



# Alameda County Office of Education

L. K. Monroe  
Superintendent

March 12, 2021

Oakland Unified School District  
ATTN: Board President  
1000 Broadway  
Oakland CA 94607

RE: Oakland Unified School District's State Loan

On January 22, 2021, the Oakland Unified School District (OUSD) hosted a Governing Board orientation where, Dr. Candi Clark, Associate Superintendent of Business Services for the Alameda County Office of Education (ACOE) and Chris Learned, ACOE Fiscal Oversight Trustee, discussed oversight roles and responsibilities as it relates to OUSD and ACOE. After the presentation, a follow up question was posed to Mr. Learned to clarify the status of District's state loans and if the District is eligible to pay the loans off early. The discussion also included a comment that at prior OUSD Budget and Finance Meeting, the District's Chief Business Officer included the timeline for repayment of the state loan in the presentation and during the discussion, responded to the Board that the state loan was unable to be paid off early because it was funded by a municipal bond. This joint communication is intended to provide clarity for the OUSD governing board and all stakeholders regarding the district's state loan.

On May 30, 2003, SB 39 was signed into law, providing OUSD an emergency loan through the state. As approved, "This bill would appropriate \$100,000,000 from the General Fund to the Superintendent of Public Instruction for the purpose of providing the Oakland Unified School District with an emergency loan. The bill would authorize loan funds to be disbursed from the proceeds of the loan only if the trustee and Financial Crisis Management and Assistance Team (FCMAT) jointly determine that disbursement is necessary. The bill would require the district to repay the loan as a straight-line loan amortized over a 20-year term, with interest as provided. The bill would authorize the district from June 1, 2003, to June 30, 2005, inclusive, to sell property of the district and use the proceeds from that transaction to reduce or retire the emergency loan. The bill would, in addition, make the school district ineligible for hardship state funding for the construction of school facilities during that time."

After the loan's approval, the District received \$65,000,000 through the California Infrastructure and Economic Development Bank (I-Bank) on June 4, 2003. On June 28, 2006, the District received another \$35,000,000 from the California General Fund. The

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payoff dates for the loans are January 2023 and June 29, 2026, respectfully. The matrix below illustrates the loan status of each.

Oakland USD State Loans (SB 39)				
Loan Issuance	Date of Issuance	Loan Amount	Annual Loan Payment	Pay Off Date
I-Bank	6/4/2003	\$65,000,000	\$3,800,000	January 2023
State GF	6/28/2006	\$35,000,000	\$2,100,000	6/29/2026
Loan balance as of 7/1/2020 \$23,091,411				
Source: California Department of Education				

During Mr. Learned’s presentation on AB 1840, he shared that the District could use the proceeds from the sale or lease of surplus property to retire the state loans early. As written, AB 1840 – Chapter 426 provides the following:

***“This bill would authorize the Inglewood Unified School District, the Oakland Unified School District, the South Monterey County Joint Union High School District, and the Vallejo City Unified School District, if those school districts have an outstanding emergency apportionment loan as of July 1, 2018, until the emergency apportionment loan is repaid, to sell or lease surplus real property, together with any personal property located on the real property, owned by the school district and use the proceeds from the sale or lease to service, reduce, or retire the debt on the emergency apportionment loan, or for capital improvements of the school district’s facilities.”***

Although the provisions of AB 1840 allow for the sale of personal or surplus property owned by the District to reduce or retire the debt; it’s not mandatory, nor does it address the terms and conditions of the I-Bank and state general fund loans relative to early payoff. As a member of the Budget and Finance Committee, Trustee Hutchison questioned the District’s ability to pay the loans off early. In a previous meeting, at the January 21, 2021 Budget and Finance Committee, OUSD staff informed the Budget and Finance Committee the District loans could not be retired early. According to OUSD staff, the summary of the bond payoff was included in the presentation to bring focus to the close proximity of time (within five years) in which the District’s long-term debt will be retired and the loss of actual cash for nearly 20 years impacting the District’s financial fortitude.

After the presentation, FCMAT was contacted for clarification on retiring the loans early. According to FCMAT, paying off the State General Fund loan is an option for the District since the loan was obtained from the state and the I-Bank loan is now callable. We hope this communication helps to clarify this matter. Though we recognize that paying the state loan off early may not have been an active strategy of OUSD, it is important to have the accurate information of available options as the District continues work towards fiscal solvency.

Sincerely,



Dr. Candi Clark  
Associate Superintendent of  
Business Services  
Alameda County Office of Education



Lisa Grant Dawson  
Chief Business Officer  
Oakland Unified School District

