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Dear Parents, Staff and Community Members:

As we move into the second semester of the school year, we want to report that we remain cautiously optimistic that we can resolve the financial issues facing the district. It will require tough choices if we are to regain fiscal stability and retain the core reforms that are central to the academic progress our children have started to demonstrate in the last three years, but we have little real choice.

We wish to emphasize our continued commitment to retain the key components of the progress we have all worked so hard to gain. However, difficult and painful choices must be made. In the short term, we are confident that all staff will continue to receive their paychecks through the end of this fiscal year. We are working with our Fiscal Advisor, FCMAT, and the County Office of Education to confirm our projections.

Nevertheless, there are two major budget challenges we are facing. The first is to eliminate the deficits created by overspending for Fiscal Years 2001–2002 and 2002–2003. The second is to make sure we have a balanced budget next year. We simply cannot continue to spend more than we have in the 2003–2004 school year. To balance next year's budget, we will have to spend between \$48–\$60 million less than we are spending this year, at minimum. The continuing loss of revenue due to declining enrollment and state cuts to education during the current year and for next year continue to compound our financial condition. Any state loan will also require us to set aside sufficient money to begin the repayment of that loan.

The reality is that there are no easy cuts to make. Budget fat and bloated central services – to the extent they ever existed – have long since been eliminated. A few figures will illustrate how we spend our budget dollars:

- 93 percent of the District's budget is devoted to salaries and benefits
- 67 percent goes for teacher salaries and benefits
- 4 percent pays for Central Administration

necessary cuts, completed by mid-March. To preserve maximum flexibility to obtain a balanced budget, the administration and Board will have to consider a range of difficult decisions including layoffs.

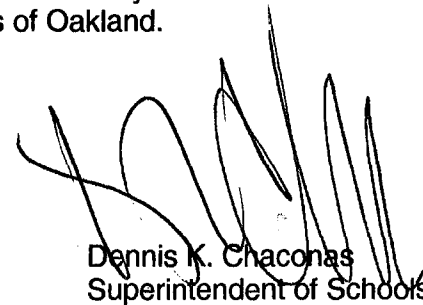
As much as the District's issues are financial, at this point they are also political. We are depending on support from our elected representatives and the California Legislature to help us resolve the budget problems in a manner that protects the needs of Oakland's students. But we also must come together as an educational community to preserve for our children the gains we have started to make for their benefit.

Our economy is in bad shape at all levels – local, state and national. As a result, these are difficult times for the Oakland school community, as they are for employees of the City of Oakland, our parents who work in the private sector and those who serve in social services and health care agencies. However, we must find ways to move forward as one – committed to candid dialogue and inclusive decision-making with everyone in our community. Only by working together in unprecedented ways will we continue to advance the interests of our children and the families of Oakland.

Sincerely,



Gregory Hodge
President, Board of Education



Dennis K. Chaconas
Superintendent of Schools

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