

Resolution 0203-0226

Introduced March 27, 2003

District Request for a State Loan

WHEREAS, the Board of Education of the Oakland Unified School District believes education services meeting the unique needs of Oakland public school children is a fundamental interest that cannot be jeopardized;

WHEREAS, in late August 2002, the District became aware of a projected negative general fund balance for the 2001/2002 fiscal year and potential deficits in its 2002/2003 budget, and thereafter, promptly reported this information to the Alameda County Office of Education;

WHEREAS, on or about October 11, 2002, the Superintendent of the Alameda County Office of Education informed the District that the County would not approve the District's 2002/2003 budget pursuant to section 42127 of the California Education Code and further informed the District that the County was appointing the Fiscal Crisis and Management Assistance Team (FCMAT) to serve as the District's fiscal advisor;

WHEREAS, in December 2002, the District certified the closing of its books for the 2001/2002 fiscal year with an Unaudited Unrestricted General Fund deficit of \$31,978,097, and has been informed by FCMAT that the District's 2002/2003 year-end Unrestricted General Fund negative balance could be as high as \$82,000,000 unless immediate action is taken;

WHEREAS, on March 18, 2003, Governor Gray Davis signed into law revisions to the 2002-2003 State Budget, resulting in additional reductions in District revenue for the next fiscal year of at least \$14 million, and these additional reductions will only worsen an unprecedented fiscal crisis within the District if immediate action is not taken;

WHEREAS, the ability of the District to continue the key educational reforms that have benefited Oakland public school children in the last three years rests with the will and ability of our District and community to continue to make difficult decisions in order to immediately eliminate all further overspending of District funds;

WHEREAS, the Board of Education of the Oakland Unified School District has ultimate fiscal and fiduciary, among other, responsibilities for the District;

WHEREAS, notwithstanding initial budget cuts for the 2002/2003 fiscal year exceeding \$14,000,000 and additional budget cuts and adjustments authorized by the Board of Education during the current year of an additional \$17,000,000 during 2002/2003, it appears, based on analysis from the District's Fiscal Advisor and District staff, that the

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District will have a negative fund balance at the close of the current fiscal year and will require a loan from the State of California;

NOW, THEREFORE, BE IT RESOLVED that the Board of Education hereby authorizes the President of the Board of Education to formally request that State Senator Don Perata and State Assembly Members Wilma Chan, Loni Hancock and/or Ellen Corbett introduce legislation for a loan to the Oakland Unified School District from the State of California including, but not limited, to some or all of the following provisions:

- (1) A State loan, structured as a floating line of credit, to the Oakland Unified School District in an amount of \$100,000,000 following the presentation and adoption of the District's 2002/2003 budget by this Board of Education and the Superintendent of the County Office of Education.
- (2) Appointment of a State Trustee with all the powers and duties provided for in Education Code section 41320.1.
- (3) Each fiscal year during the term of the loan, the District shall be required to submit four (4) interim financial reports evidencing progress on its financial recovery plan. The District shall develop a financial recovery plan, which shall be approved by the District's Fiscal Advisory and the County Superintendent of Schools that shall include, among other things, elimination of all future deficit spending, adoption of future balanced budgets, restoration of a positive fund balance and restoration of the two percent (2%) reserve for the District.
- (4) If the Trustee determines that the District is not evidencing sufficient progress on its recovery plan, the Trustee shall be authorized to exercise the powers of an Administrator, as provided for in Education Code section 41325 et. seq..
- (5) The District shall maintain the core educational reforms that have led to District-wide improvement of academic achievement during the duration of any loan, which shall include but not be limited to educational reforms targeting under-performing schools, new small schools and other reforms that have demonstrated measurable success.
- (6) Repayment of the principal of the loan over a period of twenty years commencing with the 2005/2006 fiscal year. This shall be evidenced by annual reductions in the cap on the floating line of credit.
- (7) On or before June 30, 2004, the District be allowed to declare as surplus property and sell or lease such property on or before June 30, 2004, and use

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the proceeds from any such sale or lease to reduce or retire the State loan provided for in paragraph (1) above.

(8) Given the District's financial condition and to ensure future fiscal stability, the District's reserve shall be rebuilt during the 2002/2003, 2003/2004 and 2004/2005 fiscal years at the two percent (2%) level and the District shall have until the end of the 2004/2005 fiscal year to fully fund this reserve.

(9) Charter school enrollment shall not be excluded from the declining enrollment safety net.

BE IT FURTHER RESOLVED that the Board of Education authorizes and directs the President of the Board of Education to begin discussions with Assembly Members Chan, Hancock and Corbett as well as Senator Perata regarding the timing and submission of the legislative request described above, and shall report to the full Board on the progress of such discussions at any regular or special meeting of the Board of Education verbally or in writing.

BE IT FURTHER RESOLVED that this resolution shall remain in effect until such time that it is rescinded by the Board of Education.

PASSED AND ADOPTED by the Board of Education of the Oakland Unified School District on the 27th day of March, 2003 by the following vote:

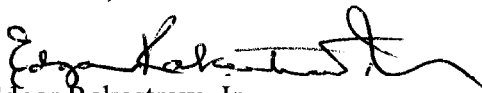
AYES: Paul Cobb, Harold Pendergrass, Gary Yee, David Kakishiba, Kerry Hamill, Jason Hodge, Noel Gallo, Vice President Viola Gonzales, President Gregory Hodge

NOES: None

ABSTENTIONS: None

ABSENT: Dan Siegel

I hereby certify that the foregoing is a full, true and correct copy of a Resolution passed at a Special Meeting of the Board of Education of the Oakland Unified School District held March 27, 2003.


Edgar Rakestraw, Jr.,
Deputy Secretary, Board of Education

LEGISLATIVE FILE

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