2025-26 SECOND INTERIM

March 11, 2026 Presentation

Board of Trustees

- Brenda M. Serrano
- Melissa Got-Lopez
- Derek Grasty
- Robert Ramirez
- Antonio Perez, Jr.

Superintendent
Dr. Elida MacArthur

Presented by: Tracy Huynh
Chief Business Officer

Presentation Items

- Background
- Acronym Table
- Economic Overview & State Budget
- School District General Fund Budget
- Student ADA and Enrollment
- Staff FTEs
- Multi-Year Projections and Reduction Plan
- Next Steps

Second Interim Background

School Districts are required to submit a Second Interim Budget to their County Office of Education (COE) by mid-March every year.

Second Interim Budget is assigned either a Positive, Qualified, or Negative Certification by the COE

Positive: the district will meet its financial obligations (positive balance with 3% State required minimum reserve) for the current fiscal year and subsequent two fiscal years

Qualified: the district may not meet its financial obligation for the current fiscal year or two subsequent fiscal year

Negative: The district will be unable to meet its financial obligations in all three years

ACRONYM TABLE

Acronym	Meaning
AB	Assembly Bill
ADA	Average Daily Attendance
AI	Artificial Intelligence
AMI	Art & Music Intructional
ARP	Attendance Recovery Program
ASES	After School Education & Safety
CALPADS	California Longitudinal Pupil Achievement Data System
CalPERS	California Public Employees' Retirement System
CalSTRS	California State Teacher Retirement System
CCSPP	California Community Schools Partnership Program
CDE	California Department of Education
COE	County Office of Eduation
COLA	Cost-of Living Adjustment
CPI	Consumer Price Index
CTA	California Teacher Association
DO	District Office
DOF	Department of Finance
EC	Education Code
ELO-P	Expanded Learning Opportunity Program
EVSTA	East Valley Schools Tranportation Authority
FTE	Full-time Equipvalent

Acronym	Meaning
GDP	Gross Domestic Product
IDC	Indirect Costs
LAO	Legislative Analyst's Office
LCAP	Local Control Accountability Plan
LCFF	Local Control Funding Formula
LEA	Local Educational Agency
LREBG	Learning Recovery Emergency Block Grant
MOE	Maintenance of Effort
P-1, P-2, P-A	Period 1, 2 or Annual (Students Attendance Reports)
RIF	Reduction in force
SACS	Standardized Account Code Structure
SB	Senate Bill
SCCOE	Santa Clara County of Education
SELPA	Special Education Local Plan Areas
SpEd	Special Education
SSC	School Services of California Inc.
TK	Transitional Kindergarten
TOSA	Teacher on Special Assignment
UPC	Unduplicated Pupil Counts
UPK	Universal Pre-Kindergarten
UPP	Unduplicated Pupil Percentage

Economic Overview and State Budget

The Governor's Budget and the Economy

- The U.S. and California economies continue to grow

The U.S. gross domestic product (GDP) is preliminarily over 4%, the equities market is at new all-time highs, inflation is slowing, and consumer confidence is up slightly

Economic uncertainty remains, as stock market gains are driven by a few technology companies, along with uncertainty in federal policy related to immigration and foreign trade

The Governor's Budget is balanced in the 2026-27 fiscal year, but projects a deficit of $22 billion in 2027-28 with shortfalls in the following two years

California tax collections are outperforming projections

Governor's Budget state revenue projections assume no economic recession, nor a stock market downturn in 2026-27 as occurred in 2022

© 2026 School Services of California Inc.

Economic Overview and State Budget

California Economy

Growth

- Investment in AI is masking weakness in other industry sectors
- Income trend is positive
- A rebound in durable manufacturing is projected in 2026 and 2027

Inflation

California Consumer Price Index (CPI) is following the same trend as U.S. inflation and is projected to continue to climb in 2026 before easing up in 2027

Labor Market

California's unemployment rate is projected to peak at 5.9% and average 5.5% for 2026

Housing

- Relatively flat prices
- Low levels of new construction
- High borrowing costs
- Slow growth in construction jobs

Uncertainty

- Pending Supreme Court rulings on tariffs and the Federal Reserve's (Fed) independence
- Limited and delayed economic data
- Federal policy and regulatory uncertainty

Risks

- Revenue volatility from capital gains dependence
- Geopolitical conflict
- Industry sector imbalances
- Labor shortages due to immigration enforcement policies

© 2026 School Services of California Inc.

Economic Overview and State Budget

THE NOVEMBER 2025 U.S TOTAL UNEMPLOYMENT RATE FOR PEOPLE AGED 16 TO 24 INCREASED 1.2% YEAR OVER YEAR TO 10.6%

AI (ARTIFICIAL INTELLIGENT)IS DRIVING PRODUCTIVITY GAINS ACROSS TECHNOLOGY, PROFESSIONAL SERVICES, LOGISTIC, AND MEDIA

JOB LOSS IS CONCENTRATED IN CONSTRUCTION, MANUFACTURING, INFORMATION, FINANCIAL ACTIVITIES, AND PROFESSIONAL SERVICES; WHILE JOB GROWTH IS PRIMARILY IN EDUCATION, HEALTH, LEISURE, AND GOVERNMENT SECTORS

Economic Overview and State Budget

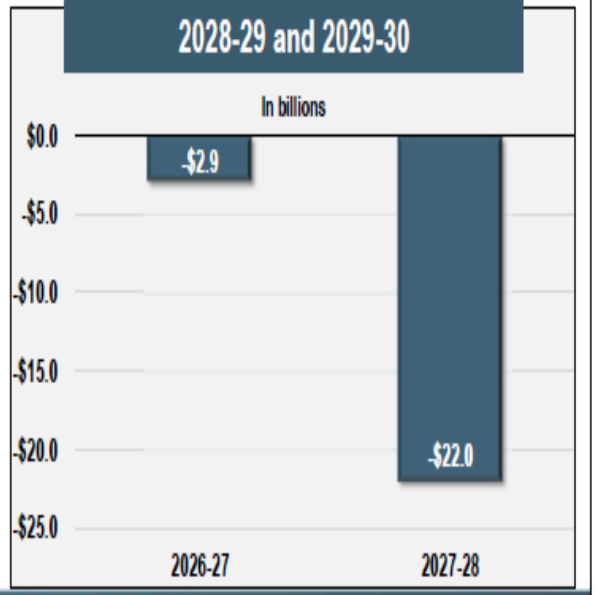
Multiyear State Budget Condition

- Although the Governor's Budget uses healthier state revenue assumptions than the Legislative Analyst's Office (LAO) in its November 2025 *Fiscal Outlook*, the state still faces a modest $2.9 billion shortfall in 2026-27

Worsening Budget Conditions

$22 billion

with continued deficits in 2028-29 and 2029-30



"If a [stock] market downturn of more than 20 percent—comparable to the decline of 2022—were to occur in 2026 and be sustained through the end of the year, revenue could be $25 billion to $30 billion below forecast within the budget window."

~ 2026-27 Governor's Budget Summary

© 2026 School Services of California Inc. 19

Risks to the State Budget

- Projected deficit of $22 billion in 2027-28 and shortfalls totaling $45 billion in 2028-29 and 2029-30
- Stock market volatility overly reliant on AI companies' performance
- Federal policymaking uncertainty related to immigration and foreign trade
- Inflation volatility and Fed's response
- Medi-Cal costs and caseload pressures



© 2026 School Services of California Inc. 23

General Fund – Unrestricted and Restricted

- Total General Fund revenues were $37,565,751, with expenditures totaling $40,497,016.
- This resulted in deficit spending of $2,931,265.
- After a $2.3+ million transfer from Fund 17, and accounting for transfers out, the net decrease in the fund balance was $1,108,265.
- Subtracting the deficit from the Beginning Fund Balance of $6,056,710.45 yields an estimated ending balance of $4,948,445.
- Of this ending balance, $3,714,538 is restricted, including $1,201,690 allocated to SELPA, leaving a net restricted balance of $2,512,848 for the district.
- After setting aside a 3% reserve of $1,220,917, the district's Unrestricted ending balance is $12,990, which reflects the full depletion of Fund 17.

General Fund - Second Interim Compared to First Interim

Description	2025-26 GENERAL FUND				%
	FIRST INTERIM	SECOND INTERIM	CHANGE		
A. REVENUES					
1) LCFF Sources	22,807,286.00	22,819,152.00	$11,866		0.1%
2) Federal Revenue	1,019,139.00	1,096,110.00	$76,971		7.6%
3) Other State Revenue	10,602,731.95	10,602,941.95	$210		0.0%
4) Other Local Revenue	3,010,287.00	3,047,547.00	$37,260		1.2%
5) TOTAL, REVENUES	37,439,443.95	37,565,750.95	$126,307		0.3%
B. EXPENDITURES					
1) Certificated Salaries	13,299,247.00	13,521,538.00	$	222,291.00	1.7%
2) Classified Salaries	7,021,045.00	7,100,673.00	$	79,628.00	1.1%
3) Employee Benefits	9,476,884.00	9,891,030.00	$	414,146.00	4.4%
4) Books and Supplies	2,099,989.00	2,173,266.00	$	73,277.00	3.5%
5) Services and Other Operating Expenditures	7,221,404.00	7,851,677.00	$	630,273.00	8.7%
6) Capital Outlay	60,733.00	60,733.00	$	-	0.0%
7) Other Outgo (excluding Transfers of Indirect Costs)	0.00	0.00	$	-	0.0%
8) Other Outgo - Transfers of Indirect Costs	(101,901.00)	(101,901.00)	$	-	0.0%
9) TOTAL, EXPENDITURES	39,077,401.00	**40,497,016.00**	**$**	**1,419,615.00**	3.6%
C. EXCESS (DEFICIENCY)	($1,637,957.05)	($2,931,265.05)		(1,283,795.00)	-69.0%

General Fund Second Interim Compared to First Interim



- Revenues increased by $126,307, or 0.3%.
- Expenditures increased by $1,419,615, or 3.6%.
- The deficit grew by $1.28 million, as revenue growth lagged behind expenditures.
- Special Education expenditures rose by $253,676, from $4,847,657 to $5,101,333. Special education costs continue to rise while revenues remain flat. These expenses are largely beyond the district's control, as they are necessary to meet the needs of students.

General Fund

Unrestricted and Restricted Fund Summary

Description	2025-26 GENERAL FUND		
	UNRESTRICTED	RESTRICTED	TOTAL
A. REVENUES			
1) LCFF Sources	22,819,152.00	0.00	$22,819,152
2) Federal Revenue	0.00	1,096,110.00	$1,096,110
3) Other State Revenue	357,041.00	10,245,900.95	$10,602,942
4) Other Local Revenue	1,578,601.00	1,468,946.00	$3,047,547
5) TOTAL, REVENUES	**24,754,794.00**	**12,810,956.95**	**37,565,750.95**
B. EXPENDITURES			
1) Certificated Salaries	9,088,136.00	4,433,402.00	$ 13,521,538.00
2) Classified Salaries	3,632,380.00	3,468,293.00	$ 7,100,673.00
3) Employee Benefits	5,767,736.00	4,123,294.00	$ 9,891,030.00
4) Books and Supplies	440,229.00	1,733,037.00	$ 2,173,266.00
5) Services and Other Operating Expenditures	2,755,465.00	5,096,212.00	$ 7,851,677.00
6) Capital Outlay	0.00	60,733.00	$ 60,733.00
7) Other Outgo - Transfers of Indirect Costs	(798,912.00)	697,011.00	$ (101,901.00)
8) TOTAL, EXPENDITURES	**20,885,034.00**	**19,611,982.00**	**40,497,016.00**
C. EXCESS (DEFICIENCY)	**$3,869,760.00**	**($6,801,025.05)**	**(1,283,795.00)**
D. OTHER FINANCING SOURCES/USES			
1)Transfers In	2423000	0.00	$2,423,000
2) Transfers Out	0.00	600,000.00	$600,000
3) Contributions to Special Ed	(5,101,333.00)	5,101,333.00	$0
4) TOTAL, OTHER FINANCING SOURCES/USES	**($2,678,333.00)**	**4,501,333.00**	**$1,823,000**
E. NET INCREASE (DECREASE) IN FUND BALANCE	**1,191,427.00**	**(2,299,692.05)**	**-$1,108,265**
F. FUND BALANCE, RESERVES			
1) Beginning Fund Balance	42,481.36	6,014,229.09	$ 6,056,710.45
2) Ending Balance, June 30 (E + F1e)	1,233,908.36	3,714,537.04	4,948,445.40
3) Reserve for Economic Uncertainties	1,220,917.00		1,220,917.00
4) Unassigned/Unappropriated Amount	12,991.36		12,991.36

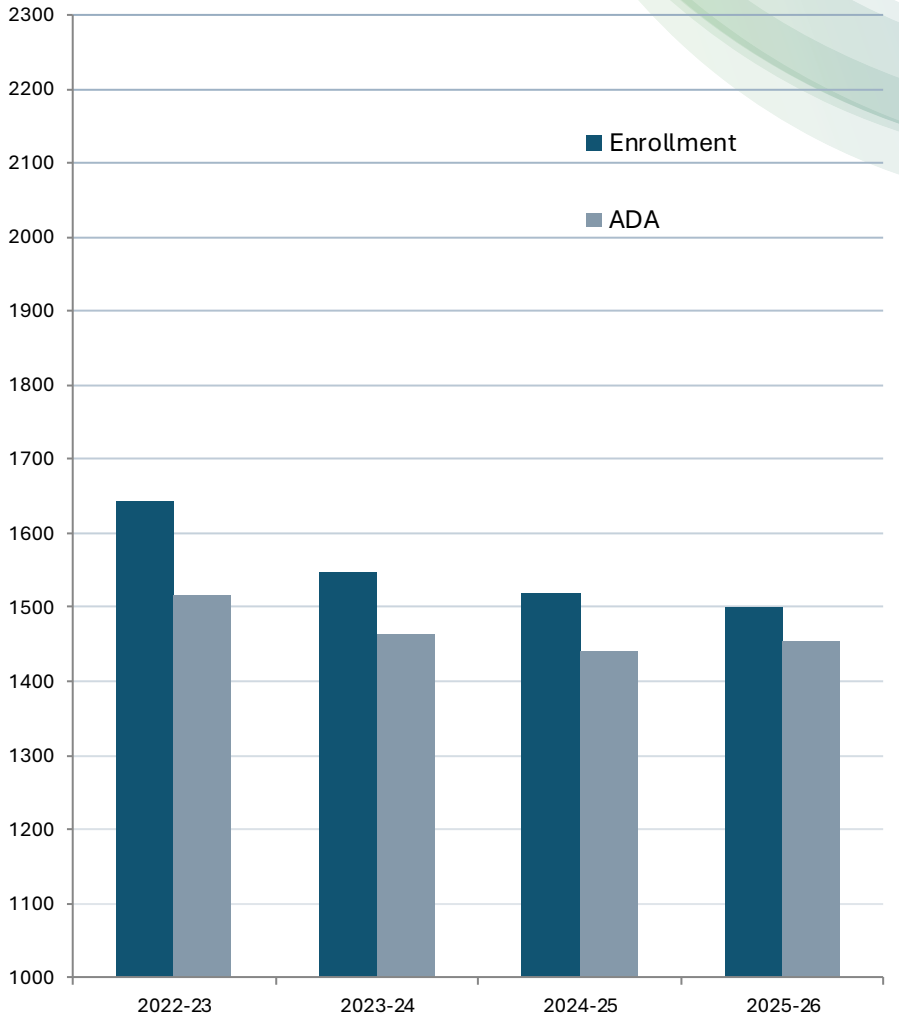
SCHOOL FINANCIAL PROJECTION DARTBOARD

Fiscal Year	2024-25	2025-26	2026-27	2027-28
Period	Actual	Budget	Projection	Projection
Revenue Related				
COLA (Cost-of Living Adjustment)	1.07%	2.43%	2.41%	3.06%
Interest Rate	4.23%	4.23%	4.36%	4.50%
Mandate Block Grant District	$ 38.21	$ 39.09	$ 40.03	$ 41.25
Mandate Block Grant Charter	$ 20.06	$ 20.52	$ 21.01	$ 21.65
Parcel Tax (per parcel)	$ 95.00	$ 95.00	$ 95.00	$ 95.00
Lotery Unrestricted (per ADA)	$ 195.37	$ 190.00	$ 190.00	$ 190.00
Lottery Restricted (per ADA)	$ 88.22	$ 82.00	$ 82.00	$ 82.00
CALPADS Enrollment	1,519	1,500	1,470	1,441
P-2 ADA	1,441.20	1,454.07	1,424.99	1,396.49
Expenditures Related				
STRS	19.10%	19.10%	19.10%	19.10%
PERS	27.05%	26.81%	26.40%	26.90%
Unemployment Insurance (UI)	0.05%	0.05%	0.05%	0.05%
Worker's Comp Rate	2.13%	2.07%	2.07%	2.07%
California CPI	2.86%	3.37%	3.08%	2.75%

Students Average Daily Attendance (ADA) and Enrollment

Average Daily Attendance (ADA)	2022-23	2023-24	2024-25	2025-26 Month 1	Average
P2 ADA	1,515.26	1,462.28	1,441.20	1,454.07	
ADA Change-P2	(87.00)	(52.98)	(21.08)	12.87	
% Change-P2	-5.43%	-3.50%	-1.44%	0.89%	-2.37%

CALPADS Enrollment	2022-23	2023-24	2024-25	2025-26 Month 1
Total Enrollment	1,642	1,547	1,519	1,500
Change	(76)	(95)	(28)	(19)
% Change	-4.42%	-5.79%	-1.81%	-1.25%
Total Attendance Rate	92.28%	94.52%	94.88%	96.94%



Staffing FTEs (Full-Time Equivalent)

Group	2023-24	2024-25	2025-26 Second Interim	Change from 24-25 to 25-26
Certificated	95.74	96.05	**88.56**	-7.49
Classified	68.39	73.45	**75.43**	1.98
Confidential	0.87	1.67	**2.93**	1.26
Management	17.71	16.10	**15.86**	-0.24
Board	5.00	5.00	**5.00**	0.00
SELPA	11.45	12.77	**10.92**	-1.85
EVSTA	1.00	1.00	**1.00**	0.00
Total	**200.16**	**206.04**	**199.70**	**-6.34**

Notes: FTE is prorated with a decimal value when a position remains vacant for a period of time during the hiring process.

MULTI-YEAR PROJECTIONS WITHOUT REDUCTIONS

UNRESTRICTED FUND

- **Deficit Projection:**
- 2025–26: $1.23 million
- 2026–27: $1.69 million
- 2027–28: $1.65 million
- If no expenditure reductions are implemented, the cumulative deficit—after maintaining the required 3% reserve—is projected to reach approximately $5.8 million by the end of the third year in the general unrestricted fund.

UNRESTRICTED	25-26	26-27	27-28
REVENUES	**Current Year**	**2nd Year**	**3rd Year**
1. LCFF 8010-8099	22,819,152	22,757,830	23,024,038
3. State 8300-8599	357,041	352,687	338,580
4. Local 8600-8799	1,578,601	1,363,338	1,363,338
5c. Contribution 8980-8999	(5,101,333)	(5,101,333)	(5,101,333)
Total	**19,653,461**	**19,372,522**	**19,624,623**
EXPENDITURES	**Current Yr**	**2nd Year**	**3rd Year**
Total Cert Salary	**9,088,136**	**9,224,458**	**9,362,825**
Total Classified Salary	**3,632,380**	**3,686,866**	**3,742,169**
Total Benefit	**5,767,736**	**5,752,620**	**5,771,331**
Book & Supplies	440,229	440,229	440,229
Ser & Oper	2,755,465	2,755,465	2,755,465
IDC	(798,912)	(798,912)	(798,912)
Total Expenses	**20,885,034**	**21,060,726**	**21,273,106**
NET	**(1,231,573)**	**(1,688,204)**	**(1,648,483)**
FUND BALANCE			
Beginning Balance	42,481	(1,189,092)	(2,877,296)
Ending Balance	(1,189,092)	(2,877,296)	(4,525,779)
Total Available	(1,189,092)	(2,877,296)	(4,525,779)
3% Reserved	1,232,902	1,243,126	1,254,982
Unassigned	(2,421,994)	(4,120,421)	(5,780,761)

MULTI-YEAR PROJECTIONS WITHOUT REDUCTIONS

RESTRICTED FUND

- **Deficit Projection**
- **2025–26:** $2.3 million
- **2026–27:** $2.9 million
- **2027–28:** $3.1 million
- If no expenditure reductions are implemented, the cumulative deficit—after accounting for the beginning fund balance—is projected to reach approximately $2.3 million in the General Restricted Fund by the end of 2027–28. This negative balance would then shift to the Unrestricted Fund, creating a significant financial burden.

RESTRICTED	25-26	26-27	27-28
REVENUES	**Current Year**	**2nd Year**	**3rd Year**
2. Fed	1,096,110	1,096,110	1,096,110
3. State	10,245,901	9,798,276	9,798,276
4. Local	1,468,946	1,468,946	1,468,946
5c. Contribution	5,101,333	5,101,333	5,101,333
Total	**17,912,290**	**17,464,665**	**17,464,665**
EXPENDITURES	**Current Yr**	**2nd Yr**	**3rd Yr**
Total Cert Salary	**4,433,402**	4,499,903	4,567,402
Total Classified Salary	**3,468,293**	3,520,317	3,573,122
Total Benefit	**4,123,000**	4,167,687	4,230,202
Book & Supplies	1,733,037	1,733,037	1,733,037
Ser & Oper	5,096,212	5,096,212	5,096,212
Capital Outlay	60,733	60,733	60,733
IDC	697,011	798,912	798,912
Transfer Out	600,000	500,000	500,000
Total Expenses	**20,211,688**	20,376,802	20,559,620
NET	**(2,299,398)**	(2,912,137)	(3,094,955)
FUND BALANCE			
Beginning Balance	6,014,229	3,714,831	802,694
Ending Balance	3,714,831	802,694	(2,292,261)
Total Available	3,714,831	802,694	(2,292,261)
Restricted	3,714,831	802,694	(2,292,261)

2026-27 Budget Reduction Plan

Position	FTE		Unrestricted	Restricted	Total
TOSA	1.0000	Return to classroom teacher		147,234	147,234
TOSA	1.0000	Return to classroom teacher	147,234		147,234
TOSA	1.0000	Return to classroom teacher	147,234		147,234
Science, Teacher - TOSA	1.0000	RIF	118,717		118,717
Certificated Total	**4.0000**		**413,185**	**147,234**	**560,419**
Admin Secretary-Bilingual	1.0000	RIF	43,439	111,700	155,139
Campus Supervisor	0.8750	RIF	76,509		76,509
Classified Total	**1.8750**		**119,948**	**111,700**	**231,648**
Grand Total	**5.8750**		**$ 533,134**	**$ 258,934**	**$ 792,068**

* The projected savings from FTEs are approximately $533,134 in the Unrestricted Fund and $258,934 in the Restricted Fund.

* Conducting a review of other operating and contractual costs in preparation for 2026–27 renewals.

Multi-Year Projections – Unrestricted & Restricted Proposed with Reductions

- To balance the budget, the district has transferred the full $2.3+ million from Fund 17 to cover the current-year deficit. Without expenditure reductions in 2025–26, Fund 17 will be fully depleted after maintaining the required 3% minimum reserve.

- Projected an 8%($1.7 million) reduction across all expenditure categories in 2026–27

- Projected 2% reduction across all expenditure categories in 2027–28.

Descriptions	2025-26 Second Interim	2026-27 Projections	2027-28 Projections
Revenues	$37,565,750.95	36,836,893.00	36,906,019.00
Expenditures	$40,497,016.00	$37,685,828.00	$37,212,087.00
Surplus/Deficit	$ (2,931,265.05)	$ (848,935.00)	$ (306,068.00)
Beginning Balance	6,056,710.45	$ 4,948,445.40	$ 3,599,510.40
Transfer-In	2,423,000.00	$ -	$ 3,599,510.40
Transfer-out	600,000.00	500,000.00	500,000.00
Total Funds	$ 4,948,445.40	$ 3,599,510.40	$ 6,392,952.80
Restricted Funds	3,714,537.67	2,384,141.32	1,334,966.32
3% Minimum Reserve	$ 1,220,917.00	$ 1,215,369.00	$ 1,458,476.00
Unrestricted Fund	$ 12,990.73	$ 0.08	$ 408,295.00



MULTI-YEAR BUDGET ASSUMPTIONS

- **LCFF Revenue:** Enrollment projected to decline 2% in 2026–27 and 2027–28.
- **COLA:** Reduced to 2.41% for 2026–27 and 3.06% for 2027–28.
- **Federal, State, and Local Revenues:** Expected to remain flat.
- **Step & Column:** 1.5% increase included.
- **Benefits:** Reflect anticipated increases in PERS and STRS contributions.
- **Special Education:** Spending expected to remain flat.
- **Categorical Funding:** Flat or declining, with uncertainty in Federal funding. FTE costs continue to rise due to statutory and bargaining-related increases. Without reductions, the Unrestricted Fund will absorb the burden.
- **Expenditure Reductions:** 8% projected in 2026–27, and 2% in 2027–28.
- **Certificated Bargaining:** Settled at $2,100 per FTE = 2% for FY 2025–26; included in Second Interim.
- **Classified, Management, and Confidential:** Negotiations for 2025–26 pending.

NEXT STEPS

11 Mar. 2026

Administration present Board with 2025-26 Second Interim Reports

May 2026

Governor announces the 2026-27 State May Revise

10 June 2026

Administration presents 2026-27

- LCAP Annual Updates for the public hearing for the fist time
- Budget Study Session

24 June 2026

Administration presents 26-27

- LCAP for the public hearing for the second time and adoption
- Budget Report for adoption

30 June 2026

LCAP and Budget submission to County Office of Education

Questions?

Thank you!