



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 12.1

Meeting Date: November 6, 2025

Subject: Draft Fiscal Solvency Plan and 2026-27 Budget Development Reduction Thresholds

- Information Item Only
- Approval on Consent Agenda
- Conference (for discussion only)
- Conference/First Reading (Action Anticipated: _____)
- Conference/Action
- Action
- Public Hearing

Division: Business Services

Recommendation: Staff recommends that the Board receive a presentation on the proposed Fiscal Solvency Plan for review and feedback, and proposed reduction thresholds for 2026–27 budget development to guide planning and prioritization.

Background/Rationale: On October 10, 2025, after reviewing the district's 2024-25 Unaudited Actuals report, the Sacramento County Office of Education (SCOE) determined SCUSD is a lack of going concern based on projected significant negative ending fund balances for both the current fiscal year and two subsequent years.

In response, SCUSD must

1. Adopt a First Interim financial report that demonstrates the district will be able to meet its reserve requirement for the current and two subsequent fiscal years. The First Interim shall reflect all known obligations (encumbered and payables) as well as all revenues
2. Submit a draft Fiscal Recovery Plan to SCOE by November 15, 2025
3. Submit a board adopted Fiscal Recovery Plan to SCOE by December 1, 2025

The draft Fiscal Solvency Plan also includes proposed reduction thresholds for 2026–27 budget development, which will serve as a framework for prioritizing programs and services to ensure fiscal stability. These thresholds will guide departments in identifying reductions aligned with the district's reserve requirements and long-term solvency goals.

Additionally, as of October 1, 2025, to immediately address cash flow concerns and prevent further deterioration of the district's financial position, SCUSD implemented a spending freeze.

The freeze applies to all discretionary and non-essential expenditures, including but not limited to travel, conferences, equipment purchases, and new contracts not critical to student safety or compliance.

Should SCUSD fail to provide any of the required deliverables, SCOE will be required to implement additional actions such as

1. Stay or rescind any action that is determined to be inconsistent with the district's ability to meet its obligations
2. Develop a multi-year financial recovery plan that will enable SCUSD to meet its future obligations
3. Assist in developing the SCUSD budget for the subsequent fiscal year

This item is scheduled to return to the Board for adoption at its next meeting on November 20, 2025.

Financial Considerations: Adoption of the Fiscal Solvency Plan and reduction thresholds will support the District's ability to maintain required reserves and avoid further intervention.

LCAP Goal(s): Goal 1 – Graduation Outcomes, Goal 2 – Academic Outcomes, and Goal 3 – Welcoming and Safety Outcomes

Documents Attached:

N/A

Estimated Time: 20 minutes

Submitted by: Janea Marking, Chief Business and Operations Officer

Approved by: Lisa Allen, Superintendent