



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 6.3

Meeting Date: September 10, 2026

Subject: 2026-27 Budget Revision Process and Analysis

- ☐ Information Item Only
- ☐ Approval on Consent Agenda
- ☐ Conference (for discussion only)
- ☐ Conference/First Reading (Action Anticipated: _____)
- ☐ Conference/Action
- ☒ Action
- ☐ Public Hearing

Division: Business Services

Recommendation: Approve the proposed 2026-27 budget revisions process and analysis reflecting additional revenues, implementation of the Fiscal Stabilization Plan, updates to Special Education expenditures, and other reductions.

Background/Rationale: As part of ongoing fiscal planning and budget monitoring efforts, Administration has reviewed the District's adopted 2026-27 budget and identified additional revenues, expenditure reductions, and other budget adjustments that warrant incorporation into the current fiscal year budget.

These revisions are intended to improve the District's fiscal position while aligning budgeted expenditures with current operational needs and projected funding sources. The proposed adjustments include revenue enhancements, expenditure reductions previously approved through the Fiscal Stabilization Plan, and revisions to Special Education expenditure projections.

Financial Considerations: The \$208.3 million is a gross estimate of potential fiscal improvement. All revenue and expenditure adjustments remain subject to verification, implementation, and reconciliation. The final net fiscal impact will be reported in the District's 2026-27 First Interim Report.

LCAP Goal(s): Goal 1 – Graduation Outcomes, Goal 2 – Academic Outcomes, and Goal 3 – Welcoming and Safety Outcomes

Documents Attached:

1. 2026-27 Budget Revision Executive Summary

Estimated Time of Presentation: 10

Submitted by: Gerardo Castillo, CPA, Chief Business Officer

Approved by: Cancy McArn, Superintendent

Board of Education Executive Summary

Business Services

FY 2026-27 Budget Revision Process and Analysis

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The Administration recommends that the Board of Education approve the reconciled 2026-27 budget revisions, as summarized below. The revisions result in a net improvement of \$208,321,046 in the District's projected financial position. After the revisions, the adopted operating deficit decreases to \$424,342. The revised projection remains below the required reserve level and requires continued implementation and monthly monitoring.

Reconciled Budget Impact

Adjustment category	Increase in sources	Expenditure reduction	Net improvement
Revenue adjustments	\$35,688,040		\$35,688,040
Other financing sources	\$35,119,075		\$35,119,075
Expenditure reductions		\$137,513,931	\$137,513,931
Total budget improvement	\$70,807,115	\$137,513,931	\$208,321,046

The combined \$70,807,115 increase in sources consists of \$35,688,040 in revenue adjustments and \$35,119,075 in other financing sources.

Revenue and Other Financing Sources

The revenue adjustment totals \$35,688,040. It includes \$7,000,000 in federal Medi-Cal reimbursements, \$30,861,969 in other state revenue, \$23,613,421 in retiree-benefit cost reimbursements, and a \$25,787,350 reduction to STRS on-behalf revenue. The separate \$35,119,075 redevelopment transfer is recorded as other financing source, including approximately \$31.7 million in one-time funding and \$3.4 million identified as ongoing.

The STRS on-behalf revenue reduction must be paired with an equal \$25,787,350 reduction in expenditures. The matching entries correct the budgeted pass-through amount and have no net effect on fund balance. Revenue and financing sources should be recognized only after staff confirms entitlement, collectability, fiscal-year availability, restrictions, Board authorization, and accounting classification.

Expenditure Revisions

The expenditure adjustment column totals \$137,513,931. This amount includes the \$66,850,000 Fiscal Stabilization Plan approved on July 30, 2026, a \$34,303,409 Special Education reduction based on a 2.5 percent growth target over 2025-26 actual expenditures, a \$4,000,000 MTSS

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funding alignment using Title I carryover, the \$25,787,350 STRS on-behalf expenditure adjustment, and \$6,573,172 of additional reductions included in the multi-year projection.

The Fiscal Stabilization Plan must be posted by department, position or vendor, resource, purchase order, and exact SACS expenditure object. Savings should be recognized only after staff posts the formal budget reduction and confirms that the underlying spending has been eliminated, reduced, or avoided

Special Education and MTSS

The Special Education revision reduces the current \$297,651,750 budget to approximately \$263,348,341, a reduction of \$34,303,409. The proposal must be validated against position control, negotiated compensation, executed contracts, encumbrances, transportation obligations, indirect-cost calculations, and all services required by students' individualized education programs. No reduction may interfere with the District's obligation to provide a free appropriate public education.

The \$4,000,000 MTSS adjustment consists of \$2,880,000 in certificated salaries and \$1,120,000 in employee benefits supported with Title I carryover. Staff should confirm that the carryover is available and allowable and that the realignment releases unrestricted resources without duplicating another reduction.

Fund Balance and Reserve Position

The \$208,321,046 net improvement reduces the projected 2026-27 operating deficit to approximately \$424,342. Due to closing of the 2025-26 fiscal year, the beginning fund balance adjustment increases the projected beginning balance from negative \$20,126,296 to \$586,199. After applying the revised operating result, the projected ending fund balance is approximately \$161,857. Although the revisions materially improve the District's position, the projection does not meet the minimum reserve requirement.

Recommended Board Action

1. Approve \$35,688,040 in revenue adjustments and \$35,119,075 in other financing sources, subject to verification of entitlement, collectability, fiscal-year recognition, restrictions, Board authorization, and accounting classification.
2. Authorize \$137,513,931 in expenditure reductions and accounting adjustments, with each entry posted to the applicable SACS account string and supported by specific operational or accounting documentation.
3. Confirm the Special Education expenditure target of approximately \$263,348,341 and require continued compliance with program, bargaining, and legal obligations.

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5. Continue monthly reporting that distinguishes approved targets, posted budget revisions, collected revenue, realized savings, one-time and ongoing amounts, implementation delays, replacement costs, fiscal risks, and corrective actions.

Approval of these revisions process and analysis supports the District's fiscal stabilization plan while maintaining controls over revenue recognition, expenditure posting, program compliance, and duplicate savings. The revised amounts should be incorporated into the 2026-27 budget and the multi-year projection and reported through the District's interim financial reporting process.