



Alameda County Office of Education

Alysse Castro, Superintendent

April 15, 2024

Dr. Kyla Johnson-Trammell, Superintendent
Members of the Board of Education
Oakland Unified School District (OUSD)
1011 Union St, Oakland, CA 94607

RE: 2023-24 Second Interim Budget Report

Dear Superintendent and Members of the Board,

OUSD filed a QUALIFIED certification of the District's 2023-2024 Second Interim Budget Report covering the period ending January 31st, which OUSD's Board of Education approved on March 13, 2024. 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 and concurs with the District's QUALIFIED certification.

ACOE is highlighting concerns in the following areas:

- *Forecasts include the presumption that the District will implement the Board's approved adjustments for fiscal year 2024-25.*
- *Forecasts include plans for unspecified future reductions that will require additional board action, without which the District will not meet its financial obligations in 2025-26.*
- *Forecasts assume enrollment projections that are not consistent with the District's historical trend.*

Please see the attached report for a detailed summary and analysis. If you have any questions or concerns regarding our review process, please don't hesitate to reach out to me or the District Business & Advisory Services Team.

With appreciation to the District staff, Board, and community for their continued efforts,

A handwritten signature in black ink, appearing to read 'Alysse Castro'.

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

2023-24 Second Interim Review Oakland Unified School District

Revenue Projections:

Description: OUSD's revenue projections appear overstated due to the District's flat enrollment projections that deviate from the District's declining enrollment trend. The District should be prepared with contingency plans for additional budget balancing solutions should the enrollment not materialize as projected.

LCFF Revenue Projections	2023-24	2024-25	2025-26
OUSD's Unrestricted LCFF Revenue (MYP) - flat enrollment projections	\$ 486,069,395	\$ 475,203,753	\$ 479,295,595
ACOE's Estimates - based on 1% enrollment decline	\$ 479,359,573	\$ 470,668,161	\$ 470,026,721
LCFF Revenue Projections - Difference (District vs ACOE)	\$ (6,709,822)	\$ (4,535,592)	\$ (9,268,874)

Enrollment Projections:

Description: The District has been experiencing declining enrollment since 2017-18, with a five-year average annual decline of 1.65%. The District is projecting flat enrollment in 2025-26 in the MYP largely due to the increase in Transitional Kindergarten. The chart below illustrates the enrollment projections according to the District's LCFF Calculator.

CALPADS	2023-24	2024-25	2025-26
OUSD Projections within the District's Second Interim Report	33,882	33,743	33,743
OUSD Year-Over-Year Difference	(240) **	(139)	-
ACOE Estimates - projected 1% annual enrollment decrease	33,873 *	33,534	33,199
ACOE Estimates - Year-Over-Year Difference	(249) **	(339)	(335)

* CALPADS certified

** compared to 2022-23 enrollment of 34,122

Required Board Action:

Description: On February 28, 2024, the Board approved Resolution 2324-0137 "Proposed Budget Adjustments for Fiscal Year 2024-25 and Restructuring Recommendations for 2025-26." In addition, the Board has taken the first steps to implement those adjustments by approving:

Resolution 2324-0118 Classified Reduction in Force Due to Lack of Funds and/or Lack of Work, and
Resolution 2324-0121 Eliminate Certificated Positions due to a Reduction in Particular Kinds of Service.

These resolutions authorized preliminary layoff notices resulting in net reductions of approximately 185 full-time equivalent (FTE) positions. The Board is encouraged to continue implementing the budget adjustments that will address the District's structural deficit to ensure the District meets its obligations in the subsequent fiscal years. The District's Second Interim MYP requires \$67.4 million in ongoing reductions for 2024-25, with an additional \$12.9 million in 2025-26, not including any additional amount that may be needed should the District's enrollment not materialize as projected and should the district have increased labor costs.

Required Board Action Budget Reductions and/or Revenue	2023-24	2024-25	2025-26
OUSD's Unrestricted Reductions - Source: MYP		\$ (21,099,749)	\$ (10,973,480)
OUSD's Restricted Reductions - Source: MYP		\$ (46,297,420)	\$ (1,923,685)
Total Needed Budget Reductions/Adjustments in Submitted Report		\$ (67,397,169)	\$ (12,897,165)

District's Deficit Spending & Impact to the Unrestricted General Fund Balance & REU:

Description: OUSD's Second Interim MYP projects continued deficit spending in the Unrestricted General Fund of \$35.4 million, \$10.5 million, and \$8.8 million in 2023-24, 2024-25, and 2025-26, respectively, even with the proposed reductions. The Unrestricted General Fund Ending Balance is projected to decrease from \$118.4 million at 2022-23 Unaudited Actuals to \$63.4 million in 2025-26.

Second Interim Budget Adjustments	2023-24	2024-25	2025-26
Unrestricted Reductions - Certificated & Classified Salaries	\$ -	\$ (21,099,749)	\$ (10,973,480)
Unrestricted General Fund - Beginning Balance	\$ 118,353,704	\$ 82,971,004	\$ 72,429,478
Unrestricted General Fund - Surplus/(Deficit)	\$ (35,382,700)	\$ (10,541,526)	\$ (8,788,066)
Unrestricted General Fund - Ending Balance	\$ 82,971,004	\$ 72,429,478	\$ 63,641,412

<i>Should the District not implement budget balancing solutions</i>	2023-24	2024-25	2025-26
Unrestricted General Fund - Ending Balance	\$ 82,971,004	\$ 72,429,478	\$ 51,329,729
Unrestricted Reductions - Ongoing Certificated & Classified Salaries *		\$ 21,099,749	\$ 32,073,229
Unrestricted General Fund - Adjusted Ending Balance		\$ 51,329,729	\$ 19,256,500

* If the District fails to implement the reductions, the expenditures will be added back to the budget, reducing fund balance

<i>Impact on Reserves</i>	2023-24	2024-25	2025-26
OUSD's Reserves - <i>If Reductions Not Implemented</i>	\$ 72,533,260	\$ 40,891,985	\$ 30,691
Is REU Met or Not Met if Reductions not Implemented?	Met	Met	Not Met

Conclusion:

ACOE understands the District is working to implement the Board-approved budget-balancing solutions and restructuring plan. We encourage the Board to continue to making the necessary decisions concerning ongoing revenues and expenditures to ensure it is able to meet its financial obligations and maintain long-term fiscal health.

Next Steps: Board Action and Third Interim Report

Pursuant to EC Section 42131, as a District with a Qualified certification, OUSD shall provide to ACOE and its state partners a Board-approved Third Interim Budget Report no later than June 1, 2024, with projections through June 30, 2024, for the period ending April 30, 2024. ACOE expects the District's Third Interim Budget Report to include any recent Board-approved actions as well as any necessary and sufficient budget-balancing solutions to return the District to a path toward a Positive certification.