

2025-26 Second Interim Budget Report

March 12, 2026

Presenters:
Yuri Calderón, Interim Assistant Superintendent/CBO
Meghna Bulsara, Executive Director, Business Services



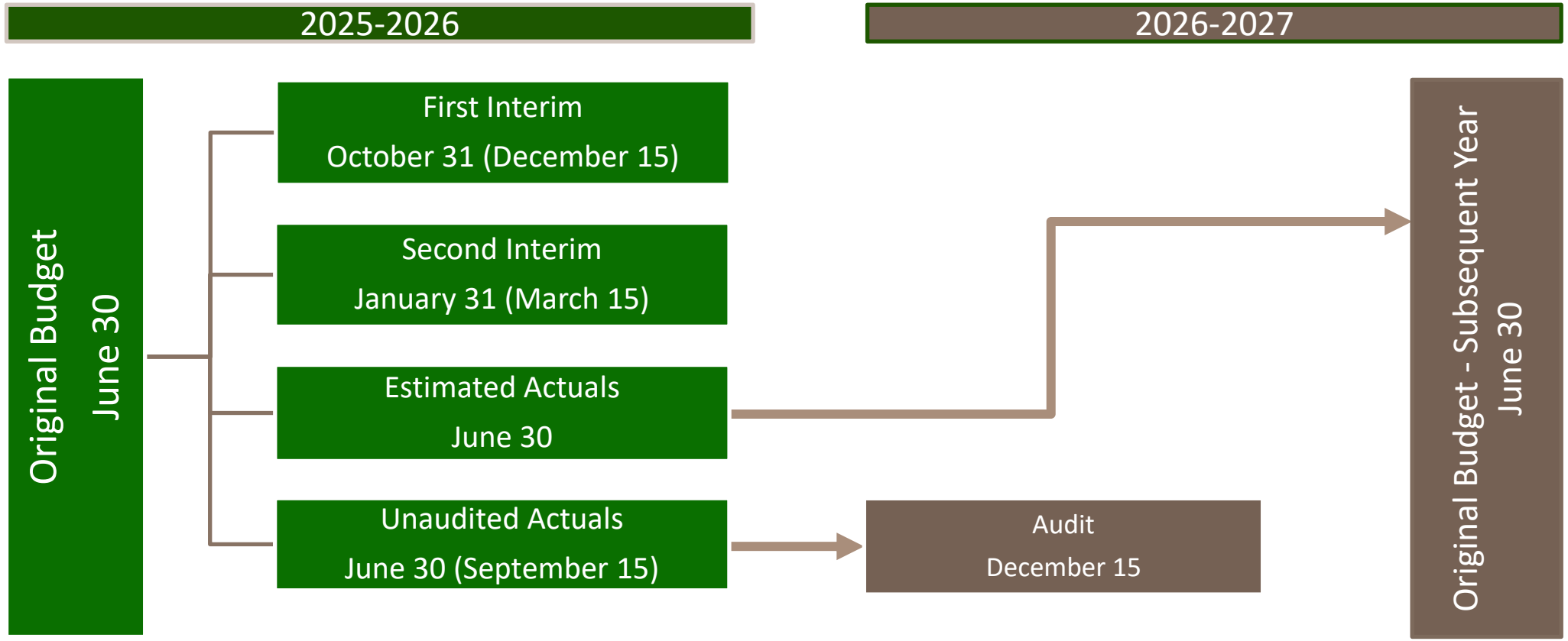
Interim Financial Reporting Requirements

The Board of Trustees is required to approve the budget reports no later than 45 days after the close of the period. The Board must certify the District's ability to meet its financial obligations for the current and two subsequent fiscal years. There are three possible certifications:

- **Positive**: A school district that, based upon current projections, will meet its financial obligations for the current and two subsequent fiscal years.
- **Qualified**: A school district that, based upon current projections, may not meet its financial obligations for the current and two subsequent fiscal years.
- **Negative**: A school district that, based upon current projections, will be unable to meet its financial obligations for the current and two subsequent fiscal years.



Fiscal Year Budget Timeline



Second Interim Budget Assumptions

	Original Budget 2025-2026	First Interim 2025-2026	Second Interim 2025-2026	Projected 2026-2027	Projected 2027-2028
Statutory Cost of Living Adjustment (COLA)	2.30%	2.30%	2.30%	2.41%	3.06%
Consumer Price Index (CPI)	2.92%	3.09%	3.37%	3.08%	2.75%
Student Enrollment	22,306	22,396	22,389	22,050	21,711
COE Enrollment	48	69	69	69	69
Funded Average Daily Attendance (ADA)	21,055	21,755	21,755	21,494	21,096
Unduplicated Count Students	13,537	13,254	13,831	13,621	13,412
25-26 Base Grants TK-3	$ 11,323	$ 11,323	$ 11,323	$ 11,595	$ 11,950
25-26 Base Grants 4-6	$ 10,411	$ 10,411	$ 10,411	$ 10,662	$ 10,988
25-26 Base Grants 7-8	$ 10,719	$ 10,719	$ 10,719	$ 10,977	$ 11,313
25-26 Base Grants 9-12	$ 12,746	$ 12,746	$ 12,746	$ 13,053	$ 13,452
Transitional Kinder (TK) Add-On	$ 3,148	$ 5,545	$ 5,545	$ 5,679	$ 5,853
CalSTRS Employer Rate	19.10%	19.10%	19.10%	19.10%	19.10%
CalPERS Employer Rate	26.81%	26.81%	26.81%	26.40%	26.90%
State Minimum Reserve Requirement	3.00%	3.00%	3.00%	3.00%	3.00%
State Maximum Reserve Limit/Cap			10.00%	10.00%	10.00%
California Lottery - Restricted	$ 82.00	$ 82.00	$ 82.00	$ 82.00	$ 82.00
California Lottery - Unrestricted	$ 191.00	$ 190.00	$ 190.00	$ 190.00	$ 190.00
Mandated Block Grant (K-8)	$ 39.14	$ 39.09	$ 39.09	$ 40.03	$ 41.25
Mandated Block Grant (9-12)	$ 75.41	$ 76.48	$ 76.48	$ 78.32	$ 80.72
Minimum Wage	$ 16.90	$ 16.90	$ 16.90	$ 17.40	$ 17.90



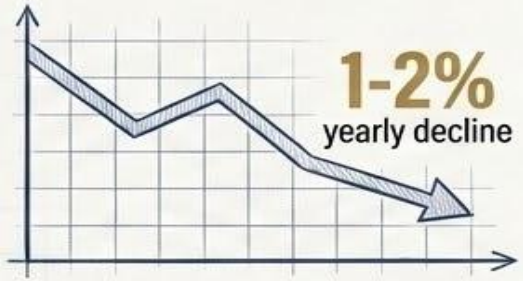
Key Budget Objectives & Trends

FACILITIES IMPROVEMENT, PROGRAM INNOVATION, AND STUDENT CHOICE



- Investment in our elementary and middle school facilities
- Strengthening academic programs
- Enhancing student experiences and expanding student opportunities.

ENROLLMENT AND REVENUE TRENDS



- Projected enrollment is declining 1-2% yearly, affecting state funding levels.
- Increases to Unduplicated Count and Title I students is impacting levels of Supplemental, Concentration and Title funding.





STATE MAXIMUM RESERVE/ CAP TRIGGER has been triggered for 2025-26 and and 2026-27.

- State law limits school district reserves to 10% in any year after the State's Rainy Day Fund reaches 3% of total TK-12 Proposition 98 funding.
- State is projecting 4.1% in 2025-26, triggering the reserve cap in 2026-27.



Combined Unrestricted and Restricted Revenue

Combined Unrestricted/Restricted Revenue								
	Original Budget 2025-2026		First Interim 2025-2026		Second Interim 2025-2026		Change Δ	
LCFF Revenue	$	299,042,491	$	301,191,990	$	303,012,084	$	1,820,094
Federal Funding	$	14,350,055	$	15,073,178	$	15,178,299	$	105,121
State Funding	$	71,961,332	$	91,564,190	$	91,892,653	$	328,463
Local Revenue	$	20,181,358	$	22,920,026	$	23,297,325	$	377,299
Total Revenue	$	405,535,236	$	430,749,384	$	433,380,361	$	2,630,977

Combined Unrestricted/Restricted Revenue						
	Unrestricted 2025-2026		Restricted 2025-2026		Combined 2025-2026	
Local Control Funding Formula Apportionment						
Base Funding	$	283,354,295.00	$	-	$	283,354,295.00
Supplemental	$	30,945,363.00	$	-	$	30,945,363.00
Concentration	$	10,512,455.00	$	-	$	10,512,455.00
Transfers to Charter Schools	$	(21,800,029.00)	$	-	$	(21,800,029.00)
Total LCFF Revenue	$	303,012,084.00	$	-	$	303,012,084.00



Major Revenue Adjustments and Funding Changes

- **Unduplicated Student Funding Increase**

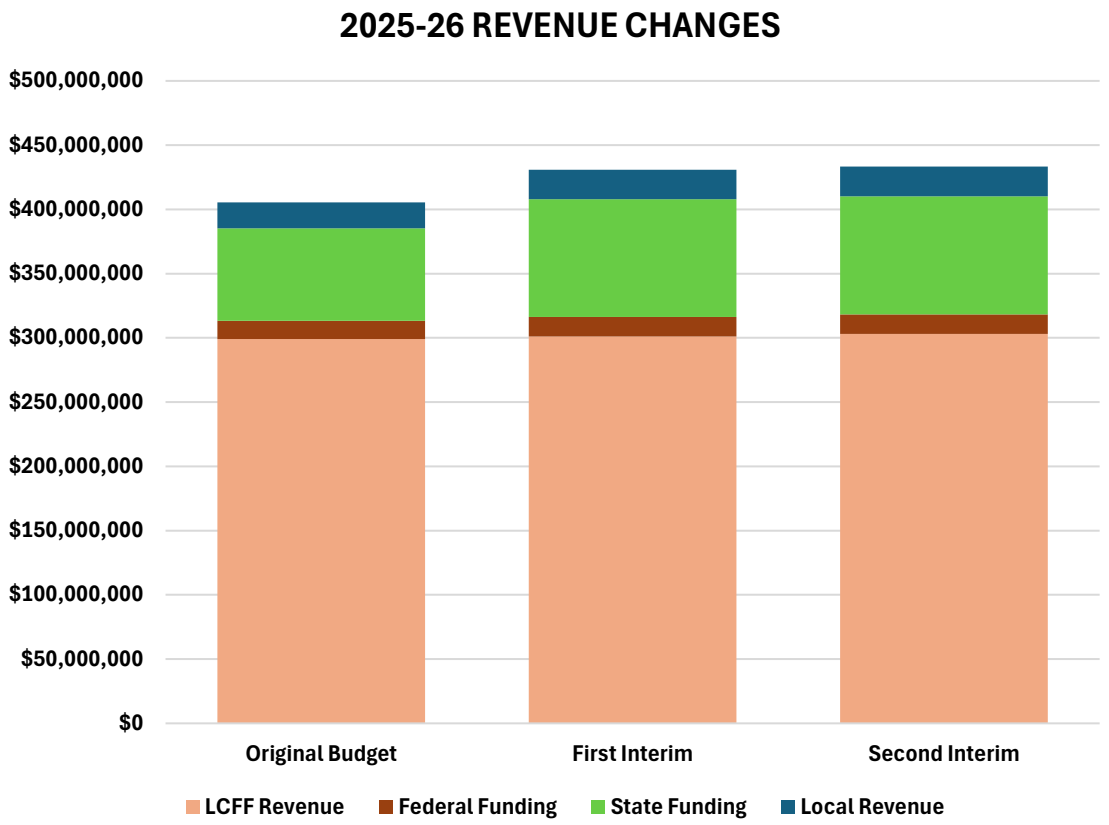
  Updated CALPADS data raised unduplicated student counts from 59% to 61%, increasing supplemental and concentration grant allocations.

- **Title I Funding Growth**

  Higher Title I funding results from updated student demographic reporting, supporting restricted budget areas.

- **Equity Multiplier Funds Increase**

  The District gained $328,000 in Equity Multiplier funds to support schools with high socioeconomic needs.





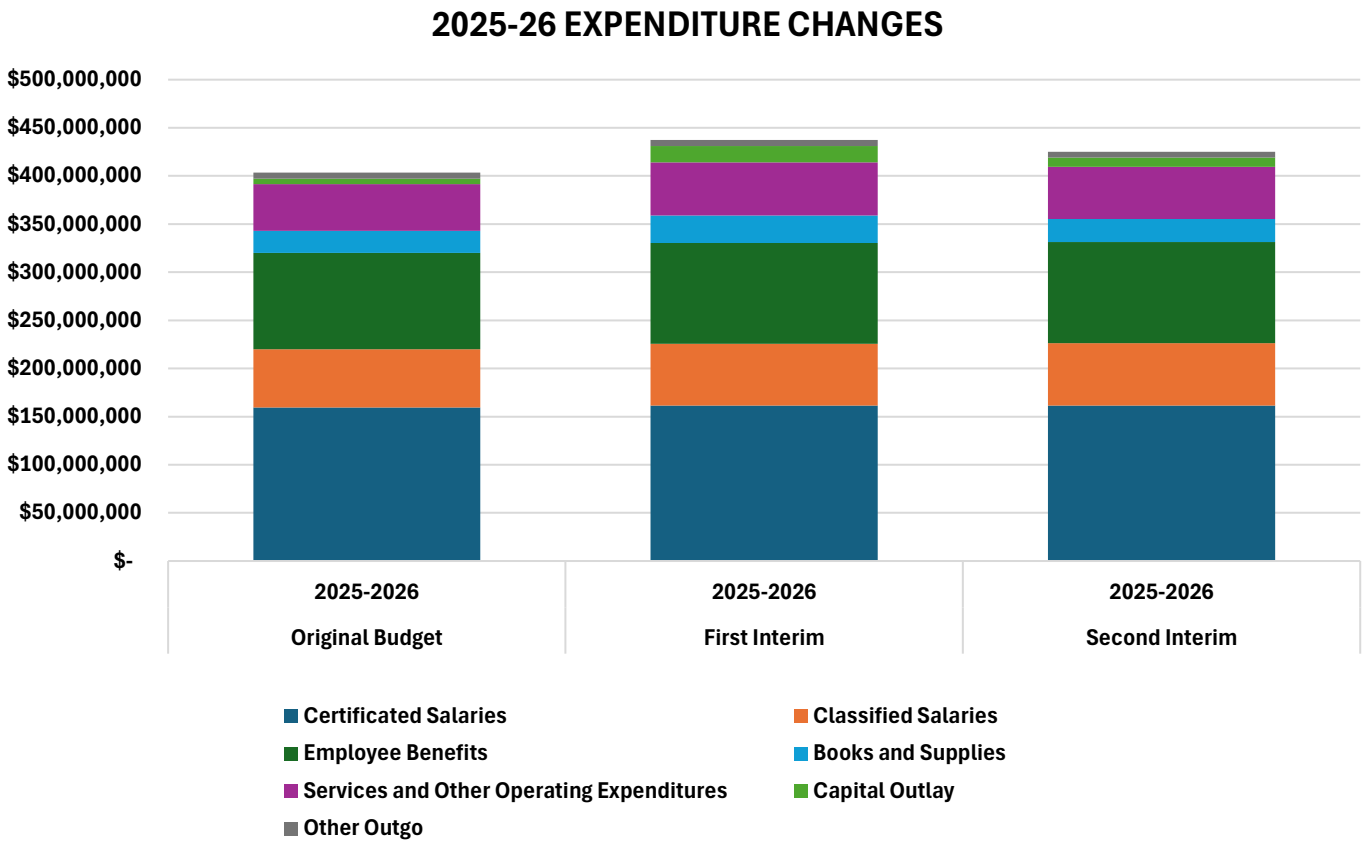
Combined Unrestricted and Restricted Expenditures

Combined Unrestricted/Restricted					
		Original Budget 2025-2026	First Interim 2025-2026	Second Interim 2025-2026	Change Δ
1000	Certificated Salaries	$159,423,637	$161,544,094	$161,602,300	$58,206
2000	Classified Salaries	$60,547,675	$64,069,539	$64,719,116	$649,577
3000	Employee Benefits	$100,066,611	$104,767,193	$105,173,547	$406,354
4000	Books and Supplies	$22,918,891	$28,441,008	$23,778,311	$(4,662,697)
5000	Other Operating Expenditures	$48,680,817	$55,240,767	$54,105,818	$(1,134,949)
6000	Capital Outlay	$5,550,175	$17,074,790	$9,699,084	$(7,375,706)
7000	Other Outgo	$6,200,425	$6,218,629	$6,111,512	$(107,117)
	Total Expenditures	**$403,388,231**	**$437,356,020**	**$425,189,688**	**$(12,166,332)**



Expenditure Trends and Second Interim Adjustments

- **Salaries and Benefits Adjustments**
  - Reduced unrestricted budget to match actual spending on substitutes and extra earnings
  - Increased restricted budget due for additional positions and corrected vacancy counts
- **Operational Expenses Alignment**
  - Services and other operating expenses were adjusted to reflect actual spending trends and contractual needs
- **Capital Outlay and Multi-Year Projection**
  - Capital outlay projections reduced for year-end purchases and future costs incorporated in multi-year budget modeling





Multi-Year Projections

Multi-Year Projections Combined Unrestricted/Restricted			
	Second Interim 2025-2026	Projected 2026-2027	Projected 2027-2028
Beginning Balance	**$215,820,115.00**	**$113,104,062.00**	**$104,576,805.00**
LCFF Revenue	$303,012,084.00	$306,871,959.00	$311,115,420.00
Federal Funding	$15,178,299.00	$14,230,160.00	$14,230,160.00
Other State Funding	$91,892,653.00	$84,005,612.00	$81,567,218.00
Local Revenue	$23,297,325.00	$21,030,088.00	$21,420,781.00
Total Revenue	**$433,380,361.00**	**$426,137,819.00**	**$428,333,579.00**
Salaries and Benefits	$105,173,547.00	$104,279,649.00	$105,296,018.00
Books and Supplies	$23,778,311.00	$22,355,794.00	$18,906,780.00
Services and Other Operating Expenditures	$54,105,818.00	$54,577,588.00	$56,015,898.00
Capital Outlay	$9,699,084.00	$11,963,200.00	$7,748,103.00
Other Outgo	$6,111,512.00	$5,800,351.00	$5,264,398.00
Total Expenditures	**$425,189,688.00**	**$428,525,068.00**	**$425,595,687.00**
Net Operating Revenue vs Expenditures	**$8,190,673.00**	**$(2,387,249.00)**	**$2,737,892.00**



Multi-Year Projections

Multi-Year Projections: Unrestricted	Second Interim 2025-2026	Projected 2026-2027	Projected 2027-2028
Beginning Balance	**$ 159,097,513**	**$ 60,457,212**	**$ 60,579,475**
Total Revenue	**$ 285,251,366**	**$ 291,214,810**	**$ 294,333,528**
Total Expenditures	**$ 272,984,941**	**$ 284,952,539**	**$ 287,933,893**
Net Operating Revenues vs Expenditures	**$ 12,266,425**	**$ 6,262,271**	**$ 6,399,635**
Transfer in	$ 3,746,213	$ 3,744,578	$ 3,744,185
Transfer Out	$ 114,652,939	$ 9,884,586	$ 9,971,701
Net Change	$ (98,640,301)	$ 122,263	$ 172,119
Ending Fund Balance	**$ 60,457,212**	**$ 60,579,475**	**$ 60,751,594**

- ***Orange Unified is projected to meet its financial obligations in the current year and in the two subsequent years. Staff recommends a positive certification.***



Ending Fund Balance Structure and Reserve Policy Alignment

Updating Reserve Board Policy 3100 – Preserving Long-term Financial Stability

- State mandated Reserve for Economic Uncertainties of three percent (3%)
- Additional Orange Unified Reserve for Economic Uncertainties of up to seven percent (7%) for a total of up to ten percent (10%)
- Establishing a formulaic enrollment decline stabilization reserve within Fund 17 (Special Reserve for Non-Capital Outlay) designed to absorb enrollment declines through natural attrition rather than reductions in force
- Transfer up to $6.5 million each year for deferred maintenance needs
- Transfer commitments and assignments for capital projects to Fund 40 (Special Reserve for Capital Projects)



Ending Fund Balance Structure and Reserve Policy Alignment

Board Ending Fund Balance Commitments

Proposed Second Interim Reserves

Purpose	Fund	Estimated Amount
3% Reserve for Economic Uncertainties	01	$ 16,195,279.00
Add'l OUSD Reserve for Economic Uncertainties	01	$ 28,497,831.00
Assign for Attract & Retain Reserve	*01*	*$2,342,607.00*
Assign for LCFF S & C	*01*	*$2,330,499.00*
Assign for Textbooks Reserve	*01*	*$4,184,397.00*
Commitment for Emergency Alert Systen	*01*	*$6,498,114.00*
Enrollment Decline Stabilization Reserve	17	$ 12,712,621.00
OPEB Reserve	17	$ 700,917.00
Deferred Maintenance Transfer	14	$ 6,000,000.00
Capital Improvements Program	40	$ 40,000,000.00
Legal Fees for Capital Projects	40	$ 338,780.00
Additional Set Aside for Major Capital	40	$ 51,970,000.00
Total		**$ 156,415,428.00**

$72,761,348 ~ 13.48%

$92,308,780 ~ 17.10%



Projected Ending Fund Balances - All Funds

Projected Ending Fund Balances - All Funds			
Fund	**Description**	**Beginning Balance**	**Ending Fund Balance**
01	**General Fund**	**$ 215,820,115.00**	**$ 113,104,062.00**
11	Adult Ed Fund	$ 1,917.00	$ 247.00
12	Child Development fund	$ 8,169,223.00	$ 8,257,496.00
13	Cafeteria Sp Revenue Fund	$ 14,395,326.00	$ 14,922,894.00
14	Deferred Maintenance Fund	$ 6,503,216.00	$ 1,626,661.00
17	**Special Reserve Fund**	**$ 1,178,026.00**	**$ 13,413,538.00**
21	Building Fund (Measure S)	$ 35,321,010.00	
25	Capital Facilities Fund	$ 6,138,518.00	$ 6,588,737.00
35	County School Facilities Fund	$ 36,919,712.00	$ 38,312,616.00
40	**Special Reserve Fund Capital Outlay**	**$ 12,944,774.00**	**$ 95,290,027.00**
49	Capital Project Fund	$ 508,009.00	$ 524,054.00
56	Debt Service Fund	$ 122.00	$ -
67	Self-Insurance Fund	$ 6,491,626.00	$ 4,998,399.00
71	Retiree Benefit Fund	$ 121,336,992.00	$ 115,627,102.00



Strategic Capital Investments



CAMPUS IMPROVEMENTS PROGRAM

Reallocation of $40 MILLION to modernize elementary campuses and support long term facility sustainability.



MULTI-PURPOSE ROOM UPGRADES

Around $4 MILLION invested to upgrade multi-purpose rooms across 13 SCHOOL sites for instructional and community use.



SAFETY AND SECURITY ENHANCEMENTS

Approximately $800,000 dedicated to emergency supplies and $5 MILLION for intercom and access control upgrades.



TECHNOLOGY AND INSTRUCTIONAL MATERIALS

Investments include $1.8 million for network infrastructure and $6 million for new textbook adoptions.



STRUCTURED VEHICLE REPLACEMENT

Annual allocation of $400,000 for sustainable replacement of aging fleet vehicles.



Recommendation

The Second Interim presents a balanced budget that reflects a thoughtful review of current resource allocations and alignment of spending with actual trends. Furthermore, staff is recommending adoption of a Board Policy on reserves and corresponding fund transfer to align reserves to the new policy.

Recommendation: Staff recommends the Board of Education certify the Second Interim Report with a **Positive Certification** as the District can meet and/or exceed its financial obligations for the current and the next two subsequent fiscal years.



Questions or Comments