



Alameda County Office of Education

Alysse Castro, Superintendent

November 1, 2025

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

Approval of 2025-26 Local Control and Accountability Plan (LCAP) & Adopted Budget

Dear Superintendent Saddler and Members of the Board,

Per Education Code (EC) Sections 42127 and 52070, ACOE is required, by November 8th, to make a final determination regarding the approval or disapproval of OUSD's Adopted Budget, which was conditionally approved on September 12, 2025. ACOE carefully considered all of the criteria prescribed in the Education Code in determining whether to approve or disapprove OUSD's budget. While the Board's minimal actions are inadequate to address the district's increasingly dire financial circumstances, the district has adequate one-time dollars to stay afloat for the current school year and the Board passed a resolution directing staff to prepare budget scenarios for future years for Board consideration, thus fulfilling the absolute minimum requirements to maintain local control and allow OUSD's 2025-26 LCAP and Adopted Budget to be approved.

In order to remove conditions, OUSD had these tasks:

Task 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 balances as a result of 2024-25 Unaudited Actuals, covers the existing shortfall, and any other new or planned commitments not factored into the Adopted Budget;

OUSD Action: OUSD reported that *"The District's full target for Budget Balancing solutions for 2026-27 is now **\$94-\$97M**, where at adopted budget it was \$78M. During the 45-Day Budget, we outlined the increases in expenditures, to include the contribution, and at Unaudited we discussed the decrease in the beginning fund balance, to include the continued erosion of the Base General Fund. We also shared our **inability to meet our 3% reserve**, which must be restored as part of the budget development process."*

What This Means: The OUSD Board acknowledges that it needs to make approximately \$100 million in ongoing cuts to its unrestricted general fund. It further acknowledges that it cannot meet its legally required reserve requirements without making these cuts.

Task 2a. 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

OUSD Action: At the September 10, 2025 Board Meeting the district presented the 2024-25 Unaudited Actuals, which show a decrease in the Unrestricted beginning fund balance for 2025-26. OUSD reported in its Board Memorandum: *"The District has made significant improvements in its budget projections, where there is an overall 3% variance between the projected ending fund balance at 2025-26 Budget Adoption using 2024-25 Estimated Actuals compared to 2024-25 Unaudited Actuals. The District also provided a 45-Day Revise of the 2025-26 Adopted Budget on August 27, 2025, where projections continued to flow in the same direction as the Unaudited Actuals. We continue to experience a decline in our Base Unrestricted General Fund (Resource 0000) summarized as follows:*

2019-20	-\$5,990,407	2024-25	\$62,801,965
2020-21	\$10,242,484	2024-25 3I	\$21,845,950
2021-22	\$47,668,251	2024-25	\$3,416,129
2022-23	\$62,469,330		

*As we have shared in our past presentations, though each fund and resource is responsible for supporting its specific expenditures with its associated revenue, the Base General Fund is the resource that is responsible for supporting all areas of our District. Thus, unforeseen expenses, emergencies, investments, and the District's 3% reserve, must be funded from the Base General Fund. Though the District is meeting the 3% reserve, we are not funding it from the Base General Fund; thus, relying on other Unrestricted resources to meet this obligation. **We will continue to be challenged to meet those obligations** with the remaining fund balance being merely \$3M above the reserve. This creates the **high likelihood that the reserve may be used and erode even further.**"*

What This Means: OUSD is only meeting its required reserves - which is part of balancing the budget - by using money that was budgeted for other programs. Staff reports that OUSD is depleting these reserves by \$4 million per month, which is obviously unsustainable: it will get the district through this year but almost certainly not another. The OUSD Board will need to take swift and significant action to meet its obligations in 2026-27 and 2027-28.

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.

OUSD Action: *On October 8, 2025, the OUSD Board debated, amended, and ultimately adopted a [resolution](#) which directs the Superintendent to "prepare at least two budget scenarios for community input and Board review that total **\$100 million***

in budget adjustments” and return to the Board “with a savings/impact report by November 8, 2025.”

What This Means: Since the district has enough money to make it through the current year, it remains the elected school board’s responsibility to address OUSD’s poor fiscal health. Rather than provide clear direction for specific cuts or timeliness for Board action, the OUSD Board directed staff to create *another new plan to make a future plan* to address *the same fiscal conditions that have been unaddressed for many years* to meet the same legal requirements that should have been met in the June adopted budget.

ACOE Analysis

Over the past several years, the district has made measurable progress in strengthening its fiscal systems, improving reporting timelines, and rebuilding financial practices that kept it in receivership for 23 years. Having only recently regained local control on July 1, 2025, the Board now fully holds both the privilege and the responsibility that come with full self-governance.

A core responsibility of a school board is to adopt a balanced budget every June that uses the district’s resources to meet the goals outlined in its Local Control and Accountability Plan, and that shows that the district can meet its obligations for the next three years. However, this Board continues to defer the decisions that are at the core of that responsibility.

At its October meeting, the Board continued a troubling—and troublingly familiar—pattern of deferring difficult decisions. Rather than adopting a concrete, time-bound plan to address significant budget shortfalls, the Board approved what can best be described as a plan to have a plan. This resolution, constrained by numerous contingencies and prohibitions on what may or may not be included in future scenarios, does not imply a viable path forward. In fact, it is unclear whether it is even possible to develop scenarios that both satisfy these constraints and achieve the nearly \$100 million in necessary cost reductions.

Any resulting scenarios will then require staff to develop and vet additional plans, which then will require the Board to vote on and approve those plans before they can be implemented. While it is absolutely possible that this process will move forward to completion, the Board’s track record suggests otherwise. OUSD’s history reveals an undeniable pattern: requesting plans, then disregarding them; rejecting staff recommendations; changing direction and directions, and, when difficult decisions are finally made, rescinding them shortly thereafter.

It would be naïve to assume that this latest iteration—a proposal that is simultaneously vague and overly prescriptive, passed by a single vote, and lacking broad support—will unfold differently. The proposal contains many embedded contingencies, including requirements for separate plans to increase attendance and to revise Board policy, each requiring its own significant body of work to develop and adopt, and each representing multiple future opportunities for stalling out in controversy, inaction, and changes in direction.

The removal of conditions and approval of OUSD's budget should not be mistaken for a sign of fiscal health or stability. OUSD remains on a trajectory toward insolvency and the potential loss of the very local control it worked for over 20 years to regain. These simultaneous realities can be confusing, but the principle is simple: budget balancing decisions belong with the elected OUSD Board. So long as the District is able to make payroll, any time the Board stumbles or stalls in the budgeting process, this County Superintendent will pick up the budget, dust it off, and gently hand it back to the elected Board. Our goal is to support local control and to create every possible opportunity for the Board to successfully exercise the authority that comes with being elected into office by OUSD voters.

It is important to be clear about what is at stake. Making difficult budgetary decisions is not optional; it is the defining duty of an elected school board. Those decisions about how to allocate limited resources, ensure solvency, and protect student learning, properly belong solely to the Board. If the Board does not act, state law requires the County Superintendent to intervene. In that moment, local control is *not taken away*; it is *forfeited through inaction*.

The County Superintendent's role is to ensure fiscal solvency and compliance with state law, but it is the elected Board's role to lead—to weigh priorities, make decisions, and be accountable to the community it serves. The public has every right to expect its Board to fulfill this duty—not only to safeguard the District's finances but also to preserve its authority to govern itself.

Everyone—staff, students, families, and community members—is rooting for the District's success. But the path forward depends entirely on the Board's willingness to act. The authority is theirs. The responsibility is theirs. And the resources are there: contrary to the common narrative, OUSD has among the highest per pupil revenue of any district in the state, supported by incredible taxpayer and philanthropy support. All that is needed is to seize the opportunity to sustain both the District's solvency and its hard-won local control by making a solid plan and seeing it through to implementation.

It is critical that the OUSD Board and staff continue to take concrete, budget-balancing actions as part of the 2026–27 budget development process. These budget solutions will need to be approved and implemented by Spring 2026, if not sooner. Further fiscal uncertainty and interventions can be avoided if the Board adheres to the timeline of taking action on the set of plans, or scenarios, that addresses the targeted \$100M shortfall by November 30, 2025; and by December 15, 2025, implementing the \$100M in budget balancing solutions along with the District's 2025-26 First Interim Budget Report and Multiyear projections.

As the Board considers the decisions ahead, the following factors should be weighed in consideration of the timing of these hard decisions:

- **Collective Bargaining:** The Board cannot authorize future compensation increases without corresponding tradeoffs. We share this Board's belief in retaining great staff. However, sustainable compensation requires offsetting reductions elsewhere.
- **Staffing Calendar:** School employees are legally entitled to notice of changes in the spring prior to implementation. This narrows the window for structural staffing adjustments.

ACOE staff will continue to work closely with the Board, the superintendent, and her extraordinary leadership team to support the District in making *its own best decisions* through this critical process. We urge the Board to continue making timely and prudent decisions regarding ongoing revenues and expenditures to ensure that OUSD meets its financial obligations and achieves long-term fiscal solvency.

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
Sondra Aguilera, Chief Academic Officer, 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
Julia Xu, Director III, District Advisory Services, ACOE

Timeline of OUSD Actions addressing the Concerns leading to Conditional Approval:

- August 27, 2025 Board Meeting – 45-Day Revision:

The District developed a revised MYP using the same assumptions as the 2025-26 Adopted Budget, incorporating the 45-Day Revision numbers and updated LCFF. However, the Revision from the Enacted Budget did not improve the District's fiscal outlook, which now reflects an increased \$9M deficit in the 2025-26 Unrestricted General Fund.

- September 10, 2025 Board Meeting:

The District presented the 2024-25 Unaudited Actuals, which show a decrease in the Unrestricted beginning fund balance for 2025-26. However, the combined fund balance due to the Restricted program carryover, has a net increase, as these dollars from 2024-25, will now be budgeted for use in 2025-26.

- Updated Budget Balancing Target:

The District indicated that its updated Budget Balancing solutions for 2026-27 are now \$94-\$97M, an increase from the \$78M target identified in the District's Original Adopted Budget.

During the 45-Day Revision, OUSD identified increases in expenditures, including required contributions. Additionally, the Unaudited Actuals reflected a decrease in the beginning fund balance for 2025-26, highlighting the continued erosion of the Base General Fund. The District also indicated its inability to meet the 3% reserve requirement, which must be addressed and restored during the upcoming budget development process. OUSD leadership indicated that further detail would be provided as the District migrates to the next step, including their work and progress toward meeting the October 8th deadline.

- September 24, 2025 Board Meeting:

The Board President and Vice President authored [Resolution No. 2526-0177, presented via Agenda Item 25-2351, Directing the Preparation of Budget Scenarios - District's Structural Deficit - Fiscal Years 2026-27 and 2027-28](#) (1: First Reading; 2: Referral to Budget and Finance Committee). The Resolution was introduced to the Board Members for review and any requested amendments and referred to the Budget and Finance Committee. Its intent is to provide directions for the Superintendent, or her designee, to prepare at least three budget scenarios reflecting adjustments totaling \$80 million.

- October 02, 2025 Budget and Finance Committee:

Resolution No. 2526-0177 via Agenda Item 25-2351, Directing the Preparation of Budget Scenarios - District's Structural Deficit - Fiscal Years 2026-27 and 2027-28 (1: First Reading; 2: Referral to Budget and Finance Committee) was reviewed at the Budget and Finance Committee, and was referred to the full board on October 8, 2025 without recommendation.

- October 8, 2025 Board Meeting:

Resolution No. 2526-0177 via Agenda Item 25-2351, Directing the Preparation of Budget Scenarios - District's Structural Deficit - Fiscal Years 2026-27 and 2027-28 (1: First Reading; 2: Referral to Budget and Finance Committee) was brought before the Board by the Budget and Finance Committee without recommendation, for discussion and possible action. It passed with amendments.

In accordance with the Resolution, to address the 2025-26 budget gap, the Board has directed the Superintendent to consider the impact of instituting a temporary hiring freeze, review vacancies, and propose additional Unrestricted-balance savings. The Superintendent is expected to return to the Board with a savings/impact report by November 8, 2025. Furthermore, if vacancy savings are less than needed to maintain the mandated 3% reserve for 2025-26, the Board directs the Superintendent to identify additional budget balancing options, including but not limited to: contract freezes or cancellations, reducing conference and travel fees, or consolidating purchases and department reimbursables.

The Board directs the Superintendent to prepare at least two budget scenarios for community input and Board review that total \$100M in budget adjustments ("Budget Scenarios"). These Scenarios will include both the costs and the impact on students but will exclude school closures or mergers. The District staff will present the Budget Scenarios to the Board at the first Board study session in November 2025, addressing the shortfall in 2025-26 and structural deficits projected for the 2026-27 budget, that include restructuring Central Services and Network, reducing administrative positions, and cutting spending on contracts, as well as a plan to increase enrollment.

Attendance/Enrollment: As reported in the Superintendent's Report on October 8, 2025, the 10/02 Census Day (unofficial) enrollment was 34,114, which is 652 students higher than the projected 33,462. While final validation may lead to slight changes, we commend the District's effort to improve attendance.

Attachments: Past ACOE & Fiscal Reviews Sent to the OUSD Board

[2024-25 OUSD Adopted Budget and LCAP Conditional Approval Letter](#)

[2024-25 OUSD Adopted Budget and LCAP Final Approval Letter](#)

[2024-25 OUSD First Interim Budget Review Letter](#)

[2024-25 OUSD Second Interim Budget Review Letter](#)

[2024-25 Annual Report Regarding Fiscal Solvency of Oakland USD \(AB139\)](#)

[FCMAT Annual Review January 1, 2025](#)

[2023-24 OUSD Adopted Budget and LCAP Conditional Approval Letter](#)

[2023-24 OUSD Adopted Budget and LCAP Final Approval Letter](#)

[2023-24 OUSD First Interim Budget Review Letter](#)

[2023-24 OUSD Second Interim Budget Review Letter](#)

[2023-24 Annual Report Regarding Fiscal Solvency of Oakland USD \(AB139\)](#)

[FCMAT Annual Review January 29, 2024](#)