

Board Office Use: Legislative File Info.	
File ID Number	25-1337
Introduction Date	5/14/2025
Enactment Number	
Enactment Date	



Board Cover Memorandum

To Board of Education

From Kyla Johnson-Trammell, Superintendent
Lisa Grant-Dawson, Chief Business Officer

Meeting Date May 14, 2025

Subject Notification - Concurrence By the Named Parties - Exit of District from Fiscal Trusteeship - Effective June 30, 2025

Ask of the Board Receipt/Discussion of Notification - Concurrence By the Named Parties - Exit of District from Fiscal Trusteeship - Effective June 30, 2025

Background

On April 23, 2025, the District was presented with the results of the Fiscal Systems Audit, under legislative Agenda Item 25-1091, which was presented by Eide Bailly CPA, Caroline Larsen. Within the first pages of the 88-page report, the auditor states the following, *"The purpose of the report is to determine whether sufficient fiscal controls exist for the district to exit receivership. Our firm has determined the district is in its best position in 22 years to do so. It has consistent, quality leadership, can be audited with minimal findings, is competently maintaining its general ledger and budget practices such that the ACOE and an independent certified public accounting firm can readily determine its financial condition, banks with the County treasury, uses the county office of education financial system, reliably reports its student attendance, and does not appear to have self interested Board or Executive leadership."*

On April 16th, the District also received the Second Interim Letter from the Alameda County Office of Education. The letter not only affirmed the District's Qualified status, but also provided information and feedback regarding other areas of fiscal and operational responsibility, to include the foresight of risks in the District's steps towards exiting receivership.

Discussion

The District additionally received the following communications, listed by date, which further moves the District through the process with all governing parties responsible for the work, recommendation, and approval of the District exiting receivership.

- April 18, 2025

- Letter from Alameda County Office of Education Superintendent Alyse Castro addressed to the Honorable Tony Thurmond, Superintendent of Public Instruction and Dr. Linda Darling-Hammond, President, State Board of Education.
 - Subject: Preparing for Oakland Unified School District to Exit Trusteeship.
- April 28, 2025
 - Letter to Dr. Linda Darling-Hammond, President, State Board of Education and Alyse Castro, Superintendent Alameda County Office of Education from Honorable Tony Thurmond, Superintendent of Public Instruction.
 - Subject: Concurrence with Alameda County Office of Education Request for Oakland School District to Exit Trusteeship.
- April 29, 2025
 - Letter from Dr. Linda Darling-Hammond, California State Board of Education to Superintendent Alyse Castro.
 - Subject: Formal Concurrence of Recommendation from April 18th Letter.
- April 30, 2025
 - Letter from Alameda County Office of Education Superintendent Alyse Castro to Legislative Joint Legislative Budget Committee, Department of Finance, and Controller.
 - Subject – 60-Day Notification of notifying the Legislature of Oakland Unified School District meeting the conditions to exit state receivership.

The District is therefore poised to continue its journey toward earning full local control as of July 1, 2025, with all rights and privileges restored and all financial obligations for the remainder state loan of \$4,153,206, completed. The District will continue to provide updates on this subject accordingly.

Fiscal Impact

None as it relates to the submission of the update.

Attachment(s)

Second Interim Response Letter

Four Referenced Letters from April 18 – April 30, 2025

Second Interim Response 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 31st, 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

April 18, 2025

Subject: Preparing for Oakland
Unified School District to Exit
Trusteeship.



Alameda County Office of Education

Alysse Castro, Superintendent

April 18, 2025

Hon. Tony Thurmond, Superintendent of Public Instruction
Dr. Linda Darling Hammond, President, State Board of Education

RE: Preparing for Oakland Unified School District to Exit Trusteeship

Dear State Superintendent Thurmond and State Board of Education President Darling-Hammond,

By June 30, 2025 we anticipate that the Oakland Unified School District will have completed the necessary actions to exit receivership, including completely repaying the emergency state loan and completing a fiscal systems audit, which documents the presence of adequate fiscal systems and controls. EDC § 41320.1(a)(3-4), below, identifies the necessary conditions for exiting trusteeship.

EDC § 41320.1 (a) (3) The trustee, and necessary staff, shall serve until the school district has adequate fiscal systems and controls in place, the Superintendent has determined that the school district's future compliance with the fiscal plan approved for the school district pursuant to Section 41320 is probable, and the county superintendent of schools, the Superintendent, and the president of the state board or his or her designee decide to terminate the trustee's appointment, but in no event for less than three years. The county superintendent of schools shall notify the Legislature, the Department of Finance, and the Controller no less than 60 days before the time that the county superintendent of schools expects these conditions to be met.

EDC § 41320.1 (a)(4) Before the school district repays the loan, including interest, the recipient of the loan shall select an auditor from a list established by the Superintendent and the Controller to conduct an audit of its fiscal systems. If the fiscal systems are deemed to be inadequate, the county superintendent of schools, with concurrence from both the Superintendent and the president of the state board or his or her designee, may retain the trustee until the deficiencies are corrected. The cost of this audit and any additional cost of the trustee shall be borne by the school district.

Pursuant to EDC § 41320.1, we request your concurrence with our intent to provide 60 days notice to the Legislature, the Department of Finance, and the Controller on May 1, 2025 of the intent to conclude the service of the trustee on June 30, 2025.

While Oakland Unified School District (OUSD) continues to face fiscal challenges that require difficult local decisions, the conditions for exiting state receivership have been met. The recent Fiscal Systems Audit confirms what has been years in the making: OUSD's financial and operational systems are in their strongest shape in over 20 years. The district now operates with sound fiscal controls, reliable data systems, and transparent governance structures. It no longer engages in high-risk financial practices that prompted the need for state intervention in 2003. This progress is significant and hard-won. The district now:

- Banks with the County treasury and uses the ACOE financial system.
- Maintains reliable student attendance data and a clean general ledger.
- Demonstrates Board governance and leadership free of self-dealing or impropriety.
- Has made meaningful structural improvements, avoiding unsecured long-term debt and maintaining prudent bond usage.
- Is regularly audited with minimal findings and collaborates effectively with oversight bodies.



Alameda County Office of Education

Alysse Castro, Superintendent

I hope you will join me in celebrating the extraordinary efforts of OUSD Superintendent Dr. Kyla Johnson-Tramell, OUSD CBO Lisa Grant-Dawson, and the entire OUSD leadership team for their efforts in bringing about these system changes, which address the very conditions that led to receivership and justify a shift in state posture—from oversight to support for local control.

These improvements co-exist with ongoing concerns that OUSD must still confront its structural deficit and address the long-standing overinvestment in small schools. However, these are challenges of local policy and the domain of a locally-elected Board of Education, not of mismanagement or financial misconduct. Continuing to require a trustee to backstop them risks continued delay in local ownership and accountability, and reinforces a counterproductive narrative that feeds resistance and undermines the Board's willingness to engage their community in making necessary trade-offs.

Clarifying that the locally elected Board now holds full responsibility and authority will do more to advance difficult reforms than continued top-down supervision. Acknowledging the district's readiness to exit receivership will encourage:

- More constructive public engagement and trust in governance.
- Greater urgency and ownership from local leaders around budget-balancing solutions.
- More effective collaboration with community stakeholders on school redesign and consolidation.

To be clear: the work is not done. But the framework and leadership capacity are now in place to do that work with integrity. The most powerful tool the state can offer now is a clear message of confidence in the district's governance, and a formal declaration that it has met the conditions for self-management.

The ACOE has maintained a strong working relationship with the district throughout this process, and we remain committed to ongoing support. We would welcome the opportunity to provide any further information or discussion to support decision making. Audit documentation and supporting materials are available upon request for further reference. Achieving concurrence in this matter by April 30, 2025 will support a clear conclusion at the end of this fiscal year.

In community,

Alysse Castro
Alameda County Superintendent of Schools

cc: Kyla Johnson-Tramell, Superintendent, Oakland USD
Lisa Grant-Dawson, Chief Business Official, Oakland USD
Abel Guillen, Dept. Superintendent, CDE
Elizabeth Dearstyne, School Fiscal Services Division, CDE
Brooks Allen, Executive Director, SBE
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

April 28, 2025

Subject: Concurrence with Alameda
County Office of Education
Request for Oakland School District to
Exit Trusteeship.



**CALIFORNIA DEPARTMENT
OF EDUCATION**

TONY THURMOND
STATE SUPERINTENDENT OF
PUBLIC INSTRUCTION

1430 N STREET, SACRAMENTO, CA 95814-5901 • 916-319-0800 • WWW.CDE.CA.GOV

April 28, 2025

Dr. Linda Darling-Hammond, President
State Board of Education
1430 N Street
Sacramento, CA 95814

Alysse Castro, Superintendent
Alameda County Office of Education
313 W. Winton Avenue
Hayward, CA 94544

Dear President Darling-Hammond and Superintendent Castro:

**Subject: Concurrence with Alameda County Office of
Education Request for Oakland Unified School District to Exit
Trusteeship**

Pursuant to California *Education Code* Section 41320.1(a)(3) and (4), this letter confirms that the State Superintendent of Public Instruction (SSPI) concurs with the Alameda County Superintendent of Schools' recommendation, made on April 18, 2025, that the Oakland Unified School District (OUSD) exit trusteeship, after full repayment of the state emergency loan, effective June 30, 2025.

While fiscal and operational challenges remain, the SSPI has confidence that these matters will be addressed by the locally elected governing board.

The California Department of Education commends Superintendent Kyla Johnson-Trammell, Chief Business Official Lisa Grant-Dawson, the Governing Board, and the Alameda County Office of Education's dedication to long-term financial recovery and student-focused leadership.

Dr. Linda Darling-Hammond, President
Alysse Castro, Superintendent
April 28, 2025
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If you have any questions regarding this subject, please contact Elizabeth Dearstyne, Director, School Fiscal Services Division, at edearstyne@cde.ca.gov.

Sincerely,

Abel Guillén, Deputy Superintendent
Operations and Administration Branch

AG

cc: Kyla Johnson-Trammell, Superintendent, Oakland Unified School District
Lisa Grant-Dawson, Chief Business Official, Oakland Unified School District
Ryan Nguyen, Interim Chief Financial Officer, Oakland Unified School District
Luz Cazares, Trustee, Oakland Unified School District
Brooks Allen, Executive Director, State Board of Education
Jessica Holmes, Program Budget Manager, Department of Finance
Michael Fine, Chief Executive Officer, Fiscal Crisis and Management Assistance Team
Elizabeth Dearstyne, Director, School Fiscal Services Division
Allan Garde, Assistant Superintendent Business Services, Alameda County Office of Education
Shirene Moreira, Chief of District Business and Advisory Services, Alameda County Office of Education
Joan Laursen Executive Director, District Business and Advisory Services, Alameda County Office of Education

April 29, 2025

Subject: Formal Concurrence of
Recommendation from April 18th
Letter.

CALIFORNIA STATE BOARD OF EDUCATION

1430 N Street, Suite 5111
Sacramento, CA 95814
Phone: (916) 319-0827
Fax: (916) 319-0175



April 29, 2025

Dear Superintendent Castro:

I am in receipt of your letter dated April 18, 2025 requesting my and Superintendent of Public Instruction Thurmond's concurrence, pursuant to Education Code section 41320.1, subdivision (a)(3), with your recommendation to provide notice to the Legislature, Department of Finance, and Controller of your intent to conclude the service of the Oakland Unified School District (OUSD) trustee on June 30, 2025.

On behalf of the California State Board of Education, I would like to thank you and the Alameda County Office of Education staff for your hard work and efforts to get OUSD to this point. It is because of the leadership and technical expertise of you and your team that OUSD is now on a path towards fiscal stability and renewed local governance.

I agree with your statement that, now that the fiscal structure is in place, it is important that we move to local accountability and ownership, where decisions are made by the locally elected OUSD governing board and community. At the same time, I think it's important that we acknowledge that OUSD still has a lot of work ahead of them. The uncertainty at the federal level and possible impacts on funding will make this work even more difficult. I appreciate your commitment to a continued partnership with the district so that OUSD continues to receive the support they need to successfully serve their students and community.

Please consider this correspondence my formal concurrence of your recommendation as set forth in your April 18, 2025 letter.

Best regards,

A handwritten signature in cursive script that reads "Linda Darling-Hammond".

Linda Darling-Hammond, President
California State Board of Education

April 30, 2025

Subject – 60-Day Notification of
notifying the Legislature of Oakland
Unified School District meeting the
conditions to exit state receivership.



Alameda County Office of Education

Alysse Castro, Superintendent

April 30, 2025

Honorable Scott D. Wiener
Chair Joint Legislative Budget Committee
Senate Budget and Fiscal Review Committee

Honorable Jesse Gabriel
Chair Assembly Budget Committee

Honorable Anna M. Caballero
Chair Senate Appropriations Committee

Honorable Buffy Wicks,
Chair Assembly Appropriations Committee

Honorable Malia M. Cohen
California State Controller

Director Joe Stephenshaw
Department of Finance

Dear Legislative Joint Legislative Budget Committee, Dept of Finance, and Controller,

By June 30, 2025 we anticipate that the Oakland Unified School District will have completed the necessary actions to exit receivership outlined below:

*EDC § 41320.1 (a)(3) The trustee, and necessary staff, shall serve until the school district has adequate fiscal systems and controls in place, the Superintendent has determined that the school district's future compliance with the fiscal plan approved for the school district pursuant to Section 41320 is probable, and the county superintendent of schools, the Superintendent, and the president of the state board or his or her designee decide to terminate the trustee's appointment, but in no event for less than three years. **The county superintendent of schools shall notify the Legislature, the Department of Finance, and the Controller no less than 60 days before the time that the county superintendent of schools expects these conditions to be met.***

The Superintendent of Public Instruction and the President of the State Board of Education have provided concurrence with the decision to terminate the trustee's appointment on June 30, 2025. This letter serves as 60 days notification to the Legislature, the Department of Finance, and the Controller that, while Oakland Unified School District (OUSD) continues to face fiscal challenges that require difficult local decisions, the conditions for exiting state receivership have been met.

The recent Fiscal Systems Audit confirms what has been years in the making: OUSD's financial and operational systems are in their strongest shape in over 20 years. The district now operates with sound fiscal controls, reliable data systems, and transparent governance structures. It no longer engages in high-risk financial practices that prompted the need for state intervention in 2003. This progress is significant and hard-won. The district now:

- Banks with the County treasury and uses the ACOE financial system.
- Maintains reliable student attendance data and a clean general ledger.
- Demonstrates Board governance and leadership free of self-dealing or impropriety.



Alameda County Office of Education

Alysse Castro, Superintendent

- Has made meaningful structural improvements, avoiding unsecured long-term debt and maintaining prudent bond usage.
- Is regularly audited with minimal findings and collaborates effectively with oversight bodies

These improvements co-exist with ongoing concerns that OUSD must still confront its structural deficit and address the long-standing overinvestment in small schools. However, these are challenges of local policy and the domain of a locally-elected Board of Education, not of mismanagement or financial misconduct. Continuing to require a trustee to backstop them risks continued delay in local ownership and accountability, and reinforces a counterproductive narrative that feeds resistance and undermines the Board's willingness to engage their community in making necessary trade-offs.

The ACOE has maintained a strong working relationship with the district throughout this process, and we remain deeply committed to ongoing support. We would welcome the opportunity to provide any further information.

Lastly, we invite you to join us in expressing gratitude to Trustee Luz Cázares, OUSD Superintendent Dr. Kyla Johnson-Tramell, OUSD CBO Lisa Grant-Dawson, and the entire OUSD leadership team for their efforts in bringing about these system changes, which address the very conditions that led to receivership and justify a shift in state posture—from oversight to support for local control.

In community,

Alysse Castro
Alameda County Superintendent of Schools

cc: Joe Stephenshaw, Director
Erika Li, Chief Deputy Director, Budgets
Jessica Holmes, Program Budget Manager, Education Systems Unit
Malia M. Cohen, California State Controller
Regina Evans, Chief of Staff
Cathy Leal, Chief Operating Officer
Anne Kato, Local Government Programs and Services Division
Misty Feusahrens, Chief Consultant, Assembly Speaker's Office
Andrew Medina, Principal Consultant, Senate President Pro Tempore's Office
Gabriel Petek, Legislative Analyst
Elisa Wynne, Staff Director, Senate Budget and Fiscal Review Committee
Kirk Feely, Fiscal Director, Senate Republican Fiscal Office
Christopher W. Woods, Senate President pro Tempore's Office



Alameda County Office of Education

Alysse Castro, Superintendent

Jason Sisney, Assembly Speaker's Office

Christian Griffith, Chief Consultant, Assembly Budget Committee

Joseph Shinstock, Fiscal Director, Assembly Republican Caucus, Office of Policy and Budget

Kyla Johnson Tramell, Superintendent, Oakland USD

Lisa Grant-Dawson, Chief Business Official, Oakland USD

Tony Thurmond, State Superintendent of Public Instruction, CDE

Abel Guillen, Dept. Superintendent, CDE

Elizabeth Dearstyne, School Fiscal Services Division, CDE

Brooks Allen, Executive Director, SBE

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

May 13, 2025

Letter From Alameda County Superintendent
of Schools

OUSD's Transition Out of Receivership and
the Future of County Partnership



May 13, 2025

OUSD's Transition Out of Receivership and the Future of County Partnership

Dear OUSD Board of Education,

As OUSD prepares to conclude more than two decades under state receivership on June 30, 2025, I write on behalf of ACOE to commemorate this milestone, to summarize the path from receivership back to local control, to clarify expectations for routine fiscal oversight, and to reintroduce ACOE services available to support OUSD post-receivership. We are excited to see OUSD achieve full local control and move into a new partnership phase where Oakland's staff and students take full advantage of supports available through the Alameda County Office of Education.

OUSD's Path from Receivership to Local Control

Since 2003, Oakland Unified School District (OUSD) has navigated a complex recovery from financial collapse triggered by a combination of overexpansion, decentralization, declining enrollment, and unsound business practices. In the 1990s and early 2000s, OUSD embraced a movement toward small schools and charter expansion. However, this growth, coupled with flawed financial operations—such as failing to bank with the county treasury or use reliable data systems—left the district unable to meet its obligations, prompting a \$100 million emergency state loan and resulting in state receivership. California subsequently reshaped its oversight model, shifting responsibilities toward a collaborative framework between the State, the District, and the County Office of Education.

Under the leadership of Superintendent Kyla Johnson-Trammell and Chief Business Officer Lisa Grant-Dawson, OUSD undertook critical reforms, including reintegrating financial operations with the County Treasury, transitioning to ACOE's financial reporting systems, and strengthening internal fiscal controls and audit practices. Despite the COVID-19 pandemic, OUSD maintained progress, responsibly managing federal relief funds and sustaining momentum on key Fiscal Sustainability Plan initiatives between 2020 and 2022. In 2022, the Board adopted the Three Rs Resolution, reflecting an ambitious commitment to align educational vision and fiscal solvency. Although implementation challenges have and continue to persist, the District laid critical groundwork for future restructuring efforts. And this spring, OUSD will make its final early payment on the emergency loan, having already completed a fiscal systems audit demonstrating material improvements, achieving the necessary conditions to exit receivership.

Future Role of ACOE Fiscal Oversight

With the conclusion of receivership, OUSD returns to the routine fiscal oversight that governs all districts in California. Under AB 1200 and related statutes, County Offices of Education are charged with ensuring the fiscal solvency of school districts through structured budget monitoring, interim report certifications, and review of collective bargaining agreements. This work is proactive, not punitive, and designed to catch early warning signs of fiscal distress. Unlike the emergency powers granted during receivership, which included fiscal trustee authority and direct state reporting, this normal oversight structure restores autonomy to the district, while still requiring the Board to meet key fiscal milestones and solvency benchmarks.



Alameda County Office of Education

Alysse Castro, Superintendent

Such oversight includes:

- Review and approval of the adopted budget, ensuring fiscal soundness and compliance with Ed Code standards.
- Certification of interim financial reports, including the assignment of Positive, Qualified, or Negative certifications based on fiscal projections.
- Annual review and approval of the LCAP to ensure goals, actions, and services align with state priorities and fiscal commitments.
- Monitoring of negotiated collective bargaining agreements for fiscal solvency.

The following extraordinary oversight powers will conclude as of June 30, 2025:

- Conditions of Emergency Apportionments including Fiscal Trustee authority to stay or rescind board actions under EDC § 41320 – 41328
- Annual reporting on the financial condition of the school district to the Trustee and state agencies under EDC § 41321
- Equity Impact Analysis for school closures or consolidations under EDC § 41329.3

As part of the transition out of receivership, ACOE-funded services that were offered to stabilize governance, operations, and strategy during this critical period will conclude at the end of this fiscal year. Typically contracted by governing boards and superintendents, these services were provided at no cost to OUSD to ensure that the Board and senior leadership had the expertise, advisement, and strategic facilitation needed to meet the conditions for exiting receivership. These supports will sunset on June 30, 2025, and have not been renewed:

- Fiscal Oversight Trustee (Luz Cázares)
- Board Governance Coach (Carmella Franco) & Advisor (Richard Barrera)
- Community Engagement for 3Rs (Partners in School Innovation)
- Strategic Communications for 3Rs (510 Media)
- Facilities and Operations Support (Bill McGuire)
- Project Management & Liaison (Stephan Gordon)

These services were not incidental and in direct response to requests from the Board or Superintendent for governance advisement, community engagement strategy, facilities planning, or fiscal interpretation. While these professionals have been available and active, they have been consistently underutilized.

The contracts funded by ACOE will conclude, but the expertise will still be needed. OUSD has invested considerable resources in improved policies and practices – and in seeking input and direction from an engaged community that is frustrated by cycles of plans created and abandoned. This Board could reverse that trend by more skillfully leveraging contracts and tools provided by experts.

The work of board governance is complex and critical to student success. Effective school boards know when and how to engage outside expertise - especially to increase their own efficacy. This is a moment of opportunity: to reflect on what support the Board still needs to govern responsibly, and to contract for that support proactively. This is a best practice in effective governance that yields an exponential return on investment.



Alameda County Office of Education

Alysse Castro, Superintendent

Partnership Opportunities for ACOE and OUSD

Beyond fiscal oversight, County Offices of Education provide an array of services and support to districts within their county. Some supports are required, such as Differentiated Assistance, while others are optional. Both can provide the district with an array of no- or low-cost services that allow the district to focus its resources in other areas. Perhaps due to conflation of the county office's receivership-related oversight and support roles, OUSD has not historically engaged with many of the highest leverage opportunities.

A few areas where OUSD might reduce expenses or increase revenues through partnership with ACOE include joining county-wide data sharing agreements, participating in county office medical billing reimbursement systems, participating in ACOE's subsidized career pipelines targeting specific staffing gaps at low or no cost to the employee and the district, and aligning alternative school programming for foster, homeless, probation-involved, and other high needs youth, which ACOE provides at no cost primarily to Oakland students.

Board Stewardship and Responsibility

While OUSD has made substantial progress by exiting receivership, significant fiscal and governance risks remain. Recent audits and fiscal reviews point to continued structural deficits, enrollment declines, and projected negative fund balances as early as 2025-26. Leadership transitions further heighten these risks.

The District continues to rely heavily on one-time funding to balance budgets, creating instability in staffing, programs, and operations. The Board continues a pattern of approving salary increases before determining how to pay for them. Additionally, recent changes in budget strategies add to the unpredictability.

Progress in recent years was supported by stable leadership from Superintendent Kyla Johnson-Trammell, Chief Business Officer Lisa Grant-Dawson, and Trustee Luz Cázares. As new leaders step in, sustained Board engagement and strategic governance are essential.

While exiting receivership restores local control, it does not remove fiscal vulnerability. The Board's stewardship, vigilance, and discipline will be key to ensuring OUSD's long-term financial stability.

In Conclusion

ACOE is honored to have been a partner during this pivotal era of transformation. We commend the District leadership, staff, community members, and Board for the hard work and perseverance that brought OUSD to this moment.

As OUSD enters a new chapter of fully restored local control, ACOE remains a supportive and steady partner—through oversight, technical assistance, and access to shared services. The path ahead will require continued investment in expertise and disciplined leadership. We remain available to assist, should the Board determine it needs additional support.

In community,

Alysse Castro
Alameda County Superintendent of Schools



Alameda County Office of Education

Alysse Castro, Superintendent

Cc:

Kyla Johnson-Tramell

Jeanine Lindsey

Luz Cázares

James Harris

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