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**OAKLAND UNIFIED
SCHOOL DISTRICT**
Community Schools, Thriving Students

Board Cover Memorandum

To Board of Education

From Dr. Denise Saddler, Interim Superintendent
Tara Gard, Deputy Superintendent of Business & Operations
Jenine Lindsey, General Counsel

Meeting Date May 27, 2026

Subject Authorization of Retroactive Reclassification of General Fund Expenditures to Restricted Funds and Ongoing Cost Allocation Review

Ask of the Board Adopt the Board of Education of Resolution No. 2526-0019 - Authorizing Retroactive Reclassification Of General Fund Expenditures To Restricted Funds And Directing Ongoing Cost Allocation Review For Future Fiscal Years

Background & Discussion The Oakland Unified School District (“District”) maintains multiple restricted funds that are intended to support specific educational programs, operational activities, and legally restricted purposes. In prior fiscal years, the General Fund has subsidized expenditures that, upon further review, may have qualified as allowable direct costs chargeable to restricted funds under applicable state and federal law.

The proposed resolution authorizes the Superintendent or designee to identify, document, and retroactively reclassify eligible expenditures from the General Fund to legally permissible restricted funds for fiscal years within the applicable records retention period, generally three to five years. The resolution also directs implementation of an ongoing systematic process for appropriate cost allocation during fiscal years 2026–27 and 2027–28.

The resolution is intended to ensure that the District maximizes allowable reimbursement opportunities, improves fiscal transparency, strengthens fund accounting practices, and reduces unnecessary pressure on unrestricted General Fund resources.

Discussion

The proposed resolution establishes Board authorization and oversight for the following activities:

- Review and identification of eligible expenditures previously charged to the General Fund that may legally qualify as direct costs under restricted programs or funds;
- Retroactive reclassification of expenditures where supported by transaction-level documentation and consistent with applicable federal and state requirements;
- Review of Cafeteria Fund (Fund 13), Child Development Fund (Fund 12), and other restricted programs and funds for allowable direct costs;
- Limited review of Capital Facilities Fund (Fund 25) expenditures only where a legally sufficient nexus exists between the expenditure and school facilities construction or reconstruction activities;
- Development of an ongoing cost allocation review process to improve fiscal practices prospectively.
- The resolution expressly requires compliance with Education Code provisions, California Code of Regulations, federal cost principles under 2 CFR Part 200, and all applicable audit and reporting requirements.

Fiscal Impact

This resolution may improve the District's unrestricted General Fund position by allowing reimbursement or cost recovery for eligible expenditures previously borne by unrestricted resources. Actual fiscal impact will depend on the results of the expenditure review process, the availability of supporting documentation, and legal eligibility under applicable program requirements. The resolution also requires safeguards intended to protect the District's fiscal integrity. No fiscal action may be taken that violates federal or state law or results in impermissible supplanting, duplicate recovery, or misuse of restricted funds.

Attachment(s)

- *Resolution No. 2526-0019 Authorization of Retroactive Reclassification of General Fund Expenditures to Restricted Funds and Ongoing Cost Allocation Review.*

**OAKLAND UNIFIED SCHOOL DISTRICT
Board of Education**

RESOLUTION NO. 2526-0019

**AUTHORIZING RETROACTIVE RECLASSIFICATION OF GENERAL FUND EXPENDITURES TO
RESTRICTED FUNDS AND DIRECTING ONGOING COST ALLOCATION REVIEW FOR FUTURE
FISCAL YEARS**

WHEREAS, the Oakland Unified School District (the "District") maintains several restricted funds, which have received General Fund subsidies in the current and prior fiscal years; and

WHEREAS, certain General Fund expenditures made in current and prior fiscal years were eligible to have been charged directly to restricted funds but were not so charged at the time; and

WHEREAS, California law, including Education Code sections 38091, 38101, and 8328, and 5 CCR sections 15050–15052, and applicable federal cost principles under 2 CFR Part 200, permit retroactive reclassification of allowable direct costs to the appropriate restricted fund where supported by transaction-level documentation and, in the case of Fund 12, expressly provide a refund mechanism for General Fund subsidies; and

WHEREAS, the District has determined that retroactive reclassification is appropriate for fiscal years within the applicable records retention period (generally 3–5 years), subject to compliance with all applicable federal, state, and local requirements; and

WHEREAS, the Board of Education finds it in the best fiscal interest of the District to authorize such reclassification where legally permissible and to establish a systematic process for proper cost allocation in future fiscal years; and

WHEREAS, no reclassification authorized herein shall apply to the Capital Facilities Fund (Fund 25) except to the extent that specific General Fund expenditures can be documented as qualifying school facility construction or reconstruction costs with appropriate nexus to development activity, consistent with Government Code sections 66001 and 66006; and

WHEREAS, this Board Resolution is a prerequisite to reclassification under applicable California law, including 5 CCR section 15051 for Fund 12;

NOW, THEREFORE, BE IT RESOLVED that the Board of Education of the Oakland Unified School District hereby authorizes the Superintendent or designee to identify, document, and reclassify specific General Fund expenditures to legally permissible restricted funds and, where qualifying construction nexus can be established, the Capital Facilities Fund (Fund 25), for all prior fiscal years within the applicable records retention period, subject to the following conditions:

1. Each reclassified expenditure must be supported by original transaction-level source documents (invoices, purchase orders, payroll records, or contracts) and accompanied by a written explanation of purpose and basis as required by Education Code section 38101(d);
2. No reclassification shall duplicate costs already captured in the District's approved indirect cost rate, consistent with Education Code section 38101(b);
3. For Fund 12, the Superintendent or designee shall review CDE Annual Uniform Data Reporting (AUD) cost reports for each applicable fiscal year to confirm whether reported costs were at or above the Maximum Reimbursable Amount (MRA) before finalizing any reclassification;
4. For Fund 13, no direct transfer to the General Fund is authorized; reclassification is limited to eligible direct cost charges as permitted by Education Code section 38101 and 7 CFR section 210.14(a);
5. All reclassifications shall be accompanied by an NCR impact analysis confirming the applicable fund retains at least three months' operating costs post-adjustment, a GASB 100 restatement disclosure, and an indirect cost rate reconciliation.

BE IT FURTHER RESOLVED that the Superintendent or designee is directed to implement a systematic process for identifying and properly allocating allowable direct costs to restricted funds on an ongoing basis during fiscal years 2026–27 and 2027–28, consistent with all applicable federal and state requirements, and to report quarterly to the Board on the status and fiscal impact of such allocations;

BE IT FURTHER RESOLVED that each annual reclassification for prior fiscal years shall be presented to the Board for separate action, together with the detailed expenditure schedule, indirect cost reconciliation, and documentation required by applicable law;

BE IT FURTHER RESOLVED that the Superintendent or designee is authorized to take all actions, execute all documents, and make all filings with the Alameda County Superintendent of Schools, the California Department of Education, and other agencies as necessary to implement this Resolution;

BE IT FURTHER RESOLVED that nothing in this Resolution authorizes any action that violates applicable federal or state law, and any action taken pursuant to this Resolution shall comply with all applicable requirements, including the double-penalty provision of Education Code section 38101(f) with respect to the Cafeteria Fund.

Passed by the following vote:

PREFERENTIAL AYE:

PREFERENTIAL NOE:

PREFERENTIAL ABSTENTION:

PREFERENTIAL RECUSE:

AYES:

NOES:

ABSTAINED:

RECUSE:

ABSENT:

CERTIFICATION

We hereby certify that the foregoing is a full, true and correct copy of a Resolution passed at a Regular Meeting of the Board of Education of the Oakland Unified School District held on May 27, 2026.

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By:	

OAKLAND UNIFIED SCHOOL DISTRICT

Jennifer Brouhard
President, Board of Education

Denise G. Saddler, EdD, Interim Superintendent and
Secretary, Board of Education