

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

January 4, 2022

Honorable Keely Bosler, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Honorable Phil Ting, Chair
California State Assembly Committee on Budget
State Capitol, Room 6026
Sacramento, CA 95814

Honorable Nancy Skinner, Chair
California State Senate Committee on Budget and Fiscal Review
State Capitol, Room 5019
Sacramento, CA 95814

Dear Director Bosler, Chairperson Skinner and Committee Members, and Chairperson Ting and Committee Members:

This letter is submitted for your consideration in accordance with the Fiscal Crisis and Management Assistance Team's (FCMAT) responsibilities regarding the Oakland Unified School District (district) under Assembly Bill 1840 (Chapter 426/2018) (AB 1840). This letter serves to provide an update of events that have occurred since our letter dated March 1, 2021.

Pursuant to the 2021-22 Budget Act, disbursement of funds specified in Provision 2 of Reappropriations line 6100-488 of the Education Section of Assembly Bill 128 (Chapter 21/2021) shall be contingent on the Oakland Unified School District's completion of:

1. Affirmative board action to continue planning for, and timely implementation of, a school and facility closure and consolidation plan that supports the sale or lease of surplus property.
2. Affirmative board action to continue to update or develop short-term and long-term financial plans based on best practices and reasonable and accurate assumptions.
3. Completion of on-time audits.

This update will include the status of negotiations, board actions taken since FCMAT's last report, a multi-year projection (MYP), and an update on AB 1840 benchmarks for the district.

For complete context, readers may want to reference previous FCMAT AB 1840 letters issued for the district, specifically:

[March 1, 2019](#)

[April 24, 2019](#)

[January 15, 2020](#)

[March 2, 2020](#)

[November 4, 2020](#)

[March 1, 2021](#)

Exhibits A through V are available on the FCMAT website, and hyperlinks to each exhibit are provided in this letter.

Status of Collective Bargaining

All collective bargaining unit contracts have expired as of June 30, 2021. Negotiations have not started for any of the unions, except one that recently offered an initial proposal to the board.

Board Actions Taken After March 3, 2021

Second Interim Report

On March 10, 2021, the district’s board approved the second interim report ([Exhibit A](#)) along with Resolution 2021-0188 where the second interim was self-certified as qualified. The county office concurred with the qualified certification. The resolution addressed the 2021-22 budget reduction options and bridge plan. This bridge plan is being utilized in the MYP rather than making the necessary cuts for solvency of \$61.8 million over a three-year period. The resolution includes \$4.765 million in cost reductions and \$16 million in bridge plan one-time funding consisting of \$11 million from Elementary and Secondary School Emergency Relief II (ESSER II) and \$5 million from AB 1840 proceeds.

2020-21 Second Interim Budget

	Unrestricted	Restricted	Combined
Surplus/Deficit	\$18,842,361	\$(14,049,456)	\$4,792,905
Beginning Fund Balance	\$33,043,818	\$33,401,934	\$66,445,753
Ending Fund Balance	\$51,886,179	\$19,352,479	\$71,238,657

The MYP and calculated deficit spending reflected on the unrestricted MYP in the board packet from the Standardized Account Code Structure (SACS) report and the unrestricted MYP summary in the narrative included in the same packet do not match. The narrative version reflects an ending fund balance that is more than \$31 million higher than the SACS version in the third year of the MYP. Also of concern are negative entries without explanations on Line B10 of the Multiyear Financial Projection SACS form that greatly improve the appearance of deficit spending by over \$61 million for the first and second subsequent years. For purposes of this report, the district-prepared MYP as extracted from the SACS version is reflected below.

2020-21 Second Interim Multiyear Projection (Combined)

	2020-21	2021-22	2022-23
Surplus/Deficit	\$4,792,905	\$6,175,930	\$(2,325,414)
Beginning Fund Balance	\$66,445,753	\$71,238,657	\$77,414,588
Ending Fund Balance	\$71,238,657	\$77,414,588	\$75,089,174

The county office concurred with the district’s self-certification of “qualified” on April 16, 2021, and cited several concerns with the district’s budget. The county office letter addresses concerns regarding deficit spending and the failure of the district to define reductions needed for fiscal solvency. It also states that the district must address an unrecognized health benefits liability in the components of ending fund balance with the third interim. The county office reiterated a request for the district to provide a detailed plan for addressing budgetary shortfalls. Lastly, the letter addresses the need for the district to continue discussions on right-sizing facilities in the face of continued declining enrollment. The county office letter is included as [Exhibit B](#).

FCMAT March 1 Report Discussion

On March 31, 2021, FCMAT made a presentation at the request of the board on FCMAT’s March 1, 2021, AB 1840 report. The presentation included a background of AB 1840 and specific excerpts expressing concern taken from the March 1, 2021 report. Areas of interest included in the presentation were Citywide Plan, Long Term Fiscal Stability, Board Policy 3150, Fiscal Vitality Plan and follow through. No formal actions were taken as part of this discussion. The presentation is included as [Exhibit C](#).

Financial Audit

The audit report ([Exhibit D](#)) was delivered to the board at the meeting on April 14, 2021. During the presentation, the district states it is “pleased with our audit results and the efforts therein despite the various challenges and is satisfied with its completion despite the risk of delays.” The district had 15 audit findings, nine of which were repeat findings from prior years. The findings are primarily related to lack of internal controls and are in the following areas:

- Associated Student Body
- Payroll reported to pensions
- Vacation balance calculation
- Contractor selection
- Health benefits governing board
- Improper recording of expenditures (in the wrong year)
- Documenting salaries and wages charged to federal programs
- Unduplicated pupil count
- Eligibility for free and reduced-price meals
- Attendance calculations

District's 2021-22 Budget Reduction Options and Bridge Plan

Resolution 2021-0254 was passed on April 28, 2021, approving the district's 2021-22 budget reduction options and bridge plan for fiscal year 2021-22. The original proposal included staffing reductions of \$1.3 million but was revised to eliminate that portion of the proposal.

Instead of making true identifiable reductions, the district board voted for a bridge option, which uses COVID-19-related funding and AB 1840 proceeds to offset the structural deficit spending of \$16 million. A structural deficit is one that is ongoing and must be addressed with ongoing solutions. The utilization of one-time funding through a bridge option does not solve the district's structural deficit but pushes the timeline for the necessary reductions off by one year. In the narrative accompanying the resolution, the district notes that Alameda COE requested a list of reductions to address the structural deficit, and that by not adopting a plan, the district "faces a serious risk of having ACOE reject its 2021-22 budget, despite the one-time resources."

Included in the board item with the resolution was the second interim letter from the county office and a memorandum from the district trustee, Chris Learned, urging the district to issue two MYPs, one including the one-time bridge funds and one without. He also requested that the district, once removing the one-time funds, provide a plan to address the structural deficit in 2022-23 and 2023-24.

The packet includes all attachments and can be found in [Exhibit E](#).

Staffing Reductions and Added Positions

Also at the April 28, 2021 board meeting, the board approved three resolutions reorganizing staff: one to reduce classified staff by 38 FTE, one to increase certificated and classified staff by 37.3 FTE and another to reorganize the child nutrition department resulting in a decrease of 4.94 FTE.

The resolutions are attached as Exhibits [E](#), [G](#) and [H](#).

Third Interim Report

The district adopted the third interim report for 2020-2021 on May 26, 2021 ([Exhibit I](#)). The projected net increase in fund balance for the fiscal year 2021-22 increased from the second interim report from \$4,792,905 to \$61,947,848, a difference of \$57,154,943. The increase in fund balance can be attributed to COVID-19 funding received by the district.

The narrative of the board memorandum that accompanies the third interim report contains a discussion about the county office and county trustee requesting board approved and identified balancing solutions to be included with the third interim MYP. The district's response to these requests is as follows:

"After the discussion with the budget and finance committee on May 13, 2021 and in response to the request for explicit language on how the district will address the deficit and combined \$58,583,000, the district is not ready to provide exclusive language at this time regarding 'how' it will address its deficit."

2020-21 Third Interim Budget

	Unrestricted	Restricted	Combined
Surplus/Deficit	\$36,244,516	\$25,703,332	\$61,947,848
Beginning Fund Balance	\$33,043,818	\$33,484,682	\$66,528,500
Ending Fund Balance	\$69,288,334	\$59,188,014	\$128,476,348

Following best practice, the district prepared two versions of the MYP for the third interim report: one including one-time funds and one excluding one-time funds. Per the district narrative, the MYP including one-time funds includes one-time ESSER II funding of \$57 million and Assembly Bill (AB) 86 funding of \$39.5 million. These revenues were added to the budget without associated expenditures, which gives the appearance of increasing fund balance when, in fact, expenditures will eventually need to be associated with the new revenues. At the time, the guidance provided by the California Department of Education provided for this type of accounting treatment, allowing for such increases in fund balance.

The MYPs, with and without one-time funding, are shown below. The version without one-time funding reflects an \$81.9 million deficit over two years.

2020-21 Third Interim Multiyear Projection (Combined) with one-time funding

	2020-21	2021-22	2022-23
Surplus/Deficit	\$61,947,848	\$46,852,381	\$(55,649,964)
Beginning Fund Balance	\$66,528,500	\$128,476,348	\$175,328,729
Ending Fund Balance	\$128,476,348	\$175,328,729	\$119,678,765

2020-21 Third Interim Multiyear Projection (Combined) without one-time funding

	2020-21	2021-22	2022-23
Surplus/Deficit	\$61,947,848	\$(25,692,184)*	\$(56,226,770)*
Beginning Fund Balance	\$66,528,500	\$128,476,348	\$102,784,164
Ending Fund Balance	\$128,476,348**	\$102,784,164	\$46,557,394

*Inclusive of reductions taken as part of the multiyear projection, but not defined

** Includes one-time COVID funding in beginning fund balance

Resolution to Repay State Loans

On June 23, 2021, the board passed a resolution ([Exhibit J](#)) directing the district administration to begin planning for early repayment of the portion of the emergency appropriation from 2003, which is due to be fully repaid by 2026.

2021-22 Original Budget

On June 30, 2021, the board adopted the budget for the 2021-22 fiscal year ([Exhibit K](#)). The projected deficit for the 2021-22 original budget was \$88,170,026 with a projected ending fund balance of \$222,780,212. This reflects a dramatic adverse difference from the third interim report adopted one month earlier.

2021-22 Original Budget

	Unrestricted	Restricted	Combined
Surplus/Deficit	\$0	\$(88,170,026)	\$(88,170,026)
Beginning Fund Balance	\$71,069,152	\$239,881,086	\$310,950,238
Ending Fund Balance	\$71,069,152	\$151,711,060	\$222,780,212

The MYP reflects deficit spending across all three years exceeding \$234 million. The district included detail regarding use of one-time funds. Also included is a report of all site budgets and a position control summary document.

2021-22 Original Budget Multiyear Projection (Combined)

	2020-21	2021-22	2022-23
Surplus/Deficit	\$(88,170,026)	\$(74,466,793)	\$(72,079,176)
Beginning Fund Balance	\$310,950,238	\$222,780,212	\$148,313,419
Ending Fund Balance	\$222,780,212	\$148,313,419	\$76,234,243

The county office of education conditionally approved the district’s budget on September 15, 2021 ([Exhibit L](#)), pending the following:

- Work with the fiscal oversight trustee to review the internal calculations prepared in the multiyear projection
- Meet regularly with the fiscal oversight trustee to demonstrate the district’s progress in meeting its timeline for implementation of the fiscal solvency plan and needed ongoing budget-balancing solutions
- Concerns with advancing the district’s Citywide Plan to address facilities and/or budget reductions
- A list of board-approved expenditure reductions or ongoing budget-balancing solutions with due dates in October regarding the proposed reductions with final reductions approved by the board on or before December 15, 2021

After the conditional approval of the district budget, the following activities occurred with regard to approving the 2021-22 budget:

- On October 8, 2021, the district responded to the county office’s conditional budget approval letter. It is included as [Exhibit M](#).
- On November 8, 2021, the district budget was approved ([Exhibit N](#)) and the county superintendent simultaneously designated the district as a fiscal lack of going concern.
- On November 13, 2021, the district appealed the county superintendent’s determination of lack of going concern ([Exhibit O](#)).
- On November 23, 2021, the State Superintendent of Public Instruction denied the district’s appeal ([Exhibit P](#)) and upheld the county superintendent’s decision to designate the district as a lack of going concern.

Unaudited Actuals Report

The board approved resolution 2021-0035 on September 8, 2021, acknowledging the annual statement of all receipts and expenditures for the 2020-21 fiscal year (unaudited actuals report).

Below is a chart showing the district’s estimated actuals report (what the district estimated revenues and expenditures would be) and the unaudited actuals (what revenues and expenditures occurred). These numbers are often compared, and a low percentage difference between the two (under 5%) indicates good budget projections and monitoring. The difference in the combined ending fund balance between the 2020-21 estimated and unaudited actuals is (174.29%) for Oakland USD.

The district’s narrative addresses this variance by explaining that the restricted COVID-19-related federal and state revenues at year end closing were \$243.5 million lower than projected at estimated actuals. The narrative explains that the revenue was matched to actual spending, lowering the earned revenue amount.

2020-21 Estimated Actuals (as submitted with 2021-22 Budget)

	Unrestricted	Restricted	Combined
Surplus/Deficit	\$38,025,334	\$205,354,707	\$243,380,041
Beginning Fund Balance	\$33,043,818	\$34,526,379	\$67,570,197
Ending Fund Balance	\$71,069,152	\$239,881,086	\$310,950,238

2020-21 Unaudited Actuals

	Unrestricted	Restricted	Combined
Surplus/Deficit	\$27,400,150	\$17,607,184	\$45,007,334
Beginning Fund Balance	\$33,043,818	\$34,526,380	\$67,570,198
Other Restatements	\$0	\$786,637	\$786,637
Adjusted Beginning Balance	\$33,043,818	\$35,313,017	\$68,356,835
Ending Fund Balance	\$60,443,968	\$52,920,201	\$113,364,169

Variations from Estimated Actuals to Unaudited Actuals

	Unrestricted	Restricted	Combined
Ending Fund Balance	(14.95%)	(77.94%)	(174.29%)

The unaudited actuals report is [Exhibit Q](#).

Updated Multiyear Projection

A condition of budget approval by Alameda COE includes the revision of the MYP, which is being prepared by the district in collaboration with the county office. The updated MYP shown below is the district prepared 2021-22 approved budget modified by the following:

- One-time COVID revenue added back for federal and state of \$183,435,865 and \$29,861,652, respectively.
- Adjusted beginning fund balance to reflect the actual 2021-22 beginning balance.
- Added salary costs for certificated and classified that were identified as covered by the bridge plan of \$18,776,265 and \$1,648,613, respectively.

**Oakland Unified School District
Multiyear Projection 2021-22 through 2023-24**

Description	2021-22	2022-23	2023-24
REVENUE			
LCFF/Revenue Limit	401,609,688	398,421,455	407,748,149
Federal	226,490,439	43,007,128	43,007,128
State	111,484,905	82,677,187	84,067,521
Local	77,363,952	77,545,220	77,478,084
TOTAL REVENUE	816,948,984	601,650,990	612,300,882
EXPENDITURES			
Certificated	217,567,400	220,384,111	223,038,484
Classified	97,883,134	99,155,911	100,423,802
Benefits	188,555,470	185,237,286	190,027,280
Books & Supplies	88,489,826	94,009,722	90,858,683
Services, Other Operating Expenses	81,168,619	82,625,553	84,487,601
Capital Outlay	985,076	985,076	985,076
Other Outgo	13,821,939	13,821,939	13,821,939
Direct Support/Indirect Costs	(1,624,971)	(3,751,937)	(3,812,929)
Other Adjustments	-	-	-
TOTAL EXPENDITURES	686,846,493	692,467,661	699,829,936
EXCESS OF REVENUES OVER EXPENDITURES	130,102,491	(90,816,671)	(87,529,054)
OTHER FINANCING SOURCES/USES			
Transfers In	-	-	-
Transfers Out	(5,000,000)	(5,000,000)	(5,000,000)
Sources	25,000	25,000	25,000
Uses	-	-	-
Cont. to Rest. Programs	-	-	-
TOTAL OTHER FINANCING SOURCE/USES	(4,975,000)	(4,975,000)	(4,975,000)
NET INCREASE (DECREASE) IN FUND BALANCE	125,127,491	(95,791,671)	(92,504,054)
Beginning Fund Balance	113,364,169	238,491,660	142,699,989
Audit Adjustments	-	-	-
Other Restatements	-	-	-
ENDING BALANCE, JUNE 30	238,491,660	142,699,989	50,195,935

AB 1840 Benchmarks

Required Benchmarks

Education Code Section 42160(c) provides a list of benchmarks to be measured as a condition of apportionment of one-time funds to assist the district. The benchmarks are examples of activities to improve the district's fiscal solvency, and the district may include them but is not limited to them. Prior to the first AB 1840 March 1 letter in 2019, FCMAT, Alameda COE and the district agreed on the benchmarks that would

be monitored. They include required benchmarks derived from code and district-established benchmarks added by the district. The county office has taken an active role in assisting the district and has created a detailed plan of action intended to guide the district toward achieving long-term fiscal stability and recovery. Together, they are working to identify key areas for improvement based on the benchmarks below. The district has made significant progress in many business areas. The benchmarks are provided below with brief detail of the district's status for each benchmark.

1. Completion of comprehensive operational reviews that compare the needs of the school district with similar school districts and provide data and recommendations regarding changes the school district can make to achieve fiscal sustainability.

Status:

In Progress. The district and Alameda COE developed various staffing scenarios for business operation functions that ultimately resulted in the adoption of an organizational structure and staffing plan. The analysis did not include a comparative analysis with similar school districts. The district hired School Services of California, Inc. to build upon the joint Oakland USD-Alameda COE work completed to date and provide the comparative analysis. The final report is to be completed before winter 2021.

2. Adoption and implementation of necessary budgetary solutions.

Status:

Not Complete. In 2019-20, the district board adopted detailed identified cuts to substantiate significant reductions in March 2020. Resolution 1920-0214 (approved in March 2020) provided specific areas for district administration to consider for cost reductions by November 2020. The district reported that due to COVID, many of these strategies were unable to be executed or developed.

Because the district has a significant structural deficit and ongoing salary increases, continued adoption and implementation of budgetary solutions is necessary. The district planned to adopt reductions for the 2021-22 fiscal year on April 28, 2021 but failed to execute reductions and instead implemented a bridge plan utilizing one-time dollars (COVID related and AB 1840) to balance the budget.

Due to the lack of substantive, identifiable cuts being made for the 2020-21 and 2021-22 budget years, the status of this item has been changed from In Progress to Not Complete.

3. Completion and implementation of multiyear, fiscally solvent budgets and budget plans.

Status:

Not Complete. As has been the district's history, it had limited success with fully implementing and adhering to reductions adopted in prior year. The actions taken in 2019-20 to be implemented in 2020-21 showed promise but ultimately did not materialize. Reductions were not made for the 2021-22 budget year; rather, the district created a bridge plan with one-time funds that were not intended for balancing structural deficits. The district now faces a structural deficit of more than \$60 million without any plan to address it. The longer the district takes to address the issue, the more cuts will be necessary.

Due to the lack of substantive progress, the status of this item has been changed from In Progress to Not Complete.

4. Qualification for positive certification pursuant to Article 3 (commencing with Section 42130) of Chapter 6.

Status:

Not Complete. As of second interim 2020-21, the district self-certified as qualified.

5. Affirmative board action to continue planning for, and timely implementation of, a school and facility closure and consolidation plan that supports the sale or lease of surplus property.

Status:

Not Complete. The district operates five fewer schools than it did in 2017-18. This is the result of the consolidation of eight schools into four and the closure of another school. A board decision was expected before the end of the 2020-21 calendar year to address school consolidations and/or closures (see detail below). The board decided in October 2021 to cease considering school consolidations.

Due to the lack of substantive progress, the status of this benchmark has been changed from In Progress to Not Complete. It is acknowledged that in October 2021, the governing board decided to make budget reductions in lieu of moving forward with the Citywide Plan. This action was consistent with prior resolutions.

6. Growth and maintenance of budgetary reserves.

Status:

In Progress. One-time funds have masked the true budgetary reserves of the district.

7. Approval of school district budgets by the county office.

Status:

Not Complete. The county office conditionally approved the district's 2021-22 budget. On November 8, 2021, the county office approved the budget for 2021-22 and simultaneously designated the district as a lack of going concern with regard to the district budget and MYP.

District-Established Benchmarks

Citywide Plan

The Citywide Plan was developed to identify opportunities for school consolidations and/or closures to address the district's declining enrollment and right-size facilities to match enrollment. On November 12, 2020, the board approved resolution 2021-0128 where the following was to take place:

- By April 2021, present the board with an analysis of the impact to school quality and to district finances of the school expansions, redesigns, mergers and closures from Cohorts 1 and 2.
- By June 2021, present the board with a list of proposed schools to expand, redesign, merge and/or close beginning fall 2022.
- By September 2021, the board shall vote on each proposed expansion, redesign, merger or closure. Should the board vote against a proposed merger or closure, the board must approve a resolution by October 2021 identifying reductions in ongoing general fund expenditures for 2022-23 that amount to at least the estimated ongoing net savings from the mergers or closures that were not approved.

On April 28, 2021, the board approved resolution 2021-0128A, which extended the date to present the analysis of Cohorts 1 and 2 (see bullet one above) from April 2021 to May 15, 2021. The reason for this extension was to provide district staff with additional time to conduct the analysis and to provide additional opportunities for district staff to meet separately with board members. The resolution is included as [Exhibit R](#).

On May 12, 2021, the district presented a progress update on Cohorts 1 and 2. Overall, the district reported that the cost savings was not as high as projected with regard to the reorganization of school sites as part of Cohorts 1 and 2 of the Citywide Plan. Defining the progress update, the district reports that “there are not enough years (of data) to say that the changes took root and that every action led to improvement in Quality, Equity and Sustainability.” Additionally, the progress update states that “there is an inherent tension between the reinvestments required and fiscal sustainability goals that must be resolved through thoughtful, strategic decisions about resource allocation.” The progress update is included as [Exhibit S](#).

Per the original resolution passed in November 2020, the board was to vote in June 2021 on Cohort 3, a list of schools to expand, redesign, merge and/or close beginning fall 2022. On June 23, 2021, the board passed resolution 2021-0128B, modifying the date when the board was to vote on which schools to include in Cohort 3 from June 2021 to September 2021. The report made to the board is attached as [Exhibit T](#) and the resolution is attached as [Exhibit U](#).

On September 22, 2021, the board indicated it did not want to consolidate schools as part of Cohort 3. In response, district staff provided three options of \$2 million in reductions (estimated to be the amount of annual savings that would be realized if mergers or closures were to take place) and presented them to the board for consideration with the recommendation that the board adopt all three options, as the recent conditional budget approval letter by the Alameda COE estimated an even higher structural deficit. The board passed resolution 2021-0128D on October 27, 2021, identifying \$6 million in reductions to be made in the 2022-23 fiscal year to avoid closing, consolidating or merging schools. This resolution is included as [Exhibit V](#).

Fiscal Vitality Plan

The district’s Fiscal Vitality Plan was introduced on December 13, 2017, and is organized into three segments: Stability (short-term plans), Recovery (medium-term plans) and Vitality (long-term plans). The Fiscal Vitality Plan was created as a response to a FCMAT Fiscal Health Risk Analysis published in August 2017 that demonstrated many areas of need for improvement. The analysis included 23 recommendations for action to help rectify the district’s fiscal health. The county office monitors the progress of the recommendations and works closely with the district on each item.

The status descriptions have been updated to reflect the condition of each item more accurately. Many of the recommendations had deadlines that have long passed. For example, the district may have improved in an area, but that same area requires constant monitoring since the district still struggles to maintain that improvement. The status indicates “complete, continuously monitor” (or maintain) in that instance.

The 23 recommendations and the status of each (with original deadline and updated status titles, where indicated) are on the next page:

Recommendation	Status
Chapter 1: Stability (original deadline July 2018)	
Restore the ending fund balance and maintain the state-mandated reserve for economic uncertainty	Complete as of July 2019; continuously monitor
Institute adjustments to existing central office positions	Complete as of July 2019; continuously maintain
Maximize the use of restricted revenue sources	Complete; continuously monitor
Evaluate central office-based contracts and books/supplies for possible freeze and capture of savings	Complete as of May 2020; continuously maintain
Pursue capture of donated days and/or furlough	Complete as of July 2019
Adjust school per pupil allocations to capture savings	Complete; continuously maintain
Institute closer monitoring of contributions to other programs	In Progress
Update and implement budget forecast and projection practices	Complete; continuously maintain
Review and update cash flow monitoring practices	Complete; continuously maintain
Institute immediate protocols to limit and review spending among central office and school sites	Complete as of July 2018; continuously monitor
Chapter 2: Recovery (original deadline January 2019)	
Plan for and adopt a balance budget that avoids future deficit spending	In Progress
Establish and conduct zero-based budgeting sessions with all central office practices	Complete; continuously maintain
Research, engage and implement a central office reorganization	In Progress
Institute and conduct monthly central office and school site budget monitoring practices	Complete; continuously maintain
Review, update and implement effective position control practices	Complete; continuously maintain
Develop a process for preapproval of extra time employee payments	Complete; continuously monitor
Review and implement revised contract approval, processing and management procedures	In Progress
Complete transition to Escape technology system to manage finance and human resource information	Complete; continuously maintain
Chapter 3: Vitality (original deadline July 2019)	
Review and execute shifts in expense that maximize the use of restricted funds	Complete, continuously monitor
Review and engage school district and school leaders to re-establish appropriate budget roles and responsibilities	In Progress
Establish systems for the management and oversight of bargaining agreements	In Progress
Consider and act on recommendations from the Blueprint for Quality Schools review	In Progress

Change in Trustee

Trustee Chris Learned resigned effective June 30, 2021. Following the prescribed process in Education Code, the Alameda County Superintendent of Schools announced the appointment of Luz T. Cazares as the new trustee assigned to monitor and assist the district, effective September 1, 2021.

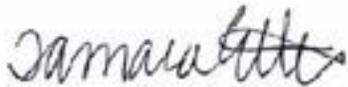
Conclusion

While Oakland USD had previously shown progress regarding budget stabilization and planning, much has changed since the start of the 2020-21 fiscal year. The progress made on several benchmarks has slowed or even regressed. Regarding the management and planning of financial resources, FCMAT aligns its observations with that of the county trustee, which place the district into one or more of the following categories: 1) the governing board refuses to make the hard decisions associated with resource allocations and/or reductions, 2) the governing board makes the hard decision associated with resource allocations and/or reductions but staff does not implement the decision, or 3) staff does not provide the governing board with adequate information to make decisions. This is further complicated by the district's sudden refusal to provide Alameda COE – its oversight agency – with timely, accurate and complete financial and supporting data associated with budget projections and fiscal solvency. The district's reliance on the use of one-time funds as a bridge to stave off reductions, as opposed to increasing services around learning loss mitigation and social-emotional learning and supports for students is not only dangerous, but far from a best practice.

In the board documents reviewed, the district acknowledges that recent decisions will preclude its eligibility to receive the \$10 million AB 1840 apportionment in 2021-22. Ultimately, final analysis of the district's eligibility will be made closer to the end of the fiscal year (June 2022) based on the district's final decisions.

FCMAT would like to thank the staff of the Oakland Unified School District and Alameda County Office of Education for their collaboration in the creation of this letter.

Sincerely,



Tami Ethier
Intervention Specialist

C: L. K. Monroe, Alameda County Superintendent of Schools
Brooks Allen, Executive Director, California State Board of Education
Jessica Holmes, Chief Deputy Executive Director, California State Board of Education
Elizabeth Dearstyne, Director, School Fiscal Services, California Department of Education
Chris Ferguson, Program Budget Manager, California Department of Finance
Luz Cazares, County Trustee, Oakland Unified School District
Candi Clark, Associate Superintendent, Business Administration Alameda County Office of Education
Yong Salas, Consultant, Senate Committee on Budget and Fiscal Review
Erin Gabel, Principal Consultant, Assembly Committee on Budget
Kyla Johnson-Trammell, Ed.D., Superintendent, Oakland Unified School District