



# Alameda County Office of Education

Alysse Castro, Superintendent

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September 12, 2025

Dr. Denise Saddler, Interim Superintendent  
Members of the Board of Education  
Oakland Unified School District (OUSD) via email

## CONDITIONAL approval of 2025-26 Local Control and Accountability Plan (LCAP) & Adopted Budget - Action Required

Dear Superintendent Saddler and Members of the Board,

ACOE has reviewed OUSD's 2025-26 LCAP and Adopted Budget in accordance with Education Code (EC) Sections 42127 and 52070. The LCAP meets criteria for approval; The Adopted Budget currently does not. Approval of both documents is contingent upon the other, so both the 2025-26 LCAP and the Adopted Budget are *conditionally approved*. A conditional approval means that the district must take further actions, listed below, to formally obtain approval of the LCAP and Budget.

### Budget Concerns driving Conditional Approval:

- *Declining enrollment and increasing expenses.* The District's continued enrollment decline remains a significant factor in OUSD's projected ongoing deficit spending and reliance on reserves. Over the three-year budget period, the District projects Unrestricted General Fund reserves to decline by more than 50%, from \$57.3 million in 2024–25 to \$27.3 million in 2027–28. Similarly, the Restricted General Fund reserves are projected to decrease from \$151.2 million in 2024–25 to \$61.5 million by 2027–28;
- *Required reserves not met.* The District's adopted budget does not meet the District's local required reserve of 3% in 2025-26, or in the two subsequent years, without the implementation of approximately \$78 million in ongoing budget adjustments.
- *Budget includes placeholders for future reductions.* This budget includes plans for cuts of \$78 million in 2026-27 and an additional \$72.6 million in 2027-28. These are placeholders for reductions that still need to be identified, board approved, and implemented. (Note that if the board approves \$78 million in *ongoing* cuts in 2026-27, future reductions can be reassessed.)
- *Compensation increases.* Since October 2024, the District has made a deliberate effort to increase employee compensation through compensation studies and negotiated collective bargaining agreements. In its public disclosures, OUSD has acknowledged that it cannot sustain the ongoing costs of these agreements without identifying and implementing significant corresponding budget adjustments.
- *45-Day Revision from Enacted Budget did not improve fiscal outlook.* On August 27, 2025 OUSD updated its budget projections including updated revenue projects and incorporating the collective bargaining payments to Teamsters and AFSCME. The revision shows the Unrestricted General-Purpose Fund ending balance declining significantly, from \$21.8 million in the Estimated Actuals to \$5.9 million based on actuals to date, due to lower student attendance and rising special education costs. As

this fund is critical for supporting the District's core operations, the sharp decline presents a fragile and increasingly vulnerable financial position.

We acknowledge that both the District staff and the Board recognize the urgency of the situation and have initiated engagements with the community on the budget process. The District's board-approved *Resolution No. 2425-0138 affirms OUSD's obligation to implement its proposed 2025-26 restructure plan, which addresses the structural deficit and prevents fiscal insolvency*. The board has a target date of October 8th to provide staff direction on addressing its depleting reserves. Efforts to prioritize cost reductions, increase revenue, rebuild the General Fund, and plan for potential reductions in federal funding are essential to maintain fiscal stability in the months ahead.

The 2025-26 Budget represents the first budget adopted by Oakland Unified School District after a return to full local control. As such, it is imperative that the Board fully exercise its fiduciary responsibilities and governance authority. We encourage the Board to continue making timely and prudent decisions regarding ongoing revenues and expenditures to ensure the District can meet its financial obligations and sustain long-term fiscal solvency.

**Actions needed to address Conditional Approval (EC 42127):**

1. On or before October 1, 2025, OUSD will provide ACOE with a target amount for budget reductions, or alternative solutions, for 2025-26 that reflects the updated fund balance as a result of the 2024-25 Unaudited Actuals, and any other new or planned commitments not factored into the Adopted Budget; and
2. By October 8, 2025,
  - a. Review and respond to these concerns at a regular meeting of the Board. That response shall include any revisions to the 2025-26 Adopted Budget, updated fund balances as a result of 2024-25 Unaudited Actuals, and other proposed actions to be taken to resolve these concerns in the current year; and
  - b. Approve a Board resolution that outlines the timeline and plan to implement budget-balancing solutions that address any budgetary shortfall in 2025-26 and 2026-27.

ACOE will conduct a review of all the items listed above to ensure that the district's budget meets the standard for approval by the statutory deadline of November 8, 2025.

Note that the above actions in September, October, and November are critical to resolving the conditional approval, but do not complete the budget balancing process. OUSD Board and Staff must continue to take budget-balancing actions as part of the 2026-27 budget development process.

LCAP Detail: The current year's LCAP meets the requirements for approval, and no further action is needed at this time. ACOE staff will issue an LCAP technical memo to District staff and continue working with District leadership to incorporate the necessary changes into the 2026-27 LCAP.

Budget Details: The attached Budget Review provides a detailed fiscal summary and analysis,

highlighting areas that will need to be addressed going forward. ACOE District Business & Advisory Services Team recognizes this review is a point in time, and will continue to work with the District's budget team to ensure that the District takes all necessary actions to remain fiscally healthy.

As the District moves forward amid its transition with new leadership and full local control, we look forward to witnessing OUSD lead its students and community on its path forward. We stand with you in partnership—please don't hesitate to reach out if you need anything at all.

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  
Allan Garde, Associate Superintendent of Business Services, ACOE  
Shirene Moreira, Chief of District Business & Advisory Services, ACOE  
Juwen Lam, Chief of Accountability Partnerships, ACOE  
Joan Laursen, Executive Director, District Business & Advisory Services, ACOE  
Julia Xu, Director III, District Advisory Services, ACOE

## 2025-26 Adopted Budget Review Oakland Unified School District

### Summary of Fiscal Concerns:

- The Adopted Budget indicate at least \$78 million in budget reductions or alternative solutions requiring board action in the coming months to balance the budget for 2026-27. Additionally, approximately \$73 million of adjustments will also be needed to address the projected shortfall for 2027-28.
- These unspecified future reductions will require additional board action, without which the District will not meet its financial obligations in 2026-27 and 2027-28.
- Staff and Board actions over the next six months will determine whether the District can adopt a fiscally responsible budget and systematically monitor the District's fiscal health; or alternatively it could revert to full State-appointed Administrator control as in 2003.
- Forecasts assume higher prior-year ADA, resulting in overstated LCFF revenue projections.
- Forecasts assume continued declining enrollment.

### Revenue Projections:

Description: OUSD's revenue projections for 2025-26 and two following years appear overstated due to inflated District's prior-year ADA estimates and a higher ADA to enrollment ratio than historical averages. The District should prepare contingency plans in case the funding does not materialize as projected.

| LCFF Revenue Projections                                                                                                         | 2025-26        | 2026-27        | 2027-28        |
|----------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|
| OUSD's LCFF Calculator/MYP - Unrestricted LCFF Revenue                                                                           | \$ 491,227,018 | \$ 503,440,948 | \$ 521,983,939 |
| OUSD's Calculator - ADA/Enrollment Ratio                                                                                         | 90.81%         | 90.81%         | 90.81%         |
| ACOE's Estimates using District's Enrollment Projections with 2024-25 ADA/Enrollment Ratio of 90.00% to adjust OUSD's Calculator | \$ 485,181,040 | \$ 498,912,511 | \$ 516,628,664 |
| ACOE's LCFF Calculator - ADA/Enrollment Ratio                                                                                    | 90.00%         | 90.00%         | 90.00%         |
| LCFF Revenue Projections - Difference (ACOE vs District)                                                                         | \$ (6,045,978) | \$ (4,528,437) | \$ (5,355,275) |

### Average Daily Attendance (ADA):

Description: The District projects LCFF revenue based on declining enrollment, using the prior-year ADA funding method for 2025-26 and 2026-27, and the 3-Prior Year Average ADA method for 2027-28. However, OUSD did not update the LCFF calculator for 2024-25 to reflect the Certified P-2 ADA, which is much lower than the ADA used in its current calculation. As a result, the ADA used for the 2025-26 projection is overstated, leading to inflated LCFF revenue estimates as noted above.

| ADA Calculations for Revenue Forecasts           | 2025-26    | 2026-27    | 2027-28      |
|--------------------------------------------------|------------|------------|--------------|
| Enrollment                                       | 33,655     | 33,496     | 33,337       |
| Current Year LCFF Average Daily Attendance (ADA) | 30,563.12  | 30,418.74  | 30,274.33    |
| Funded LCFF ADA                                  | 30,763.60  | 30,563.03  | 30,581.65    |
| LCFF ADA Funding Method                          | Prior Year | Prior Year | 3-PY Average |
| Funded LCFF ADA (ACOE's LCFF Calculator)         | 30,379.33  | 30,289.21  | 30,271.25    |
| LCFF ADA Funding Method (ACOE's LCFF Calculator) | Prior Year | Prior Year | 3-PY Average |

### Required Board Action:

Description: The District passed the *Resolution No. 2425-0138* and approved the 2025-26 Proposed Budget at the June 25, 2025 board meeting. The board-approved financial report includes significant budget reductions in 2026-27 and 2027-28. To address the District's structural deficit and to ensure compliance with the state's minimum reserve requirements in the subsequent fiscal years, OUSD will need to identify and implement ongoing budget adjustments of at least \$78.01 million in 2026-27 and \$72.6 million in 2027-28. These budget-balancing solutions have not yet been board-approved and implemented. Without these reductions, the District is projected to experience negative reserves beginning in 2026-27.

| Required Board Action<br>Budget Reductions and/or Revenue                                                                    | 2025-26 | 2026-27       | 2027-28      |
|------------------------------------------------------------------------------------------------------------------------------|---------|---------------|--------------|
| Reductions to Certificated and Classified Salaries & Benefits due to the expiration of one-time funds in the Restricted Fund |         | (22,651,533)  | (1,661,407)  |
| OUSD's Ongoing Unrestricted Reductions - Source: MYP                                                                         |         | (78,099,899)  | (72,616,126) |
| Total Needed Budget Reductions/Adjustments in Submitted Report                                                               |         | (100,751,432) | (74,277,533) |

### Reserve for Economic Uncertainties (REU):

Description: The state minimum reserve requirement is 2%, but OUSD has adopted a 3% reserve requirement. In the Multi-Year Projection (MYP) submitted with its 2025-26 Adopted Budget, OUSD's Reserve for Economic Uncertainty (REU) for 2025-26 is 2.89%, just below the District's reserve requirement of 3% for the current 2025-26 fiscal year. The District is only able to meet the 3% Required Reserves in the outyears if it implements the projected \$78 million in adjustments for 2026-27 and \$72.6 million for 2027-28.

| RESERVES                                                             | 2025-26       | 2026-27       | 2027-28       |
|----------------------------------------------------------------------|---------------|---------------|---------------|
| OUSD's Reserves - Source: MYP Original Report                        | \$ 86,170,077 | \$ 62,333,013 | \$ 45,677,410 |
| REU %                                                                | 9.29%         | 7.50%         | 5.43%         |
| Is REU Met or Not Met in Submitted Financial Report?                 | Met           | Met*          | Met*          |
| Amount of Projected Budget Reductions in Submitted Financial Report* |               | (78,099,899)  | (72,616,126)  |

\* REU Met only if Projected Budget Reductions in Report are made

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

Description: OUSD's 2025-26 Adopted Budget MYP projects continued deficit spending of \$30.6 million in the Unrestricted General Fund for 2025-26, followed by a small surplus of \$0.09 million in 2026-27 and \$0.5 million in 2027-28 only after implementing the required budget adjustments. The Unrestricted General Fund Ending Balance is projected to decline from \$57.3 million in the 2024-25 Estimated Actuals to \$27.3 million by 2027-28, assuming the District successfully implements the significant reductions outlined in the MYP. Should the District not implement the "Other Adjustments" as outlined in its MYP, the District will be negative in both FY 2026-27 and 2027-28, as outlined in the chart below.

| Adopted Budget Adjustments                      | 2025-26         | 2026-27       | 2027-28       |
|-------------------------------------------------|-----------------|---------------|---------------|
| Unrestricted Reductions: B.10 Other Adjustments | -               | (78,099,899)  | (72,616,126)  |
| Unrestricted General Fund - Beginning Balance   | \$ 57,269,246   | \$ 26,675,204 | \$ 26,760,273 |
| Unrestricted General Fund - Surplus/(Deficit)   | \$ (30,594,042) | \$ 85,069     | \$ 504,117    |
| Unrestricted General Fund - Ending Balance      | \$ 26,675,204   | \$ 26,760,273 | \$ 27,264,390 |

| Should the District not implement budget-balancing solutions | 2025-26       | 2026-27         | 2027-28          |
|--------------------------------------------------------------|---------------|-----------------|------------------|
| Unrestricted General Fund - Ending Balance                   | \$ 26,675,204 | \$ 26,760,273   | \$ 27,264,390    |
| Unrestricted Reductions: B.10 Other Adjustments*             | \$ -          | \$ 78,099,899   | \$ 150,716,025   |
| Unrestricted General Fund - Adjusted Ending Balance          |               | \$ (51,339,626) | \$ (123,451,635) |

\*Without implementation and following through with required ongoing reductions, the expenditures would be added back to the budget, reducing fund balance.

| Impact On Reserves/ REU                             | 2025-26       | 2026-27         | 2027-28          |
|-----------------------------------------------------|---------------|-----------------|------------------|
| OUSD's Reserves - If Reductions Not Implemented     | \$ 26,525,204 | \$ (51,489,626) | \$ (123,601,635) |
| OUSD's REU % - If Reductions Not Implemented        | 2.89%         | -5.81%          | -13.72%          |
| Is REU Met or Not Met If Reductions Not Implemented | Met           | Not Met         | Not Met          |

## Conclusion:

The District's board-approved *Resolution No. 2425-0138* affirms OUSD's obligation to implement its proposed 2025-26 restructure plan in order to address the structural deficit and prevent fiscal insolvency. OUSD presented the 45-Day Budget Revision at the August 27, 2025 board meeting. The revision projects that the District continues to meet the State-required Reserve for Economic Uncertainties (REU) of 2% for the current and two subsequent fiscal years. However, the District does not meet its internal reserve policy of 3%. Without timely and Board-approved budget reductions or alternative solutions, the District's financial position will likely continue to deteriorate, further elevating financial risk. At this time, ACOE has conditionally- approved OUSD's budget to ensure the District is aware of the needed Board-approved actionable budget balancing solutions presented within it's Adopted Budget and MYP.

The 2025-26 Budget represents the first budget adopted by the District under local control. As such, it is imperative that the Board fully exercise its fiduciary responsibilities and governance authority. We encourage the Board to continue making timely and prudent decisions regarding ongoing revenues and expenditures to ensure the District can meet its financial obligations and sustain long-term fiscal solvency.