD School Board, Same Old Budget Challenges

*A Summary of OUSD's Budget Challenges and the Path Forward
for 2020 Candidates for School Board*

INTRODUCTION

In 2021, the Oakland Unified School District (OUSD) will have a new school board with four new directors. This new board will be charged with addressing longstanding budget challenges: one of the most important roles they will play is to oversee the district's nearly \$700M budget. This brief shares an overview of state and local budgetary challenges facing Oakland's schools, a history of OUSD's policy development toward more sound financial management, and considerations for the new board as they continue to address both the pre-existing challenges that have long faced the district as well as new ones posed by the economic uncertainty due to the unexpected pandemic.

STATEWIDE CHALLENGES IMPACTING OAKLAND

California is [35th in the nation](#) in per pupil funding, spending about \$11,000 per student. That's only half as much as the top funded state in the nation: [more than \\$22,000 in New York](#). This low rate of investment in education is largely the result of the 1978 passage of Proposition 13. Before Proposition 13, local property taxes were the main source of K-12 funding. Proposition 13 capped both residential and commercial property tax rates and annual increases, limiting the amount available to tax, which has led to less local funding available in the long term. If [Proposition 15](#) passes this fall, it will reform the 1978 tax law, closing a corporate loophole to restore a small portion of this funding via a more fair commercial property tax.

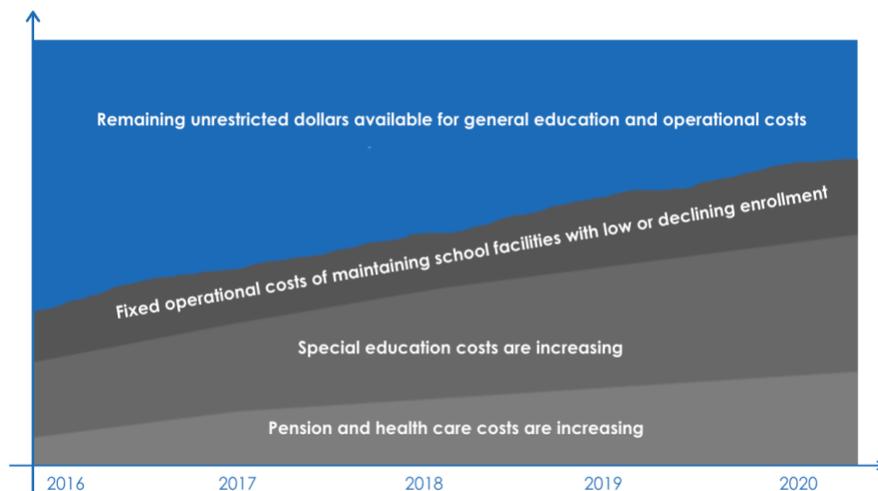
Not only is California one of the lowest per-pupil funded states in the nation, but funding levels have remained mostly flat even though costs are rising across the state. Since the 2015-16 school year, OUSD saw a [revenue increase of about \\$2,000 per student](#) (21%), but that is still not enough to keep up with the rising district expenditures. Rising employee pension and healthcare costs as well as a growing number of students with disabilities and increasing costs of special education services, have only exacerbated the financial hardships districts in California are facing.

Public school educators typically receive a guaranteed lifetime retirement benefit or a *pension*. Districts are obligated to contribute a portion of their budget for staff salaries to fund these pensions. This cost – which is set by state policy – has sharply increased in recent years. This is a statewide trend that has been widely reported ([here](#), [here](#), and [here](#)). Specifically, in Oakland, pension costs more than doubled in just 4 years, from \$545 per student in 2013-14 to \$1,151 per student in 2017-18. As both pension costs for retired

teachers and healthcare costs for the current workforce continue to grow, these obligations take up a greater share of new money that districts have received each year – money that would otherwise benefit students more directly. Check out this [video](#) for more information on the statewide pension crisis.

In addition to rising pension and healthcare costs, the federal government has continuously [failed to fulfill its mandate](#) to fully fund the Individuals with Disabilities Act (IDEA), a law passed to ensure that children with disabilities receive free and appropriate public education. This lack of federal funding leaves the burden on states and districts to fill in the expense gaps. On average, local districts have to fund 61 percent of special education costs using their unrestricted funds. In California, special education costs have increased by just over 20 percent over the past decade — from \$10.8 billion to \$13 billion in inflation-adjusted figures. In OUSD specifically, the special education expenses are [more than double](#) the revenue they receive to cover these costs.

Illustrative Example of Rising Costs



NOTE: The percentages above are only meant to be an illustrative representation of the rising costs over the years.



OAKLAND-SPECIFIC CHALLENGES

Not only are these statewide challenges impacting our city, Oakland has accumulated its own local challenges over the last few decades: too many initiatives, too few enrolled students, inefficiently spreading resources across many schools, and financial mismanagement.

OUSD has had [13 superintendents in 20 years](#). With every new superintendent comes a new initiative, workplan, and priorities, but the old ones rarely get sunsetted. In 2018, Board Director Shanthy Gonzales said “we have so many priorities it feels like we have no priorities.” As OUSD has accumulated a “lasagna” of initiatives, layer after layer, few have been fully developed, implemented, or adequately funded.



Collage of some of the Oakland school superintendents from the past 50 years. Source: Educate 78

Along with this “lasagna” of initiatives, Oakland has undergone several changes with regard to enrollment. Since 2000, the number of youth and children in Oakland has [declined by 14%](#), with fewer families residing in Oakland and fewer children among the families that remain. At the same time OUSD increased the number of public schools in the city from 93 in 1999 to a total of 127 in 2019. Much of this was due to the [Small Schools Movement](#) in the early 2000s, an effort to have smaller and a more intimate setting for students, leading to a rise of small district and charter public schools opening.

However, the increase in the number of schools does not align to an increase in student enrollment over that time frame. In fact, OUSD’s enrollment declined from 54,256 students in 1999 to 53,118 across both district and charter public schools in 2019. As a result, many Oakland public schools are under-enrolled (*for example, there are high schools that have historically served over 800 students and now only have just above 300 students enrolled and elementary schools with less than 100 students*) located in areas where few students live, or both. This leaves district administrators locked in a vicious cycle of having many under-resourced schools and too few quality schools. Operating so many schools leads to duplication of staff positions and inefficient use of space. Reducing the number of sites operated and ensuring that Oakland’s schools appropriately track with changing neighborhood demographic and enrollment patterns can allow us to better staff schools and create more engaging program offerings for students, while expanding access to schools that are getting strong results for students. Both [the District](#) and the [most recent Alameda Grand Jury Report](#) have recognized that they are spreading their resources too thin, while maintaining a status quo that has not improved outcomes for students. While there are certainly [ways to improve coordination, increase efficiency, and more equitably steward the limited resources between the district and charter sectors in Oakland](#), the large number of schools combined with flat levels of enrollment limits how far these solutions can go.

These structural challenges above have been made worse by historic mismanagement of district finances. As highlighted in the [Fiscal Crisis and Management Assistance Team \(FCMAT\) OUSD report](#) in 2017, the district has had a history of mismanaging their finances including: hiring positions that were not budgeted for, overspending and not noticing until the close of books, depleting reserves that lead to mid-year cuts, and failing to plan long-term and account for increased costs and mostly flat revenue.

These practices led to the 2003 state takeover of the district due to bankruptcy and the \$100 million loan OUSD is still working to pay back at the expense of current students. After six years of state control, or “receivership” under three different appointed administrators, the district returned to partial local control in 2009.

In the fall of 2018, the state passed [Assembly Bill 1840](#), a financial relief measure to give OUSD time to improve their financial practices and avoid another state takeover. This bill also gave the Alameda County Office of Education additional oversight responsibility for OUSD. OUSD has used this time to make significant improvements to its financial systems and management. AB1840 has 7 required benchmarks (which may be subject to change due to the pandemic):

1. Completion of 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.
2. Adoption and implementation of necessary budgetary solutions.
3. Completion and implementation of multiyear, fiscally solvent budgets and budget plans.
4. Qualification for positive certification on the district's interim reports, meaning they are on track to be fiscally solvent for the current and next two school years.
5. Sale or lease of surplus property.
6. Growth and maintenance of budgetary reserves.
7. Approval of school district budgets by the county office.

[As of March 2, 2020](#), OUSD had made progress towards all of the above goals.

BEGINNING TO ADDRESS AND RESOLVE OUSD'S BUDGET CRISIS

Since the start of Superintendent Kyla Johnson-Trammell's tenure in 2017, she has acknowledged the “lasagna” of budget issues we are facing and has committed to resolve these. Not only has she been leading substantial changes since 2017, but she remains committed and has extended her tenure [by three more years](#) (through 2022-23), giving the district the stability we haven't seen in decades. But stable leadership alone cannot resolve these issues. Ultimately, it is the financial decisions of the board that determine the budget and fiscal health of the district. The school board is responsible for reviewing, approving, and monitoring the district's budget and for working with the Superintendent to ensure their vision is cohesive moving forward.

Since the beginning of the Superintendent's tenure in 2017, OUSD has taken important steps to adopt research-based best practices in school district finance. Board directors, Superintendent Kyla Johnson-Trammell and Chief Academic Officer Sondra Aguilera along with other staff members have received training and technical support from the [Government Finance Officers Association \(GFOA\)](#) to improve OUSD's financial practices. GFOA is a national nonprofit whose mission is to advance excellence in public finance. Later that fall, the OUSD Board reinforced district staff's commitment to the GFOA framework by adopting key GFOA-aligned policies/resolutions:

- **Board Resolution 18-0127 - Continuous Improvement:** Ensuring alignment between district practices and the GFOA [Smarter School Spending Framework](#) over the next three years.
- **Board Policy 3100.1 - Financial Reserves:** A 3% District reserve for economic uncertainty (state mandates 2%, best practice is about ~17%). *Watch a GO Video about the reserve: [Is OUSD saving too much money or too little?](#)*
- **Board Policy 3100.2 - Structurally Balanced Budget:** The board shall approve structurally balanced budgets. Generally, this means that ongoing expenditures should be covered by ongoing revenues and that one-time revenues should be used to fund one-time expenditures.

It's important to note that *adopting* these key policies is not enough, they must be *implemented effectively* by district staff and held accountable by school board directors to ensure better financial outcomes.

Over the last three years, the Board has reinstated the Budget and Finance Committee of the board to deepen their expertise and provide more consistent oversight of OUSD's budget, as well as the Facilities Committee, which helps to oversee OUSD's bond funds and projects. The Audit Committee and Citizen Bond Oversight Committee are being staffed consistently and providing regular updates to board directors, and the oversight role of the Citizen Bond Oversight Committee has been recently enhanced. Finally, the board is keeping a closer eye on the budget by making budget revisions throughout the year as more information becomes available, which is helping to avoid surprises in the spring, leading to midyear budget cuts or other disruptive action to schools.

These committees are critical structures for ensuring board directors have time and space to ask questions, to inform priorities, to hear from both staff and community directors, and to build their capacity to provide meaningful oversight of OUSD's resources. It is extremely critical that these committees continue to exist and receive adequate staff support.

In January, four new board directors will join the OUSD School Board to take the reins in overseeing the district budget. They will be charged with the responsibility of stewarding our community's precious resources to educate our precious children. GO will continue to work with each board member to ensure that the district transparently engages families and educators in these critical decisions. We will continue to release our [Sunshine Budget Transparency](#) ratings at pivotal milestones to make sure the average Oaklander has the information they need to make their voice heard.