



Alameda County Office of Education

Alysse Castro, Superintendent

January 12, 2024

Dr. Kyla Johnson-Trammell, Superintendent
Members of the Board of Education
Oakland Unified School District (OUSD)
1011 Union St, Oakland, CA 94607

RE: 2023-24 First Interim Budget Report

Dear Superintendent and Members of the Board,

OUSD filed a QUALIFIED certification of the District's 2023-2024 First Interim Budget Report covering the period ending October 31st, which OUSD's Board of Education approved on December 14, 2023. A Qualified Certification means that a district *may not* meet its financial obligations for the remainder of the fiscal year or, based on current forecasts, for the subsequent two fiscal years. *ACOE has reviewed OUSD's First Interim Budget Report reflecting the financial status of the District based on the current budget assumptions and the Board's actions, and we concur with the District's QUALIFIED certification.*

ACOE is highlighting concerns in three areas:

- *Forecasts include future reductions pending board action.*
- *Forecasts assume enrollment growth which is not consistent with the District's historical trend.*
- *The state's COLA and revenue projections are down significantly and will likely require the board to take further action in the future.*

Please see the attached report for details we wish to highlight for the Board in support of performing its fiduciary duty over the three projected years within the Multiyear Budget Projections (MYP).

We want to acknowledge and express our appreciation to the District staff, the Board, and the community for their continued diligence and hard work. If you have any questions or concerns regarding our review process, please don't hesitate to reach out to me or the District Business & Advisory Services team.

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 Cázares, Fiscal Oversight Trustee
Shirene Moreira, Chief of District Business & Advisory Services, ACOE
Joan Laursen, Director III, District Business & Advisory Services, ACOE

2023-24 First Interim Review Oakland Unified School District

Revenue Projections:

Description: The Legislative Analyst's Office announced in November 2023 that the Governor's June 2023 COLA estimates for fiscal years 2024-25 and 2025-26 were inflated. The COLA for 2024-25 will come in closer to 0.76% vs. 3.94% as projected in June of 2023.

COLA	2024-25	2025-26	
OUSD's LCFF Calculator (Revenue Projections)	1.00%	2.00%	
Governor's January Budget Proposal/ACOE's Estimate*	0.76%	2.00%*	

LCFF Revenue Projections	2023-24	2024-25	2025-26
OUSD's Unrestricted LCFF Revenue (MYP)	\$482,148,050	\$471,544,693	\$479,145,692
ACOE's Estimates after adjusting OUSD's Calculator	\$482,148,050	\$470,434,125	\$478,027,333
Difference due to COLA adjustment only	-	(1,110,568)	(1,118,359)

Enrollment Projections:

Description: The District has been experiencing declining enrollment since 2017-18, with a five-year average annual decline of 1.65%. The District is projecting growth in the MYP largely due to the increase in Transitional Kindergarten. The chart below illustrates the enrollment projections according to the District's LCFF Calculator.

CALPADS	2023-24	2024-25	2025-26
Projections within the District's First Interim Report	33,989	34,290	34,290
Year-Over-Year Difference	133	301	-

Average Daily Attendance (ADA):

Description: The District projects revenue forecasts based on enrollment growth and the three-year rolling average LCFF funding calculation for 2023-24 and 2024-25, with funding based on the projected "current" enrollment in 2025-26.

ADA Calculations for Revenue Forecasts	2023-24	2024-25	2025-26
Enrollment	33,989	34,290	34,290
Total Average Daily Attendance for the FY	30,459.52	30,729.27	30,729.27
Total Funded ADA	31,865.39	30,762.83	30,729.27
Funded ADA Option	3-PY Average	3-PY Average	Current

Reserve for Economic Uncertainties (REU):

Description: Districts the size of OUSD are required to meet 2% minimum required reserves for each year through 2025-26. Additional Stabilization arrangements of 1% were approved locally to require a 3% REU.

RESERVES	2023-24	2024-25	2025-26
Is REU Met or Not Met in Submitted Financial Report?	Met	Met	Met
Amount of Revenue that the LEA may not receive if COLA is lower		(1,110,568)	(1,118,359)
Is REU Met or Not Met if COLA is decreased?	Met	Met*	Met*

*District's financial report includes \$41.5 million in ongoing reductions

Required Board Action:

Description: The OUSD board approved Resolution No. 2223-0065 at Adopted Budget that confirms the Board's commitment to implement reductions and/or adjustments, should revenues fail to meet existing obligations. Staff have outlined \$34.1 million in ongoing reductions are needed in 2024-25 and an additional \$7.3 million in 2025-26 at First Interim, not including the additional amount that may be needed should the COLA not be funded at levels projected within the District's First Interim MYP.

Required Board Action Budget Reductions and/or Revenue	2023-24	2024-25	2025-26
OUSD's Unrestricted Reductions - Source: MYP		(9,532,312)	(5,760,000)
District will further reduce the Restricted Side one-time categorical positions		(24,597,241)	(1,572,054)
Total Needed Budget Reductions/Adjustments in Submitted Report		(34,129,553)	(7,332,054)

Should the COLA not be funded at current projections within the District's financial Report

Required Board Action Budget Reductions and/or Revenue	2023-24	2024-25	2025-26
OUSD's Unrestricted Reductions - Source: MYP		(9,532,312)	(5,760,000)
District will further reduce the Restricted Side one-time categorical positions		(24,597,241)	(1,572,054)
Amount of Revenue that the LEA may not receive if COLA is lower		(1,110,568)	(1,118,359)
Total Needed Budget Reductions/ Adjustments if COLA is reduced		(35,240,121)	(8,450,413)

Conclusion:

The District's First Interim Report does not include the impact of the Governor's COLA factor. Should the COLA factor be reduced as projected, the District will be required to **not only** implement the \$34.1 million in ongoing budget reductions in 2024-25 and the additional \$7.3 million 2025-26, but further reductions will be needed.

Additionally, the District's enrollment projections deviate from its historical experience. Should the enrollment and ADA growth not materialize as projected, additional budget-balancing solutions will be necessary.

Next Steps:

The District Board and staff are expected to approve and implement budget-balancing solutions in February 2024.