

# Understanding Fiscal Certifications

*Where OUSD Stands and What We Are Doing*

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## **Budget and Finance Committee**

Presented by Tara Gard, Deputy Superintendent of Business and Operations

May 14, 2026

# How California oversees district finances

Three times a year, every California district certifies its financial condition. The County Office of Education reviews and may downgrade the certification.

## POSITIVE

District will meet financial obligations for the current and two subsequent fiscal years.

## QUALIFIED

District may not meet financial obligations for the current or two subsequent fiscal years.

◀ OUSD IS HERE

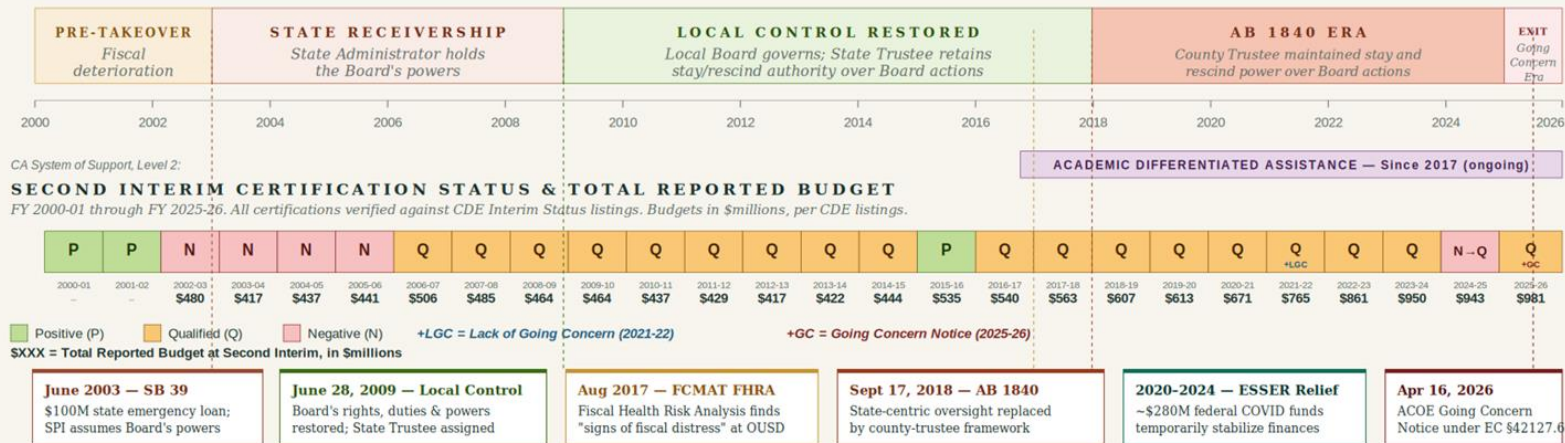
## NEGATIVE

District will be unable to meet obligations for the remainder of the current or subsequent fiscal year.

*If a district requires a state emergency apportionment, local control is suspended: a state-appointed administrator replaces the superintendent, and the elected board moves to an advisory role.*

# A Twenty-Five Year Fiscal Arc

State Receivership, Local Control, and Fiscal Certifications — 2000 to 2026



## STATE ADMINISTRATORS & FISCAL TRUSTEES

State Administrators held the Board's powers during receivership (2003-2009); Fiscal Trustees retain veto authority over financial decisions to ensure repayment of the state loan.

<b>Randy Ward</b> State Admin 2003-06	<b>K. Statham</b> 2006-07	<b>V. Matthews</b> Interim '07-08	<b>R. Mayor</b> Interim '08-09
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<b>Chris Learned</b> Fiscal Trustee 2017-2021	<b>Luz Cázares</b> Fiscal Trustee 2021-2025
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## LOCALLY-SELECTED SUPERINTENDENTS (POST-RECEIVERSHIP)

<b>Tony Smith</b> Superintendent 2009-2013	<b>Gary Yee</b> Acting '13-14	<b>Antwan Wilson</b> 2014-2016	<b>D. Dillon</b> Interim '17	<b>Kyla Johnson-Trammell</b> Superintendent 2017-2025	<b>D. Saddler</b> Interim '25-
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## ENROLLMENT & ACADEMIC OUTCOMES

Enrollment: OUSD district-run schools only (charter enrollment not included), per OUSD RAD Aeries SIS Fall Census Day dashboard. Graduation rate: 4-year cohort, all students, per OUSD RAD.

<b>Enrollment (district-run, TK-12)</b>	35,412	36,084	36,341	36,431	38,096	33,613	36,824	33,789	33,859	37,025	34,431	33,968	37,216	34,140
<b>Graduation rate (4-yr cohort)</b>	59.3%	62.8%	60.7%	64.2%	65.7%	70.7%	73.1%	72.2%	72.0%	71.7%	74.4%	74.1%	79.5%	74.0%
<b>A-G eligibility (UC/CSU-ready)</b>	28.4%	30.5%	27.9%	32.3%	33.6%	34.7%	35.5%	40.0%	41.7%	41.2%	44.6%	42.2%	48.7%	46.0%

## BUDGET BALANCING & RECOVERY PLANS

Operational and strategic responses to fiscal distress; horizontal extent shows plan period.

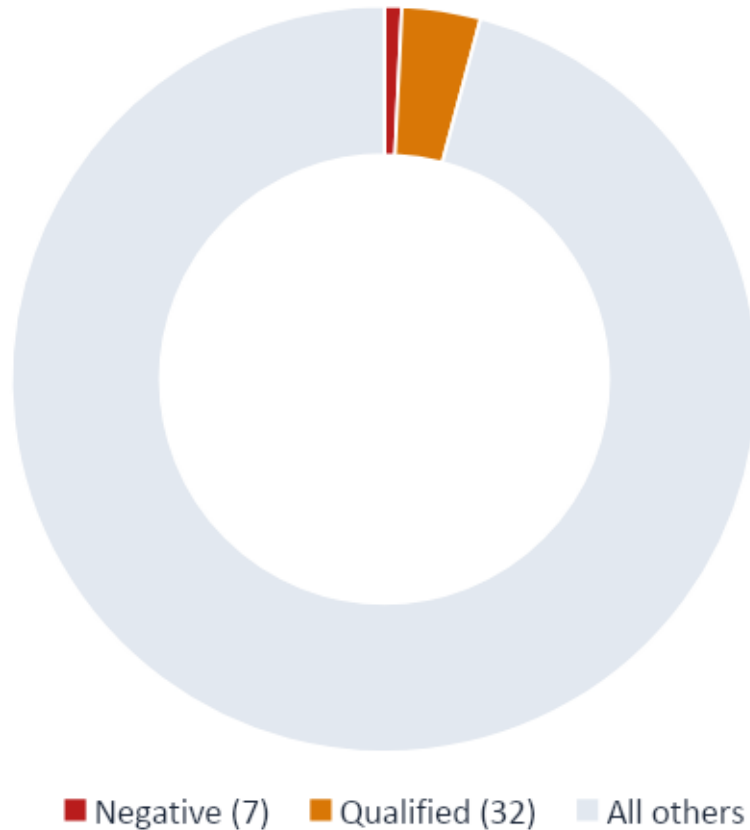


FSIP = Financial Stabilization Implementation Plan: Protecting Equity, Maintaining Local Control, and Prioritizing Students — Scenario 3 (the in-use plan adopted in 2025).  
BBS = Budget Balancing Solutions (board-document attachments A, B, C delivered alongside Second Interim reports in 2023, 2024, and 2025 respectively).

Sources: CDE Interim Status listings at <https://www.cde.ca.gov/fg/iv/ir/interimstatus.asp> (every certification and budget verified, 2000-01 through 2025-26); FCMAT AB 1840 letters (2019, 2020, 2021); ACOE concurrence letters; OUSD Board records. Prepared by the Office of the Deputy Superintendent of Business and Operations, May 2026.

View 25 years of  
OUSD  
Budget,  
Leadership,  
Enrollment,  
Graduation Rates  
and Fiscal Plans  
[HERE](#)

# OUSD is not alone — but our history is unique



## 39 districts at risk

At First Interim FY 2025–26, 7 California districts received Negative certifications and 32 received Qualified — across vastly different sizes and regions.

## Where OUSD's history stands apart

- OUSD is the only California district to have received TWO state emergency loans (2003 and 2006).
- No district has required a state emergency loan since Inglewood in 2012.
- OUSD has the longest, most expensive, and most recent history of state intervention of any current California district.

# California ranks 16th in per-pupil spending — and 31st when you adjust for cost

**16th**

Headline rank in per-pupil spending. State, local, and federal funding for CA K–12 reached ~\$142.4B in 2024–25.

**31st**

Effective rank once California's labor costs (housing, healthcare, skilled labor) are factored in.

**~80%**

of district spending goes to staffing

**~25%**

of pre-pandemic funding gains absorbed by rising pension contributions

**ADA-funded**

California funds districts on attendance, not enrollment — chronic absenteeism = lost revenue

Sources: Public Policy Institute of California (2025); Education Law Center, Making the Grade 2025; CSBA reporting.

# What is driving this crisis across California

01



## End of COVID Relief Funds

\$17B in federal ESSER funds expired Sept 30, 2024. Districts hired staff with one-time money — and could not sustain them.

02



## Declining Enrollment

Statewide enrollment down 380,000+ since 2018–19. LCFF revenue follows students.

03



## Labor Cost Escalation

Post-COVID shortages drove 8–14% raises. Permanent ongoing costs paid with one-time money.

04



## Rising Special Ed Costs

Costs growing 3–5x faster than SPED enrollment. Federal IDEA covers ~10–15% of actual cost.

05



## Chronic Absenteeism

24%+ of CA students chronically absent post-COVID. Lower ADA = lower LCFF revenue.

06



## Deferred Hard Decisions

Districts that knew COVID money was one-time still failed to plan. Political resistance compounded deficits.

# Action Underway: Protective Appeal to SPI

*Filed with State Superintendent Tony Thurmond under Ed. Code §42127.6*

## WHAT WE ARE REQUESTING

### Four specific forms of relief

- **Deem the appeal timely**
  - as filed within five days of the April 30 cash-flow submission required by ACOE.
- **Sustain the appeal**
  - on the basis that the April 30 submission materially changes the fiscal record.
- **Direct ACOE to rescind or modify**
  - the April 16 designation in light of the updated record.
- **Ensure any further fiscal intervention**
  - incorporates the April 30 submission and current data.

## WHY IT MATTERS

### Preserving local control and an accurate record

The appeal is filed as a protective measure to preserve every statutory remedy under §42127.6.

It also formally preserves the District's position that ACOE issued a Going Concern Notice — not a Lack of Going Concern designation — which carries materially different statutory consequences.

Any escalation must rest on current data, not on the superseded interim snapshot.

# Action Underway: Response to FCMAT

*OUSD response to outreach proposing a Fiscal Health Risk Analysis (FHRA)*

## TERMINOLOGY

### **Going Concern Notice ≠ Lack of Going Concern**

FCMAT's outreach characterized ACOE's April 16 letter as a Lack of Going Concern designation. ACOE's own letter contemplates that the District 'risks becoming' a Lack of Going Concern confirming it has not been so designated.

## QUALIFIED COUNT

### **The receivership period does not count**

FCMAT did not engage during OUSD's period in state receivership despite multiple qualified certifications. The three-consecutive count must run from the District's June 2025 exit — making 2025-26 Second Interim the second, not the third.

## ENGAGEMENT

### **Statutory basis must be confirmed first**

OUSD requested written clarification of the statutory basis for engagement before scheduling a call, and asked FCMAT to rescind its FHRA request pending that clarification.

# Sustaining strong public schools requires both responsibilities to be met



## DISTRICT RESPONSIBILITY

### Manage public funds with discipline

- Align expenditures to revenue
- Make difficult decisions on time
- Be transparent with the public
- Honor labor commitments while protecting solvency
- Finish the strategies we have identified



## STATE RESPONSIBILITY

### Fund education at the true cost

- Reflect California's actual labor costs
- Account for pension contribution growth
- Address chronic absenteeism funding penalties
- Close the IDEA federal funding gap
- Stabilize categorical funding cycles

KEY MESSAGES

# Where We Stand and Where We Are Going

## **The District is fiscally challenged but solvent.**

Positive fund balance, 3% reserves, and positive cash through June 30, 2026 — the indicia of a district meeting its financial obligations.

## **Terminology matters legally.**

A Going Concern Notice and a Lack of Going Concern designation carry materially different statutory consequences. We are defending that distinction.

## **The April 30 cash-flow submission materially changes the record.**

Reductions, expenditure shifts, and updated assumptions show measurable improvement that must inform any further determination.

## **Two protective actions are now active.**

A protective appeal to SPI under §42127.6, and a written response to FCMAT requesting clarification of the statutory basis for FHRA engagement.

## **OUSD remains committed to transparency and partnership.**

We continue to work constructively with ACOE, FCMAT, and the State Superintendent to ensure any oversight rests on accurate, current information.

# WHAT WE OWE OUR STUDENTS IS NOT ASPIRATIONAL. IT WILL TAKE A UNIFIED SCHOOL DISTRICT TO DO IT.

- *Schools with librarians, counselors, and arts programs.*
- *Experienced teachers who stay long enough to know their names.*
- *Principals who are not consumed by budget anxiety.*
- *The security of knowing they are in a safe, thriving school where learning is at the forefront.*

THANK YOU

# Questions and discussion.

*We will not have every answer tonight. We will publish responses to questions raised here, in plain language, on the public budget website.*

## WHERE TO FIND MORE

<b>Budget Website:</b>	Public — updates on the first business day of each month: <a href="https://www.ousd.org/business-services/finance-departments/understanding-ousds-budget">https://www.ousd.org/business-services/finance-departments/understanding-ousds-budget</a>
<b>Board Meetings:</b>	Second and fourth Wednesdays — public comment welcomed
<b>Office of the Deputy Superintendent:</b>	Business & Operations, Tara Gard email: <a href="mailto:tara.gard@ousd.org">tara.gard@ousd.org</a>

**Reference:  
Budget Presentation  
5/13/2025**



**OAKLAND UNIFIED  
SCHOOL DISTRICT**

*Community Schools, Thriving Students*

## **OUSD Fiscal Solvency Update & Accountability Roadmap**

Board of Education Presentation  
May 13, 2026

Tara Gard • Deputy Superintendent, Business & Operations  
Ryan Nguyen • Chief Financial Officer  
Dr. Ruben Frutos • Consultant, HYA

# OUSD Fiscal Solvency Update & Accountability Roadmap

## Opening: Context and Transparency

Where is OUSD financially, how the District got here, and what we are doing to ensure long-term solvency?

- We have been transparent from the beginning:
- In December 2025, this Board publicly recognized a structural deficit of over \$100 million and implemented a plan to improve OUSD's fiscal condition and reduce the deficit. That moment set the tone for the work we are doing today—honest, disciplined, and focused on solutions.
- We are focused on fiscal stabilization and long-term sustainability
- We have improved cash flow and implementation progress
- We are maintaining local control through disciplined execution

# OUSD Fiscal Solvency Update & Accountability Roadmap

## December 2025: A Critical Crossroads for OUSD

Our previous staff recommended certifying OUSD's budget as **NEGATIVE** meaning the district projected it could not meet its financial obligations for the current fiscal year and the two subsequent fiscal years.

### Two paths were presented to the Board:

#### OPTION 1: Take Another State Loan

- Accept state intervention
- Lose local control of budget, hiring, and governance
- State-appointed administrator makes decisions for OUSD
- Families and communities lose their voice

#### OPTION 2: Build a New Stabilization Plan

- Develop board-adopted fiscal stabilization plan
- Restructure finances and reduce structural deficit
- Maintain local governance and community voice
- Demonstrate that OUSD can self-correct

*The Board chose to fight for local control — and they committed to doing the hard work.*

# OUSD Fiscal Solvency Update & Accountability Roadmap

## Ongoing Efforts: Planning and Execution

*"There has been controversy about whether OUSD has a plan. We want our community to understand what a plan is, how many we have had, and what the real problem has been."*

### What Is a Fiscal Plan?

A document that:

- Identifies the gap between revenues and expenditures
- Proposes specific actions to close it
- Assigns ownership
- Is formally adopted by the governing board

### What We Have Had

OUSD has had multiple fiscal plans over the past decade:

- Formally adopted
- Presented to county oversight
- Acknowledged by the state

### What Has Been Missing

- Consistent execution
- Quarterly reporting and timely plan adjustments
- The institutional discipline to follow through even when decisions are painful and unpopular

# From December 2025 to Today

## Progress to Date: Deficit Reduction and Fiscal Discipline

*Since that time, we have taken meaningful and measurable action:*

- Reduced the structural deficit by more than \$65 million through a combination of reductions and strategic shifts.
- Implemented expenditure controls and strengthened position control processes.
- Begun aligning staffing levels with enrollment realities and program needs.
- Initiated deeper reviews in key cost areas, including Special Education and operational structures.
- Workforce alignment and expenditure controls underway
- Restricted-first budgeting expanded
- Additional stabilization work continues into 2026-27

*This work has not been easy. It has required difficult decisions and prioritizing sustainability over short-term convenience.*

- Initial recommendation projected a negative certification
- Board adopted stabilization strategy instead of receivership
- Qualified certification maintained at Second Interim
- Current cash flow reflects improved operational conditions

# Solvency and Deficit Reduction

## Interim Reports: Qualified Certification – A Critical Achievement

- As a result of this work, the District submitted both the First and Second Interim Reports with a Qualified certification.
- Importantly:
  - The Alameda County Office of Education agreed with our Qualified certification at both reporting periods. This reflects a shared understanding that:
    - The District can meet its financial obligations,
    - While acknowledging that continued action is required.
- At the Second Interim, the County added a “going concern” designation:
  - We understand this designation.
  - It reflects the seriousness of our structural challenges.
  - But it does not change the fact that the District remains able to meet its obligations and is actively implementing a solvency plan.
- Additional stabilization work continues into 2026-27
  - Position control and staffing alignment
  - Contract review and procurement discipline
  - Attendance recovery and revenue protection
  - Facilities and operational optimization

**ACOE may monitor, require reporting, and assign support, but it should not frame OUSD as functionally insolvent where the District has a qualified certification, has adopted corrective actions, and has updated projections showing solvency if current measures are completed.**

# Fiscal Sustainability Strategies

## Budget Development Process: Structured, Data-Driven, and Transparent

Our 2026–27 budget development process is fundamentally different from prior years:

### 1. Grounded in Reality

- Enrollment and ADA projections are being aligned with actual trends.
- Revenue assumptions are tied directly to state formulas and verified projections.

### 2. Multi-Year Focus

- Every decision is evaluated not just for the current year, year sustainability.

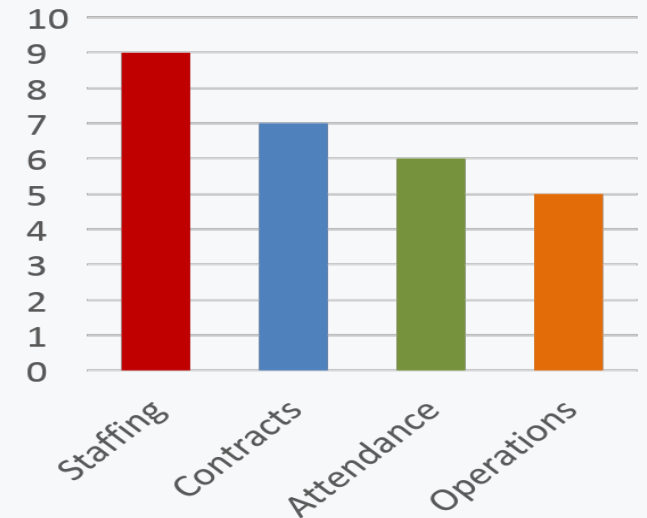
### 3. Cash flow-Driven

- We are managing not only the budget, but also the monthly cash flow, including:
  - Identification of seasonal cash lows
  - Development of contingency tools, if necessary

### 4. Separation of Unrestricted and Restricted Funds

- We are clearly distinguishing:
  - What is legally available for operations
  - What is restricted and not for addressing the structural deficit

but for three-  
OUSD Major Budget Impact



# Budget Development and

## Criteria OUSD Budget Strategy for 2026-27

The strategic fiscal posture for OUSD is:

1. Do not book the delayed \$5.6B settle-up.
2. Book LCFF COLA conservatively.
3. Treat discretionary block grants as one-time.
4. Use any future settle-up for reserve restoration, cash stabilization, deficit reduction, and restructuring transition costs — not ongoing costs or staffing.
5. Explicitly show that OUSD's solvency plan does not depend on speculative state settle-up.

Bottom line:

Prop 98 settle-up represents meaningful potential upside for OUSD, possibly \$26M–\$29M if fully distributed by ADA, but it is not a reliable current-year or 2026–27 budget solution unless and until the state appropriates it.

# Budget Development and

## State Budget Context: Helpful but Not the Complete Solution

- The Governor's 2026–27 budget provides:
  - A 2.41% COLA,
  - One-time discretionary funding,
  - Additional targeted program investments.
- These resources are helpful and appreciated.
- However, we are clear:
  - They do not solve our structural deficit.
  - One-time funds will be used for one-time purposes only, including transition costs and stabilization.

## Cashflow and Liquidity Management

- The District experiences seasonal cashflow pressures, particularly in the fall and late winter months.
- These are driven by the timing of revenues versus expenditures—not by an inability to meet obligations.
- Cash management, payment strategies, and monitoring resources are now an ongoing reality.

### Key Observations – Cash Flow

#### 1. Critical low point

- March (~\$5-10M) → Check safe threshold

- **Also fragile:** October–November (~\$10-15M)

#### 2. Cashflow shape

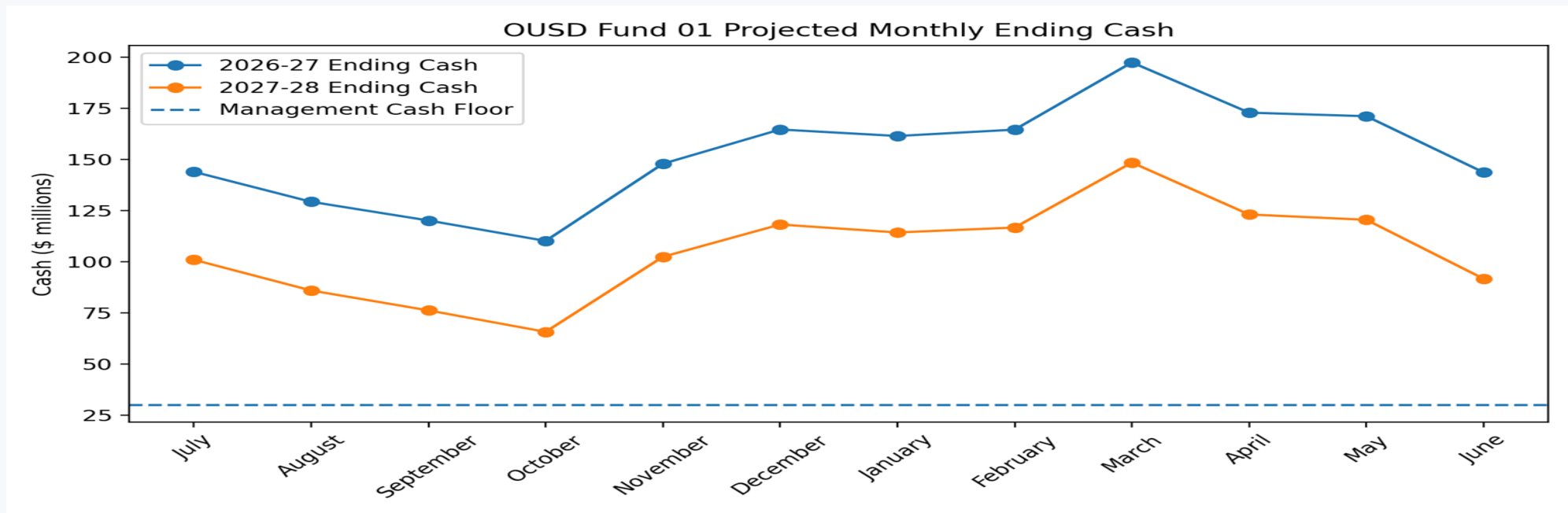
- Classic CA pattern:
  - Early-year stress
  - Mid-year stabilization
  - Spring recovery

# OUSD Fiscal Solvency Update & Accountability Roadmap

## Ongoing Efforts: Will OUSD Be Insolvent in 2025-26, 2026-27, or 2027-28?

NO

- Historical seasonality is clear: OUSD experiences large negative cash movement early in the year, strong revenue receipts around December/January and spring property tax periods, and heavy June disbursements/accrual activity.
- The 2026-27 state budget assumptions improve the outlook, especially the 2.41% COLA and the proposed one-time Discretionary Block Grant, but these do not eliminate the structural deficit or the need for reductions.
- The projection shows no total General Fund cash insolvency under the known conditions, but projected usable liquidity can become constrained if the ongoing fiscal stability plan does not continue to improve district solvency.



# Budget Costs

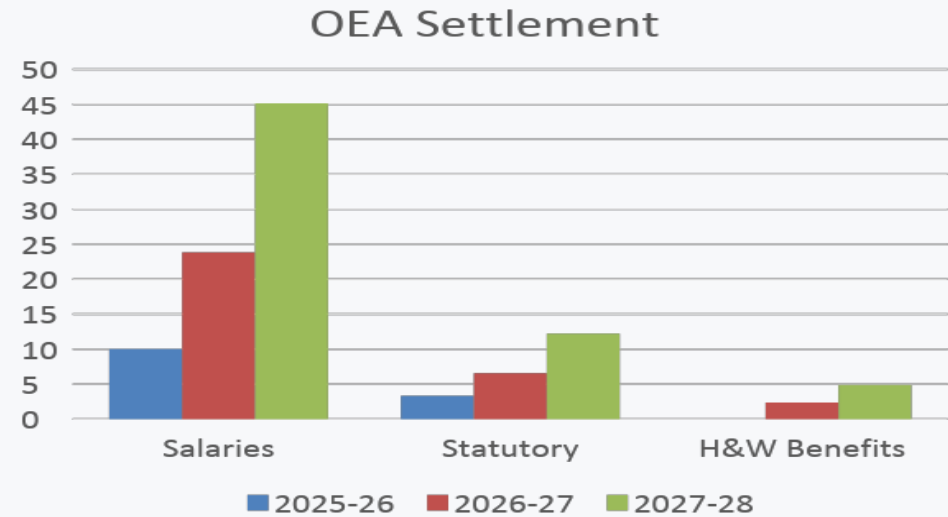
## OUSD – OEA Settlement Cost Analysis

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
<b>Salaries</b>	10,010,183	23,850,200	45,141,406
<b>Statutory H&amp;W Benefits</b>	3,361,591	6,574,571	12,217,038
<b>Total Yr Cost</b>	13,371,774	32,810,448	62,237,152

Source: Data provided by OUSD Fiscal Services Staff



# Budget Development and

## Ongoing Need for Fiscal Discipline: Our Plan for FY 2026-27 and Beyond

*Arne Duncan (Former Secretary of Education): Stated that the "fiscal cliff" should be viewed as an "opportunity to innovate," rather than just a reason to cut, urging administrators to "stop doing what doesn't work" to maintain solvency. (Forbes)*

### FY 2026-27 PRIORITY ACTIONS

- Enrollment-based staffing alignment (Year 2)
- Central office and administrative overhead reductions
- Renegotiation or exit of high-cost service contracts
- District wide right-sizing analysis
- Special Education program restructuring
- Facilities use optimization and program review
- Labor negotiations grounded in budget reality

### FY 2027-28 & STRUCTURAL REFORM

- Multi-year bargaining framework tied to reliable fiscal projections
- School model redesign to reduce per-site operational costs
- Revenue diversification: facilities, grants, partnerships
- Structural Special Ed cost containment strategy
- Reserve rebuilding — Stable +3% by FY 2028-29
- Quarterly accountability reporting to Board & community
- Solvency analysis as part of annual budget report

# Path Forward

## Draft Estimates (**Prior to May Revision**) – General Fund Multi-Year

Category	2025–26 projected	2026–27 forecast	2027–28 forecast
Beginning cash	~\$267.9M	~\$170M–\$190M	~\$150M–\$180M
Total receipts	~\$850M–\$900M	~\$880M–\$925M	~\$900M–\$945M
Total disbursements	~\$930M–\$965M	~\$900M–\$940M	~\$905M–\$945M
Net operating change	Reduced Deficit	Minor Deficit to stabilized	Stabilized if reductions hold
Ending cash	~\$170M–\$190M	~\$150M–\$180M	~\$160M–\$190M
Lowest cash month	March/April	March/April	March/April
Cash Concerns	Possible	Possible if unrestricted cash floor is breached	Lower if reductions fully implemented

# Major Fiscal Risks Mitigation

## Fiscal Solvency Strategy: The Path Forward

Our solvency plan is built on four pillars:

### 1. Structural Alignment

- Align staffing, programs, and operations with enrollment and revenue realities

### 2. Cost Containment

- Focus on major drivers, including Special Education and central services

### 3. Revenue Integrity

- Improve attendance, enrollment stability, and program alignment

### 4. Cash and Fiscal Discipline

- Maintain adequate liquidity and effective financial reporting
- Produce data and informational reports that are reliable and defensible

# Governance & Administration

## Key Message: Where We Are

**Today** Administrative and Governance messaging clarity:

- The District is **not ignoring its fiscal challenges**
- The District is **actively addressing them**
- The District is **meeting its financial obligations**
- The District will **protect student programs and avert strikes**
- The District **will continue its plan implementation**
- The District **will maintain its fiscal solvency efforts**
  - Complete structural stabilization work
  - Expand attendance recovery efforts
  - Protect reserves and maintain solvency
  - Strengthen long-term sustainability planning
- And the District is **on a path toward long-term solvency**

# Governance & Administration

## Board decision calendar through budget adoption

- May 2026** ● Report on solvency updates, including information on Interim reports, Cash Flows, and multi-year budget planning
- June 2026** ● Board-approved Third Interim due; reconcile assumptions to April cash flow, including labor settlement costs
- June 30** ● Adopt the 2026–27 budget; approve multi-year projection, LCAP, and cash flow controls
- July–Aug** ● Close 2025–26 books; update Unaudited Actuals; monitor payroll costs and carryovers
- Sept–Dec** ● First Interim cycle; district audit; verify recurring savings and prepare 2027–28 structural solutions

# 2026-27 and Ongoing

## Closing: Confidence and Commitment

- This work requires continued discipline, partnership, and transparency.
- We will continue to:
  - Seek support and work with ACOE
  - Provide regular updates regarding ongoing fiscal efforts and results
- Make the decisions necessary to ensure long-term stability
- **We want to thank:**
  - Our staff for their dedication
  - And our partners for their oversight and collaboration
  - The Board for its leadership
- ***We are not finished but we are making real, measurable progress, and we are moving in the right direction.***



# Community Schools, Thriving Students



**OAKLAND UNIFIED  
SCHOOL DISTRICT**

*Community Schools, Thriving Students*

[www.ousd.org](http://www.ousd.org)



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