



September 16, 2024

Dr. Kyla Johnson-Trammell, Superintendent  
Members of the Board of Education  
Oakland Unified School District (OUSD) via email

RE: 2024-25 Local Control and Accountability Plan (LCAP) and Adopted Budget Review

Dear Superintendent Johnson-Trammell and Members of the Board,

ACOE has reviewed OUSD's 2024-25 LCAP and Adopted Budget in accordance with Education Code (EC) Sections 42127 and 52070. The LCAP meets criteria for approval. The Adopted Budget currently does not. Approval of both documents is contingent upon the other, so both the 2024-25 LCAP and the Adopted Budget are *conditionally approved*. A conditional approval means that the district must take further actions, listed below, to formally obtain approval of the LCAP and Budget.

Adopted Budget Concerns driving Conditional Approval:

- Since June 2023, OUSD has been intentional about increasing compensation to employees. The District's public disclosures of these collective bargaining agreements acknowledge that the District cannot cover the ongoing cost of these obligations without significant budget adjustments that *still* remain unidentified;
- The Adopted Budget indicates over \$87M in budget cuts or alternative solutions requiring board action in the coming months to balance the budget for 2025-26;
- Major strategic planning is underway to address long-deferred decisions that, as a result of depleting its reserves, now require urgent action. Comprehensive strategic plans, inclusive of Fiscal Sustainability Plan and the Re-envision, Redesign, and Restructure (3Rs) resolution require alignment, cohesion, and continuity to successfully implement a multi-year plan;
- Inaction to implement the budget solutions for 2025-26 is not an option. Inaction would eventually result in the District's inability to meet payroll obligations, compelling intervention in the form of designating OUSD as a lack of going concern or, worse, running the risk of requiring an emergency State loan – erasing all of the growth and progress made to be more fiscally independent over the past two decades; and
- Staff and Board actions over the next six months will determine whether the District can fully exit State receivership and Trustee oversight or alternatively revert back to full Administrator control as was experienced in 2003.

The OUSD Board and Leadership Team has demonstrated its commitment to fiscal solvency by approving several recent resolutions regarding restructuring, paying off the state loan, and ensuring fiscal stability and release from receivership. To exit receivership and Trustee oversight, OUSD is on track to, and will need to (EC 41320.1):

- Make the final two payments of the 2006 State emergency loan (Scheduled for June 2026),
- Complete a fiscal systems audit (In-progress), and
- Demonstrate the future compliance of the fiscal plan approved by the board is probable. (2025-26 Budget Development Process).

Actions needed to address Conditional Approval (EC 42127):

1. By September 30, 2024, OUSD Staff will provide the OUSD Board, the Fiscal Trustee, and ACOE with a target amount for budget adjustments for 2025-26 that reflects the updated fund balances as a result of the 2023-24 Unaudited Actuals, covers the existing shortfall, and any new or planned commitments not factored into the Adopted Budget; and
2. By October 8, 2024, OUSD Staff will provide the Fiscal Trustee and ACOE with a cohesive and aligned strategic plan to address the target amount for budget adjustments with a date scheduled for a Board study-session to review and discuss the cohesive scenarios for budget adjustments.
3. By October 31, 2024, the OUSD Board will provide staff with direction on which budget adjustment scenario(s) to pursue that address the target amount for budget adjustments, which will return to the Board for further action.
4. By November 8, 2024, ACOE will conduct a review of all the items listed above and will make a final determination regarding the Adopted Budget in accordance with statute.
5. Ongoing on a bi-weekly basis,
  - a. OUSD Staff will meet with the Fiscal Trustee and ACOE to provide updates, incorporating any committee work and Board Member report-outs that are reflective of the cohesive and aligned strategic plan; and
  - b. ACOE will meet with the Fiscal Trustee, OUSD's Superintendent, and the OUSD Leadership team, to review and support OUSD's cohesive alignment between OUSD Leadership, the OUSD Board, and the community.

Note that the above actions in September, October, and November are critical to resolve the conditional approval, but do not complete the budget balancing process. OUSD Board and Staff must continue to take budget balancing actions as part of the 2025-26 budget development process. Additional actions that need to be taken, ideally in November and December 2024 (by the current Board that approved the increases in compensation since June 2023), but no later than February 2025 (which will involve new Board members just being seated) include, but are not limited to:

1. By November 30, 2024, the OUSD Board will take action on a budget balancing scenario to address the target amount for the 2025-26 budget adjustments.
2. By December 15, 2024,
  - a. The OUSD Board will take action, or set of actions, to implement the budget balancing solutions as part of the 2025-26 budget.
  - b. Approve the 2024-25 First Interim Financial Report factoring in target amount for budget adjustments that will be approved or risk receiving a Negative Certification.
    - i. A negative certification is assigned when a district will be unable to meet its financial obligations for the remainder of the current year or for the subsequent fiscal year.

Budget Detail: The attached Budget Review provides a detailed fiscal summary and analysis highlighting areas that will need to be addressed going forward. ACOE District Business & Advisory Services Team will continue to work with the District's budget team to ensure that the District takes all necessary actions to remain fiscally healthy.

LCAP Detail: The current year's LCAP has been approved, and no further action is needed at this time. ACOE staff will issue a LCAP technical memo to District staff and continue working with District leadership to incorporate the necessary changes into the 2025-26 LCAP.

In these critical months ahead, we recognize the difficult decisions you face and see the hard work you're putting in. We have complete faith in this Board and Staff, and we stand with you in partnership—please don't hesitate to reach out if you need anything at all.

In community,



Alysse Castro  
Alameda County Superintendent of Schools

cc: Lisa Grant-Dawson, Chief Business Official, Oakland USD  
Tony Thurmond, State Superintendent of Public Instruction, CDE  
Michael H. Fine, Fiscal Crisis and Management Assistance Team  
Luz T. Cázares, Fiscal Oversight Trustee  
Allan Garde, Associate Superintendent of Business Services, ACOE  
Shirene Moreira, Chief of District Business & Advisory Services, ACOE  
Juwen Lam, Chief of Accountability Partnerships, ACOE  
Joan Laursen, Director III, District Business & Advisory Services, ACOE

## 2024-25 Adopted Budget Review Oakland Unified School District

### Summary of Fiscal Concerns:

- The Adopted Budget indicates over \$87M in budget cuts or alternative solutions requiring board action in the coming months to balance the budget for 2025-26.
- These unspecified future reductions will require additional board action, without which the District will not meet its financial obligations in 2025-26.
- Staff and Board actions over the next six months will determine whether the District can fully exit State receivership and Trustee oversight or alternatively revert back to full Administrator control as was experienced in 2003.
- Forecasts assume enrollment projections inconsistent with the District's historical trend.

### Reserve for Economic Uncertainties (REU)

Districts the size of OUSD are required to meet 3% minimum required reserves for each year through 2026-27. The District is unable to meet their REU in 2026-27, even with the projected budget reductions.

RESERVES	2024-25	2025-26	2026-27
OUSD's Reserves in Adopted Budget - Source: MYP	\$26,111,129	\$26,610,760	\$21,301,877
Is REU Met or Not Met in Submitted Financial Report?	Met	Met *	Not Met

*\*District is only able to meet REU with board implemented reductions of \$82.7 Million.*

### Revenue Projections:

Description: OUSD's revenue projections appear overstated due to the District's enrollment projections that deviate from the District's declining enrollment trend. The District should be prepared with contingency plans should the enrollment and funding not materialize as projected.

LCFF Revenue Projections	2024-25	2025-26	2026-27
OUSD's Unrestricted LCFF Revenue (MYP) - flat enrollment projections	\$ 477,734,448	\$ 484,732,772	\$ 500,626,720
ACOE's Estimates - based on 1% enrollment decline per year	\$ 477,553,941	\$ 483,795,227	\$ 498,360,272
LCFF Revenue Projections - Difference (District vs ACOE)	\$ (180,507)	\$ (937,545)	\$ (2,266,448)

### Enrollment Projections:

Description: The District has been experiencing declining enrollment since 2017-18, with a five-year average annual decline of 1.36%. The chart below illustrates the enrollment projections according to the District's LCFF Calculator, as compared to ACOE's analysis.

CALPADS	2024-25	2025-26	2026-27
OUSD Projections within the District's Adopted Budget Report	33,753	33,533	33,313
OUSD Year-Over-Year Difference	(82) **	(220)	(220)
ACOE Estimates - projected 1% annual enrollment decrease	33,497	33,162	32,830
ACOE Estimates - Year-Over-Year Difference	(338) **	(335)	(332)

\*\* compared to 2023-24 enrollment of 33,835

### Required Board Action:

Description: On February 28, 2024, the Board approved Resolution 2324-0137 "Proposed Budget Adjustments for Fiscal Year 2024-25 and Restructuring Recommendations for 2025-26." In addition, the Board took the first steps to implement those adjustments by approving:

- \* Resolution 2324-0118 Classified Reduction in Force Due to Lack of Funds and/or Lack of Work, and
- \* Resolution 2324-0121 Eliminate Certificated Positions due to a Reduction in Particular Kinds of Service.

These resolutions authorized preliminary layoff notices resulting in net reductions of approximately 185 full-time equivalent (FTE) positions for 2024-25.

On June 26, 2024, by approving Resolutions 2324-0191 and 2324-0192, the Board amended these reductions resulting in a net restoration of 82.3FTE.

Based on the District's board-approved financials, the District will need to identify and *implement* ongoing budget adjustments of \$83.7 million to address the District's structural deficit, and to ensure the District meets its minimum required state reserve levels in the subsequent fiscal years.

Required Board Action - Structural Deficit Budget Reductions and/or Revenue	2024-25	2025-26	2026-27
OUSD's Unrestricted Reductions - Source: MYP		\$ (82,664,041)	\$ (90,516,303)
OUSD's Restricted Reductions - Source: MYP *		\$ (1,053,648)	\$ (8,647,900)
Total Needed Budget Reductions/Adjustments in Submitted Report		\$ (83,717,689)	\$ (99,164,203)

\* includes \$5.6 million in negative restricted ending fund balance in 2026-27

## District's Deficit Spending & Impact to the Unrestricted General Fund Balance & REU:

Description: OUSD's 2024-25 Adopted Budget MYP projects continued deficit spending in the Unrestricted General Fund of \$78.5 million, \$4.3 million, and \$5.3 million in 2023-24, 2024-25, and 2025-26, respectively, even with the proposed unspecified reductions. The Unrestricted General Fund Ending Balance is projected to decrease from \$118.4 million at 2022-23 Unaudited Actuals to \$27.4 million in 2026-27, assuming the District is able to make the significant reductions projected in the MYP.

Adopted Budget Report - Unrestricted Budget Adjustments	2024-25	2025-26	2026-27
Unrestricted Unspecified B10 Reductions	\$ -	\$ (82,664,041)	\$ (90,516,303)
Unrestricted General Fund - Beginning Balance	\$ 109,892,045	\$ 31,357,276	\$ 27,040,706
Unrestricted General Fund - Surplus / (Deficit)	\$ (78,534,769)	\$ (4,316,570)	\$ (5,308,883)
Unrestricted General Fund - Ending Balance	\$ 31,357,276	\$ 27,040,706	\$ 21,731,823

\* 2025-26 total budget adjustments of \$87 million factors in the Unrestricted Unspecified B10 Reductions for 2025-26 and the deficit. \*\* 2026-27 includes the impact to the Unrestricted General Fund to cover negative Restricted Resources of \$5.6 million

Should the District not implement budget balancing solutions	2024-25	2025-26	2026-27
Unrestricted General Fund - Ending Balance	\$ 31,357,276	\$ 27,040,706	\$ 21,731,823
Unrestricted Reductions *	\$ -	\$ 82,664,041	\$ 173,180,344
Unrestricted General Fund - Adjusted Ending Balance	\$ 31,357,276	\$ (55,623,335)	\$ (151,448,521)

\* If the District fails to implement the reductions, the expenditures will be added back to the budget, reducing fund balance

Impact on Reserves	2024-25	2025-26	2026-27
OUSD's Reserves - If Reductions Not Implemented	\$ 30,927,331	\$ (56,053,280)	\$ (151,878,466)
Is REU Met or Not Met if Reductions not Implemented?	Met	Not Met	Not Met

### Conclusion:

ACOE understands the District is working toward the implementation of a restructuring plan. Without the successful implementation of a plan to address the District's structural deficit, the District projects it will not meet its financial obligations.