



# Fiscal Solvency Plan Update

March 5, 2026

Agenda Item No. 12.2

**Presented by:**

Interim Superintendent & Cabinet

# Agenda

- Establish Current Fiscal Reality
- Share Important Definitions & Fiscal Crisis Information
- Present 2025-26 and 2026-27 Fiscal Solvency Strategies
- Seek Board Direction for Next Steps



**This is why we are here**



# Current Fiscal Reality

# Structural Context

- 2018 FCMAT: structural deficit spending
- 2025 FCMAT: ongoing imbalance persists
- Enrollment decline
- Special Education contribution growth
- Compensation growth exceeding ongoing revenue

**Structural Deficit =  
Ongoing Expenditures > Ongoing Revenue**

When this condition persists, reserves decline and cash becomes stressed.

# Timeline of Structural Context

- 2018: Structural imbalance identified
- 2019–2023: One-time federal funds temporarily stabilized operations
- 2024–2025: Enrollment decline + spending and compensation growth widen gap
- 2026: Reconciliation reveals magnitude

# Status of Negotiations

<b>Unit</b>	<b>Status</b>
SCTA Certificated, non management	In Contract July 1, 2025 - June 30, 2027
SEIU - Classified, non management	Currently Negotiating Contract for July 1, 2025 - June 30, 2027
Teamsters - Classified	Currently Negotiating Current Contract Ends June 30, 2026
Teamsters Classified Supervisors	Currently Negotiating Current Contract Ends June 30, 2026
UPE - Certificated Administrators	Scheduled to Begin April/May 2026 Current Contract Ends June 30, 2026

# **Important Definitions and Fiscal Crisis Information**

# Financial Report Certification Definitions

## **POSITIVE CERTIFICATION**

As President of the Governing Board of this school district, I certify that based upon current projections this district **will meet its financial obligations** for the current fiscal year and subsequent two fiscal years.

## **QUALIFIED CERTIFICATION**

As President of the Governing Board of this school district, I certify that based upon current projections this **district may not meet its financial obligations** for the current fiscal year or two subsequent fiscal years.

## **NEGATIVE CERTIFICATION**

As President of the Governing Board of this school district, I certify that based upon current projections this district **will be unable to meet its financial obligations** for the remainder of the current fiscal year or for the subsequent fiscal year.

# Insolvency Definitions

EDC § 41325 - 41329.5 (Emergency Apportionments): These sections deal with situations where a school district becomes insolvent and requires an emergency state loan (apportionment) to remain operational.

EDC § 41326 (Conditions for Loans): Details the conditions under which a district in financial distress or insolvency may receive, manage, and repay emergency loans.

EDC § 42131 - 42133 (Fiscal Management): Requires school districts to report their financial status (positive, qualified, or negative) to the county superintendent, providing an early warning system for insolvency.

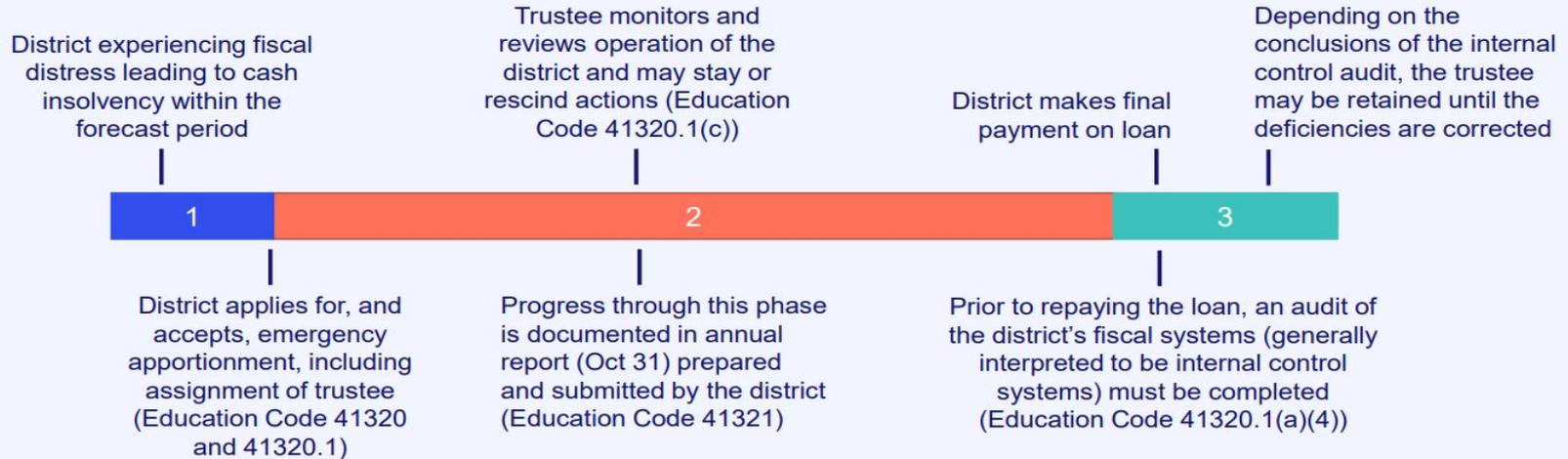
# What Happens If Your District Gets Into Financial Trouble?

- The first line of defense – district (locally governed agency)
- The second line of defense – intervention by county superintendent
  - Fiscal expert or fiscal advisor
- The third line of defense – state (emergency appropriation by legislature)
  - County administrator (formerly state administrator)
  - County trustee (formerly state trustee)
- FCMAT is a partner at each stage
  - Management assistance (district's request)
  - Automatic engagement (triggered based on conditions)
  - Statutory role (emergency appropriation)

# The Consequences of Cash Insolvency

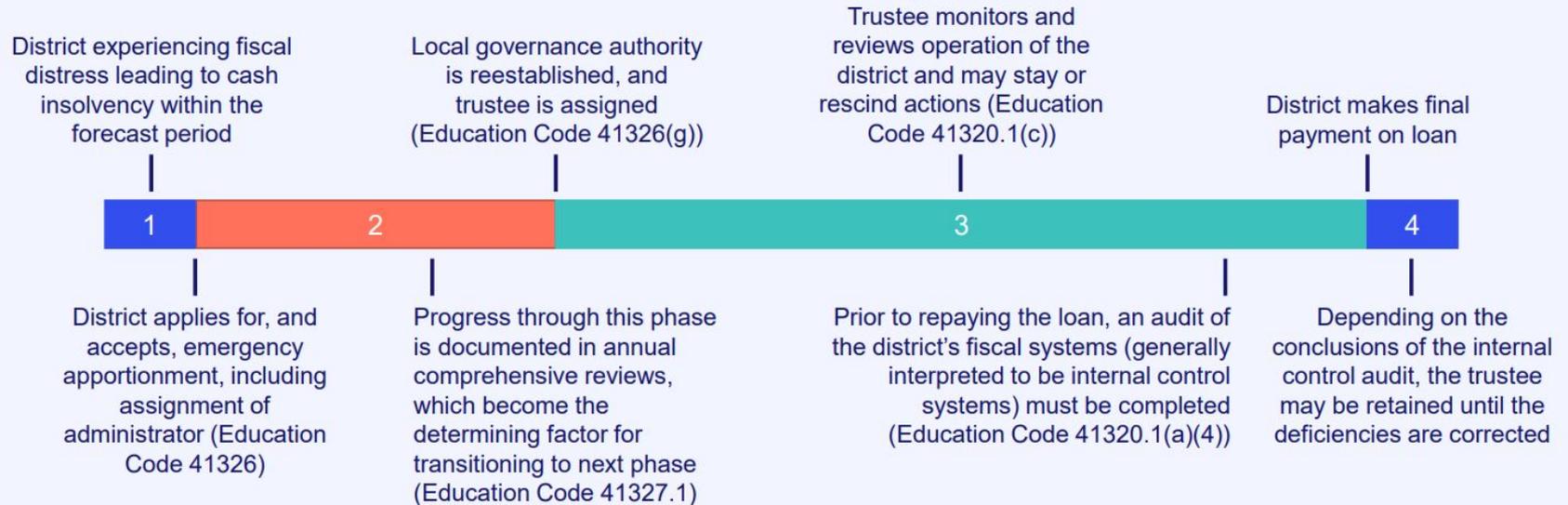
- District's governing board may ask for and receive an authorization for an emergency appropriation, but...
  - District will lose superintendent and local governance (>200% loan)
  - Budget cuts will still need to be made, but even more than before
  - It's expensive
  - It is not a bailout – it is a cash loan to assist in paying the district's obligations
- Most likely in an insolvency the district's fiscal situation gets worse, not better, in the near term
  - Bleeding from the original wounds continues, plus the district now has additional costs, including debt service on the emergency appropriation

# Phases of Recovery Under Receivership – Loan Equal to or Less Than 200%



This graphic is for illustration purposes only.

# Phases of Recovery Under Receivership – Loan Greater Than 200%



This graphic is for illustration purposes only.

# 2025-26 Fiscal Solvency Updates

# June 30, 2026 Cash Flow Projections

Actuals as of	October 31, 2026	January 31, 2026	February 28, 2026	Second Interim March 19, 2026
	-\$1,000,000	+\$3,000,000	+\$13,000,000	

## Current Cash Deficit Projected in September 2026\*\*

\* Source: 2025-26 Cash Flow Projection with Actuals through January 31, 2026

\*\* The Cash Flow projection is being monitored and reconciled monthly and will include both fiscal years. **All projections are based on the First Interim Budget and current revenue and spending trends.**

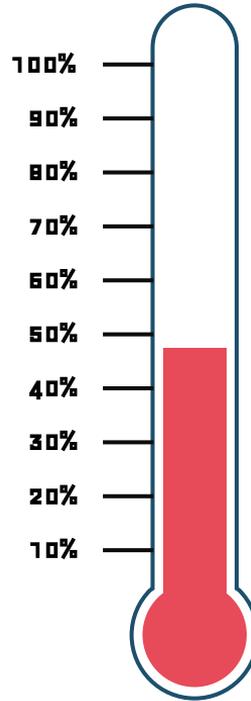
# 2025-26 Fiscal Solvency Plan Updates

<b><u>UNRESTRICTED</u> COST AVOIDANCE/SAVINGS</b>	
Prior Identified Savings/Cost Avoidance	\$43.8M
Learning Recovery Emergency Block Grant	\$2.65M
Additional 9000 Restricted Resources	\$1.2M
Utilities Adjustment	\$8M
Contract Freezes	\$689K
Vacancy Savings	\$7M
<b>Total Savings</b>	<b>+\$63.34M</b>

<b><u>UNRESTRICTED</u> TOTAL DEFICIT</b>	
As of February 5	-\$113M
March 5 Adjustments \$18M SPED \$3M Negotiations	-\$21M
<b>As of March 5</b>	<b>-\$134M</b>

**Difference = -\$70.66M**

# SCUSD 2025-26 Fiscal Solvency Goal



# 2025-26 Additional Options

Action	Anticipated Value
Engage in OPEB Discussions* (one-time savings)	\$20M
MediCal Reimbursement* (one-time savings)	\$14.5M

**If realized, these items may reduce the 25-26 deficit to  
-\$36.16M**

**\*Option requires discussions with labor/designated bodies of decision makers.**

# Board Decision Point Budget Certification

## QUALIFIED CERTIFICATION

As President of the Governing Board of this school district, I certify that based upon current projections this **district may not meet its financial obligations** for the current fiscal year or two subsequent fiscal years.

With an ending deficit of  $-\$36.16\text{M}^*$  and a plan for 2026-27, the District can meet the definition of a “qualified certification.”

\*Requires discussions with labor/designated bodies of decision makers.

# 2026-27 Fiscal Solvency Strategies

# 2026-27 Fiscal Solvency Plan Updates

<b><u>UNRESTRICTED KNOWN COST AVOIDANCE/SAVINGS</u></b>	
Prior Identified Savings/Cost Avoidance	\$4.9M
8 Work Day Calendar Revisions (all affected calendars)	\$5.4M
Projected Savings from 20% Department Budget Reductions	<u>\$24.6M</u>
<b>Total Savings</b>	<b>\$34.9M</b>

<b><u>UNRESTRICTED TOTAL DEFICIT</u></b>	
As of February 19 (w/o 25/26 reductions)	-\$294.M
<b>As of March 5 Preliminary Second Interim</b>	<b>-\$268.1M</b>

**Difference = -\$233.2M**

# Additional Preliminary Notices

<b>Action</b>	<b>Anticipated Unrestricted Value</b>
<p>Issue Additional Preliminary Notices To <u>ALL Central Office Department Staff</u></p> <ul style="list-style-type: none"><li>● All units/positions not required by current CBAs</li><li>● Not all savings will be realized due to Central Office restructure</li><li>● Proposed for Action Agenda Item 10.3 &amp; 10.4</li></ul>	<p>\$42.9M*</p>

\*Unrestricted General Fund Positions

# Board Decision Point Additional Preliminary Notices

<b>Action</b>	<b>Anticipated Unrestricted Value</b>
<p>Issue Additional Preliminary Notices To <u>Site Staff Funded through LCFF</u></p> <ul style="list-style-type: none"><li>• All units/positions not required by current CBAs</li><li>• Proposed for Action Agenda Item 10.3 &amp; 10.4</li></ul>	TBD

# 2026-27 Additional Strategies

## Without Labor Negotiations

### **Initiate now for 2026-27 actualization**

- Develop Department Consolidation and Restructuring Plan
- Maximize General Education Interventions to Reduce Special Education Services
- Analyze Processes and Contracts for Efficiency and Elimination
- Additional Department Contributions

### **Initiate in 2026-27 for future year actualization**

- Develop School Closure and Consolidation Plan for 2027-28
- Develop Facilities Optimization Plan for 2027-28
- Define Scope of Allowable, Research-Based Strategies for Utilizing Title I and LCFF Funding at Sites

# Collective Bargaining Context

- The District will honor all existing collective bargaining agreements.
- Certain cost containment measures require mutual agreement.
- Public agencies may engage labor partners in discussions when fiscal conditions materially change.
- Any negotiated agreement returns to the Board for approval.

# Board Decision Point

## 2026-27 Options for Fiscal Solvency

### With Labor Negotiations & Agreement

Action	Unrestricted Estimated Value
Furlough Days 2026-27 (all labor units)	\$2.1M/day
Temporary 2% Salary/Wage Cut (all labor units)	\$7M
Options for Reducing Healthcare Costs without reducing level of service (all labor units)	TBD
Reduce Reading Intervention Teachers, 1.0 @ each elem/K-8	\$5.3M
Flexibility in Class Size Reduction in Grades 4-6 and 7-12	\$11M
Engage in OPEB Discussions (one-time savings)	\$20M
MediCal Reimbursement (one-time savings)	\$2M

# Questions and Suggestions Received from SCUSD Staff & Community

These are the most frequently asked questions and suggestions offered. Please see full list in Exhibits.

- Implement Furlough Days and Wage Reductions
- Consolidate Schools and Optimize Facilities
- Incentivize Early Retirement
- Options for Reducing Healthcare Costs without reducing level of service (all labor units)
- Make Targeted Reductions in District Office Positions

# Key Takeaways

# 2025-26 Key Takeaways

- The District is continuing to work through the Fiscal Solvency Plan and additional options to actualize cost savings/avoidance within the parameters provided
- **Projected Ending Fund Balance -\$134M**
  - Includes additional projected expenditures
  - **Current Identified Cost Savings/Avoidance \$63.3M**
  - **Remaining Deficit Gap -\$70.0M**, with OPEB and MediCal this may be reduced to **\$36.16M**
- Cash Flow projections continue to be updated monthly with **June ending balance projected at \$13M**
- **Cash Flow Deficit projected in September 2026**

# 2026-27 Key Takeaways

- **Preliminary Deficit -\$268.1M**
  - **Current Identified Cost Savings/Avoidance \$34.9M**
  - **Remaining Deficit Gap -\$233.2M**
- The District has identified additional non-site positions for layoff and is presenting those in Items 10.3 and 10.4. Associated cost savings, which will not be fully realized due to Central Office restructure:
  - Unrestricted - \$42.0M
  - Restricted - \$19.6M
- Necessary Restructure of Central Office
- Engagement with Labor is necessary

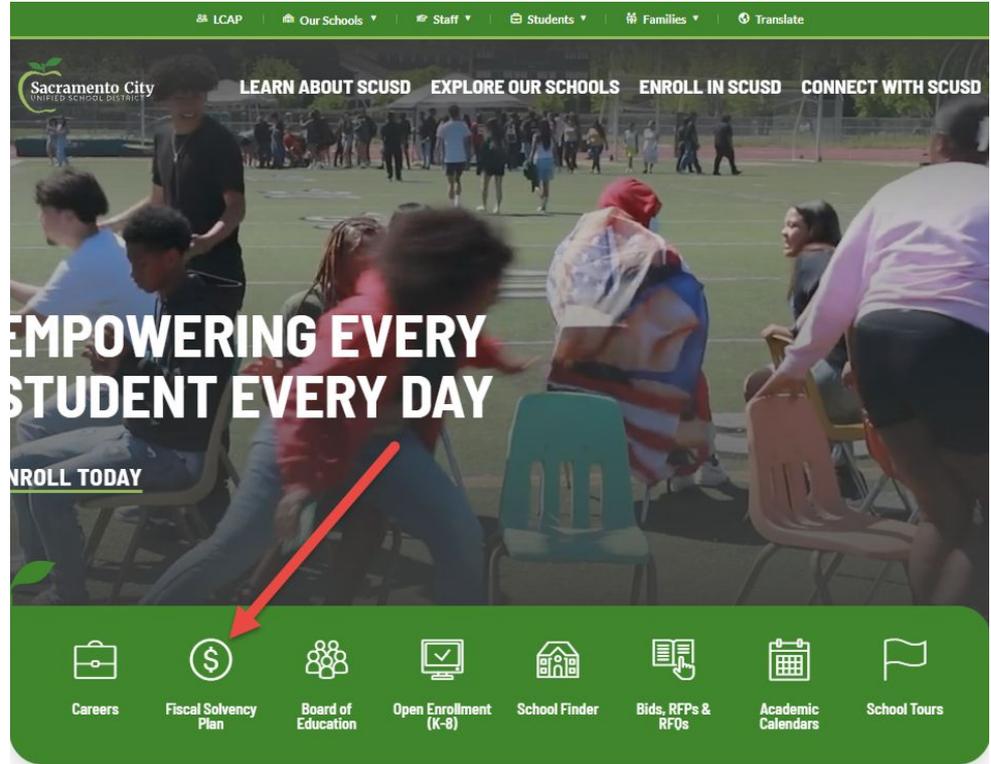
# Next Steps

# Fiscal Stabilization Actions

- 1. Budget Development Process - determine administrative and department reductions**
- 2. March 15 - Issue preliminary layoff notices**
3. Develop department consolidation plan
4. Engage in negotiations with labor partners to identify and implement district-wide cost savings measures
5. Engage in additional fiscal solvency strategies to offset rescinding layoff notices for necessary staff
6. Rebalance budget and analyze current reductions and additions
7. Initiate reassignments and hiring to fill necessary positions
8. May 15 - Issue final layoff notices

# Fiscal Solvency Engagement and Information Updates!

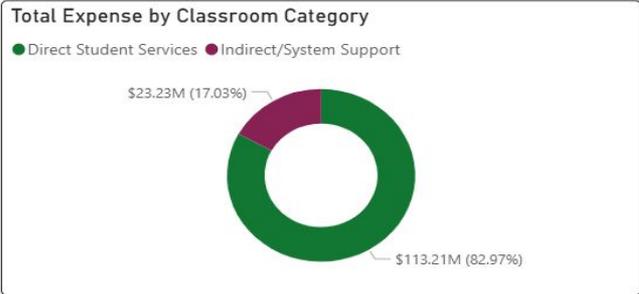
- **NEW Interactive** Dashboards Designed to provide Information, Reference, and Data on the District's current and historical financial information.
- Other Services & Operating Expenditures & Consultant Dashboard Release March 6, 2026
- Budget Dashboard projected release date: March 20, 2026



# Fiscal Solvency Engagement and Information Updates!



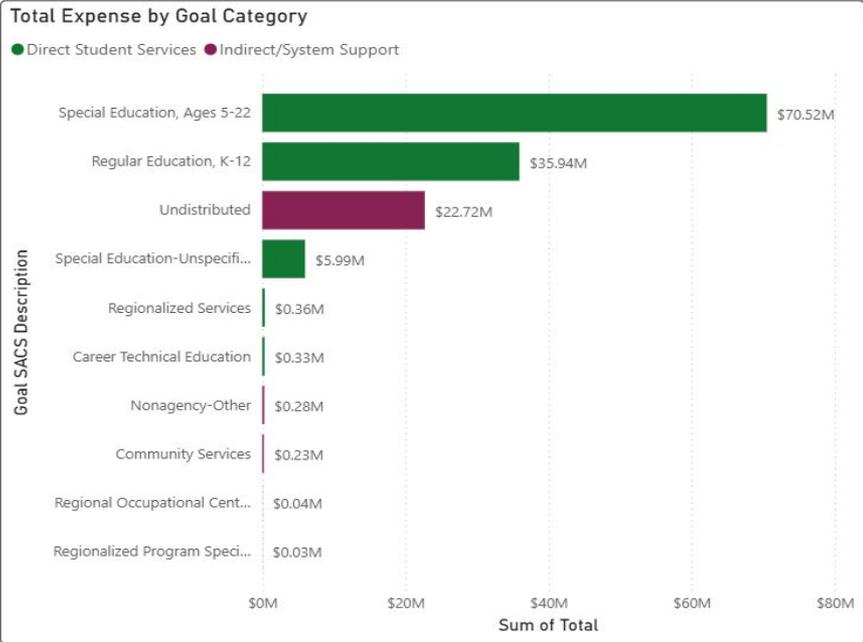
## 24-25 Goal Spending: Who is the money going to support?



**Explanation:**  
In the Standardized Account Code Structure (SACS) structure, Goals identify the program or student group that district funds are intended to support.

To make the state-required SACS codes easier to understand, expenditures have been grouped into two categories: Direct Student Services and Indirect/System Support. Direct Student Services include instruction and student-facing programs, while Indirect/System Support includes the operational, administrative, and facility functions that enable schools to operate safely and effectively.

The bar chart then breaks these categories back down into their underlying SACS goals, allowing viewers to see both the high-level summary and the detailed state-defined classifications.



\* The data presented above represents the 24-25 Unaudited Actuals from the General Fund. It does not reflect any other fund such as Charter, Cafeteria, Building, or other funds.

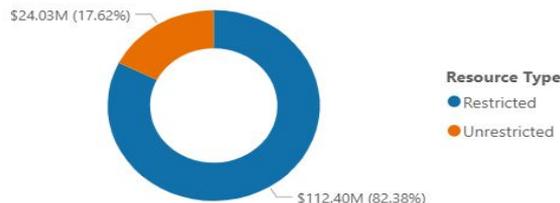
# Fiscal Solvency Engagement and Information Updates!



## 24-25 Consultant Expenditures Overview:

Where did the money go?

Total Expense by Resource Type



### Explanation:

Resources help us to identify where the money is coming from. They are split into two categories, Restricted and Unrestricted. Restricted means that there are tighter controls of how we can use the money. Unrestricted means that there is more flexibility with how we can use that money.

More than 80% of Consultant expenditures utilize Restricted Resources. Because of the tighter controls around restricted resources, it is more difficult to repurpose the money allocated for other purposes.

**Warning:** When analyzing the dashboard, you will notice an "Other" category. This "Other" category includes fund, resource, or object transfer. Because these transfers do not have a link back to the original purchase, we cannot link these other transfer back to the vendor.

Vendor	Restricted	Unrestricted	Total
Sacramento Chinese Community	\$14,958,050.31		\$14,958,050.31
Point Quest Pediatrics Therapies Llc	\$10,799,484.34		\$10,799,484.34
New Directions Solutions Llc Db a Procare Therapy	\$10,383,574.24		\$10,383,574.24
Jabbergym Llc	\$7,219,369.04		\$7,219,369.04
Learning Solutions Kids Inc	\$6,079,651.07		\$6,079,651.07
Speech Pathology Group Inc	\$5,798,605.98		\$5,798,605.98
Maxim Healthcare Staffing Services Inc	\$4,079,917.61		\$4,079,917.61
Point Quest Education Sac Llc	\$3,571,601.00		\$3,571,601.00
Fagen Friedman & Fulfroth Llp	\$534,049.74	\$3,018,800.20	\$3,552,849.94
Kadiant Llc	\$3,335,466.86		\$3,335,466.86
Sierra Schools Inc	\$2,928,581.12		\$2,928,581.12
Action Supportive Care Services Inc	\$2,851,708.28		\$2,851,708.28
Lozano Smith Attorneys At Law	\$1,394,847.62	\$1,334,026.95	\$2,728,874.57
Pawar Transportation Llc	(\$395,621.93)	\$2,604,901.81	\$2,209,279.88
Excluded For Privacy	\$1,774,620.32	\$139,661.46	\$1,914,281.78
Other	\$1,320,328.60	\$548,662.74	\$1,868,991.34
City Year Inc	\$1,807,500.00		\$1,807,500.00
Rose Family Creative Empowerment Center	\$1,750,581.28		\$1,750,581.28
Norcal School Of The Arts	\$1,695,720.00	\$2,580.00	\$1,698,300.00
Empowering Possibilities Unlimited Inc	\$1,568,544.00	\$100,000.00	\$1,668,544.00
Access Language Connection Inc	\$1,583,224.25		\$1,583,224.25
Always Home Nursing Services	\$1,320,518.79		\$1,320,518.79
Leaders Of Tomorrow After School Program	\$1,233,375.32		\$1,233,375.32
Aldar Academy Corp	\$1,137,800.34		\$1,137,800.34
E4 Supports Llc Db a Juv Autism + Behavioral	\$1,007,221.85		\$1,007,221.85
<b>Total</b>	<b>\$112,403,859.26</b>	<b>\$24,033,430.61</b>	<b>\$136,437,289.87</b>

\* The data presented above represents the 24-25 Unaudited Actuals from the General Fund. It does not reflect any other fund such as Charter, Cafeteria, Building, or other funds.

# Fiscal Solvency Engagement and Information Updates!



## District Historical Spending:

How much was spent across Fiscal Years?

### Tips and Notes:

- Fiscal Years are different from School Calendars or Calendar Years. For California School District, Fiscal Years start on July 1st and end on June 30th of the next year. For example, Fiscal Year 2026 started on July 1st, 2025 and will end on June 30th, 2026.
- Prior to the COVID-19 Pandemic, expenditures in the 5000's remained consistent from each Fiscal Year. However, needs changed starting in 2021 to 2025 where funding and spending grew significantly.
- You will see 2026 show a sharp decrease due to the implementation of the Fiscal Solvency Plan as well as the Fiscal Year has not ended yet.
- An overwhelming majority of expenditures in the 5000's comes from "Consultant" expenditures.

Total Expenditures Across All 5000's By Fiscal Year

Resource Type ● Restricted ● Unrestricted



Total Consultant Expenditures by Fiscal Year (5100s & 5800s)

Resource Type ● Restricted ● Unrestricted



# Final Board Discussion & Direction

# Board Decision Points

- Slide 20: 2025-26 Budget Certification
- Slide 24: Additional Non-Labor Action
- Slide 27: 2026-27 Options for Fiscal Solvency