

Board Office Use: <b>Legislative File Info.</b>	
File ID Number	25-1001
Introduction Date	4/23/2025
Enactment Number	
Enactment Date	



# Board Cover Memorandum

**To** Board of Education

**From** President Jennifer Brouhard  
Kyla Johnson-Trammell, Superintendent  
Lisa Grant-Dawson, Chief Business Officer

**Meeting Date** April 23, 2025

**Subject** 2024-25 Second Interim Letter from Alameda County Office of Education

---

**Ask of the Board** Receive for information the 2024-25 Second Interim Letter from the Alameda County Office of Education.

**Background** The District submitted its Second Interim Financial Report, which is certified as Qualified, to the Governing Board for review on March 12, 2025 via agenda item 25-0520 and subsequently submitted it to the Alameda County Office of Education for its statutorily required review as part of their AB1200 oversight. The ACOE affirmed the Qualified status and provides information and feedback regarding other areas of fiscal and operational responsibility of the District to include a foresight of risks and the steps towards exiting receivership.

**Discussion** The District is ensuring that this letter, which has been presented in many ways in the District’s history on its agenda, is provided timely for the public record and for the Board and District to consider and use as a tool for next steps in guiding toward fiscal and operational independence and sustainability.

**Fiscal Impact** None as it relates to the submission of the report.

**Attachment(s)** Alameda Count Office of Education Second Interim Letter



# Alameda County Office of Education

Alysse Castro, Superintendent

---

April 16, 2025

Dr. Kyla Johnson-Trammell, Superintendent  
Members of the Board of Education  
Oakland Unified School District (OUSD) via email

RE: 2024-25 Second Interim Budget Report Review

Dear Superintendent Johnson-Trammell and Members of the Board,

OUSD filed a QUALIFIED certification of the District's 2024-2025 Second Interim Budget Report covering the period ending January 31<sup>st</sup>, which OUSD's Board of Education approved on March 13, 2025. A Qualified Certification means that a district *may or 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 Second Interim Budget Report reflecting the financial status of the District based on the current budget assumptions and the Board's actions. *ACOE concurs with the District's QUALIFIED Certification.*

ACOE commends the District for implementing several budget-balancing initiatives during the 2024-25 school year. These efforts have led to the Board's approval of budget trade-offs to both address the District's immediate cash shortage needs and to better align expenditures with revenues next year. This marks substantial improvement from where the District was at the First Interim, where its ability to meet payroll obligations next year was in question.

However, the work is far from complete. There remains immediate work to be done on the current year's budget as well as budgeting for 2026 and beyond. The adoption of new alternative budget balancing solutions and uneven progress toward implementing previously adopted solutions will require significant additional effort by staff, board, and stakeholders to analyze and understand the impact and scope of trade-offs remaining to be made. Significant changes in direction, strategy, and leadership further complicate the issue. The support and guidance available through the Advisory Team remain in place, through June 30, 2025. While roles and responsibilities may shift, we encourage the Board to utilize this team's expertise.

Additionally, OUSD is in the final stages of planning to exit receivership, which, while technically a separate process from the routine fiscal oversight of interim budget reporting, represents a significant fiscal goal of the OUSD Board that only adds weight and urgency to the remaining work to do.

### May or May Not: Understanding the Financial Impact of Recent Decisions

An interim report offers a snapshot of the district's budget at a given moment—in this case, January 31, 2025. It captures the *partial* implementation of changes adopted in December 2024, including staffing reductions and site budget adjustments. It does *not* yet reflect impacts from newly passed alternative budget solutions. Additional uncertainties remain, including unfinished bargaining and the evolving work on the 3R's. The board has a history of shifting direction, creating a large margin of uncertainty around current projections. When we say the district "may or may not" meet its financial obligations over the next two years, it's critical for the board and community to understand that outcomes range from a positive certification to bankruptcy. Much work remains to move toward stability and away from risk.



# Alameda County Office of Education

Alysse Castro, Superintendent

## Risks and Reminders in the 2nd Interim Budget Report

ACOE's review of the Second Interim Budget highlights concerns in the following areas:

- *Deficit Spending* - The District continues to project deficit spending in the Unrestricted General Fund, even with the projected reductions in the MYP.
- *Declining Enrollment* – The District's projections indicate continued declining enrollment for the current and two subsequent years.
- *COLA* – Current forecasts assume higher state COLA in 2025-26 than what is now anticipated due to more current economic shifts; any decrease will require the Board to take further action.
- *One time solutions* - The District continues to rely on one-time funds and one-time solutions, resulting in instability to maintain staff and programs.
- *Budget Shortfalls* - Based on the 2024-25 Second Interim Budget Report, the District expects to have a negative fund balance in 2025-26 and 2026-27 if budget adjustments included are not implemented. The District notes that these amounts do not reflect all of the Board actions taken to date. Therefore, these amounts are predicted to change.

Please see the attached report for details we wish to highlight for the Board in support of performing its fiduciary duty.

### *Reminders Due to Qualified or Negative Certification:*

- *Non-Voter Approved Debt:* EC Section 42133 prohibits a district from issuing non-voter approved debt (e.g., certificates of participation, capital leases, and TRANS) in 2024-25 and 2025-26, unless the county superintendent determines that the district's repayment is probable.
- *Employee Negotiations:* Collective Bargaining is not settled for the current year. Government Code Section 3540.2(a) requires a school district that has a Qualified or Negative Certification to allow the county superintendent of schools at least 10 working days to review and comment on any proposed collective bargaining agreement prior to board action.

## End of Year Projections (Third Interim)

Pursuant to EC Section 42131, as a District with a Qualified Certification, OUSD shall provide a Board-approved End of Year Projection (also known as Third Interim) that includes actual expenses for the period ending April 30, 2025, and projections through June 30, 2025.

By June 2, 2025,

1. Provide an accurate picture of the district's true financial position based on current Board actions and obligations, including:
  - a. Any recent Board-approved actions, including the alternative budget balancing solutions, reductions in force, and changes to site budgets.
  - b. Updated cash flow report
  - c. Multiyear financial projection (MYP)
2. Any budgeted funds intended for Board designations and assignments (such as future collective bargaining agreements, capital improvement costs, etc.) must be explicitly documented as an assignment in the ending fund balance.
3. End of Year Projection must be approved by the OUSD Board and submitted to ACOE, State Controller's Office (SCO), and California Department of Education (CDE).



# Alameda County Office of Education

Alysse Castro, Superintendent

---

## 2025-26 Budget Adoption

While concluding a year of significant adjustments to the current year budget, OUSD also needs to manage the Budget Adoption Process, which for all districts includes:

By July 1, 2025:

1. The school district governing board shall hold a public hearing on and adopt the budget for the subsequent fiscal year (Education Code [EC] 42127). The standards for budgets include:
  - a. The budget complies with the standards and criteria adopted by the state board and including enough reserves—at least 2% of total spending for a district of OUSD's size
  - b. The budget will allow the school district to meet its financial obligations during the fiscal year and is consistent with a financial plan that will enable the school district to satisfy its multiyear financial commitments.
  - c. The budget includes the expenditures necessary to implement the local control and accountability plan. The board must adopt the LCAP before adopting the budget.
2. The school district governing board shall file the adopted budget with the county superintendent within five days of adoption or by July 1, whichever occurs first (EC 42127(a)(2))
  - a. The county superintendent shall ensure that the submitted budget complies with all requirements of the education code (EC 42122, 42123, 42125, 42127, 52070)

## Exiting Receivership

Exiting receivership is technically a separate process that operates on a separate track from the routine fiscal oversight of interim budget reporting. However, as both tracks are in rapid motion, below is a recap of the progress on the three factors to exit receivership.

At the beginning of this school year, in the September 16, 2024 Conditional Approval letter, we documented that:

*“The OUSD Board and Leadership Team has demonstrated its commitment to fiscal solvency by approving several recent resolutions regarding restructuring, paying off the state loan, and ensuring fiscal stability and release from receivership. To exit receivership and Trustee oversight, OUSD is on track to, and will need to (EC 41320.1):*

- *Make the final two payments of the 2006 State emergency loan (Scheduled for June 2026);*
- *Complete a fiscal systems audit (In-progress); and*
- *Demonstrate the future compliance of the fiscal plan approved by the board is probable. (2025-26 Budget Development Process).”*

In recent months, OUSD has taken the following actions to continue to move toward exiting receivership:

- The Board has approved the early remittance of the final 2006 State emergency loan payment. The loan is scheduled to be paid off in June 2025
- The District has received a draft fiscal systems audit documenting greatly improved internal controls and fiscal systems, including:



# Alameda County Office of Education

Alysse Castro, Superintendent

---

- improvement in annually submitting its audit to ACOE, both on time and with reduced findings
- successfully managed its financials at the County Treasury and on the County Office's financial system
- Begun the 2025-26 Budget Development Process

This achievement reflects that the loan will be paid off and financial early warning systems are in place - both very important milestones, and both down to the commitment, skill, and leadership of Superintendent Kyla Johnson-Trammell and CBO Lisa Grant-Dawson.

There is a clear path out of receivership at the end of this fiscal year, however it is not a path out of financial instability. Exiting receivership is like paying off your car loan. You stop making payments and the bank's name comes off the title, but the car is in the same condition it was before. Owning outright does not protect against transmission failure, broken axles, or flat tires. As the owner, you are still responsible for maintaining the car so it can continue operating safely and effectively.

While the internal fiscal system and controls are much stronger today than they were 20 years ago, many of OUSD's long standing, structural issues that led to financial instability remain. The Board will need to contend with these issues, including the landscape of declining student enrollment, historical overinvestment in micro schools, and billions of dollars in deferred maintenance needs that contribute to huge disparities between OUSD's very high per pupil revenue and low pupil performance. The early warning systems are set up to provide OUSD's Board with accurate information required to make decisions to protect the district's fiscal health and stability.

As the recent Fiscal Systems Audit notes, the Board has been presented with consistent and detailed solutions to these ongoing resource issues, reflecting a heavy investment of staff time and in stakeholder engagement. However, the Board remains in a pattern of inaction. The ball is in the Board's court. Exiting receivership will create a significant opportunity for the OUSD Board to reset its identity as one that embraces its responsibilities and authority under full local control, and within an ecosystem where not all priorities can be funded.

Once OUSD exits receivership, the structure of our partnership will change but our shared goal will remain: seeing student outcomes improve and students graduating prepared to thrive. While some of the support and oversight will sunset, we will be here to support you as with all districts in Alameda County.

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, Oakland USD  
Allan Garde, Associate Superintendent of Business Services, ACOE  
Shirene Moreira, Chief of District Business & Advisory Services, ACOE  
Joan Laursen, Executive Director, District Business & Advisory Services, ACOE