



FREMONT UNION HIGH SCHOOL DISTRICT

Cupertino High School | Fremont High School | Homestead High School | Lynbrook High School | Monta Vista High School | Adult & Community Ed.

2025-26 Second Interim Report

Presented March 10, 2026

Pursuant to Education Code Section 42130, Fremont Union High School District (FUHSD) staff must prepare and submit interim financial reports to the Governing Board at intervals throughout the fiscal year. The State-required reports are comprised of several components that include not only financial data but also information on staffing, enrollment and student attendance. Interim budget reports provide a snapshot of a district's financial condition during the fiscal year. As part of these mid-year interim financial reports, the Board certifies to the County Superintendent of Schools, the State Controller, and the State Superintendent of Public Instruction whether the District will meet its financial obligations for the remainder of the current fiscal year and the next two fiscal years, using one of three certifications:

- Positive - will meet its financial obligations for the current plus two subsequent fiscal years.
- Qualified - may not meet its financial obligations for one of the three years.
- Negative - unable to meet its financial obligations in the current or subsequent fiscal years.

This Second Interim Report covers actual activity through January 31, 2026, and projections through the end of the school year plus two subsequent years. Based on updated revenue and expenditure projections, the District continues to exceed \$25.4 million comprised of the State-required 3% reserve and 7% Board reserve commitment adopted to provide added stability against fluctuations in property tax revenue, rising cost pressures, and other unforeseen financial challenges. With a total unrestricted fund balance of \$33.7 million, the Business Office recommends the Board certify the District's Second Interim report as **Positive**.

The District Certification of the Interim Report is the formal document signed by the Superintendent (or designee) and the Board President, and submitted to the Santa Clara County Office of Education (SCCOE) for review prior to transmission to the California Department of Education. The Certification summarizes key components of the report, including the Criteria and Standards, Cash Flow, and Multiyear Projection.

The required financial reports are prepared separately by "fund." In California public school districts, each fund functions like its own bank account with a specific purpose, legal requirements, and reporting rules. Districts do not pool all resources together; instead, they use multiple funds to ensure revenues and expenditures are tracked properly and spent in accordance with state law, federal regulations, and accounting standards. The District's primary operating activity is reported in the General Fund, which includes both Unrestricted and Restricted resources. Unrestricted funds are flexible for use on any day-to-day expenses and operations of the school sites or district. Restricted funds are only for the specific purpose for which they were received.

The following table and summary show the updates in General Fund revenue and expenditure to property tax apportionments, grant allocations and local revenue since the First Interim.

Changes from First to Second Interim

Description	2025-26 1st Interim	2025-26 2nd Interim	Change
BEGINNING BALANCE	58,585,933	58,585,933	-
LCFF Sources	215,234,056	215,699,828	465,772
Federal	3,266,474	3,311,723	45,249
State	19,976,737	20,263,226	286,489
Other Local	11,005,935	11,897,301	891,366
Total Revenue	249,483,202	251,172,078	1,688,876
Salaries & Benefits	207,832,274	211,997,238	4,164,964
Supplies/Services	39,480,148	39,383,437	-96,711
All Other Expenses	383,681	592,019	208,338
Total Expenditures	247,696,103	251,972,694	4,276,591
Net Transfers In/(Out)	(1,099,786)	(515,851)	583,935
ENDING BALANCE	59,273,246	57,269,465	(2,003,781)

Revenue

- 88% of FUHSD’s local revenue comes from local property taxes. Growth is slowing from 7.2% in 2023-24 and 5.4% in 2024-25. The February County Property tax projection is a 3.79% growth in 2025-26 over prior year, which is a modest boost of \$0.46 million compared to First Interim.
- The small increase in Federal funding includes updated entitlements for Title I (supplemental funding to schools with high concentrations of socio-economically disadvantaged families) and Title II (for the recruitment, training, and professional development of high-quality teachers, principals and school leaders).
- The increase in State funding is primarily due to an increase in Transportation reimbursement revenue. It is important to note that while this is an increase, only approximately 50% of prior year expenses are reimbursed.
- Interest revenue is not projected but rather included in the budget after quarterly payments are posted, which accounts for the increase in local revenue.

Expenditure

- The increase in salary and benefits include updates for those that are not projected or encumbered, such as extra hours, stipends, long term substitutes, professional development and vacation payout. The health and welfare expenditure also increased primarily driven by annual January premium adjustments and shifts in plan participation following the open enrollment period.
- The increase in non-staffing expenses is a result of changes to books, equipment, maintenance supplies and contracts.

Revenue Share Allocation Process

The Revenue Share Allocation Process (RSP) serves as the basis for working together to determine bargaining unit members’ fair share of District revenues and expenses, and as a means for ensuring the

continuing fiscal integrity of the District. The RSP is the established formula negotiated by the District with each bargaining unit to determine each unit’s allocation for compensation and benefits and exists to ensure sustainability and equity across the entire organization. Second Interim tax projections are compared to prior year actuals to determine the share of revenue increase. The revenue allocation is adjusted to cover changes to unit costs plus “off-the-top” expenses prorated by contractual percentages. Based on the Second Interim report, there is \$3.9 million available for RSP allocation. Assembly Bill (AB) 1200 requires Collective Bargaining Disclosures to be submitted to the SCCOE to review the effect of the salary and benefit changes on the financial outlook of the District. The Board will have the opportunity to review each unit’s disclosure and allocation in the March 24, 2026 Board meeting.

Multiyear Projection

The multiyear projection is a snapshot of General Fund revenue and expenditure for three fiscal years and forecast assumptions used. The Business Office uses up-to-date information for current year and remains conservative and reasonable when forecasting for future years. Property tax is estimated to grow 2% in the outyears to account for the slowing growth in the District. One-time and carryover revenues and expenses are removed from future projections. Other State revenue allocated on a dollar-per-ADA basis is increased by a conservative Cost of Living Adjustment (COLA) of 2% compared to the 2.41% estimated by School Services of California (previously estimated at 3%).

Salaries and Benefits make up over 80% of our expenditure budget. The Business Office included a projected decrease of 16 sections in 2026-27 and no changes for 2027-28. A 1.5% increase over prior year for step and column is also included with no other salary enhancements or increases. A 5% increase is projected for books, supplies, and other contracts and contributions. Historically, we have seen up to 13% rise over prior year in the Special Education contribution, so we used a slightly higher percentage of 7% compared to other projected increases.

Multiyear Projection

GENERAL FUND <i>in \$ millions</i>	2025-26 SECOND INTERIM	2026-27 PROJECTED	2027-28 PROJECTED
REVENUES			
LCFF & Property Taxes	215.70	219.57	223.55
Federal Revenue	3.31	3.18	3.22
State Revenue	20.26	16.91	16.95
Local Revenue	11.90	9.12	9.17
Total Revenues	251.17	248.78	252.89
Financing (Transfers In)	1.92	1.01	1.01
Total Revenue & Financing	\$ 253.09	\$ 249.79	\$ 253.90
EXPENDITURES			
Salaries & Benefits	212.00	209.30	212.19
Books & Supplies	7.63	7.06	7.41
Contract Services & Operating	31.75	35.34	37.11
Other	0.59	0.47	0.47
Total Expenditures	251.97	252.17	257.18
Other Transfers & Uses	2.44	2.71	2.80
Total Expenditures & Uses	\$ 254.41	\$ 254.88	\$ 259.98

School districts are required to keep a “reserve” balance for times of economic uncertainty based on district size (ADA). Based on the assumptions used, the District is projecting to meet both the State-required 3% and the Board’s reserve policy of 7% for all three years projected.

Cash Flow

Cash flow projections are essential to prudent fiscal planning and are also required to be included with Interim reports. We forecast the monthly timing of revenues and expenditures to ensure the District can meet its financial obligations and identify any potential cash-borrowing needs in advance. After developing the cash flow projection, the District does not anticipate negative cash balances in any month.

Conclusion and Recommendation for Positive Certification

The Second Interim Report reflects the Fremont Union High School District’s fiscal position as of January 31, 2026. The multiyear projections incorporate conservative assumptions for property taxes due to slowing growth and other expenditure adjustments, positioning the District to maintain State and Board required reserves. With a total unrestricted ending balance of \$33 million and no projected cash flow shortages, the District is able to meet its financial obligations for the current year and the two subsequent fiscal years, supporting the ongoing delivery of high-quality educational programs and services for all FUHSD students.

The Business Office recommends the Board certify the District’s Second Interim report as **Positive**.