



# Alameda County Office of Education

Alyse Castro, Superintendent

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November 7, 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) & Adopted Budget Approval

Dear Superintendent Johnson-Trammell and Members of the OUSD Board,

Per EC 42127, ACOE is required by November 8th, to make a final determination regarding the approval or disapproval of OUSD's Adopted Budget, which was conditionally approved on September 16, 2024. Ed Code allows for two outcomes:

- Disapproval of the Adopted Budget which results in the State providing a list of persons to be on a Budget Review Committee to review the budget and applicable policies and develop a report with recommendations for budget revisions. This report and information provided by the District would then be reviewed by the State for final determination.
- Approval of the Adopted Budget results in maintaining local control and local support to identify and implement strategies to balance the budget and provide a level of certainty to this current environment.

ACOE remains fully committed to supporting OUSD to end Fiscal Trustee oversight and return to full local control. Therefore ACOE is choosing the smallest dose of oversight, by approving the District's budget. This continues the practice of trying to put the ball back in OUSD's court, so it can exercise local control and make the tough decisions needed to balance the budget. However, we are once again in the familiar position where the District is deferring hard decisions that are already long overdue.

Based on ACOE's review of the District's actions taken to address the Conditional Approval of its 2024-25 Adopted Budget (See Technical Review section for more details), we have received the deliverables submitted by the District - though the deliverables do not fully meet the conditions outlined - progress is underway toward the District's overarching plan to Re-envision, Redesign, and Restructure the District (known as the 3R's). Therefore, to avoid disrupting the District's progress in implementing the 3R's plan, we can determine the District is in minimum compliance with the approval criteria per Education Code (EC) Sections 42127 and 52070, and both OUSD's LCAP and Adopted Budget have been approved.

However, we cannot overemphasize that this determination is based on budget adjustments that - while agendized - have not yet been made and Board actions that - while under discussion - have not yet been taken. We believe this Board and this community are on a path to restructuring, but because redesign decisions have been



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deferred many times, the path is narrow, and stepping too far off of it is the equivalent of wandering off a fiscal cliff. We are able to arrive at this decision because the district has adequate funds to make it through the current year, with the situation becoming dire as we look to the subsequent two years.

As we approach the midway point of this year, attention shifts to plans and budgets for the coming years. When we look forward it is almost inevitable that the District will face a Lack of Going Concern or Negative Certification without major and prompt action. These designations would lead to ACOE reluctantly implementing additional fiscal interventions to comply with a COE's responsibility under EC 1240(b) to provide more intrusive fiscal oversight through the tools identified under EC 42127.6(e) and EC 42637 to ensure the District has sufficient cash to meet its payroll and financial obligations for the current and subsequent fiscal year. Nobody wants this. We continue to believe that the OUSD Board, under guidance from OUSD staff, is the right entity to make these decisions. Thus we keep tossing the ball back to your court.

Time and runway is being lost when promises for a balanced budget continue to be made, but the decisions to implement the balanced budget also continue to be delayed; which in turn creates an emergency. Additional fiscal interventions could be avoided if the Board keeps to the timeline of taking action on the set of plans, or scenarios, that addresses the targeted \$95M shortfall by November 30, 2024; and by December 15, 2024, both implementing the \$95M in budget balancing solutions along with the District's 2024-25 First Interim Budget Report and Multiyear projections.

Note: As the Board considers the decisions ahead, there are additional considerations to factor as you consider the timing of these hard decisions:

- New Board Members - Following November elections, multiple new Board members will be seated in January which could further complicate and delay progress for the District. This is the time to set the next Board up for success.
- Collective Bargaining - The \$95 million target includes promises already made and a small allocation for negotiations happening in the present year, but the Board cannot authorize any further compensation increases for future years without corresponding budgetary tradeoffs. We share this Board's value of investing in retaining great staff, which is only possible if you make reductions elsewhere.
- Staffing Calendar - School employees are legally entitled to notice of changes in the spring prior to when they would take effect, therefore the window to implement staff restructuring closes in a few short months.

In closing, the District is potentially 18 months away from paying off its State emergency loan and completing a fiscal systems audit to exit receivership after over 20 years. An equally important component to exit receivership is the District's ability to operate responsibly, without a fiscal trustee, to demonstrate that future compliance



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with the fiscal plan approved by the Board is probable. We believe deeply in the commitment of every member of this Board and staff to this future state and we are here to help. ACOE staff continue to work closely with the Board, the superintendent, and her extraordinary leadership team to provide technical assistance, thought partnership, and extra hands to support the District in making its own best decisions through a critical and exciting restructuring process.

In community,

A handwritten signature in black ink, appearing to read 'Alysse Castro', with a stylized flourish at the end.

Alysse Castro  
Alameda County Superintendent of Schools

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



Technical Review:

Conditional Approval Letter and District Actions:

As a reminder, the actions needed to address the Conditional Approval were:

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;*

Condition Met: The District met the first action by providing an updated target amount for budget adjustments of \$95M for 2025-26. This is a projected increase in the needed budget adjustments compared to the Adopted Budget.

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.*

Condition Minimally Met: ACOE has determined that the District has minimally met the second action by providing a list of strategies totaling \$180.8M; however, only \$51.4M is listed as impacting the Unrestricted General Fund, where the District disclosed the full \$95M in budget adjustments was needed to maintain solvency. Further, This list of strategies is referenced to connect with Resolution 2324-0212: Re-envision, Redesign, and Restructure the District Plan; though several strategies were not finalized and required further investigation to determine the validity and value of the potential budget adjustments to be achieved through implementation. Strategies such as "Hiring Freeze OR Permanent elimination of historically vacant positions" and "Elimination of management positions in SLT departments" does not provide the Board with enough substance to assess the potential impacts of these strategies.

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.*

Condition Minimally Met: ACOE has determined that the District has minimally met the third action by the Board adopting Resolution 2425-0129: Review and Accept the 2025-26 Budget Balancing Solutions and Provide Direction to Develop the Budget Balancing Scenarios; however, the strategies still do not total the full \$95M in Unrestricted General Fund budget adjustments needed. There remains a concerning \$29.5M gap between the target identified by the District staff and the list of strategies presented and accepted by the Board.