

February 8, 2014

To: Board of Education

From: Gary Yee

Re: Update on Board Policy 3150 Results Based Budgeting

Since adoption of the RBB policy (BP 3150 January 15, 2014), we have begun to evaluate and implement our revenue allocations for district-wide obligations, central administrative services, and to schools/sites (centrally directed and site determined services). Because revenue and expenditure are first determined by state Local Control Funding Formula and local district requirements, this implementation begins there. Our initial analysis is based on first reporting on current 2013/14 actual allocations (first interim). According to Alameda County, LCFF will provide an additional \$16m for 2014/15. The Governor's budget proposal would add an additional \$10m for LCFF, but that has not yet been adopted by the legislature.

Anticipated LCFF Funding 2013/14 (first interim) and 2014/15 (based on County est. @ 73% LCFF					
	2013/14		2014/15		
Total Dist. LCFF Allocation (unrestricted)	\$283.1m	100%	\$300.8m	100%	Includes parcel tax revenue
District obligations (state trustee, audit findings, charter pass through, reserve)	\$17m	6.0%	\$20.6m	6.9%	
<i>Net district LCFF Allocation</i>	<i>\$266.1m</i>		<i>\$280.1m</i>		
Central Administration Services (Supt; Legal; Board; Leadership/Instruction; Business/Operations; Utilities; QAA; Charter)	\$33.0m	12.4%	\$33.0m	11.8%	2014 requests include: Data Warehouse; Human Capital Data base;
Central Services to Schools		24.8%		24.8%	
a. Prog. Exceptional Children	\$32.5m		\$33.0m		Board one time funds?
b. Custodial Svcs	\$1.9m		\$1.9m		
c. Police and Sch Sec Officers	\$6.9m		\$6.9m		Requesting add'l 8 SSO
d. Nurses	\$1.4m		\$1.4m		
e. Counselors*	\$1.5m		\$1.5m		Prev. partially at sites
f. Enrichment (music, art, etc) And ELA	\$2.8m		\$3.4m		
g. Facilities/Bldg & Grounds	\$7.64m		\$10.3m		
h. Substitutes*	\$1.3m		\$1.3m*		Prev. partially at sites
i. OAL and ROTC	\$1.0m		\$1.0m		
j. Summer School	\$1.8m		\$1.2m		
k. LCI staffing *	\$4.1m		\$4.1m		Estimated split
l. FSCP staffing *	\$1.1m		\$1.1m		Estimated split
m. Other (utilities, camera maint.)	\$ 2.3m		\$2.3m		
Total Central Services to Schools	\$66.1m		\$69.3m		
School Site Budgets	\$167.1m	62.7%	\$177.8m	63.5%	
a. Base			\$173.3m		
b. Supplemental			\$ 3.0m		
c. Concentration			\$ 1.5m		
Total percentage to sites		87.5%		88.3%	

Implementation Following BP 3150 adoption, I began three major components:

- a. School Site Budget Development
- b. Central Services analysis of services to sites
- c. Central Office Budget Development
- d. Transparent, Clear Communications Plan on Budgeting

a. School Site Budget Development

The School Site Budget Development plan includes establishing base guidelines for elementary, middle and high schools. (We have yet to determine guidelines for alternative education and Child Development). Enrollment projections drive base (core) staffing, and the actual salaries/benefits of staff are averaged, so that staffing can be stabilized for students & fully funded across all schools to ensure the delivery of the basic program. These guidelines are listed in the (2014-15) Budget Development Handbook.

For elementary schools, the base program and staffing guidelines include administrative, classified, and certificated staffing according to: bargaining units and contract agreements, LCFF regulations for class size maximums. For middle schools, base program and staffing guidelines include: four periods of core academic requirements (Mathematics, Science, English, and History), 32:1 maximum class-size, one elective, and one Physical Education course offering. For high schools, base program & staffing includes a six period school day, a-g academic course offerings, and 32:1 class size. In each case, we want to create conditions that increase the opportunity for all students to successfully pass every course.

Each school leader will apply school based management skills and expertise to address the unique needs of the students in the targeted categories (foster youth, low income, and English Language Learners) and outlined in the school site plan (CSSSP). Supplemental funds should support identified student needs based on school and student data. Concentration funds are targeted towards the unique needs of students and students based on the neighborhood conditions that impact student learning conditions. For 2014/15, EIA funds, which now are unrestricted, will remain in the same amount as 2013/14, at each eligible site.

Budget Development Process Principals were presented with their school site's initial comprehensive budgets, including projected enrollment, LCFF percentages, unrestricted base FTE, base discretionary funds, EIA allocation, supplemental and concentration funds, and restricted funds (e.g. Title 1), The new budget development process will have three phases: Phase 1- Base FTE Consultations & Modifications. Phase 2- Strategic Programmatic Sessions and Phase 3- Budget Confirmation Sessions.

Phase 1 (January 27-February 12) - Superintendents' Base Consultations were scheduled and held with approximately 40 school site leaders for recommended adjustments to the base FTE allocations. To ensure maximum flexibility and to review systemic impact of requested modifications to the base, a team that consistent of the Associate Superintendent of HRSS, Budget Directors, Deputy Superintendents and Executive Officers worked with principals to review requested adjustments to the base

FTE allocation. The consultancy window for base FTE adjustments will close on Tuesday, February 12, 2014 to ensure system stabilization, enable recruitment of staff for any new positions, and to begin the process of locking base FTE into the Budget Development Tool.

Phase 2 (February 12-March 1)- Principals will work with their school communities, School Site Councils (SSC), and professional staff to prioritize the strategic actions based on student data. During this phase of the budget development process, a team which includes Executive Officers, State and Federal Programs, and the CSSSP Director will work with school sites to ensure their site based decisions are aligned to the LCAP, CSSSP and balanced score card goals.

Phase 3- (March 1-14)- Principals will attend Budget Confirmation Sessions and input all approved actions into the Budget Development Tool. Fiscal Analysts will be present to support principals and ensure a balanced budget. Final site budgets will be loaded March 15, 2014.

Analysis of School Site Budget Development Process In my formative analysis of the new school site budgeting process, I am excited that the program needs, community needs, and targeted student categories NOW drive the site based decision making instead of the dollars driving site based decision making and limiting the ability of any school to truly address the needs of our students. I have learned that engagement with multiple stakeholders throughout the process must be continuous and iterative. Following the consultations with principals, some adjustments were recommended by the Deputy Superintendents for my review. Of the 40 requested base adjustments, approximately 20 requested adjustments seem justifiable based on master schedule needs and contractual or policy obligations. I have attended regional and network meetings with principals, listened to their feedback and adjusted the implementation based on systemic impacts instead of individual wants. My staff and I have had really informative dialogue with Go Public Schools, Oakland Community Organization, OEA, UAOS, Principal Advisory Council and School Board Members. All of these conversations, engagements, and opportunities for feedback have shaped the 2014-15 Budget Development Handbook presented at the All Administrators Meeting held on Friday, February 7, 2014.

Challenges One resounding challenge we face is around the criteria for the Environmental Factors (Neighborhood Conditions). I have heard from multiple stakeholders that the current criteria must be reviewed and examined for maximizing our equity stance towards the use of these concentration funds. One of the considerations is to weight certain factors more heavily than other factors. A second challenge in the budget development process is the Ratio of Administrators to Teacher (RAT). We are obligated by Education Code to ensure that certificated administrators to certificated teachers stay within the required range. Further examination of how to maximize the certificated administrator support at school sites while staying within the ratio must be done.

b. Central Budget Analysis of Services to Sites

The Board Policy 3150 on Results Based Budgeting identifies 6 areas of Central Services to school sites that must be deployed effectively and transparently to school sites. Outlined in the 2014-15 Budget Development Handbook are the allocation criteria and FTE to support each school site in the area of Custodial Services.. The Leadership Curriculum and Instruction (LCI) and Family School Community Partnership (FSCP) departments have begun to identify and quantify services to sites, by FTE. Once this is completed, we will document and include the FTE values for each school in a Services Handbook. This handbook will be supplemental to the Budget Development Handbook. These values should also reflect LCFF guidelines for differentiated services according to LCFF index and Z score.

c. Central Office Budget Development

Central Office budget development is inextricably tied to school site budget development. In 2013-14, there was a significant reorganization of departments. My preliminary proposal to central office leaders is to stabilize our central office and refine the structures that will help us serve our schools more excellently, effectively and efficiently. On Monday, February 10, 2014, we will begin to prioritize our goals, use our district wide data to drive our decision-making, and adhere to the board policy of 12% maximum percentage of the budget to support central office infrastructural, instructional, administrative and operational needs. The following areas are being assessed and considered in this process:

- Improved data systems
- New accountability tools (Central Office Balanced Scorecard)
- Enhanced communications tools and processes
- Philanthropic grants ending on high impact and valued initiatives; decisions on increasing funding to sustain specific initiatives
- Leveraging support for new external funding (Early Childhood Education)
- Matching grant opportunities for additional funding towards valued initiatives or unfunded mandates

d. Clear-Transparent Communications

For the first time in OUSD history, we will be posting all school site budgets and central office budgets to our public website. The uploading of all of this important information to our website will be on March 14, 2014. We will also establish a District Budget Advisory Council (DBAC) which the Superintendent will host a team of various stakeholders to review and monitor the implementation and fidelity of the Board Policy on Results-Based Budgeting. All minutes and formative monitoring of these processes will be posted to the public website as well.

Formative Analysis of Budget Development Process

At the initial stages of this process, I assessed and argued that the former budgeting system presented multiple challenges including but not limited to: an inequitable distribution of resources; overly complex and lacked transparency, increased audit finding, made position control difficult, did not allow for all middle schools to offer at least one elective, inadequately funded a-g offerings in our high schools, and was not aligned to focus on the Low Income, Foster and English Language Learner students identified by the State Local Control Funding Formula. The adoption of Board Policy 3150 on Results-Based Budgeting is not only historic, but courageous, equitable and ethical. We have begun implementation of the new budgeting process which embodies all the values of the policy by providing school sites & communities a consistent and reliable allocation of funds for the base program and school site operations, supplemental funds to address the unique needs of students, concentration funds to address the neighborhood conditions, and restricted funds for targeted students, communities, and programs.

The transition to a hybrid budgeting model established an equal base for all students and an equitable allocation of funds based on targeted student populations. It has proved to be challenging for some and restitute for others. We acknowledge that one-third of our school leaders were initially concerned that the modification to RBB would severely impact the funds available to sites; the flexibility in spending the funds; and the ability of central office to effectively operationalize the changes in tools, guidelines, and supports for school sites. Yet, we have successfully crafted an engagement process with leaders that allowed for minimizing financial impact, maximizing site flexibility by expanding it to all leaders, not just some, and have delivered a comprehensive budget development handbook that will help to guide us through the process. The multiple revisions to the handbook and collective input to this working document represent new information gained about central office ability to listen and adjust to the needs of the practitioners, while holding ourselves responsible for the systemic impact of our overall decisions to the financial solvency of the organization.

We have contracted with Dan Lindheim to review and evaluate the systems responses to the new budgeting system and to provide recommendations for continuous improvement. As we have revised the handbook, we have been able to address most of the issues that were raised earlier.

Quantitative Analysis

- 100% of the deliverables outlined at the January 15, 2014 Board Meeting has been accomplished in 4 weeks
- 45% of Principals (39) came in for Consultations with the Superintendent, Deputy Superintendent, HRSS, Budget Director, and their Executive Officer
 - Consultations spanned over 20 hours over the course of 7 days
- 4 major, formal engagements with principals to address Budget Implementation updates, concerns, questions and accountability (Regional & Network Meetings, Principal Advisory Committee Meeting, Superintendents' Consultations, and All Administrator's Meeting)
- 1 of X Strategic Programming Sessions between small cohorts of principals and their respective ExOs have convened

Top 10 Anticipated challenges

1. Community Engagement
2. QSD, SSC, CSSSP alignment
3. Environmental factors Criteria
4. Quality Central Office Services
5. Shifts from restricted to unrestricted budgeting (e.g. EIA for 2015/16)
6. Timelines & Realistic Expectations of change management
7. Initiative Fatigue
8. Unfunded Mandates
9. Staging the growth of LCFF funds; class-size reduction etc.
10. Addressing the anomalies in the system (too small schools, newcomers' programs, school expansions, facilities and space limitations etc.)

Next steps

- Formalize Budget Development Planning Committee charge, roles/responsibilities, and calendar
- Formalize District Budget Advisory Committee charge, roles/responsibility, and calendar
 - Align with Board Policy
 - Align with LCFF and CSSSP
 - Review impact on sites
- Establish an LCAP Accountability Committee, roles/responsibilities, and calendar
- Create a Central Services Supplemental Handbook for school site leaders
- Consider establishment of a Central Office Advisory Council
- Formalize PAC responsibilities to monitor implementation of Board Policy on RBB
- Provide recommendations and make decisions about allocation of parcel tax under LCFF
- Quantify Central service to sites