OAKLAND UNIFIED SCHOOL DISTRICT
Community Schools, Thriving Students

OUSD Third Interim Report & Fiscal Stabilization Implementation Plan Update

Board of Education Presentation
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Ask of the Board

- Review the 2025-26 Third Interim Budget Report
- Receive and discuss updates on relevant contextual information impacting the summary Unrestricted, Restricted, and Multi-Year Projections (MYP)
- Approve and Certify the 2025-26 Third Interim Report

Summary: Context and Transparency

- This report presents a narrative analysis that supports a Positive Board Certification for the Oakland Unified School District's 2025-26 Third Interim Report.
- The recommendation is based on the updated Third Interim multi-year projection, the current year-end reserve test, the District's implementation controls, projected deficit spending, and the May Revision information.
- The analysis concludes that the District can certify positive because current projections indicate that OUSD will be able to meet its financial obligations for 2025-26, 2026-27, and 2027-28, provided the Board maintains the fiscal stabilization implementation conditions and monitoring framework described in this report.

OUSD - Third Interim Report & Fiscal Solvency Update

Overview of District Financial Accountability - TIMELINE

- California school districts are accountable to the State (through the County) for the use of funds provided by the State and Federal government.
- The process of accountability is prescribed by State law, which includes district officials ensuring that the district is able to meet its financial commitments each year and into the future.

Budget Adoption - By July 1
Projected results for the following fiscal year (July 1 - June 30) | *Ed Code §42127*

Unaudited Actuals - By Sept 15th
Actual full year results for prior year (July 1 - June 30) | *Ed Code §42100*

First Interim - By December 15
Updated projections as of October 3Second | *Ed Code §42130 & §42131*

Second Interim - By March 15
Updated projections as of January 31st | *Ed Code §42130 & §42131*

Third Interim - By June 1
Updated projections as of April 30th | *Ed Code §42130 & §42131*
[Required if 2nd Interim is qualified or negative]

Overview of District Fiscal Condition – 2nd and 3rd Interim

Combined: Unrestricted and Restricted General Fund

	Second Interim	Third Interim	Difference
A. Revenues			
5) Total Revenues	860,378,788.00	878,491,421.14	18,112,633.14
B. Expenditures			
9) Total Expenditures	962,966,663.00	978,669,778.76	15,703,115.76
C. Excess (Deficiency) of Revenues minus Expenditures	-102,587,875.00	-100,178,357.62	2,409,517.38
F. Fund Balance, Reserves			
1) Beginning Fund Balance			
e) Adjusted Beginning Balance	253,936,426.00	253,936,426.00	
2) Ending Fund Balance	148,363,550.00	153,758,068.00	5,394,518.00
Restricted Reserve	115,776,429.00	124,134,401.00	8,357,972.00
Other Assignments	3,557,899.00		
Reserve for Economic Uncertainty	28,979,000.00	29,522,037.53	543,037.53
Unassigned Unappropriated	50,222.00	101,629.47	51,407.47

Overview of District Fiscal Condition – 3rd Interim Budget Detail

Combined: Unrestricted and Restricted General Fund

Description	Projected Year Totals (Form 01I) (A)	2026-27 Projection (C)	2027-28 Projection (E)
A. REVENUES AND OTHER FINANCING SOURCES			
6. Total (Sum lines A1 thru A5c)	878,491,421.14	832,228,873.00	921,738,046.00
B. EXPENDITURES AND OTHER FINANCING USES			
11. Total (Sum lines B1 thru B10)	978,669,778.76	869,356,017.24	938,366,846.24
C. NET INCREASE (DECREASE) IN FUND BALANCE			
(Line A6 minus line B11)	(100,178,357.62)	(37,127,144.24)	(16,628,800.24)
D. FUND BALANCE			
1. Net Beginning Fund Balance (Form 01I, line F1e)	253,936,425.63	153,758,068.01	116,630,923.77
2. Ending Fund Balance (Sum lines C and D1)	153,758,068.01	116,630,923.77	100,002,123.53
E. AVAILABLE RESERVES (Unrestricted except as noted)			
b. Reserve for Economic Uncertainties	29,522,037.53	31,924,537.19	29,346,946.22
3. Total Available Reserves - by Amount (Sum lines E1 thru E2c)	29,522,037.53	31,924,537.19	28,809,516.22
4. Total Available Reserves - by Percent (Line E3 divided by Line F3c)	3.02%	3.67%	3.07%
c. Total Expenditures and Other Financing Uses (Line F3a plus line F3b)	978,669,778.76	869,356,017.24	938,366,846.24
(Refer to Form 01CSI, Criterion 10 for calculation details)	2%	2%	2%
e. Reserve Standard - By Percent (Line F3c times F3d)	19,573,395.58	17,387,120.34	18,767,336.92
h. Available Reserves (Line E3) Meet Reserve Standard (Line F3g)	YES	YES	YES

3rd Interim Board Certification Information

- If the second interim report transmitted by a school district each fiscal year is qualified or negative, the governing board of that school district shall provide the county superintendent, the SPI and the Controller with a financial statement no later than June 1, of that fiscal year, that projects the district's fund and cash balances through June 30 for the period ending April 30 [E.C. 42131 (e)].

- This report is sometimes referred to as the "third interim report." A district can opt to self-certify to a "positive," "qualified," or "negative" certification when submitting its June 1 financial statement.

Recommended Board Finding

- Based on the financial information presented to the Board at the time of Third Interim approval, OUSD is projected to meet its fiscal obligations for the current fiscal year and the two subsequent fiscal years. The positive certification is justified by: (1) a positive current-year combined ending balance; (2) a positive unrestricted ending balance sufficient to cover the estimated minimum reserve test; (3) positive projected ending balances in 2026-27 and 2027-28 with the ongoing solvency actions; and (4) the Board-directed fiscal stabilization plan implementation and monitoring framework that controls the remaining fiscal risks.
- OUSD's Second Interim posture reflected substantial fiscal concern. The Third Interim and subsequent updated projection provide a materially stronger basis for certification. The positive approach in this report does not minimize fiscal risk. Rather, it demonstrates that the risks can be controlled through Board-approved actions and that the projected balances remain positive for all three certification years.

Multi-Year Projection – Ongoing Fiscal Improvement

Updated data show a stronger ending balance position than in both the First and Second Interim Reports.

Multi Year Estimates	FY25-26 3rd Interim	FY26-27 Projection / Ongoing Stabilization	FY27-28 Projection / Ongoing Stabilization
LCFF Base	491,330,444	504,582,961	520,357,068
Total Revenues	878,491,421	832,228,973	921,738,046
Tot Expenses/ REU Base	978,669,779	869,356,017	938,366,846
REU 2%	19,573,396	17,387,120	18,767,337
REU 3%	29,360,093	26,080,681	28,151,005
Total End Balance	153,758,068	116,630,924	100,002,124
UNR End Balance	29,623,667	31,934,537	29,346,944
UnAssigned FdBal	263,574	5,853,857	1,195,939
Board Directed Stabilization	0	30,000,000	30,000,000
May Revision			
COLA 2.87% TO 4.31%		6,681,143	
Discretionary from $750 to $900		4,550,550	
Updated Board Dir Stabilization		18,768,307	23,318,857

What changed

- End balance improved by roughly $5.4M from Second Interim.
- Unrestricted balance remains positive and supports the reserve test.
- Restricted carryover improves, supporting program continuity and allowable cost shifts.
- The remaining deficit is manageable within the positive three-year balance path.
- Fiscal solvency is contingent on a continuing fiscal solvency strategy.

Multi-Year Projection and Positive Outlook Across Three Fiscal Years

- The Third Interim presentation's MYP improves the multi-year position from the prior draft presentation and supports positive certification. The combined General Fund remains positive in all three years, ending at $153.8M in 2025-26, $116.6M in 2026-27, and $100.0M in 2027-28. The 2026-27 and 2027-28 balances provide the core evidence for the two subsequent-year requirement.

Fiscal year	Annual Justification for positive certification	Required steps to maintain solvency
2025-26	Positive ending balance of $153.8M, positive unrestricted reserve of $29.5M, and June ending cash of $151.5M support current-year solvency.	No new off-budget commitments; weekly year-end close monitoring; payroll and contribution reconciliation; restrict spending to legally required or pre-approved items.
2026-27	The MYP projects a positive combined ending balance of $116.6M and available reserves of $31.9M after a $37.1M net use of fund balance.	Adopt the 2026-27 budget with Board solvency directives, position control, identified reductions, and a monthly implementation dashboard.
2027-28	The MYP projects a positive combined ending balance of $100.0M and available reserves of $28.8M, satisfying the third-year test.	Maintain structural discipline, align labor commitments to recurring revenue, protect ADA, and continue restricted-resource maximization.

Restricted Resources and Programmatic Liquidity

- The updated fiscal data shows a projected restricted ending balance of approximately $124.1 million. These funds are not general-purpose reserves, but they provide programmatic liquidity and support eligible expenditures for which the restricted resource legally bears the cost. This matters because proper charging of costs to legally allowable resources reduces pressure on the unrestricted General Fund and improves the accuracy of fiscal reporting.
- The Board has recognized that a narrow reserve margin is not a reason to avoid positive certification if the projections support solvency; however, it is a reason to require stronger fiscal oversight, and the Board has provided clear direction to maintain the reserve floor and regularly report on the continuing fiscal controls.

OUSD - Third Interim Report & Fiscal Solvency Update

Ancillary Funds – Summary of all District Funds

OUSD 2025-26 Third Interim Summary of Revenue, Expenditures, and Fund Balance of All Funds					
Fund / SACS Form	***Revenues***	***Expenditures***	***Excess/ (Deficiency)***	***2025-26 Beginning Fund Balance***	***2025-26 Ending Fund Balance***
Fund 01 - General Fund - Unrestricted	$ 404,691,585	$ 425,275,066	$ (20,583,481)	$ 53,170,602	$ 32,587,121
Fund 01 - General Fund - Restricted	$ 455,702,203	$ 540,691,597	$ (84,989,394)	$ 200,777,711	$ 115,776,429
Fund 11 - Adult Education	$ 5,476,125	$ 5,688,356	$ (212,231)	$ 239,165	$ 26,934
Fund 12 - Child Development	$ 51,084,301	$ 52,784,609	$ (1,700,308)	$ 22,501,086	$ 20,800,778
Fund 13 - Student Nutrition	$ 32,679,027	$ 44,754,468	$ (12,075,441)	$ 43,536,662	$ 31,461,221
Fund 14 - Deferred Maintenance	$ 3,059,606	$ 3,929,442	$ (869,836)	$ 1,931,138	$ 1,061,302
Fund 21 - Building Fund	$ 8,400,977	$ 124,860,037	$ (116,459,060)	$ 225,821,885	$ 109,362,825
Fund 25 - Capital Facilities Fund	$ 1,141,362	$ 8,714,774	$ (7,573,412)	$ 23,165,429	$ 15,592,017
Fund 35 - County Schools Facility Fund	$ 17,090,321	$ 2,213,585	$ 14,876,736	$ 9,295,635	$ 24,172,371
Fund 40 - Special Reserve Fund for Capital Outlay	$ 220,597	$ 2,582,604	$ (2,362,007)	$ 4,309,274	$ 1,947,267
Fund 51 - Bond Interest and Redemption Fund	$ 95,520,717	$ 107,568,449	$ (12,047,732)	$ 113,857,961	$ 101,810,229
Fund 67 - Self Insurance Fund	$ 30,559,510	$ 32,160,223	$ (1,600,713)	$ 1,603,971	$ 3,259
Total All Funds	**$ 1,105,626,330**	**$ 1,351,223,210**	**$ (245,596,880)**	**$ 700,210,521**	**$ 454,601,754**

Restricted General Fund: Program Continuity and Carryover Strength

Positive certification significance

- Restricted resources do not replace unrestricted reserves, but help reduce programmatic liquidity risk.
- Carryover supports legally allowable costs in 2025–26 and beyond.
- Benefit-based expenditure transfers can reduce unrestricted pressure as legally authorized.
- Ongoing compliance must be reviewed for expenditure compliance and fund benefit.

Restricted General Fund	Operating Budget	Updated Projection	Variance
Total revenues	$341.4M	$351.3M	$9.9M
Total expenditures	$540.7M	$567.1M	$26.4M
Contributions	$114.3M	$139.2M	$24.9M
Ending balance	$115.8M	$124.1M	$8.4M

Contributions and Structural Burden

Positive certification remains supportable, but the unrestricted contribution level is the primary structural risk.

Unrestricted Contributions To Restricted Programs Detail

- Unrestricted support rises to approximately $139.2M in the updated projection.
- This reflects cost pressures and/or more complete recognition of restricted program support needs.
- Positive certification can still be supported because ending balances remain positive.
- The contribution trend must be treated as a core 2026–27 budget balancing priority.

Multi-year priority	Required action
Special Education	Monthly encroachment and caseload review; contract controls; maximize state/federal revenue.
Operations and Transportation	Expense (routing) optimization; service-level review; cost-to-program reconciliation.
Expanded Learning / LCAP	Charge eligible costs to legally benefiting resources and maintain documentation.
Facilities / Construction	Shift facilities/project costs to eligible resources where legally supported.

Multi-Year Projection: Positive Ending Balances Maintained

Applying the updated 2025–26 ending balance creates a stronger starting point for 2026–27.

Forecast method

- Use and monitor the updated 2025–26 ending balance as the baseline.
- Apply the MYP changes for 2026–27 and 2027–28.
- Result: positive combined fund balance in all three fiscal years.
- Forecast remains conditional on implementation of adopted budget controls.
- **MYP will benefit from updated May Revision information after state budget adoption.**

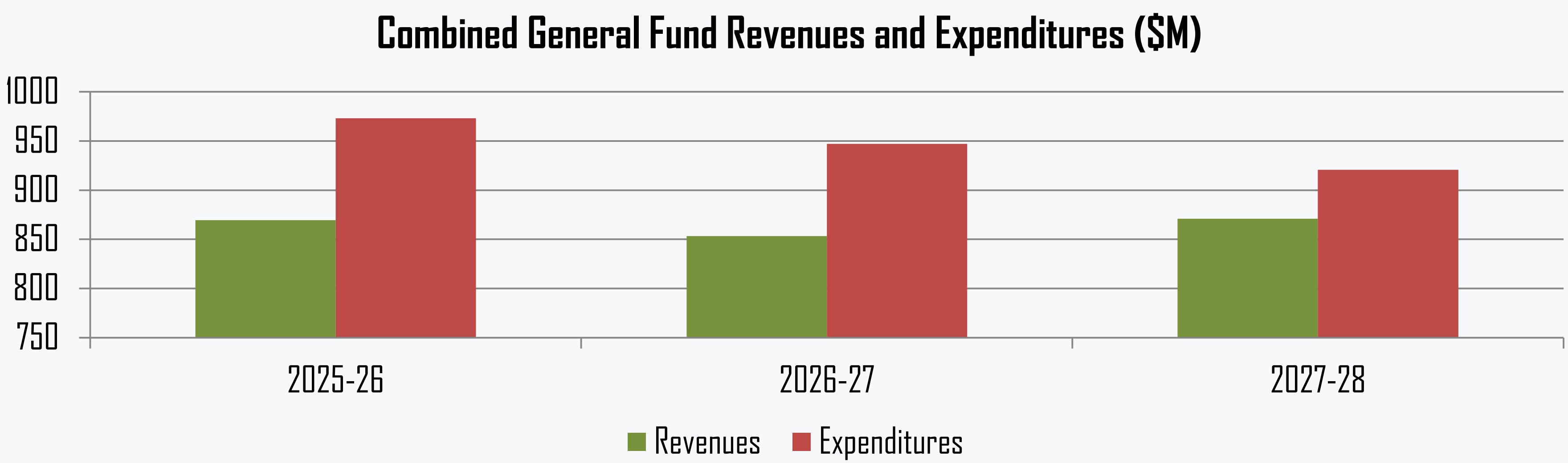
Year	Revenue & sources	Expenditures & uses	Net change	Ending balance
2025-26	$878.5M	$978.7M	-$100.2M	**$153.8M**
2026-27	$832.2M	$869.4M	-$37.1M	**$116.6M**
2027-28	$921.7M	$938.4M	-$16.6M	**$100.0M**

Transparency: Revenue and Expenditure Trajectory

The positive certification is supported by improving expenditure alignment in 2027–28.

Analytical Summary

- 2025–26 remains a deficit year but ends with a positive balance.
- 2026–27 requires continued reductions and budget-solution tracking.
- 2027–28 shows recovery to a positive net change if expenditure controls remain.
- OUSD cannot use positive certification as permission to ease solvency controls.



State Budget Context: May Revision Supports Stability, Not Automatic Recovery

$151.6B
TK–12 state funding proposed

$127.1B
2026–27 Prop 98 state guarantee

4.31%
Proposed LCFF total COLA

Why this supports a positive pathway

- Improved statewide Proposition 98 outlook reduces immediate revenue downside risk.
- LCFF COLA and May Revision super-COLA improve the 2026–27 revenue base.
- Special education and one-time revenues may partially offset program pressures.
- Revenue improvements must not be committed before recurring affordability is verified.

Review context and verification

- Review fiscal reports with the final enacted budget as adoption and trailer bills are complete.
- OUSD’s ongoing risks include enrollment, ADA, labor settlements, special education, and cash timing.
- The positive certification should be paired with a conservative budget update after state adoption.

Fiscal Risk Analysis and OUSD Mitigation Plan

The positive certification is strengthened by transparent identification and management of fiscal risks.

To support the positive certification and ensure it remains defensible, the Board should adopt the certification with the recognition of the following fiscal risk conditions and the corresponding monitoring and mitigation expectations:

Fiscal Risk	Potential effect	Mitigation	Review Frequency
Payroll and staffing increases	Consumes unrestricted reserves and balance	Position control, vacancy capture, payroll-to-budget reconciliation	Monthly
Special education contribution	Raises contributions	Caseload dashboard, contract review, revenue maximization	Ongoing
Restricted resource allowability	Audit or reclassification exposure	Benefit documentation, resource-level review, audit trail	Quarterly
Enrollment and ADA	LCFF revenue risk	Attendance recovery plan, enrollment monitoring, LCFF scenario updates	Monthly
State budget volatility	Revenue assumption risk	Update MYP after enacted budget and key apportionments	At state budget / interims

3rd Interim and Ongoing Implementation Roadmap to Remain Positive

May–June 2026

Approve Third Interim; close the year with an updated finance review; submit the 3rd Interim to ACOE.

June 2026

Adopt the 2026–27 budget and LCAP with updated state May Revision information.

July–Sept 2026

Complete year-end close, prepare unaudited actuals, reconcile all transfers and contributions.

Oct–Dec 2026

Monitor First Interim trigger points; update MYP and cash flow based on actuals.

Jan–Mar 2027

Second Interim validation; confirm 2027–28 Assumptions and budget reductions.

2027–28

Maintain reserve policy, structural balance, and monthly fiscal reviews.

Next Steps: From Fiscal Stability to Student Success

Fiscal solvency is not the destination — **it is the foundation.**
OUSD's students deserve both financial integrity and academic excellence, together.

Budget Development: Maintaining Solvency

① **Adopt 2026–27 Budget by July 1**

With Board solvency directives, position control, and identified structural reductions built in.

② **Implement FSIP Scenario 3 Controls**

No off-budget commitments; weekly monitoring; restrict spending to legally required or pre-approved items.

③ **Update MYP with May Revision Data**

Incorporate 4.31% LCFF COLA and discretionary increases; revise multi-year projections conservatively.

④ **Close Year & Prepare Unaudited Actuals**

Complete July–Sept 2026 reconciliation; validate all transfers, contributions, and restricted balances.

The Real Priority: Student Achievement

Too long in crisis mode

Since 2003, OUSD has cycled through receivership, state oversight, and repeated fiscal emergencies, while students bore the cost.

Academic outcomes at risk

Graduation rate stalled at ~74%. A–G eligibility at 46%. Enrollment declining. Students cannot wait for fiscal stability to unlock investment.

This budget must prioritize students

Every reduction decision must be evaluated for academic impact first. We must revisit our investments and their impact on student success and achievement.

Fiscal health enables academic ambition

A solvent, structurally balanced OUSD can recruit talent, enhance programs, and finally close the gap between resources and student needs.

74.0% — **Grad Rate (2024-25)**
Peaked at 79.5% in 2021-22

46.0% — **A–G Eligibility**
vs. 28.4% in 2012–13 — progress stalled

33,968 — **District Enrollment**
Down from 38,096 peak — trend must reverse

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Questions?