BUCKEYE UNION SCHOOL DISTRICT

2025-2026 SECOND INTERIM REPORT
EXECUTIVE SUMMARY

Financial Report as of January 31, 2026
Presented: March 18, 2026

Background

The California Education Code, as updated by AB1200 and AB2756, requires school districts to report on their financial condition at the time of budget adoption and after closing the books with the unaudited actuals. Two interim reports are also required during the Fiscal Year. The Second Interim report illustrates a district's financial condition and projections as of January 31st as well as budget revisions based on expenditure and revenue trends and other available information. The following is a summary of the financial position of the Buckeye Union School District as of January 31, 2026, and the projected financial activity through June 30th. The Governing Board of a school district certifies the district's financial condition to the County Office of Education through these reports. Based on the information contained in the enacted 2025-2026 California State budget and the financial information provided in the interim reports, the Buckeye Union School District certifies the District's financial position is positive; the District will meet its financial obligations in the current and subsequent two fiscal years.

For ease and clarity, I have summarized within this report the activities and position of each fund and included detailed analysis of items of particular interest. Original State reports are available in the District office and can be forwarded to you upon request.

Comparison of the State's Proposed and Enacted Budget

On January 09, 2026, Governor Gavin Newsom released the proposed state budget for 2026-27. Despite shows of strong revenue growth in 2025-26, the state is projecting a deficit for 2026- 27 with larger projected deficits in following years primarily due to increased state costs.

The Proposition 98 minimum guarantee is calculated to be $123.8 billion in 2024–25, $121.4 billion in 2025–26, and $125.5 billion in 2026–27. The Legislative Analyst's Office (LAO) estimated in November that the 2026-27 Proposition 98 guarantee would be approximately $117.8 billion. While general fund revenues result in Proposition 98 guarantee levels of $121.4 billion for 25-26, the budget proposes to provide only $115.9 billion for education programs in 2025-26 in order to reduce the risk of over-appropriating the Proposition 98 guarantee in the event actual state revenues are less than estimated state revenues. This same method of under-appropriating Proposition 98 funds was utilized in 2025, which the 2026-27 budget proposes to fully repay.

In addition, the $1.9 billion deferral from June 2026 to July 2026 is still expected to occur, which was contained in the 2025-26 enacted state budget. The $1.9 billion deferral is estimated to be approximately 2.9% of state aid disbursed through the principal apportionment.

Local Control Funding Formula Factors

Illustrated below is a comparison of projected statutory Cost-of-Living-Adjustments (COLAs) for the current budget year and two subsequent years:

Description	25-26	26-27	27-28
LCFF COLAs (24-25 Enacted Budget)	2.93%	3.08%	3.30%
LCFF COLAs (25-26 Gov. Proposal)	2.43%	3.52%	3.63%
LCFF COLAs (25-26 May Revision)	2.30%	3.02%	3.42%
LCFF COLAs (25-26 Enacted Budget)	2.30%	3.02%	3.42%
LCFF COLAs (26-27 Gov. Proposal)	2.30%	2.41%	3.06%

The Governor's budget proposes to fully fund the 2026-27 Local Control Funding Formula (LCFF) COLA of 2.41% (approximately $2 billion increase) and provide a 20% increase ($30.7 million) in LCFF funding for necessary small schools.

Other Proposed State Budget Components

Illustrated below are the other major provisions relating to the enacted state budget.

- Increases special education base rates by first applying the COLA and then distributing $509 million resulting in a new statewide base rate of $999 per ADA that is now equal for all Special Education Local Plan Areas.
- Includes a 2.41% funded COLA for categorical programs that include Adult Education Block Grant, California State Preschool Program, Child Nutrition, Foster Youth Programs, Mandate Block Grant, and other state special education revenue components (e.g. mental health services).
- Provides increased funding for the Expanded Learning Opportunities Program (ELOP) by $62.4 million, which sets Tier 2 rates no less than $1,800 per pupil. The proposal also increases ongoing ELOP funding to $4.7 billion. Please note that the proposal does not include COLA for ELOP, which has been the case in past years.
- Provides a new round of one-time funding ($2.8 billion) for the Student Support and Professional Development Discretionary Block Grant to augment funds that were included in the 2025-26 enacted state budget. The block grant gives LEAs discretionary fiscal support to address rising costs, including, but not limited to, the following:
    - Professional development and teacher recruitment / retention strategies
    - Career pathways and dual enrollment
    - Address rising costs

  The estimated amount the District will receive is approximately $500 per ADA reported as of the 2025-26 second principal apportionment. The new round of funds would have to be expended by June 30, 2030. *Due to its uncertainty, the district did not include the proposed block grant in its multi-year projection*.
- $757.3 million final appropriation to the LREBG, to be allocated to LEAs under the same method as the original LREBG. If adopted, this means LEAs will have additional funds

that are subject to the LCAP incorporation requirements. *Due to its uncertainty, the district did not include the proposed block grant in its multi-year projection.*

- Proposes $1 billion in ongoing funding to expand on prior investments in Community Schools and to expand the model to more school sites with large concentrations of low-income, English learner and foster youth.
- Continues to allocate $1.5 billion in Proposition 2 bond funds for school construction projects.
- Appropriates $100 million (one-time) to the Kitchen Infrastructure and Training program that will be awarded on a competitive basis and continued implementation of universal school meals.
- Provides $40 million (one-time) funds for allocation to LEAs that administer literacy screening to pupils in kindergarten and grades 1 and 2 for risk of reading difficulties.
- Builds on the Master Plan for Career Education by proposing $100 million (one time) to expand dual enrollment and dual credit opportunities for high school students.

Federal Funding

On February 3, 2026, the President signed into law the 2026 federal fiscal year funding bill, which includes federal education programs. Congress declined to adopt the proposed K-12 Simplified Funding Program, which would have merged 18 existing federal education grants (including Title II, Part A and Title IV, Part A) into a single block grant. Therefore, the majority of federal education programs are funded at last year's level, including Title I, Part A; Title I, Part C Migrant Education Program; Title II; Title III, Title IV A and B, TRIO, and GEAR-UP; IDEA; and McKinney-Vento. In addition, legislation included a provision that prohibits the withholding of program funds from states, which happened last summer with Title I, Part C and five other programs.

Routine Restricted Maintenance Account

Per Education Code Section 17070.75, school districts are required to deposit into the account a minimum amount equal to or greater than three percent (3%) of the total general fund expenditures and other financing uses for that fiscal year. Illustrated below are the primary compliance components:

- The 3% contribution is calculated on total general fund expenditures, <u>including</u> other financing uses (i.e. transfers out, debt issuances relating to the general fund)
- Total general fund expenditures for RRMA purposes do not include STRS on-behalf (Resource 7690) expenditures.
- The final 3% contribution is based on year-end actual data; therefore, while it is developed based on the budget, it must be trued-up using actual expenditures.

Reserves

Reserve Requirements**:** The 2014 State Budget Act and the passage of Proposition 2 in November 2014 established a hard cap on district reserves, if all the following conditions are met:

1. Proposition 98 must be funded based on Test 1;

2. Full repayment of the maintenance factor prior to 2014-15;
3. Proposition 98 provides sufficient funds to support pupil attendance growth and the statutory COLA;
4. Capital gains exceed 8% of general fund revenues.

Prior law specified that in any fiscal year immediately following a year in which a transfer of any amount is made to the Public School System Stabilization Account, a district's assigned or unassigned fund balance (including Fund 01 and Fund 17) may not exceed two times the reserve for economic uncertainty (three times the reserve for economic uncertainty for districts with more than 400,000 ADA).

However, Senate Bill (SB) 751 which became effective January 1, 2018 made changes to the school district reserve cap law in the following manner:

- It requires that the reserve cap is triggered in a fiscal year immediately after a fiscal year in which the amount of moneys in the Public School System Stabilization Account is equal to or exceeds three percent of the combined total of general fund revenues appropriated for school districts and allocated local proceeds of taxes (Proposition 98 funding), as specified, for that fiscal year.
- Adjusts the reserve cap from a combined assigned and unassigned ending fund balance based on the size of the district to a combined assigned or unassigned ending balance, in the General Fund (01) and the Special Reserve Fund for Other Than Capital Outlay (17), of 10% of those Funds for all districts.
- Reserves would be capped at 10% as long as the amount in the Public School System Stabilization Account remained at 3% or greater of the Proposition 98 amount in each preceding year.
- Basic aid school districts and districts with fewer than 2,501 average daily attendance (ADA) are exempt from the reserve cap requirement.

The Governor's January budget proposes to make deposits into the Public School System Stabilization Account (PSSSA), which would result in an ending balance of $4.5 billion for 2025-26. Since the PSSSA balance of $4.5 billion is estimated to be 4.1% of the TK-12 share of the Proposition 98 minimum guarantee (exceeding the 3% threshold), the 10% reserve cap would be in effect for the 2026-27 fiscal year. All conditions are projected to be met regarding the reserve cap going into effect for the 2026-27 fiscal year.

Assumptions for 2026-2027 and Multi-Year Projections

Illustrated below are the latest factors released by the Department of Finance (DOF) that districts are expected to utilize as planning factors and BUSD has incorporated these assumptions into their 2025-2026 Second Interim Report and Multi-Year Projections.

Key Planning Factors for 2024-25 Second Interim Reports and MYPs Planning Factor	2025-26	2026-27	2027-28
Cost-of-Living Adjustment (COLA) Local Control Funding Formula (LCFF) COLA Special Education COLA	 2.30% 2.30%	 2.41% New Base Rate	 3.06% 3.06%

Employer Benefit Rates			
CalSTRS	19.10%	19.10%	19.10%
CalPERS-Schools	28.81%	26.40%	26.90%
State Unemployment Insurance	0.05%	0.05%	0.05%
Lottery			
Unrestricted per Average Daily Attendance (ADA)	$190.00	$190.00	$190.00
Proposition 20 per ADA	$82.00	$82.00	$82.00
Minimum Wage	$16.90[1]	$17.40[2]	$17.90[3]
Universal TK/ADA LCFF add-on for the 12-to-1 student-to-adult ratio [10-to-1 starting in 25/26]	$5,545.00	$5,679.00	$5,853.00
Mandate Block Grant			
School Districts			
Grades K-8 per ADA	$39.09	$40.03	$41.25
Grades 9-12 per ADA	$76.48	$78.32	$80.72
Charter Schools			
Grades K-8 per ADA	$20.52	$21.01	$21.66
Grades 9-12 per ADA	$58.21	$59.61	$61.43

1. Effective January 1, 2026.
2. Effective January 1, 2027.
3. Effective January 1, 2028.

Enrollment and Attendance History and Projections

The most significant characteristic for determining District income is the calculation of the average number of students that are in attendance on a daily basis. The State funds school districts based on the number of students attending school each day, instead of the number of students actually enrolled in school each day. This average daily attendance or ADA is multiplied by the District's Local Control Funding Formula Grade Span Rate per ADA to determine the total Local Control Funding Formula income for the District. Funding for traditional public schools is allocated based on the higher of the current year or prior year ADA. Funding for charter schools is always based on current year attendance. ADA should not be confused with enrollment. The official annual enrollment count is taken in October for that school year and is used for staffing and facility needs.

As of March 2026, BUSD's actual *enrollment* is 4,220 students, which is higher than prior year. However, BUSD is funding under the new Average Daily Attendance Calculation (Declining Enrollment Protection) which allows school districts to average ADA over three previous school years, as this model provides the maximum revenue. For the 2025-2026 school year, BUSD is receiving funding for approximately105 more ADA (which equates to approximately $1.245 million in funding) than it currently has in attendance.

Since ADA is such an important part of the District's income base, the projection of ADA for this next fiscal year is an important part in projecting the District's income in its multi-year

projections. District attendance records are monitored monthly and ADA is updated throughout the year to ensure that the projected revenues are in line with the District's budgeted or revised projections. The Buckeye Union School District has averaged a 96.0% to 96.5% attendance rate compared to enrollment in past five years.

Declining Enrollment and Deficit Spending

Statewide declining enrollment, combined with the expiration of federal one-time funds, has lead to deficit spending. As a result, as we work to balance our budgets, it is crucial to distinguish between the portions of the deficit that are ongoing and those that are one-time. At this time we project a structural deficit of approximately $1.5 million.

Additionally, as districts face declining fund balances, it is important to exercise caution when identifying funds for negotiated salary increases. Modest revenue gains from the COLA may be offset by declining enrollment and rising payroll costs, including retirement. Each district's ability to manage and sustain salary increases will vary based on its unique financial circumstances. Since deficit spending reduces fund balance reserves, maintaining substantial reserves is essential to safeguard against potential future economic downturns.

Routine Second Interim Budget Adjustments

In addition to the non-routine items noted above, the District reviews all of its accounts and has adjusted its Second Interim budget projections to reflect the following:

- Based upon current enrollment data, the District adjusted its revenue accounts that are based on Average Data Attendance (ADA). Start-of-school enrollment is materially different from budget projections, so revenues have been recalculated based upon updated ADA projections.
- Categorical revenue accounts are updated to most recent information received from the State and Federal governments. Corresponding expenditure accounts are also adjusted accordingly.
- Indirect costs are updated to reflect changes in total estimated expenditures.
- Other income accounts are analyzed and adjusted to reflect year-to-date receipts and estimated year-end amounts.
- Revenues and expenditures of programs that supported by contributions from the General Fund are updated to current projections and adjusted accordingly.
- Salary and benefit accounts are adjusted to reflect updated staffing levels and changes to benefit costs. All budgets reflect the most current negotiated agreements with employee bargaining units.
- All expenditure accounts analyzed and adjusted to reflect year-to-date expenditures and estimated expenditures to finish the year.
- Carryovers from prior year budgets are adjusted accordingly.

BUSD Reserves

As noted above, the Governor's January budget proposes to make deposits into the Public School System Stabilization Account (PSSSA), which would result in an ending balance of $4.5 billion for 2025-26. Since the PSSSA balance of $4.5 billion is estimated to be 4.1% of the TK-12 share of the Proposition 98 minimum guarantee (exceeding the 3% threshold), the 10% reserve cap would be in effect for the 2026-27 fiscal year. All conditions are projected to be met regarding the reserve cap going into effect for the 2026-27 fiscal year.

In addition to State law, BUSD has adopted a policy setting aside an additional 1% in reserves, equating to a minimum 4% reserve requirement for the District in the 2025-2026 fiscal year. It is important to note that the required reserve for economic uncertainty represents only a few weeks of payroll for most districts. Prudent reserves afford districts and their governing boards time to thoughtfully identify and implement budget adjustments over time. Inadequate reserves force districts to react quickly, often causing significant disruption to student programs and employees. As a result, County offices as well as District staff continue to reinforce the need for reserves in excess of the minimum reserve for economic uncertainty.

Cash Management

The District is anticipating having positive monthly cash balances during the 2025-26 school year, but may need to rely on inter-fund borrowing to do so. Cash is always closely monitored in order to ensure the District is liquid to satisfy its obligations.

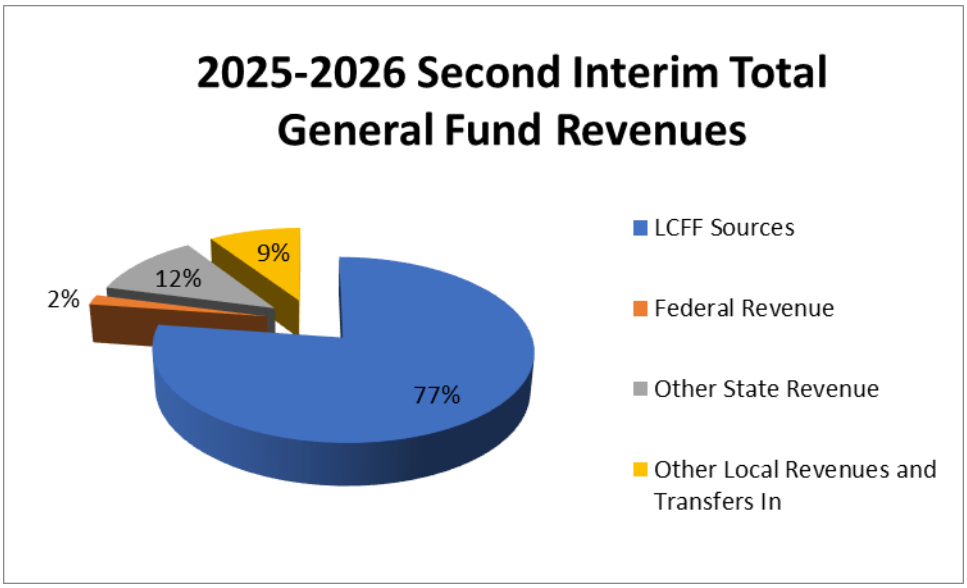
Positive Certification

While the District certifies itself as positive, it is important to remember that there are many unpredictable factors affecting revenues and expenditures and the Second Interim Report is based on the best information available at the time the financial reports are approved. The Second Interim Report, therefore, should be considered a "snapshot in time" of the financial plan of the District on the date it is adopted. As the school year progresses, variables change which may require the District to make revisions to its current and multi-year projections. Staff closely monitors these variables throughout the fiscal year to ensure fiscal solvency.

Financial Analysis of the General Fund
Unrestricted & Restricted Revenue and Expense

REVENUE

The District receives funding for its general operations from various sources. A summary of the major funding sources for 2025-2026 is illustrated below:



Revenue: For Fiscal Year 2025-26 the total funded LCFF Revenue is approximately $49,637,922. Projected LCFF funding for Fiscal Year 2026-27 and Fiscal Year 2027-28 is $49,589,797 and $50,140,515, respectively.

Summary of Unrestricted Revenue Changes (First Interim Budget to Current):

	Amount	Explanation
LCFF Revenue	$513,238	Uptick of ADA from Original Adopted Budget will be realized as we near the P-2 reporting
Federal	$ 0	Not Applicable
Other State	$ (18,438)	Variance is within tolerable range
Local Revenues	$ (42,000)	Interest Income and Transportation revenues have been reprojected.
Transfers In	1,925,108	Retired Fund 17; transferred facility funds
Contributions to Restricted Programs	$ 83,459	Increase in costs associated with restricted programs needing assistance
TOTAL	*$2,461,367*	

Summary of Restricted Revenue Changes:

	Amount	Explanation
LCFF Revenue	$ 0	Not Applicable
Federal	$ 8,572	Variance is within tolerable range
Other State	$ 78,851	Variance is within tolerable range
Local Revenue	$ (992)	Variance is within tolerable range
Contributions to Restricted Programs	$ (83,459)	Increase in costs associated with restricted programs needing assistance
TOTAL	*$2,972*	

Multi-Year Financial Projections

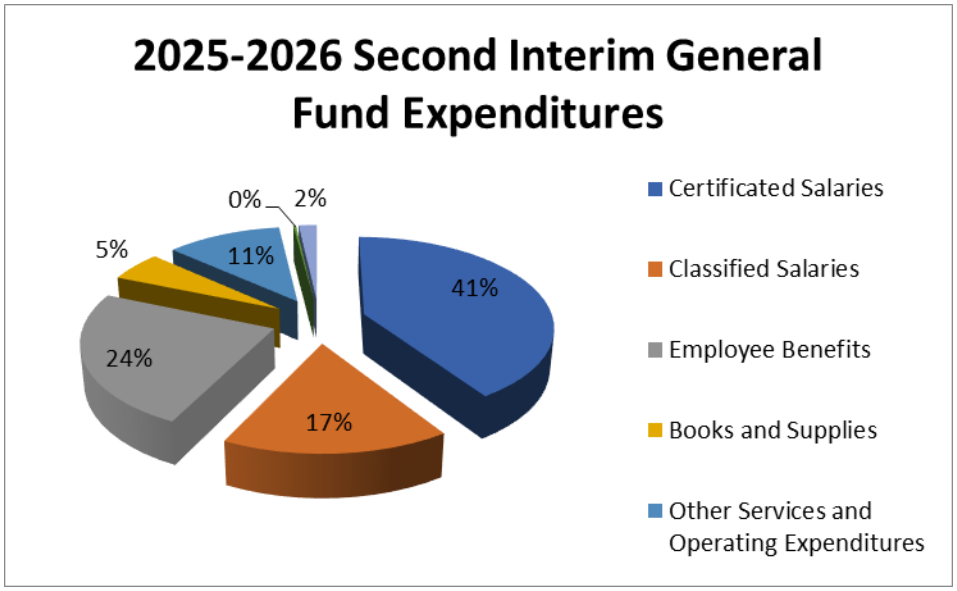
One of the most important elements of the Second Interim Report is the three-year projection for the General Fund. In this forecast, the District projects its financial prognosis for the current and subsequent two years. The purpose of the projection is to report to its stakeholders on the continued fiscal viability of the District. The projection provides the rationale for the District's choice of certification options (Positive, Qualified, or Negative) on its Certification of Financial Condition.

Multi-Year Combined Revenue Projections:

	2025-2026	2026-2027	2027-2028
Description	**Combined**	**Combined**	**Combined**
LCFF Revenue	$49,637,922	$49,589,797	$50,140,515
Federal Revenues	$1,177,034	$997,106	$946,392
Other State Revenues	$7,426,789	$5,996,822	$5,970,243
Other Local Revenues	$4,050,778	$4,179,418	$4,278,085
Transfers In	$1,925,108		
TOTAL	$64,217,631	$60,763,143	$61,335,235

EXPENSES

The General Fund is used for the majority of the functions within the District. At Second Interim, adjustments were made to salaries and benefits to reflect changes in position control since First Interim. The other major change to expenditures is the appropriation of unrestricted site carryovers and the appropriation of the designated curriculum funds.



Summary of Unrestricted Expenditure Changes:

	Amount	Explanation
Certificated Salaries	$ 731,056	Increase is primarily related to inclusion of one-time compensation increases.
Classified Salaries	$ 67,886	Increase is primarily related to inclusion of one-time compensation increases.
Benefits	$ 48,107	Increase is primarily related to inclusion of one-time compensation increases.
Books & Supplies	$ (6,591)	Variance is within tolerable range
Operating Exp.	$ 0	Not Applicable
Capital Outlay	$ 0	Not Applicable
Other Outgo	$ 0	Not Applicable
TOTAL	*$ 840,458*	

Summary of Restricted Expenditure Changes:

	Amount	Explanation
Certificated Salaries	$ 54,805	Increase is primarily related to inclusion of one-time compensation increases.
Classified Salaries	$ 15,465	Increase is primarily related to inclusion of one-time compensation increases.
Benefits	$ (121,038)	Adjustments of benefits to “true-up” with projections for the end of the fiscal year

Books & Supplies	$ 442	Variance is within tolerable range
Operating Exp.	$ (544)	Variance is within tolerable range
Capital Outlay	$ 0	Not Applicable
Other Outgo	$ 0	Not Applicable
TOTAL	*$ (50,870)*	

Multi-Year Combined Expenditure Projections:

	2025-2026	2026-2027	2027-2028
Description	**Combined**	**Combined**	**Combined**
Certificated Salaries	$26,560,090	$26,087,196	$26,507,643
Classified Salaries	$10,766,381	$10,469,576	$10,629,857
Employee Benefits	$15,640,708	$15,482,735	$15,719,527
Books and Supplies	$3,472,596	$3,792,596	$3,868,596
Other Operating Expenditures	$7,418,423	$6,995,641	$7,163,797
Capital Outlay	$170,000	$170,000	$170,000
Other Outgo	$1,262,798	$1,262,798	$1,262,798
Transfer of Indirects	($102,890)	($102,890)	($102,890)
TOTAL	**$65,188,106**	**$64,157,652**	**$65,219,328**

It is important to note that no labor settlement agreements have been reached for the 2026-2027 or the 2027-2028 school years.

The following identifies the most significant assumptions in the three-year projection:

- LCFF: The District is utilizing the Department of Finance's estimated COLAs.
- BUSD Unduplicated Percentage of enrollment for 2025-26 through 2027-28 averages approximately 19.85%, based on a rolling three-year average.
- ADA: The District's LCFF funding is calculated under the new Average Daily Attendance Calculation (Declining Enrollment Protection) which allows school districts to average ADA over three previous school years. For the 2025-2026 school year, BUSD is receiving funding for approximately 105 more ADA than it currently has in attendance, which equates to approximately $1.245 million.
- Mandated Cost Reimbursement One-time Revenues: No additional one-time revenues are projected.
- Employee Compensation: Normal ongoing step and column increases are included in the three-year projection. Additional expense to the District caused by the increase in the STRS and PERS rates is also included.

- Reasonable increases to supply and operating expense accounts and when applicable, reductions and budget saving measures being applied.

- Reasonable increases to technology expense accounts

- Changes to the number of staff to support students in general education, special programs, class sizes, and curriculum adoptions;

- No COLA Adjustments for Transportation or TIG.

Given these assumptions, it is projected that for the 2025-2026 fiscal year, the District will have an operating deficit of approximately ($593,303) in unrestricted funding and ($377,172) in restricted funding, in its general fund. In the 2026-2027 fiscal year, the District is projecting to have an operating deficit of approximately ($1,763,385) in its unrestricted funding and an operating deficit of ($1,631,124) in its restricted funding. In the 2027-2028 fiscal year, the District is projecting an operating deficit of approximately ($2,379,420) and ($1,504,673) in its restricted funding. However, it is significant to note that as of Second Interim, this calculation does not take into account any 2026-2027 or 2027-2028 labor agreements, as settlements have not been reached with the represented or unrepresented labor groups.

Summary of Reserves

School finance experts, including the El Dorado County Office of Education, continue to reinforce the need for reserves in excess of the minimum reserve for economic uncertainty. Prudent reserves afford districts and their governing boards' time to thoughtfully identify and implement budget adjustments over time.

However, it is significant to note that the school district reserve cap is not in effect as of the 2025-26 school year, but is projected to be in effect commencing with the 2026-2027 school year.

At Second Interim, it is projected that the District's multiyear projection regarding the District's Reserves for Economic Uncertainty (Combined Funds) over the next three budget years to be as follows: (unrestricted funds) 2025-2026: 11.7%; 2026-2027: 9.2%; and 2027-2028: 5.4% and (combined) 2025-2026: 17.9%; 2026-2027: 12.9%; and 2027-2028: 6.8%.

Other Funds

The only major changes to other funds in the District were to building funds and Fund 13. Staff is adjusting income and expenditure budgets as contracts are encumbered and finished with respect various projects. In addition, staff is adjusting income and expenditures for Fund 13 as a result of the State and Federal action to increase funding for school nutrition programs and the escalating costs of goods and consumable supplies. Total

expenditures are expected to both increase and decrease as the District moves through its various projects.

Conclusion

The Second Interim Report is an important document in the District's ongoing communications to its stakeholders. The report and certification provide accountability and evidence of stewardship to our community. The Buckeye Union School District certifies the District's financial position is positive; the District will meet its financial obligations in the current and subsequent two fiscal years.