

Conejo Valley Unified School District

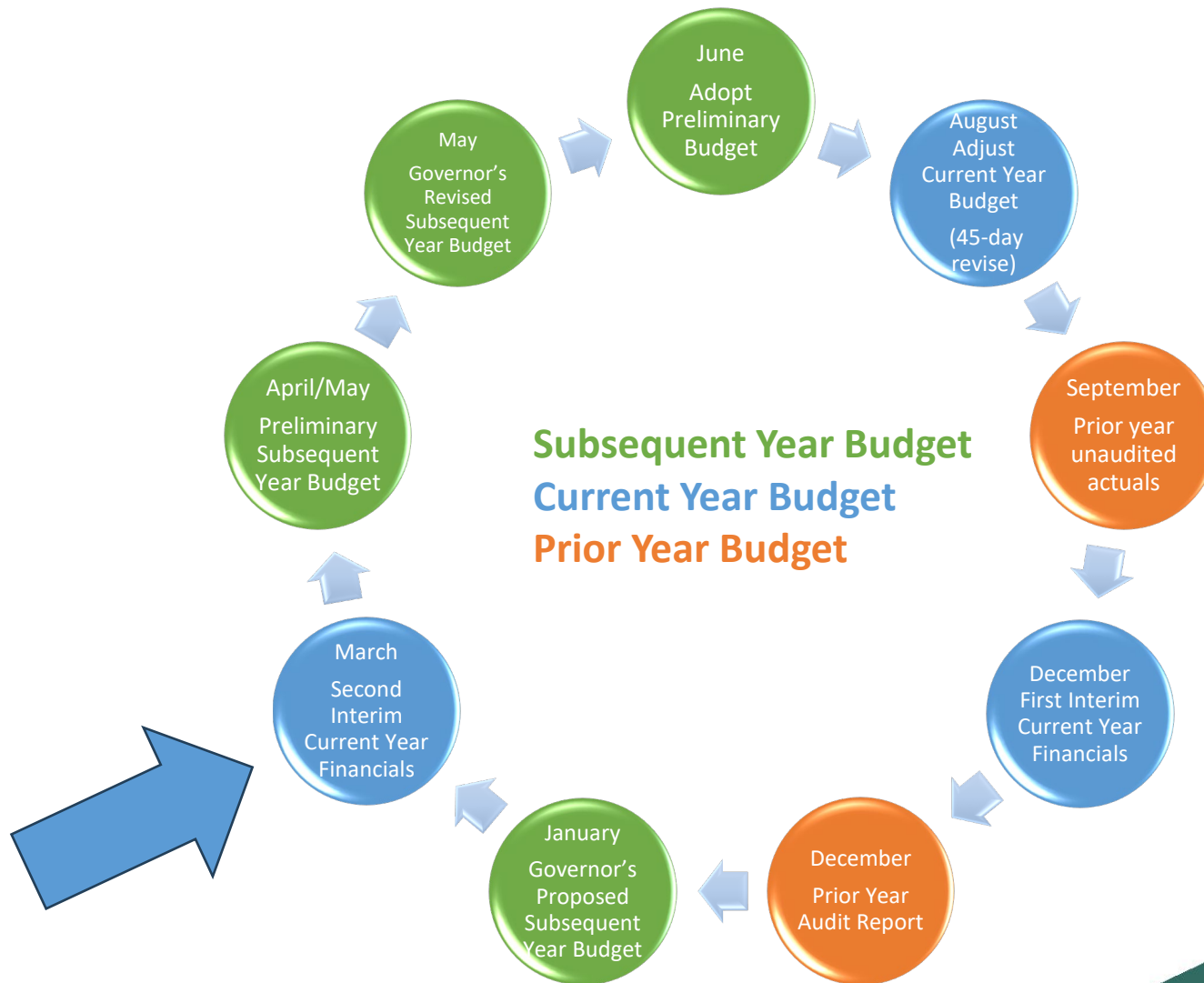
2025-26 Second Interim *Financial Report Summary*

March 4, 2026



Budget Cycle and Reporting

Note: Fiscal Year is July 1 to June 30



Governor's Proposed 2026-27 Budget



- While revenue estimates are up sharply from those used in the 2025 Budget Act, and from the projections made by the Legislative Analyst's Office (LAO) in November, the most significant proposal for schools and community colleges is the decision to once again underfund Proposition 98 in 2025-26.
- Overall, the **budget proposal generally avoids both cuts and expansions** of state programs outside of Prop 98 with the idea that significant adjustments could be made at May Revision.
- **Prop 98 Guarantee** – \$21.7 billion increase over the three-year budget period compared to the 2025 Budget Act, with 2026-27 funding nearly \$11 billion over the level in the Budget Act
- **Prop 98 Underfunding/Settle-Up** – The \$1.9 billion hold back from 2024-25 would be repaid, but a new \$5.6 billion hold back applies to 2025-26
- **COLA** – An estimated **2.41% COLA** is proposed for the LCFF and select categorical programs
- **Discretionary Block Grant** – Similar to last year, but funded at \$2.8 billion instead of \$1.7 billion (approximately \$500 pp)
- **Community Schools** – An additional \$1 billion ongoing funding is proposed
- **Special Education** - After a few years without any increases to state special education funding beyond COLA, the Governor's budget includes an additional \$509 million in ongoing funding to increase special education base rates.
- **Other Significant Adjustments** – Additional funding for the Learning Recovery Emergency Block Grant, funding for ELOP, college and career pathways, Home-to-School Transportation, educator residency programs, Kitchen Infrastructure and Training, and others
- **School Nutrition** – Along with maintaining his commitment to **fully fund universal meals**, the Governor is proposing an additional \$100 million one-time funding for specialized kitchen equipment, infrastructure and training to support schools in providing more freshly prepare meals made with locally grown ingredients.

Source: Capitol Advisors

Latest Information



- State revenues were likely to outstrip both the budget projections of last Summer and even the Governor's budget assumptions from January
- the Department of Finance released the revenues reported for the months of January and December, showing an estimated \$6.9 billion of growth beyond what was included in the Governor's January projections
- The Governor's January budget proposal asserted an outlook for revenues that was nearly \$30 billion above the overall forecast of the LAO over the three-year budget period. Even that optimistic projection of revenue is turning out to be lower than what is actually showing up.
- **Significant revenue growth beyond expectations** has the potential of adding to overall budget reserves, providing even more one-time dollars to K-14 education, and potentially curbing the need for the Governor's manipulation of the Proposition 98 minimum guarantee that borrows \$5.6 billion of current year funding from schools to fund other parts of the state budget.
- The Legislative Analyst's decidedly conservative outlook has been significantly influenced by concerns over the outsized impact of artificial intelligence investments and profits that are driving state revenue growth.
- **They believe the associated surge in revenues are not sustainable over time and excessive spending by the State could make the budget highly vulnerable to an unanticipated downturn or market collapse.** Additionally, the LAO has placed considerable emphasis on the persistent and growing structural deficit.
- **Nevertheless, it appears that the current year is looking less shaky with most of the uncertainty appearing to be next year and beyond.** There seems to be growing recognition in the halls of the Capitol that the unanticipated revenue is not a spending opportunity, but more likely a chance to curb the size of deficits, build reserves and properly fund the Proposition 98 guarantee for schools.

Source: Capitol Advisors

Headwinds



- **Governor's Budget Roughly Balanced on Higher Revenues**
 - The administration projects the budget faces a roughly \$3 billion deficit.
 - **Stock Market Poses Serious Risk to Revenues.** Several historically reliable signs suggest the stock market is overheated and at high risk of reversing course into a downturn in the next year or so.
 - These risks are severe enough that not incorporating them into this year's budget, as the Governor proposes, would put the state on precarious footing.
 - The administration's **optimistic revenues only balances the budget in the near term.**
- **Multiyear Budget Deficits Alarming**
 - The **state is expected to face multiyear deficits** ranging from \$20 billion to \$35 billion annually.
 - These deficits are concerning for three reasons.
 - First, after four years of projected deficits and a cumulative total of \$125 billion in budget problems solved so far, the state's negative fiscal situation is now chronic.
 - Second, structural deficits have grown—our November outlook is the most negative forecast of the budget's position since the pandemic.
 - Finally, deficits have persisted even as the state's economy and revenues have grown, underscoring that the problem is structural rather than cyclical.
 - Taken together, these trends raise serious concerns about the state's fiscal sustainability.
- **Administration Acknowledges These Challenges, but Governor's Budget Does Not Materially Address Them**
 - In the budget summary and presentation, the **Governor and administration officials have acknowledged the downside risk to the state's revenue picture and the multiyear challenges facing the budget.**
 - However, the Governor's **budget does not include material actions to address either challenge.**

2026 Second Interim Estimated Revenue

Revenue Source	Unrestricted	Restricted	Total
LCFF Base Funding	\$181,532,521	N/A	\$181,532,521
Supplemental	\$9,418,987	N/A	\$9,418,987
Federal	N/A	\$8,899,589	\$8,899,589
State	\$4,858,652	\$17,573,928	\$22,432,580
Local	\$4,777,548	\$16,756,223	\$21,533,771
Transfers	(\$29,490,962)	\$29,490,962	\$0
Total Revenue	\$171,096,746	\$72,720,702	\$243,817,448

2026 Second Interim Estimated Expense

Expense Category	Unrestricted	Restricted	Total
Certificated Salaries	\$89,901,622	\$21,220,414	\$111,122,036
Classified Salaries	\$23,557,215	\$12,377,043	\$35,934,258
Benefits	\$48,621,471	\$18,671,007	\$67,292,478
Books & Supplies	\$3,010,535	\$11,281,614	\$14,292,149
Contract Services & Other Operating Expenses	\$21,285,175	\$10,594,659	\$31,879,834
Capital Outlay	\$111,557	\$112,025	\$223,582
Other Outgo	(\$2,413,410)	\$3,401,541	\$988,131
Total Expenses	\$184,074,165	\$77,658,303	\$261,732,468

2026 Second Interim Projected Ending Fund Balance

Category	Unrestricted	Restricted	Total
Beginning Balance	\$24,489,756	\$15,845,212	\$40,334,968
Estimated Revenue	\$171,096,746	\$72,720,702	\$243,817,448
Estimated Expenses	\$184,074,165	\$77,658,303	\$261,732,468
Estimated Ending Balance	\$11,512,337	\$10,907,611	\$22,419,948
<u>Breakdown of Ending Balance</u>			
Stores	\$325,000	\$0	\$325,000
Revolving Cash	\$43,300	\$0	\$43,300
Local Fiscal Stabilization Reserve	\$3,000,000	\$0	\$3,000,000
Mandated Reserve (3%)	\$7,851,974	\$0	\$7,851,974
Undesignated	\$292,063	\$0	\$292,063
Restricted	\$0	\$10,907,611	\$10,907,611
Estimated Ending Fund Balance	\$11,512,337	\$10,907,611	\$22,419,948
Reserve as a % of Expense	4.3%		

Multi-Year Projection



Factors and Assumptions for Multi-Year Projection

Budget Assumptions	2025-26	2026-27	2027-28
Cost Of Living Adjustment (COLA)	2.3%	2.41%	3.06%
Enrollment projection	15,458	15,126	14,915
P-2 Funded ADA estimate (<i>rolling 3 year</i>)	15,145	14,942	14,691
ADA Estimate	14,723	14,379	14,178
<i>Funded Difference (Funded ADA less Actual ADA)</i>	<i>422</i>	<i>563</i>	<i>513</i>
Unduplicated Pupil %	26.83%	26.08%	25.63%
Unduplicated Pupil Count	3,962	3,877	3,823
CalSTRS Employer Rate	19.10%	19.10%	19.10%
CalPERS Employer Rate	26.81%	26.40%	26.90%
Negotiated salary adjustments	1% on 1% off*	--	--
Anticipated retirements	35	35	35
Staffing ratios	K-3 - 21.5:1 4-12 - 30:1	K-3 - 24:1 4-12 - 30:1	K-3 - 24:1 4-12 - 30:1
Planned budget reductions	--	\$6m	\$4m

*Pending ratification (UACT, CVPPA, MGMT, NR)

2026 Second Interim Multi-Year Projection*

Description	2025-26 2nd Interim	2026-27 Projection	2027-28 Projection
Estimated Beginning Balance July 1	\$40,334,968	\$22,419,948	\$19,389,876
Total Revenue	\$243,817,448	\$245,088,335	\$239,256,493
Total Expense	\$261,732,468	\$248,118,407	\$241,599,799
Ending balance	\$22,419,948	\$19,389,876	\$17,046,570
<u>Components of Ending Fund Balance</u>			
Stores/Revolving Cash	\$368,300	\$368,300	\$368,300
Fiscal Stabilization Reserve	\$3,000,000	\$3,000,000	\$3,000,000
Required Reserve 3%	\$7,851,974	\$7,443,552	\$7,247,994
Restricted	\$10,907,611	\$2,028,667	\$0
Undesignated Funds	\$292,063	\$6,549,357	\$6,430,276
Undesignated Reserve as a % of Expense	4.3%	6.8%	6.9%

*Includes \$7 million in 1x funds in 2026-27

Other Funds

Fund	Beginning Balance	Income	Expenses	End Balance
Student Activity (Fiduciary)	\$1,562,510	\$2,652,236	\$2,494,008	\$1,720,738
Adult Education	\$123,341	\$3,724,579	\$3,754,873	\$93,047
Child Development	\$2,240,480	\$8,563,693	\$8,635,391	\$2,168,782
Cafeteria Special Revenue	\$14,020,731	\$10,185,700	\$12,740,589	\$11,465,842
Deferred Maintenance	\$3,520,426	\$570,000	\$333,263	\$3,757,163
Measure I Capital	\$25,810,495	\$500,000	\$19,919,551	\$6,390,944
Measure I Technology	\$28,322,493	\$600,000	\$2,738,818	\$26,183,675
Developer Fees	\$2,783,121	\$530,000	\$2,317,453	\$995,668
TOPASS	\$9,089,959	\$1,784,480	\$832,839	\$10,041,600
Surplus Property	\$222,815	\$2,000	\$221,000	\$3,815
Bond Interest & Redemption	\$13,890,370	\$11,879,211	\$13,430,000	\$12,339,581
Worker Compensation Fund	\$3,520,386	\$3,000,000	\$2,296,161	\$4,224,225
Health & Welfare Fund	\$21,599,558	\$33,623,821	\$36,746,515	\$18,476,864
Private Purpose Trust	\$6,055	\$300	\$0	\$6,355

Education Code

Education Code requires districts to submit certification reports to the County Office of Education twice a year. These reports are “Interim” reports.

- 1st Interim Report covers financial activities through October 31
- 2nd Interim Report covers financial activities through January 31

Education Code Section 42130 (a) (1) defines the certifications:

- **Positive** Certification: WILL MEET their financial obligations for the current and two subsequent fiscal years
- **Qualified** Certification: MAY NOT MEET their financial obligations for the current OR two subsequent fiscal years
- **Negative** Certification: UNABLE TO MEET their financial obligations for the current OR two subsequent fiscal years

**WHAT'S
NEXT?**



Budget Cycle and Reporting

Note: Fiscal Year is July 1 to June 30

