



Alameda County Office of Education

Alysse Castro, Superintendent

September 15, 2023

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

RE: 2023-24 Local Control and Accountability Plan (LCAP) & Adopted Budget Review

Dear Superintendent Johnson-Trammell and Members of the Board,

I am writing to address the status of the 2023-24 Local Control and Accountability Plan (LCAP) and Adopted Budget for the Oakland Unified School District (OUSD). Both documents require approval under Education Code (EC) Sections 42127 and 52070. Our review revealed that both the LCAP and Budget approved before July 1 required significant revisions to meet minimum legal requirements. Revisions were agendized for September 13, 2023, however the OUSD Board deferred action on both items. Consequently, ACOE *cannot* approve the LCAP and Budget at this time, leaving the district without these critical cornerstones of state funding. Rather than a disapproval which would be a huge step backwards for OUSD, the law allows for a conditional approval. These specific conditions must be met by OUSD to secure approval:

No later than September 27, 2023, at 9:00 pm, adopt by Board action, updates to the 2023-24 LCAP and Budget to ensure compliance with the law and previous commitments in the following areas:

1. LCAP Clarifying Questions: By September 27, 2023, OUSD must adopt, through Board action, the district's response to clarifying questions posed by the Alameda County Office of Education (ACOE) regarding the 2023-24 LCAP.
2. LCAP MPP: OUSD must approve an LCAP that reflects expenditure requirements for funds allocated based on the number and concentration of unduplicated students (known as the Minimum Proportionality Percentage or MPP) as required by Education Code Sections 42238.02 and 42238.03.
3. LCAP sufficient expenditures: The Board must adopt an LCAP reflecting sufficient expenditures to fully implement the specific actions within the LCAP, using the same budget assumptions and salary calculations as used in the budget to be adopted, including incorporating the impact of the new OEA agreement.
4. Budget and MYP: OUSD must approve revisions to the 2023-24 budget and multiyear budget projections (MYP) *through 2025-26* that fully incorporate all components of the OEA Collective Bargaining Agreement (CBA), appropriately coded to salary and benefits. Any other known budgetary assumptions impacting OUSD's fiscal status should also be included.

No later than September 20, 2023, at 5:00 pm, Item #4 above must be provided to ACOE staff and OUSD's Fiscal Oversight Trustee for review and confirmation prior to being presented to the Board for approval.

Additionally, we remind the Board of their previous agreement that no later than October 31, 2023, the Board will approve and submit to ACOE and to the Fiscal Oversight Trustee the

detailed list of Budget Balancing Adjustments which the Board committed to make in order to complete the settlement with OEA as documented in ACOE's June 27, 2023, review.

These conditions are based on prior commitments and legal requirements. OUSD staff has already made significant progress toward completing them and much information was shared with the Board in advance of the September 13th meeting. *It is critical that Board members work with staff to get answers to any questions they have and be prepared to take action to approve the LCAP and Budget by 9/27 as the district simply can't function without them.*

Attached to this letter, you will find a detailed description of the requirements for each item and a summary of the concerns and agreements related to the current situation.

In community,

A handwritten signature in black ink, appearing to read 'Alysse Castro', with a stylized flourish at the end.

Alysse Castro
Alameda County Superintendent of Schools

cc: Lisa Grant-Dawson, Chief Business Official, Oakland USD
Tony Thurmond, State Superintendent of Public Instructions, CDE
Michael H. Fine, Fiscal Crisis and Management Assistance Team
Luz Cázares, Fiscal Oversight Trustee
Juwen Lam, Chief of Accountability Services, ACOE
Shirene Moreira, Chief of District Business and Advisory Services, ACOE
Joan Laursen, Director III, District Business and Advisory Services, ACOE

Details:

In accordance with Education Code (EC) Sections 42127 and 52070, the Alameda County Office of Education (ACOE) has reviewed the 2023-24 Local Control and Accountability Plan (LCAP) and Adopted Budget of the Oakland Unified School District. By statute, the Adopted Budget review must be completed by September 15 of each year, and the LCAP review must be completed by October 8.

Local Control and Accountability Plan

Based on the District's response to ACOE's LCAP clarifying questions letter, OUSD staff updated its Contributing Expenditures to meet the local calculations required to increase and improve services for its Unduplicated Student population, and responded that the material revisions would be approved by the Board on September 13, 2023.

Because the Board did not approve the revisions to the LCAP, OUSD is failing to meet the following criteria for approval:

- The LCAP or Annual Update adheres to the expenditure requirements for funds apportioned on the basis of the number and concentration of unduplicated students pursuant to EC Sections 42238.02 and 42238.03, commonly known as the percentage to increase or improve services or Minimum Proportionality Percentage (MPP).

While OUSD's LCAP appropriately includes the financial impact from the board-approved OEA CBA, the District's Adopted Budget, as approved by the Board on June 28, 2023, did not incorporate the OEA agreement for the current and two subsequent fiscal years. The full fiscal impact from the OEA settlement has not been publicly presented, and to date, the impact on FY 2025-26 has yet to be formally disclosed. As the Adopted Budget and Multiyear Projection do not include all costs projected within the LCAP, ACOE is unable to determine with a level of confidence that the 2023-24 Adopted Budget contains sufficient expenditures to fully implement the specific actions within the LCAP. Therefore, OUSD's budget does not satisfy all of the required elements for approval.

ACOE's Research, Assessment, and Accountability Partnerships (RAAP) department will continue to work with OUSD over the coming year to provide Differentiated Assistance (DA) and to ensure that actions associated with DA are aligned to and reflected in OUSD's LCAP priorities. *Note that the 2023-24 Education Omnibus Budget Trailer Bill (SB114) now requires a midyear LCAP update to be presented to the Board on or before February 28th, and to include all available midyear data for outcomes, expenditures, and implementation.*

Adopted Budget

After approval of an LCAP, Education Code requires the County Superintendent of Schools to approve, conditionally approve, or disapprove the Adopted Budget for each school district after a review that includes the following:

- Determine whether the Adopted Budget includes the expenditures necessary to implement the LCAP or Annual Update;
- Examine the Adopted Budget to determine whether it complies with the standards and criteria established pursuant to EC Section 33127 and identify any technical corrections needed to bring the budget into compliance with those standards and criteria;
- Determine whether the Adopted Budget will allow the district to meet its financial obligations during the current fiscal year and is consistent with a financial plan that will enable the district to satisfy its multiyear financial commitments.

Based on our review of the District's 2023-24 Adopted Budget and Multiyear Budget Projection (MYP), we have determined that the Adopted Budget, as approved by the Board on June 28, 2023, did not demonstrate the full scope of the District's financial obligations.

In advance communications with District staff understanding the complexities of the OEA agreement, OUSD staff committed in May to provide ACOE a 45-Day Budget Revision which would include the full impact of the OEA agreement due no later than July 30th for ACOE to meet its statutory timelines. This deadline was missed as the OUSD staff could not meet this timeline and the item was pulled. ACOE was not notified in advance that this commitment would not be met.

District staff then committed to providing a "45-Day" Budget Revision along with the revised LCAP at its September 13, 2023, Board meeting. ACOE had requested that this budget revision include updates to the Original Adopted Budget for the fiscal impact of the OEA agreement and any other known assumptions. Both the budget revision and revised LCAP were pulled from the Board agenda and were neither publicly discussed nor approved. Further, the draft board documents did not reflect updated financials through fiscal year 2025-26 though this is required to be included in the Adopted Budget cycle.

Therefore, the District is not in compliance with the approval criteria for the LCAP nor its Adopted Budget, and ACOE is unable to approve OUSD's LCAP and Adopted Budget in its current state. ACOE will approve OUSD's 2023-24 LCAP and Adopted Budget & MYP when in receipt of the items outlined on page one.

By October 31, 2023, as communicated in ACOE's June 27, 2023, OEA Review Letter to the OUSD Board, submission to ACOE a Board-approved detailed list of Budget Balancing solutions that the Board has committed to as part of the OEA AB1200 memo to support the Board in upholding its fiduciary responsibility:

"The fourth year, 2025-26, is therefore significantly at risk without budget adjustments that must be framed by the Fall of 2023 in order to incorporate them into the 2024-25 and multi-year budget which will include 2025-26 and 2026-27. The Board's knowledge and assurance of taking these critical steps is imperative to ensure approval and confidence by the Alameda County Office of Education, County Trustee that the District will make the adjustments required. The Superintendent and Chief Business Officer are signing this document assuring and attesting that the ongoing commitment of affordability will be made."

And further upheld with the board's approval of Resolution 2223-0065 which was Approved with OUSD's Adopted Budget that confirms the Board's commitment to implement additional reductions and/or adjustments, should revenues fail to meet existing obligations.

We remind the District that pursuant to our letter of June 27, 2023, ACOE requires a public update to be provided by the First Interim report, with further public disclosure and formal Board Action, no later than February 2024, of the adjustments necessary for the District to meet its financial obligations in the subsequent fiscal year.

If a school district does not adopt all of the revisions to its budget needed in the current fiscal year to meet the costs of a collective bargaining agreement, the county superintendent of schools shall issue a qualified or negative certification for the district on the next interim report.

Further, as OUSD enters into negotiations with other bargaining units, we remind the District that as a school district with a qualified certification currently, it is obligated to provide the county office of education with at least 10 working days to review and comment on any proposed collective bargaining agreement. We appreciate OUSD working collaboratively with ACOE in its disclosure of any forthcoming agreements.

In summary, recent events continue a troubling and troublingly familiar pattern of not implementing standard accounting practices, deferring decision making, and breaking commitments. ACOE is extremely concerned with the District's continual inability to meet standard fiscal deadlines and commitments despite years of intensive intervention and support, and with the Board's failure to prioritize meeting its fiduciary responsibilities. OUSD has all the tools and resources necessary to break these patterns.