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

2025-26 Annual Report Regarding Fiscal Solvency of OUSD (AB139)
Under Assembly Bill 139, California Education Code Section 1240(e) mandates that, by September 15th each year, the county superintendent of schools must submit a report to the school district's governing board and the State Superintendent of Public Instruction regarding the fiscal solvency of any school district within their county that has a disapproved budget, a qualified or negative interim certification, or is otherwise determined to be in a state of fiscal uncertainty as per Education Code 42127.6. Because Oakland USD had a Qualified Certification at Second Interim, the District submitted an End of Year Projection (commonly called Third Interim), which triggers this analysis of the year in review.

Overview of 2025-2026:
OUSD exited receivership on June 30, 2025—an achievement that is both momentous and, on its own, does not eliminate the District's ongoing fiscal challenges. Since then, under new leadership and with new fiscal staff implementing new direction from the Board, OUSD has made substantial changes to its budgeting practices and methodology, along with numerous revisions to its budget. These changes have understandably contributed to public confusion about the District's current fiscal condition and have required additional scrutiny as the oversight agency as different budgeting practices were being implemented by this new OUSD team. ACOE has worked closely with the incoming OUSD team to review these changes, including reviewing budget assumptions and revisions line by line, receiving back up and clarity on questions raised, and ensuring they coordinate with their external auditor for additional compliance. Based on that review, we conclude that the changes described below reflect a material change in budgeting methodology—not the creation or disappearance of resources—and should not be confused with misconduct or misrepresentation. They should also not be confused with a resolution of the District's underlying fiscal challenges: the District still faces a structural deficit and must make many more difficult decisions about its future commitments.

OUSD's 2025–26 Adopted Budget included approximately $78 million in planned ongoing budget reductions that had not yet been approved by the Board in order to meet required reserve levels, and therefore, did not meet the State's criteria for approval. In Fall 2025, OUSD minimally met the conditions for approval, and ACOE subsequently approved the 2025–26 Adopted Budget while noting the need for the Board to take swift and significant actions to avoid future-year insolvency.

Throughout 2025–26, OUSD continued bargaining for ongoing employee compensation increases, further compounding the need for additional reductions in future years. OUSD self-certified as qualified at both the First Interim and Second Interim Budget Reports, acknowledging the severity of its fiscal condition. Following the departure of its long-time Chief Business Official, OUSD engaged a consulting team from Hazard, Young, Attea & Associates (HYA) to assist the District's fiscal team in implementing the Board-adopted structural recovery scenarios and financial stabilization implementation plan. In April 2026, the Board extended the contract with HYA and also filled the role of Deputy Superintendent of Business and Operations through internal promotion.

At the Third Interim, OUSD projects an improved financial position. However, the 2026–27 Adopted Budget once again presents a precarious fiscal outlook, requiring the Board to approve and implement budget-balancing solutions to maintain long-term fiscal solvency.

The chronological summary below references numbers as they were reported at that point in time.

Budget Reports Overview:
Financial reports during 2025-26 include the Adopted Budget (Received a Conditional Approval), 45-Day Budget Revision, First Interim Budget Report (Certified as Qualified), Second Interim Budget Report (Certified as Qualified), and Third Interim Budget Report (for districts certified as Qualified at Second Interim only).

Board Action and Staff Recommendations
On August 27, 2025, the District presented its 45-Day Budget Revision, which did not improve fiscal outlook. The Revision included the restoration of budgets previously capped or reduced pursuant to *Resolution No. 2425-0243*, repealing *Resolution No. 2425-0084*, directing alternative budget adjustments for fiscal years 2024–25, 2025–26, and 2026–27. In addition, it also indicated that the 2025–26 Base (Resource 0000) General Fund beginning fund balance was projected to decline to $5.9 million from the $21.8 million projected at budget adoption, and OUSD remained unable to meet its local Required Reserve for Economic Uncertainties (REU) of 3% for 2025-26. See the summary below:

2025-26 45-Day Budget Summary

	Unrestricted	Restricted	Total Fund
A. Revenues			
5) Total Revenues	$ 520,622,669	$ 292,108,770	$ 812,731,439
9) Total Expenditures	$ 456,296,713	$ 481,173,808	$ 937,470,521
C. Excess (Deficiency) of Revenues Over Expenditures	$ 64,325,957	$ (189,065,038)	$ (124,739,081)
D. Other Financing Sources/Uses			
4) Total, Other Financing Sources/Uses	$ (103,470,616)	$ 100,944,392	$ (2,526,223)
E. Net Increase (Decrease) in Fund Balance (C +D4)	$ (39,144,659)	$ (88,120,646)	$ (127,265,305)
F. Fund Balance, Reserves			
1) Beginning Fund Balance			
a) Adjusted Beginning Balance (F1c + F1d)	$ 58,428,078	$ 201,213,577	$ 259,641,655
b) Restricted	$ -	$ -	
2) Ending Balance, June 30 (E + F1e)	**$ 19,283,419**	**$ 113,092,931**	**$ 132,376,350**
Restricted Reserve	$150,000	$ 113,092,931	$ 113,242,931
Other Assignments	$0	$0	$0
Reserve for Economic Uncertainty	$28,199,902		$28,199,902
Unassigned Unappropriated	**$ (9,066,483)**	**$ 113,092,931**	**$ (9,066,483)**

On September 10, 2025, the Board adopted *Resolution No. 2526-0128* - Annual Statement of All Receipts and Expenditures of the District - Fiscal Year 2024-25 (Unaudited Actuals). The District's Unrestricted General Fund Ending Balance decreased by approximately $2.58M compared to the Estimated Actuals reported at the Adopted Budget. As a result, OUSD's reserves declined even further, and it was unable to meet the State minimum Reserve Requirement of 2% for fiscal year 2025-26.

The Board also approved *Resolution No. 2526-0129* authorizing Temporary Borrowing Between District Funds for Fiscal Year 2025-26 to support cash flow needs.

On September 24, 2025, the Board introduced *Resolution No. 2526-0177*, Directing the Preparation of Budget Scenarios to Address the District's Projected Fiscal Years 2026-27 and 2027-28 Structural Deficit.

On October 08, 2025, the Board adopted as amended *Resolution No. 2526-0177,* Directing the Preparation of Budget Scenarios to Address the District's Projected Fiscal Years 2026-27 and 2027-28 Structural Deficit, authorizing District staff to submit at least three scenarios reflecting the areas of suggested budget adjustments to the General Fund as described in the Resolution. In addition, the Board of Education approved *Resolution No. 2526-0063*, Temporary Hiring and Position Freeze at School Sites and Central Office. The resolution authorizes a temporary, district-wide freeze on the hiring and creation of new positions until the completion of the 2026-27 budget development cycle and the final placement of employees impacted by layoffs, reductions, and reassignments.

On November 12, 2025, the Board approved *Resolution No. 2526-0132*, Early Retirement Incentive Offer and Administrative Agreement with Public Agency Retirement Services (PARS).

On November 19, 2025, the Board approved *Resolution No. 2526-0177A,* Directing the Preparation of Budget Scenarios to Address the District's Projected Fiscal Years 2026–27 and 2027–28 Structural Deficit (As Amended).

On December 10, 2025, the Board approved the District's 2025-26 First Interim Financial Report with a "Qualified" certification, although a Negative certification was recommended by its Chief Business Official. In the accompanying MYP, the District indicated that the updated Budget-Balancing solutions needed for 2026-27 were $103.6M, an increase of $3.6M from the $100M target reported by OUSD in October 2025. In conjunction with the presentation of budget reduction scenarios, OUSD reaffirmed its commitment to the Re-Envision, Redesign, and Restructure (3Rs) initiative to achieve structural stabilization. To implement these targeted reductions, the Board adopted *Resolution No. 2526-0177A* Scenario 3, see below:

Item #	Category	Approximate Reduction	Unrestricted Savings	Restricted Savings
25-26	***Immediate Emergency Strategies to Restore the Fund Balance***	***$27,000,000***		
1	Hiring Freeze yielding Vacancy Savings generated by this action.	$10,000,000	*Pending*	*Pending*
2a	6-Week Freeze on all new contracts being initiated unless in key emergency areas approved by the Superintendent.	$0	*Pending*	*Pending*
2b	6 week freeze on all expenditures in 4000 and 5000 until Feb 1, 2026	$0	*Pending*	*Pending*
2c	Reduced Site and Central Budgets (Central Office 2x Reduction of School Sites)	$7,000,000	*Pending*	*Pending*
3	Superintendents Special Task Forces on Attendance to increase attendance rate for OUSD 25-26 by 2%. (Currently tracking at 1.8%)	$10,000,000	*Pending*	*Pending*

4	Superintendent to convene a team of top school finance experts to review OUSD budget and provide additional recommendations and support implementation (Funded by AB1840)	TBD	*Pending*	*Pending*
26-27	***Superintendent's Proposal***	***$102,460,000***		
Reduction 1	Central Office Reductions (Scenario 1 and Scenario 2)	$21,000,000	*Pending*	*Pending*
Reduction 2	School Site Budget Reduction between 7.5%-10% in collaboration with school communities, SSCs and Site Leaders	$32,000,000	*Pending*	*Pending*
Reduction 3	Central Department Reductions not included in Reduction 1 through a 15%-20% reduction in total budget.	$11,000,000	*Pending*	*Pending*
Reduction 4	Reduce School Site Access to Unutilized Spaces	$1,600,000	*Pending*	*Pending*
Reduction 6	After budget development do a second tier review of contracts to for		*Pending*	*Pending*
Reduction 7	Reduction triggered by decreased expenditures in RRMA	$1,000,000	*Pending*	*Pending*
Revenue Gen 1	Increase attendance for 25-26 by 2%	$10,000,000	*Pending*	*Pending*
Revenue Gen 2	TK Hub Launch for 2-3 Hubs	$1,500,000	*Pending*	*Pending*
Savings 1	Centralized Procurement and Copiers	TBD	*Pending*	*Pending*
Savings 2	Fleet Management System (Future Savings)	TBD	*Pending*	*Pending*
Shift to Restrict 1	Shift Attendance Specialist and Noon Supervisors to Supplemental	$3,860,000	*Pending*	*Pending*
Shift to Restrict 2	Shift Costs of 2-3 Small Schools into supplemental/concentration	$8,500,000	*Pending*	*Pending*
SPED 1	10% Reduction in Contribution to Special Education through restructuring and reducing outside contracts, management, and programmatic elements that are not legally mandated	$12,000,000	*Pending*	*Pending*
SPED 2	Feasibility Study for NPS in OUSD Properties	TBD	*Pending*	*Pending*

<u>District Leadership Transition</u>
Mid-December, Chief Business Official Lisa Grant-Dawson departed OUSD. Staff and consultants were brought in to support the vacancy.

<u>On January 14, 2026</u>, the District did not present the short-term impacts for 2025-26 mid-year adjustments at this board meeting as scheduled. This was postponed to January 20th, 2026, as the new fiscal team shared they were working to confirm the prior financial projections and the assumptions used in their First Interim report. The District approved the HYA contract to aid the District with fiscal advice.

On January 20, 2026, the Interim Superintendent and the HYA Fiscal Advisor presented Scenario 3 Implementation Updates, including the OUSD Finance and Budget Planning Timeline. The presentations indicated that a full review of the District's budget assumptions yielded a projected deficit for 2026-27 which was significantly smaller than originally projected. Further details were required to understand the changes in assumptions.

On January 28, 2026, as mandated by Board *Resolution No.2526-0177A (As Amended),* the Interim Superintendent and the HYA Fiscal Advisors delivered the initial presentation of the *Financial Stabilization Implementation Plan: Protecting Equity, Maintaining Local Control, and Prioritizing Students.* See below:

Hard Decisions, Immediate Results

Following HYA guidance, OUSD is adopting a 'Most Restricted First' allocation philosophy—using restricted funds for their intended purposes before drawing on flexible Base funds. This protects our Reserve and ensures compliance."

Adjustment Type	*Duration*	2025-26	2026-27	Total
Reductions & Savings	One-time	$8,085,982		$8,085,982
	Ongoing		$12,000,000	$12,000,000
Reduction Total		$8,085,982	$12,000,000	$20,085,982
Reallocations (Most Restricted First)	One-time	$18,500,000	$4,900,000	$23,400,000
	Ongoing		$20,640,000	$20,640,000
Reallocations & Reductions Total		$18,500,000	$25,540,000	$44,040,000
Grand Total		**$26,585,982**	**$37,540,000**	**$64,125,982**

Reserve for Economic Uncertainty Restored!

Spending Reductions by Category '25-26

Implementation Results: Impacts to the current '25-26 Budget

Adjustment Description	*Duration*	Estimated 2025-26
Central Office: 20% Reduction unspent S&C operation funds	One-time	$3,026,293
Central Office: 20% Reduction unspent S&C staffing	One-time	$1,430,239
Central Office: Reduce unspent Base operation funding	One-time	$1,964,199
Schools: 10% Reduction unspent Base staffing	One-time	$29,011
Schools: 10% Reduction unspent Base operations	One-time	$74,390
Schools: Reduce unspent S&C non-staffing	One-time	$72,905
Schools: Reduce unspent S&C staffing	One-time	$1,488,945
Grand Total		**$8,085,982**

* Reductions to S&C spending listed here both a) reduce overall unrestricted improving the unrestricted fund balance, and b) free up balances to accommodate for reallocations of Base spending into S&C resources. Appropriate use of Base funds to meet the Reserve for Economic Uncertainty.

2025-26 Funding Realignments

Adjustment Description	*Duration*	Estimated 2025-26
Fund Small schools serving high needs students with S&C	One-time	$10,000,000
Fund Student Support Professional Development with Discretionary Block Grant	One-time	$4,600,000
Fund Custodial Expenses for After School with Expanded Learning Opportunities Programs Grant	One-time	$2,000,000
Fund Attendance Specialists and Noon Supervisors with expiring one-time funds Arts, Music & Instructional Materials Discretionary Block Grant***	One-time	$1,400,000
Fund Allowable Expenses to S&C	One-time	$500,000
Grand Total		**$18,500,000**

* Best Practice Adoption. Appropriate reallocation of Base funding to Restricted funding sources increases Unrestricted Fund Balance and alleviate overspending in Base. REU is typically comprised of Base resources.
** Planned for Ongoing Expenditure in S&C for 26-27 Planned Budget
*** OUSD invests more than $65 million in Literacy and $30 million in the arts (schools and central combined).

Implementation Plan Overview 2026-27

Summarized Actions for 26-27	Target	Status
Central Office Reductions	$21,000,000	On Track
School Site Budget Reduction between 7.5-10%	$32,000,000	Under Review
Central Office Reductions 15-20% reduction above 21M	$11,000,000	On Track
Reduce school site access to unutilized spaces	$1,600,000	On Track
After budget development second tier contract review	TBD	On Track
Decreased RRMA expenditures	$1,000,000	On Track
Increased attendance by 2%	$10,000,000	Under Review
TK Hub Launch for 2-3 Hubs	$1,500,000	On Track
Centralized Procurement of Materials and Services	TBD	On Track
Fleet Management System (Future Savings)	TBD	On Track
Shift Attendance Specialist & Noon Supervisors to S&C	$3,860,000	Completed
Shift costs of small schools into S&C	$8,500,000	Completed
10% reduction of contribution to Special Education	$12,000,000	Under Review
Feasibility Study for NPS in OUSD Properties	TBD	On Track
Grand Total	**$102,460,000**	

Next Year (2026-27) Reductions to Date*

Board actions from Scenario 1 incorporated into the current plan creates ongoing reductions in Central Office Spending

Adjustment Description	*Duration*	Estimated 2026-27
Reduce Unrestricted Central Office spending per Scenario 1	Ongoing	$10,000,000
Reduction of contribution to Deferred Maintenance Fund	Ongoing	$2,000,000
Grand Total		**$12,000,000**

* Conservative estimates of savings included here as proportion of reduction applied to unrestricted resources is under additional review. See Scenario 1 for details.

2026-27 Funding Realignments

Correcting funding sources to align with program purposes and compliance requirements

Reallocation Adjustment Description	*Duration*	Estimated 2026-27
Fund Student Support Professional Development with Discretionary Block Grant**	One-time	$4,900,000
Fund Small Schools serving high needs students with S&C***	Ongoing	$9,000,000
Fund Alternative Education programs with S&C	Ongoing	$11,000,000
Fund Noon Supervisor positions with S&C	Ongoing	$640,000
Grand Total		**$25,540,000**

* Shifts out of Base funding to S&C Funding alleviate overspending in Base to support the Reserve for Economic Uncertainty which should be comprised of Base resources.
** The Discretionary Block Grant (Resource 6019) is a one-time resource expected to be fully expended in 2026-27.
*** Projections are all based on Current Costs Associated with Base Funding Provided to Necessary Small Schools and Alternative Education Programming

On February 11, 2026, the Interim Superintendent included a list of central office position reductions for 2026-27 as part of the budget-balancing solutions. However, most of the positions were subject to collective bargaining negotiations.

On February 25, 2026, the Interim Superintendent presented a summary of reductions and shifts implemented to date; see below:

Analysis and Detail Report - Deficit Abatement
OUSD - Fiscal Shifts & Reductions

Reductions	FY 25-26		
Central 20% - Labor & Supplies/Materials/Services		1,964,199	3.01%
Schools 10% - Labor - Certif/Classif/Benefits		29,011	0.04%
Schools 10% - Supplies/Materials/Services		74,390	0.11%
Deferred Maintenance		2,000,000	3.07%
Shifts			
Central - 20% Suppl & Conc - Certif/Classif/Benefits		1,430,239	2.19%
Central - 20% Suppl & Conc- Supplies/Matls/Svcs		3,026,293	4.64%
Schools - Suppl & Conc- Certif/Classif/Benefits		1,488,945	2.28%
Schools - Suppl & Conc - Supplies/Matls/Svcs		72,905	0.11%
Central - Labor and Non-Labor costs to Suppl & Conc		500,000	0.77%
Costs Alt Ed / Suppl & Conc carryover		10,000,000	15.33%
To restricted - Attendance clerks / Noon Supvs		1,400,000	2.15%
To Discretionary Block Grant - Labor and Non-Labor		4,600,000	7.05%
Custodial costs transfer		2,100,000	3.22%
Reductions	FY 26-27		
Central / Schools - Certif/Classif/Benefits		*11,000,000*	*16.86%*
Shifts			
Ongoing shift Noon Supvs to S&C		640,000	0.98%
Ongoing shift Alt Ed to S&C		11,000,000	16.86%
Ongoing shift Small Schools to S&C		9,000,000	13.80%
Labor & Non-Labor to Resource 6019		4,900,000	7.51%
Total - Fiscal Shifts and Reductions			
		65,225,982	
TBD: PARS savings, Grant FTEs, Balances			
		Aggregate: Central	*10.61%*
Feb. 2026 - Source: OUSD staff data		*Aggregate: Schools*	*2.55%*

In addition, the Board approved the TA between OUSD and SEIU and Public Disclosure of the provisions and costs of the collective bargaining agreement with a fiscal impact of $38.9M over three years, along with two major workforce reduction measures: *Resolution No. 2526-0082* authorizing Notice of Layoff for certain Classified Employees due to lack of funds and/or lack of work; and *Resolution No. 2526-0083* authorizing the reduction or elimination of certificated positions due to a reduction of particular kinds of service. A total net decrease of 383.20 FTE across 666 positions was reported in the Summary Exhibit B. However, the individual Exhibit A listings lack sub-totals per resolution; furthermore, there was no fiscal impact, or projected dollar savings totaled on the document.

On March 11, 2026, the Board approved the District's 2025-26 Second Interim Financial Report with a "Qualified" certification. In the accompanying MYP, the District indicated that its updated Budget-Balancing solutions for 2026-27 were $36M, a decrease of $67.6M from the $103.6M target reported by OUSD at First Interim due to the reductions and new budget review process that was implemented within the 2025-26 fiscal year, such as removing funds earmarked for already board-approved obligations, reconciling expenditures to align with funding sources, increasing enrollment and student attendance, and reducing budgets to align with the available resources. Pursuant to E.C. § 42131(e), the District is required to submit a Third Interim Budget Report to ACOE, the Superintendent of Public Instruction, and the State Controller by June 1, 2026.

The Board also approved *Resolution No. 2526-0082A*, Amendment of Notice of Layoff: Classified Employees – Reduction in Force Due to Lack of Funds and/or Lack of Work. In the presentation on the Financial Stabilization Implementation Plan, the Interim Superintendent outlined a strategic Four-Phase Approach, see below:

A Strategic, Four-Phase Approach

Proactive and Systematic Stewardship

✓ **Phase 1: Immediate Stabilization (Winter 2025 - Spring 2026)**

Board-initiated third-party verification • Restored reserves • Qualified First Interim

✓ **Phase 2: Workforce Realignment (February/March 2026)**

Strategic staffing adjustments protecting student-facing services while right-sizing to enrollment reality; Implementing immediate reductions while protecting key programs, maintaining neighborhood schools, and sustaining educational quality.

See Workforce Realignment Items on Today's Agenda:

- ➔ 26-0448 Reduction in Force:Classified
- ➔ 26-0449 Reduction in Force:Certification
- ➔ 25-2712B PARS Retirement Incentive

▶ **Phase 3: Budget Adoption for FY 26/27 (April-June 2026)**

Continued refinement of assumptions, may revise, adopting a balanced budget by June 30

Expand enrollment by developing TK Hubs in underutilized campuses

▶ **Phase 4: Long-Term Sustainability and Growth (FY 27/28 - FY 28/29)**

Implementing fiscal expert recommendations • Building operational excellence • Positioning Oakland for enrollment growth and academic achievement gains

On April 22, 2026, the Board approved Amendment No. 1 to the Services Agreement between the District and HYA, extending the term of services through December 31, 2026. Additionally, Tara Gard was promoted as Deputy Superintendent of Business and Operations.

On May 13, 2026, the Board approved a one-year extension of Superintendent Dr. Denise Saddler's contract and updated her title from Interim Superintendent to Superintendent.

Collective Bargaining Agreement - OEA

During the Superintendent's Report, the District's business team presented *OUSD Fiscal Solvency Update & Accountability Roadmap*, which included the fiscal impact of an OEA settlement totaling approximately $108M over three years (see below), as well as an improved cash flow position projected for 2026-27 and 2027-28. The District stated that its current multiyear fiscal projections allow for the payment of the settlement obligations, assuming that the established fiscal solvency measures continue in the outgoing years.

Budget Costs Criteria

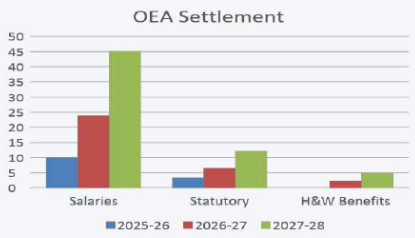
OUSD – OEA Settlement Cost Analysis

With the settlement with OEA, the Board accomplished the continuity of instructional programs by averting a strike, and a 2-year contract that will preserve academic stability until the end of 2026-27. The costs, while significant, are part of the Board-directed plan for fiscal actions that seek to protect programs through budget reductions, enabling deficit containment. The current district fiscal projections allow for the payment of the settlement obligations, assuming that the established fiscal solvency measures continue in the outgoing years.

OEA Settlement costs - 3 Year Forecast

	2025-26	2026-27	2027-28
Salaries	10,010,183	23,850,200	45,141,406
Statutory	3,361,591	6,574,571	12,217,038
H&W Benefits	-	2,385,677	4,878,708
Total Yr Cost	13,371,774	32,810,448	62,237,152

Source: Data provided by OUSD Fiscal Services Staff



Oakland Unified School District | Fiscal Solvency Update & Accountability Roadmap

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ACOE's Board Letter of Concern & State Appeal

ACOE's Second Interim outlined concerns with regard to OUSD's new unfunded multi-year commitments. The Board also adopted *Resolution No. 2526-0018* ratifying and affirming the District's protective appeal to the State Superintendent of Public Instruction ("SPI") regarding the Alameda County Office of Education's ("ACOE") April 16, 2026 Going Concern designation pursuant to California Education Code section 42127.6. On May 14, 2026, the California Department of Education denied OUSD's appeal.

Additionally, the Board adopted *Resolution No. 2026-0019* approving District Salary Schedules for SEIU unit members and public disclosure of the provisions and costs of the collective bargaining agreement.

On May 27, 2026, the Board adopted *Resolution No. 2526-0137* approving the *District's Third Interim Financial Report for Fiscal Year 2025-26.* The Third Interim Report reflects a "Reserve for Economic Uncertainties" (REU) of $29,522,037.53 and a combined "Ending Fund Balance" of $153,758,068.01. The District's fiscal position was projected to improve, meeting both its Local Required REU of 3% and the State-required minimum REU of 2% (see below):

OUSD - Third Interim Report & Fiscal Solvency Update

Overview of District Fiscal Condition – 3rd Interim Budget Detail

Combined: Unrestricted and Restricted General Fund

Description	Projected Year Totals (Form 01I) (A)	2026-27 Projection (C)	2027-28 Projection (E)
A. REVENUES AND OTHER FINANCING SOURCES			
6. Total (Sum lines A1 thru A5c)	878,491,421.14	832,228,873.00	921,738,046.00
B. EXPENDITURES AND OTHER FINANCING USES			
11. Total (Sum lines B1 thru B10)	978,669,778.76	869,356,017.24	938,366,846.24
C. NET INCREASE (DECREASE) IN FUND BALANCE			
(Line A6 minus line B11)	(100,178,357.62)	(37,127,144.24)	(16,628,800.24)
D. FUND BALANCE			
1. Net Beginning Fund Balance (Form 01I, line F1e)	253,936,425.63	153,758,068.01	116,630,923.77
2. Ending Fund Balance (Sum lines C and D1)	153,758,068.01	116,630,923.77	100,002,123.53
E. AVAILABLE RESERVES (Unrestricted except as noted)			
b. Reserve for Economic Uncertainties	29,522,037.53	31,924,537.19	29,346,946.22
3. Total Available Reserves - by Amount (Sum lines E1 thru E2c)	29,522,037.53	31,924,537.19	28,809,516.22
4. Total Available Reserves - by Percent (Line E3 divided by Line F3c)	3.02%	3.67%	3.07%
c. Total Expenditures and Other Financing Uses (Line F3a plus line F3b)	978,669,778.76	869,356,017.24	938,366,846.24
(Refer to Form 01CSI, Criterion 10 for calculation details)	2%	2%	2%
e. Reserve Standard - By Percent (Line F3c times F3d)	19,573,395.58	17,387,120.34	18,767,336.92
h. Available Reserves (Line E3) Meet Reserve Standard (Line F3g)	YES	YES	YES

In addition, the Board also approved *Resolution No. 2526-0019*, Authorizing *Retroactive Reclassification Of General Fund Expenditures To Restricted Funds And Directing Ongoing Cost Allocation Review For Future Fiscal Years.*

Leadership Appointments:

On May 30, 2025, the Board appointed retired OUSD leader Dr. Denise Saddler as Interim Superintendent, effective July 1, 2025. On May 13, 2026, the Board approved a one-year extension of Superintendent Dr. Denise Saddler's contract and updated her title from Interim Superintendent to Superintendent. On April 22, 2026, the Board promoted Tara Gard, former Deputy Chief of Talent, to Deputy Superintendent of Business and Operations.

Third Interim Budget Report:
While the Third Interim Budget Report submitted by OUSD reflects significant improvement in the District's fiscal position over the Second Interim, ACOE continues to have concerns with OUSD's budget deficit, as it has increased its multiyear obligations amid budget constrictions and reorganizations. Per OUSD's Third Interim report, ACOE concurs, the OUSD Board would therefore need to approve and implement reductions of $30 million each for the 2026-2027 and 2027-2028 school years to balance the budget and maintain fiscal solvency. While the District has shown a reduction to its structural deficit in the Unrestricted General Fund, the District is utilizing its restricted reserves, and the OUSD budget is structurally not sustainable without further reductions. The District will need to continue its work to align its expenditures with its available resources.

Enrollment & ADA:
OUSD experienced minor enrollment and attendance growth in 2025-26, and the district is utilizing attendance generating opportunities, such as creating TK hubs. These help to mitigate, but do not offset, an overall declining enrollment trend and attendance rate below pre-pandemic levels which negatively impact the District's revenue. Declining childbirth rates and outmigration from coastal California mean that significant declining enrollment are projected across all the county and most of the state for the foreseeable future and will continue to impact OUSD.

Fiscal Stabilization Plan - Summer 2026 :
As the District prepared its Estimated Actuals within its 2026-27 Adopted Budget, the OUSD Superintendent and staff presented OUSD Financial Stabilization Implementation Plan Progress Update, as well as attached a detailed Financial Stabilization Implementation Plan Progress Update and Path Forward, Resolution No. 2526-0026. This was approved by the OUSD board majority.

Conclusion:
The Oakland Unified School District entered Fiscal Year 2025-26 under full local control for the first time in a generation. However, in order to maintain its local control and long-term fiscal solvency, the Board must continue to follow through with its fiscal stabilization plan.

Attached to this letter, please find a detailed summary of the District's financial position as well as copies of ACOE's communications to the District's Board throughout the fiscal year.

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
Tony Thurmond, State Superintendent of Public Instruction, CDE
Michael H Fine, Fiscal Crisis and Management Assistance Team
Allan Garde, Associate Superintendent of Business Services, ACOE
Shirene Moreira, Chief of District Business & Advisory Services, ACOE
Julia Xu, Director III, District Advisory Services, ACOE

Attachments:
Resolution No. 2425-0138 Approving District's Proposed Budget for FY2025-26 06252025
OUSD 2025-26 45-Day Revised Adopted Budget 08272025
OUSD 2025-26 LCAP & Adopted Budget Conditional Approval Letter 09122025
OUSD 2025-26 LCAP & Adopted Budget Final Approval Letter 11012025
Resolution No. 2526-0128 Annual Statement of All Receipts and Expenditures of the District - Fiscal Year 2024-2025 09102025
Resolution No. 2526-0129 requesting for 25-2245 Temporary Borrowing Between District Funds – Fiscal Year 2025-2026 09102025
Resolution No. 2526-0177 Directing the Preparation of Budget Scenarios - District's Structural Deficit - FY2026-27 and 2027-28 - ADOPTED AS AMENDED 1082025
Resolution No. 2526-0063 Temporary Hiring and Position Freeze – School Sites and Central Office 10082025
Resolution No. 2526-0132 District's Early Retirement Incentive and Administrative Agreement - PARS 11122025
Board Resolution 25-2351E Amendment Resolution No. 2526-0177 Directing the Prep of Budget Scenarios to address deficit (Adopted 11192025)
OUSD 2025-26 First Interim Letter 01232026
Update on Resolution 2526-0177A File25-2351H – Adopted Budget Scenarios 3 OUSD Structural Deficit 12102025
OUSD's Financial Stabilization Implementation Plan - First Presentation 01282026
OUSD 2025-26 AB1200 Collective Bargaining Board Letter- SEIU 02182026
OUSD's Financial Stabilization Implementation Plan - Fourth Report 02252026
Resolution No. 2526-0082 Notice of Layoff - Classified Employees - Reduction in Force (RIF) 02252026
Resolution No. 2526-0083 Eliminate Certificated Positions Due to a Reduction of Particular Kinds of Service 02252026
OUSD 2025-26 Second Interim Letter 04162026
OUSD Fiscal Solvency Update & Accountability Roadmap 05132026
Resolution No. 2026-0019 Approval of District Salary Schedules - SEIU Local 1021 Unit Members SEIU TA and AB 1200 Public Disclosure Documents 05132026
Resolution No. 2526-0018 Adoption of District's Appeal to the CA Superintendent of Public Instruction 05132026
Resolution No. 2526-0019 - Authorizing Retroactive Reclassification Of General Fund Expenditures To Restricted Funds And Directing Ongoing Cost Allocation Review For Future Fiscal Years 05272026
Resolution No. 2526-0137 Approving the District's Third Interim Financial Report for Fiscal Year 2025-26 05272026
Resolution No. 2425-0243, amending and repealing Resolution No. 2425-0084, to mandate alternative fiscal adjustments for the 2024–25, 2025–26, and 2026–27 school years.
Resolution No. 2425-0084 25-0492 Amendment - Board of Education - Directing Alternative Budget Adjustments - Fiscal Years 2025-2027 - President Jennifer Brouhard Vice President
Resolution #2425-0084 Directing Alternative Budget Adjustments for 2025-2027

Detailed Summary:
2025-26 Annual Report Regarding Fiscal Solvency of Oakland Unified School District
Pursuant to Education Code Section 1240(e)

Budget Reports:
2025-26 Reporting Period - Unrestricted General Fund Fiscal Summary

Description	Adopted Budget	45-Day Budget Revision	45-Day **Budget** Revision with UA Beginning Balance	First Interim	Second Interim	Third Interim
Unrestricted Revenues & Other Sources	$420,152,054	$420,152,054	$420,152,054	$422,646,995	$404,691,585	$387,981,604
Unrestricted Expenditures, Other Uses & Transfers	$450,746,095	$459,296,713	$459,296,713	$459,459,183	$425,275,066	$411,528,538
Unrestricted Surplus / (Deficit)	($30,594,042)	($39,144,659)	($39,144,659)	($36,812,188)	($20,583,481)	($23,546,935)
Unrestricted Reserve (Obj 9789 & 9790)	$26,525,204	$19,133,419	$16,550,574	$18,883,045	$29,029,222	$29,522,038
Unrestricted Reserve %	2.89%	2.03%	1.76%	1.92%	3.01%	3.02%
Reserve Met / Not Met	Met	Met	Not Met	Not Met	Met	Met
Unrestricted Ending Fund Balance	**$26,675,204**	**$19,283,419**	**$129,345,752**	**$126,868,438**	**$148,363,550**	**$153,758,068**

2025-26 Reporting Period - Combined General Fund Fiscal Summary

Description	Adopted Budget	45-Day Budget Revision	45-Day **Budget** Revision with UA Beginning Balance	First Interim	Second Interim	Third Interim
Approval / Certification	Conditional	n/a	n/a	Qualified	Qualified	n/a
Total Revenues & Other Sources	$806,550,403	$815,731,439	$815,731,439	$851,321,915	$860,393,788	$878,491,421
Total Expenditures, Other Uses & Transfers	$919,406,486	$937,485,521	$937,485,521	$981,058,976	$965,966,663	$978,669,779
Surplus / (Deficit)	($112,856,083)	($124,739,081)	($124,739,081)	($129,737,061)	($105,572,875)	($100,178,358)
Total Ending Fund Balance	**$95,644,534**	**$132,376,350**	**$129,345,752**	**$126,868,438**	**$148,363,550**	**$153,758,068**
Average Daily Attendance (ADA) P-2 Projections	30,563.12	30,563.12	30,563.12	30,563.12	30,354.31	30,354.31
Funded 2025-26 P-2 ADA	30,763.60	30,763.60	30,763.60	30,563.12	30,417.91	30,419.81
Funded Difference (Funded ADA-Actual P-2 Projected ADA)	200.48	200.48	200.48	0.00	63.60	0.00

Adopted Budget Report and Local Control & Accountability Plan (LCAP):

On June 25, 2025, OUSD's Board approved the 2025-26 Adopted Budget and Multiyear Budget Projection (MYP), as well as the 2025-2026 LCAP, Year 2. The 2025-26 Budget represents the first budget adopted by OUSD after a return to full local control. After review, ACOE conditionally approved OUSD's 2025-26 Adopted Budget on September 12, 2025. The conditional approval was primarily driven by significant declines in General Fund Reserves resulting from declining enrollment and increasing expenses, the District's failure to meet the local required reserve of 3% in 2025-26 and the two subsequent years, and the need to identify the $78M in budget reductions or alternative solutions requiring board action in the coming months to balance the budget for 2026-27. ACOE's Board Letter can be found here. The conditional approval was also driven by the 45-Day Revision following the Enacted State Budget, which did not improve the District's fiscal outlook.

Based on ACOE's review of the District's actions taken to address the Conditional Approval of its 2025-26 Adopted Budget, it was determined that while the Board's minimal actions were inadequate to address the district's increasingly dire financial circumstances, the District had adequate one-time dollars to stay afloat for the current school year and the Board passed a resolution directing staff to prepare budget scenarios for future years for Board consideration, thus fulfilling the absolute minimum requirements to maintain local control and allow OUSD's 2025-26 LCAP and Adopted Budget to be approved. On November 01, 2025, ACOE approved the District's 2025-26 LCAP and Adopted Budget. ACOE's Board Letter can be found here.

First Interim Budget Report:

OUSD filed a QUALIFIED certification of the District's 2025-26 First Interim Budget Report, as approved by OUSD's Board on December 10, 2025. ACOE found that the District's Qualified certification was contingent upon the Board's full and timely implementation of $27 million in Immediate Emergency Strategies to Restore the 2025–26 Fund Balance approved with the First Interim Report, as well as a full and timely adoption of $103 million in ongoing reductions in the following years, for which detailed plans had not yet been presented and adopted. ACOE's Board Letter can be found here.

A snippet of the District's Unrestricted Ending Fund Balance and Board Required Adjustments:

First Interim Budget Adjustments - OUSD's MYP	2025-26	2026-27	2027-28
Unrestricted General Fund - Beginning Balance	$55,845,233	$19,033,045	$29,608,106
Unrestricted General Fund - Surplus/(Deficit)	($36,812,188)	$10,575,061	($232,247)
Unrestricted Reductions: B10 Other Adjustments		($103,560,206)	($90,196,432)
Unrestricted General Fund - Ending Balance	**$19,033,045**	**$29,608,106**	**$29,375,859**

Second Interim Budget Report:

OUSD filed a QUALIFIED certification of the District's 2025-26 Second Interim Budget Report as approved by OUSD's Board on March 11, 2026. Based on the review and analysis of this report, ACOE concurred with the District's certification, but found the Board's recent significant multi-year obligations could potentially derail the District's progress. ACOE's Board Letter can be found here.

A snippet of the District's Unrestricted Ending Fund Balance and Board Required Adjustments:

Second Interim Budget Adjustments - OUSD's MYP	2025-26	2026-27	2027-28
Unrestricted General Fund - Beginning Balance	$53,170,602	$32,587,121	$33,144,195
Unrestricted General Fund - Surplus/(Deficit)	($20,583,481)	$557,074	$323,436
Unrestricted Reductions: B10 Other Adjustments		($36,000,000)	($56,714,892)
Unrestricted General Fund - Ending Balance	**$32,587,121**	**$33,144,195**	**$33,467,631**

Third Interim Budget Report:

In accordance with EC 42131(e), as a District with a qualified Second Interim certification, OUSD submitted a Board-approved 2025-26 Third Interim Budget Report to ACOE. No certification was required for this report.

In its board presentation on May 27, 2026, OUSD is projected to meet its fiscal obligations for the current fiscal year and the two subsequent fiscal years. However, the District acknowledged that the fiscal risk still remains, and ongoing Board-approved solvency actions are required to meet the REU requirement in 2026-27 and 2027-28.

The District's structural Deficit is presented below:

2025-26 Third Interim MYP	2025-26	2026-27	2027-28
Unrestricted General Fund - Beginning Balance	53,170,602	29,623,667	31,924,537
Unrestricted General Fund - Surplus/(Deficit)	(23,546,935)	2,300,870	(2,577,593)
Unrestricted General Fund - Ending Balance	29,623,667	31,924,537	29,346,944
Reserve for Economic Uncertainty (REU) - 3% Local Requirement	3.02%	3.67%	3.13%
REU Met?	Met	Met	Met

Enrollment & ADA:

OUSD has experienced declining enrollment since 2017-18. According to CALPADS data, the District's enrollment decreased by 3,276 students, from 37,096 in 2017-18 to 33,820 in 2024-2025. However, in 2025-26, the District is showing minor growth, as it has made strides in improving attendance; its ADA-to-enrollment ratio, or Attendance Yield, has improved.

Fiscal Year	CALPADS	Year-over-Year Difference	% Difference
2017-18	37,096		
2018-19	36,524	-572	-1.54%
2019-20	35,726	-798	-2.18%
2020-21	35,489	-237	-0.66%
2021-22	34,428	-1061	-2.99%
2022-23	34,149	-279	-0.81%
2023-24	33,909	-240	-0.70%
2024-25	33,820	-89	-0.26%
2025-26	33,891*	71	0.21%
2026-27	33,861	-30	-0.09%
2027-28	33,861	0	0.00%

*2025-26 CALPADS Certified

Unrestricted Adjustments / (Reductions) identified at each Reporting Period:

OUSD's financial condition continues to present a structural deficit, with expenditures exceeding the District's available revenues. While the District's fiscal position appeared to improve in OUSD's Third Interim Financial Report, the District still projects the need for ongoing budget adjustments. ACOE will continue to monitor the District's and Board's progress toward maintaining long-term fiscal sustainability.

Reporting Period	2026-27	2027-28	2028-29
2025-26 Adopted Budget	(78,099,899)	(72,616,126)	n/a
2025-26 First Interim	(103,560,206)	(90,196,432)	n/a
2025-26 Second Interim	(36,000,000)	(56,714,892)	n/a
2025-26 Third Interim	(30,000,000)	(30,000,000)	n/a
2026-27 Adopted Budget	(30,000,000)*	(30,000,000)	(10,000,000)

**Includes reductions budgeted in Object code 4395 in 2026-27*