Alameda County Office of Education
Alysse Castro, Superintendent

September 15, 2026

Dr. Denise Saddler, Superintendent
Members of the Board of Education
Oakland Unified School District (OUSD) via email

CONDITIONAL approval of 2026-27 Local Control and Accountability Plan (LCAP) & Adopted Budget - Action Required

Dear Superintendent Saddler and Members of the Board,

ACOE has reviewed the District's 2026-27 LCAP and Adopted Budget in accordance with Education Code (EC) Sections 42127 and 52070. While the LCAP meets the minimum criteria for approval, the Adopted Budget requires additional action. Approval of both documents is contingent upon the other, so both the 2026-27 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.

ACOE wants to acknowledge that the District has submitted a budget that shows a positive fund balance, meets the state minimum reserve for economic uncertainty in each year of the multiyear projection, and is accompanied by a Board-adopted commitment to close the remaining structural gap. That is a materially stronger submission than the District has filed in recent years, and it reflects difficult and deliberate work.

We also acknowledge that, after more than two decades of state receivership and significant changes in OUSD's budgeting practices, there is understandable confusion about the District's current fiscal condition. The District's current fiscal position and practices are materially different from prior years, but do not yet eliminate the underlying structural challenges.

<u>What Changed Since 2025–26?</u>
A significant change in budgeting methodology in 2025–26 makes the District's current fiscal picture look substantially different from prior years. Historically, the District did not consistently maximize available restricted and categorical resources for ongoing expenditures that were eligible to be supported by those funds. This year, the District has moved toward an approach of budgeting restricted resources first and assigning eligible expenditures accordingly. These changes reflect a material change in budgeting methodology—not the creation or disappearance of resources—and should not be confused with either misconduct or a resolution of the District's underlying fiscal challenges. The District still faces a structural deficit and must make difficult decisions about the size and sustainability of its ongoing commitments.

There are three essential parts to addressing a structural deficit: staff must identify and bring forward hard choices; the governing board must make those choices; and staff must follow through and implement them. All three appear to be happening in OUSD, and that represents meaningful progress. The District has made significant reductions to ongoing expenditures, increased its use of available restricted resources, and adopted a plan to address the remaining gap.

At the same time, the District is using one-time resources to create time to make the deeper changes necessary to achieve long-term fiscal stability. That is an important step forward, but it is not a sustainable funding model in itself. The next phase of this work is harder: it requires structural changes that reduce the gap between ongoing revenues and ongoing commitments.

That is why ACOE can simultaneously recognize the District's progress toward balancing its budget in a given year and continue to require specifics about how that balance will be sustained over time. Requiring clear milestones is not a lack of confidence in the progress OUSD has made. It is a measured response to the scale of the challenge: defining—and staying—the course for aligning resources with the commitments the District makes to Oakland's students and families.

Budget Concerns driving Conditional Approval:

- *Budgets include placeholders for future reductions.* The 26-27 budget includes current year reductions of approximately $30 million which have been board-approved but will still require additional support to implement. There are additional ongoing budget reductions of about $30.0 million in 2027–28 and another $11.0 million in 2028–29. These reductions to 2027-28 and 2028-29 will need to be identified, board-approved, and implemented. Absent the implementation of the projected budget reductions in the two subsequent years (2027-28 and 2028-29), the District will not meet the required reserve requirement.
- *The need for reductions was not eliminated by 45 day revision that includes the Enacted State Budget.* On August 12, 2026, OUSD updated its revenue assumptions based on the Enacted State Budget, including the additional 1.44% COLA in LCFF, one-time funds, and Special Education funding. While these improve the district's position, they do not eliminate the need for current or future reductions.
- *Temporary Reliance on Restricted Revenues.* The district is still operating at a structural deficit, meaning spending more every year than it brings in. Two years ago, the restricted reserve held $201 million of unspent funds, and is projected to decrease this year from $124 million at the 2025-26 Estimated Actuals to $18.2 million by 2028-29. This is a positive development in that these funds are being utilized for services, but the district will have to bring the costs of the services in line with revenues as the reserves are spent down.
- *Cash Concerns.* As the District spends down its restricted resources, the District's cash balance becomes alarmingly low. While the District presents positive cash overall, the District's Unrestricted cash balance will not be sustainable without further reductions to its structural deficit.
- *Compensation increases*. The District has made a deliberate effort to increase employee compensation through negotiated collective bargaining agreements. In its public disclosures, OUSD has acknowledged that it cannot sustain the ongoing costs of these agreements without identifying and implementing significant corresponding multi-year budget-balancing solutions.
- *Increased General Fund contribution. Declining enrollment.* The District projects LCFF revenue based on declining enrollment and ADA in 2026-27, followed by relatively flat enrollment and ADA over the subsequent two years.

The District's board-approved *Resolution No. 2526-0026 Financial Stabilization Implementation Plan Progress Update and Path Forward* acknowledges OUSD's obligation to implement the

budget reductions and adjustments necessary to address its structural deficit, balance the budget and prevent fiscal insolvency.

Efforts to prioritize cost reductions, increase revenues, rebuild the General Fund, and plan for potential reductions in federal funding are essential to maintain fiscal stability in the months ahead.

Actions needed to resolve the Conditional Approval (EC 42127):

By October 8, 2026, review and respond to this letter at a regular meeting of the governing board, affirming the board's plans and commitments to

a. Publicly share progress on implementation of 2026-27 budget balancing strategies and any related adjustments. This could be prior to or incorporated into the First Interim report.
b. Adopt a board resolution this fall (no later than First Interim) that outlines the timeline for the Board's action to implement any needed budget-balancing solutions no later than February 2027.

ACOE will review all items listed above to ensure the District's budget meets the approval standard by the statutory deadline of November 8, 2026.

See the attached Budget Review and LCAP Technical Memo for detailed analysis and guidance for technical staff. We appreciate the regular communication and ongoing partnership and look forward to continued collaboration.

In community,

Alysse Castro
Alameda County Superintendent of Schools

Cc: Tara Gard, Deputy Superintendent of Business and Operations, Oakland USD
Ryan Nguyen, Chief Financial Officer, Oakland USD
Ruben Frutos, Fiscal Advisory Team, Hazard, Young, Attea & Associates (HYA)
Sondra Aguilera, Chief Academic Officer, Oakland USD
Allan Garde, Associate Superintendent of Business Services, ACOE
Shirene Moreira, Chief of District Business & Advisory Services, ACOE
Juwen Lam, Chief of Accountability Partnerships, ACOE
Julia Xu, Director III, District Advisory Services, ACOE

2026-27 Adopted Budget Review
Oakland Unified School District

Summary of Fiscal Concerns:

- The Adopted Budget includes budget-balancing solutions of $30 million for 2026-27, ongoing projected budget reductions or alternative solutions of at least $30 million for 2027-28, and an additional $10 million in 2028-29.
- These unspecified future reductions will require additional board action, without which the District will not meet its financial obligations in 2027-28 and 2028-29.
- Forecasts assume continued declining enrollment.

Average Daily Attendance (ADA):

Description: At the **Adopted Budget**, the District projects LCFF revenue based on declining enrollment and ADA in 2026-27, followed by relatively flat enrollment and ADA over the subsequent two years. The projections also assume the current-year ADA funding method for 2026-27 through 2028-29.

ADA Calculations - *Adopted Budget*	2026-27	2027-28	2028-29
Enrollment	33,861	33,861	33,861
Current Year LCFF Average Daily Attendance (ADA)	30,337.28	30,337.28	30,337.28
Funded LCFF ADA	30,337.28	30,337.28	30,337.28
LCFF ADA Funding Method	Current Year	Current Year	Current Year

Note: 2025-26 CALPADS certified enrollment 33,891

Description: At the **45-Day Revision**, the District projects LCFF revenue based on declining enrollment and ADA in 2026-27, followed by relatively flat enrollment and ADA over the subsequent two years. The projections also assume the prior year ADA funding method for 2026-27 and 2028-29, 3-Prior Year ADA for 2027-28.

ADA Calculations - *45-Day Revision*	2026-27	2027-28	2028-29
Enrollment	33,890	33,891	33,892
Current Year LCFF Average Daily Attendance (ADA)	30,525.07	30,525.07	30,525.07
Funded LCFF ADA	30,534.97	30,592.75	30,534.97
LCFF ADA Funding Method	Prior Year	3-Prior Year Average	Prior Year

Note: 2025-26 CALPADS certified enrollment 33,891

Since ADA is closely correlated with student enrollment, changes in enrollment generally result in corresponding changes in ADA unless offset by improvements in attendance rates or other factors. Please ensure that ADA projections are reasonable and aligned with projected enrollment trends. These assumptions also impact LCFF revenues.

Required Board Action:

Description: The District adopted *Resolution No. 2526-0027* approving the 2026-27 Proposed Adopted Budget at its June 24, 2026 board meeting. The Board-approved financial report contains significant budget reductions in 2026-27, 2027-28 and 2028-29. In addition, the Board adopted *Resolution No. 2526-0026 Financial Stabilization Implementation Plan and Its Continuation into Fiscal Year 2026-27* acknowledging the District's obligation to implement the budget reductions and adjustments necessary to address its structural deficit, balance the budget, and prevent fiscal insolvency.

Required Board Action Combined Budget Reductions and/or Revenue	2026-27	2027-28	2028-29
Reductions to Certificated and Classified Salaries & Benefits due to budget-balancing solutions in the **Restricted Fund**		($7,958,986)	
OUSD's Ongoing **Unrestricted Reductions** - Source: MYP	(30,000,000)*	($30,000,000)	($10,000,000)
Total Needed Budget Reductions/Adjustments in Submitted Report	($30,000,000)	($37,958,986)	($10,000,000)

** Budget-Balancing Solutions recorded in Object Code 4395 in 2026-27*

Reserve for Economic Uncertainties (REU):

RESERVES at *Adopted Budget*	2026-27	2027-28	2028-29
OUSD's Reserves - Source: MYP	$29,947,355	$29,346,944	$29,877,005
REU %	3.38%	3.11%	3.11%
Is REU Met or Not Met in Submitted Financial Report?	Met**	Met**	Met**
Amount of Projected Unrestricted Budget Reductions in Submitted Financial Report**	($30,000,000)*	($30,000,000)	($10,000,000)

** Budget-Balancing Solutions recorded in Object Code 4395 in 2026-27*

*** REU Met only if Projected Budget Reductions in Report are made*

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

Adjustments at the *Adopted Budget*	2026-27	2027-28	2028-29
Unrestricted Reductions: Object Code 4395 and B.10 *Other Adjustments*	($30,000,000)	($30,000,000)	($10,000,000)
Unrestricted General Fund - Beginning Balance	$29,623,667	$37,620,436	$32,379,129
Unrestricted General Fund - Surplus / (Deficit)	$7,996,769	($5,241,307)	($1,517,446)
Unrestricted General Fund - Ending Balance	$37,620,436	$32,379,129	$30,861,683

Should the District not implement budget-balancing solutions incorporated in the *Adopted Budget*	2026-27	2027-28	2028-29
Unrestricted General Fund - Ending Balance	$37,620,436	$32,379,129	$30,861,683
Unrestricted Reductions: Object Code 4395 and B.10 Other Adjustments*	$30,000,000	$60,000,000	$70,000,000
Unrestricted General Fund - Adjusted Ending Balance	$7,620,436	($27,620,871)	($39,138,317)

**Without implementation and following through with required ongoing reductions, the expenditures would be added back to the budget, reducing fund balance.*

Impact On Reserves/ REU - *Adopted Budget*	2026-27	2027-28	2028-29
OUSD's Reserves - *If Reductions Not Implemented*	($52,645)	($30,653,056)	($40,122,995)
Is REU Met or Not Met If Reductions Not Implemented	Not Met	Not Met	Not Met

Should the District not implement budget-balancing solutions incorporated in the *45-Day Revision*	2026-27	2027-28	2028-29
Unrestricted General Fund - Ending Balance	$55,130,411	$64,848,858	$55,156,881
Unrestricted Reductions: Object Code 4395 and B.10 Other Adjustments*	$30,000,000	$60,000,000	$71,000,000
Unrestricted General Fund - Adjusted Ending Balance	$25,130,411	$4,848,858	($15,843,119)

**Without implementation and following through with required ongoing reductions, the expenditures would be added back to the budget, reducing fund balance.*

Impact On Reserves/ REU - *45-Day Revision*	2026-27	2027-28	2028-29
OUSD's Reserves - *If Reductions Not Implemented*	$24,980,412	$4,698,857	($39,416,027)
OUSD's REU % - *If Reductions Not Implemented*	2.59%	0.48%	-4.14%
Is REU Met or Not Met If Reductions Not Implemented	Met*	Not Met	Not Met

** Only meet the 2% State minimum reserve requirement*