



# FREMONT UNIFIED SCHOOL DISTRICT

## Second Interim Budget Report 2025-26

Division of Business Services  
Director of Budget, James Arcala  
March 11, 2026



# Overview

- Education Code Section 42130 states that school districts submit two reports to their governing board each fiscal year and approved no later than 45 days after the close of the period being reported
  - Second Interim Report covers the financial and budgetary status of the district for the period ending October 31
  - **Second Interim Report** covers the period ending **January 31**
- Tonight we are **asking the board to approve the Second Interim budget** in which we are filing **Positive**
  - Positive means the district will meet its financial obligations for the current fiscal year or two subsequent fiscal years

# FUSD spends today's dollars on today's kids

Unrestricted General Fund  
 \$419.1 million Revenue  
\$431.3 million Expenditures and Contributions  
 -\$12.2 million Deficit

We spend our **entire LCFF revenue** plus \$12.2 million more dollars on today's kids

We are spending down our reserves and **only maintain** the state required minimum of 2% by year three.

We **do not operate** on a surplus - we are deficit spending which means we spend more than we bring in.

Unrestricted General Fund	2025-26	2026-27	2027-28
Structural Deficit	-\$12.2 million	-\$12.0 million	-\$11.6 million
Ending Fund Balance %	7.4%	5.1%	2.9%
3% Reserves	3.0%	3.0%	2.2%



# Second Interim - Unrestricted General Fund

General Fund 01 - Unrestricted	2025-26	2025-26	Difference
LCFF, LCAP, Education Protection Account, Lottery, Mandate Block Grant	First Interim	Second Interim	\$
Total Revenues	\$ 419,039,929	\$ 419,139,892	\$ 99,963
Total Expenditures	\$ 332,985,721	\$ 329,191,587	\$ (3,794,134)
Contributions	(97,131,938)	(102,161,028)	(5,029,090)
Deficit Spending	\$ (11,077,730)	\$ (12,212,723)	\$ (1,134,993)
Beginning Fund Balance	\$ 51,940,446	\$ 51,940,446	\$ -
<b>Ending Fund Balance</b>	<b>\$ 40,862,716</b>	<b>\$ 39,727,723</b>	<b>\$ (1,134,993)</b>
<b>Ending Fund Balance as a %</b>	<b>7.7%</b>	<b>7.4%</b>	
<i>3% Reserves for Economic Uncertainty</i>	<i>3.0%</i>	<i>3.0%</i>	

- ← UPP Increased
- ← Vacancy savings
- ← SPED Contracts
- ← Deficit spending increased due to SPED contract costs



# Unrestricted General Fund - Ending Fund Balance

General Fund 01 - Unrestricted	2025-26	2025-26	Difference
LCFF, LCAP, Education Protection Account, Lottery, Mandate Block Grant	First Interim	Second Interim	\$
<b>Ending Fund Balance</b>	<b>\$ 40,862,716</b>	<b>\$ 39,727,723</b>	<b>\$ (1,134,993)</b>
<b>Components of Ending Fund Balance</b>			
Revolving Cash	100,000	100,000	-
Stores	526,376	526,376	-
Prepaid	3,107,331	3,107,331	-
Committed for Deficit Spending	17,269,880	15,873,480	(1,396,400)
Assigned for Textbook Adoption	4,000,000	4,000,000	-
<i>Reserves for Economic Uncertainty - 3%</i>	<i>15,859,129</i>	<i>16,120,536</i>	<i>261,407</i>
<b>Ending Fund Balance</b>	<b>\$ 40,862,716</b>	<b>\$ 39,727,723</b>	<b>\$ (1,134,993)</b>
<b>Ending Fund Balance as a %</b>	<b>7.7%</b>	<b>7.4%</b>	
<i>3% Reserves for Economic Uncertainty</i>	<i>3.0%</i>	<i>3.0%</i>	

Prepaid is for Liability Insurance AB 218  
 Deficit spending increased

We meet our 3% required reserves



# Second Interim - Restricted General Fund

<b>General Fund 01 - Restricted</b>	<b>2025-26</b>	<b>2025-26</b>	<b>Difference</b>	
<b>Special Education, Titles, Categoricals, Federal and State Grants, Gifts and Donations</b>	<b>First Interim</b>	<b>Second Interim</b>	<b>\$</b>	<b>%</b>
Total Revenues	\$ 99,424,773	\$ 100,956,070	\$ 1,531,297	1.5%
Total Expenditures	\$ 195,651,892	\$ 208,159,605	\$ 12,507,713	6.4%
Contributions	97,131,938	102,161,028	5,029,090	5.2%
Deficit Spending	\$ 904,819	\$ (5,042,507)	\$ (5,947,326)	
Restricted Beginning Fund Balance	\$ 42,342,949	\$ 42,342,949	\$ -	
<b>Restricted Ending Fund Balance</b>	<b>\$ 43,247,768</b>	<b>\$ 37,300,442</b>	<b>\$ (5,947,326)</b>	

Local Grants and Donations Increased

SPED Contracts and Transportation

Planned Deficit Spending



Thank you to  
our grant  
writers!

Total Fund 01 Restricted Ending Balances	2025-26 First Interim	2025-26 Second Interim
Expanded Learning Opportunities Program	\$ 7,407,454	\$ 5,896,992
ESSA: Title I	1,384	
Comprehensive Coordinated Early Intervening Services	1,084,734	
New Discretionary Block Grant	8,557,398	5,824,798
Educator Effectiveness, FY 2021-22	73,879	
Lottery: Instructional Materials	1,600,000	1,600,000
CA Community Schools Partnership	707,557	932,557
Special Education Learning Recovery Support	21,475	21,475
Special Education Early Intervention Preschool Grant	3,972,287	2,678,187
Prop 28 Arts and Music	5,342,905	4,827,435
Child Nutrition: Kitchen Infrastructure and Training	1,164,033	927,163
LCFF Equity Multiplier		297,480
A-G Access/Success Grant	160,313	144,680
A-G Learning Loss Mitigation Grant	479	
Learning Recovery Emergency Block Grant	5,475,280	5,475,280
Other Restricted State	201,860	234,110
Ongoing & Major Maintenance (Routine Maint - RRM)	2,261,508	1,846,724
Other Restricted Local	5,215,222	6,593,561
<b>Total</b>	<b>\$ 43,247,768</b>	<b>\$ 37,300,442</b>

← New Discretionary Block Grant (Electric Vehicles, Diesel Buses and Digitizing Legally Required Student Records)

← Transportation Awarded \$1.0M from the Bay Area Quality Air Program to help pay for Electric Buses



# Second Interim - Revenue Assumptions

## **Unrestricted Revenues increased at Second Interim by \$0.09 million**

- Higher Unduplicated Pupil Percentage (Low Income, Foster Youth, English Learners) provided additional \$0.09 million to the LCAP funds
  - 36.30% UPP at First Interim to 36.43% at Second Interim

## **Restricted Revenues increased at Second Interim by \$1.5 million**

- Local grants and donations increased by \$1.5 million

# Second Interim - Expenditure Assumptions

## Expenses increased at Second Interim

- Restricted funds used to purchase electrical vehicles for the PG&E contract; replace 16 year old aging diesel buses used for McKinney Vento students, Special Education routes, and far away field trips; and digitizing legally required student records
- Contributions increased by \$5.0 million due to contract costs covering for required vacant positions in Special Education

## Ending Fund Balance decreased at Second Interim

- The Unrestricted ending fund balance decreased by \$1.1 million due to rising contract costs in Special Education to fill legally required vacant positions

# MYP Unrestricted General Fund

General Fund 01 - Unrestricted MYP	2025-26	2026-27	2027-28
LCFF, LCAP, Education Protection Account, Lottery, Mandate Block Grant	Current Budget	Projection	Projection
Total Revenues	\$ 419,139,892	\$ 428,671,729	\$ 441,344,735
Total Expenditures	\$ 329,191,587	\$ 333,815,189	\$ 338,445,759
Contributions	(102,161,028)	(106,887,137)	(114,505,893)
Deficit Spending	\$ (12,212,723)	\$ (12,030,598)	\$ (11,606,918)
Beginning Fund Balance	\$ 51,940,446	\$ 39,727,723	\$ 27,697,125
<b>Ending Fund Balance</b>	<b>\$ 39,727,723</b>	<b>\$ 27,697,125</b>	<b>\$ 16,090,208</b>
<b>Ending Fund Balance as a %</b>	<b>7.4%</b>	<b>5.1%</b>	<b>2.9%</b>
<i>3% Reserves for Economic Uncertainty</i>	<i>3.0%</i>	<i>3.0%</i>	<i>2.2%</i>

Reduced revenues due to lower COLAs compared to First Interim

Contributions increase as one-time funds end and we move positions to Unrestricted

Deficit spending reduces the ending fund balance each year

Reserves drop to 2.2% in year three (was 2.69% at First Interim)



# MYP Unrestricted Ending Balance

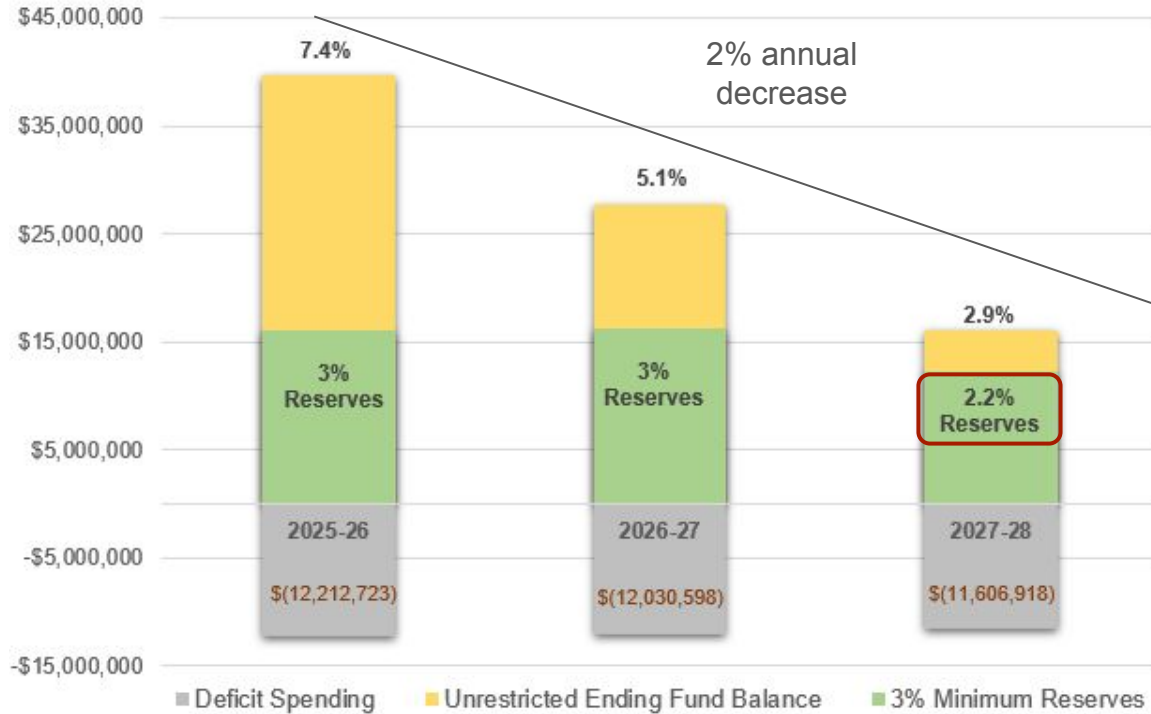
General Fund 01 - Unrestricted MYP	2025-26	2026-27	2027-28
LCFF, LCAP, Education Protection Account, Lottery, Mandate Block Grant	Current Budget	Projection	Projection
<b>Ending Fund Balance</b>	<b>\$ 39,727,723</b>	<b>\$ 27,697,125</b>	<b>\$ 16,090,208</b>
Revolving Cash	100,000	100,000	100,000
Stores	526,376	526,376	526,376
Prepaid	3,107,331	3,107,331	3,107,331
Committed for Deficit Spending	15,873,480	3,753,648	
Assigned for Textbook Adoption	4,000,000	3,963,940	
<i>Reserves for Economic Uncertainty - 3%</i>	16,120,536	16,245,830	<b>12,356,501</b>
<b>Ending Fund Balance</b>	<b>\$ 39,727,723</b>	<b>\$ 27,697,125</b>	<b>\$ 16,090,208</b>
<b>Ending Fund Balance as a %</b>	<b>7.4%</b>	<b>5.1%</b>	<b>2.9%</b>
<i>3% Reserves for Economic Uncertainty</i>	3.0%	3.0%	<b>2.2%</b>

Deplete the Commitment for Deficit Spending and Assignment for Textbooks by 2027-28 to sustain 2% Reserves

Reserves drop to 2.2% in year three



# Unrestricted Ending Fund Balance



**0.9%**  
Ending Fund Balance  
2028-29

Under 2% Reserves means we must file Qualified at next year's Interim



# Reserves

**Why 3% Reserves?** 2% State Required Minimum plus 1% Board Directed

**How much is 3%?** It's \$16M currently and pays for half a month of payroll

**Why reserves?** It's for economic uncertainty, economic downturns due to heavy fluctuations of state revenue based on tax collections, unexpected expenses like legal settlements, rising costs like pension obligations, special education, inflation, and **unexpected reduced COLAs in the subsequent years.**

**What is the statewide average for school district reserves?** 22% reserves per SSC. SSC is not recommending 22%. This is the average.

- FUSD is 7.4%, 5.1%, 2.9% in the current and two subsequent years

# Districts Making Budget Reductions

## Mainly in High Cost Areas - Systemic Problem with School Funding

- Los Angeles Unified - \$150 million
- San Francisco Unified - \$114 million
- Oakland Unified School District - \$100 million
- Sacramento Unified - \$44 million
- West Contra Costa Unified School District - \$42 million
- Pasadena Unified - \$30 million
- Livermore Unified - \$14.8 million
- Pleasanton Unified - \$11 million
- Santa Rosa City Schools - \$13.9 million
- Santa Barbara Unified - \$9.4 million
- Dublin Unified - \$6.8 million
- San Jose Unified - \$6 million
- Petaluma City Schools - \$6 million
- Martinez Unified - \$2.5 million

No Community Funded/Basic Aid Districts are making significant reductions

## Meanwhile in Sacramento...



# CA Public School Funding is Broken

## Per Pupil \$ Formula

**State Funded Districts**  
Fremont USD  
\$15K



\$ Middle Class

**\$20K Gap**

**Basic Aid Districts**  
Palo Alto USD  
\$35K



\$ Wealthy Class

# MYP Unrestricted General Fund - Key Takeaways

- We have a structural deficit (spend more than we bring in)
- We are NOT operating on a surplus
- Deficit spending eventually leads to bankruptcy
  - If we do nothing, we may go insolvent by 2028-29
- These projections DO NOT include negotiations since those conversations are still pending an outcome
- We are not alone in this situations
  - Many surrounding districts are making reductions now
  - CA School Funding is Broken: [Why California School Funding Isn't Keeping Up With Rising Costs](#)
  - Video: [Public School Funding Crisis](#)

# MYP Restricted General Fund

General Fund 01 - Restricted MYP	2025-26	2026-27	2027-28
Special Education, Titles, Categoricals, Federal and State Grants, Gifts and Donations	Current Budget	Projection	Projection
Total Revenues	\$ 100,956,070	\$ 90,374,328	\$ 91,238,023
Total Expenditures	\$ 208,159,605	\$ 207,712,489	\$ 212,141,573
Contributions	102,161,028	106,887,137	114,505,893
Net Increase (Decrease) in Fund Balance	\$ (5,042,507)	\$ (10,451,023)	\$ (6,397,656)
Restricted Beginning Fund Balance	\$ 42,342,949	\$ 37,300,442	\$ 26,849,419
<b>Restricted Ending Fund Balance</b>	<b>\$ 37,300,442</b>	<b>\$ 26,849,419</b>	<b>\$ 20,451,762</b>



Planned deficit spending to spend down large one-time grants before they expire



Total Fund 01 Restricted Ending Balances	2025-26 Second Interim	2026-27 Projection	2027-28 Projection
Expanded Learning Opportunities Program	\$ 5,896,992	\$ 3,512,481	1,116,998
New Discretionary Block Grant	5,824,798	5,824,798	1,824,798
Lottery: Instructional Materials	1,600,000	-	-
CA Community Schools Partnership	932,557	910,895	885,340
Special Education Learning Recovery Support	21,475	-	-
Special Education Early Intervention Preschool Grant	2,678,187	1,799,241	883,095
Prop 28 Arts and Music	4,827,435	5,282,864	5,679,395
Child Nutrition: Kitchen Infrastructure and Training	927,163		
LCFF Equity Multiplier	297,480	395,224	491,361
A-G Access/Success Grant	144,680		
Learning Recovery Emergency Block Grant	5,475,280	-	-
Other Restricted State	234,110	258,952	282,989
Ongoing & Major Maintenance (Routine Maint - RRM)	1,846,724	1,878,053	1,933,412
Other Restricted Local	6,593,561	6,986,911	7,354,374
<b>Total</b>	<b>\$ 37,300,442</b>	<b>\$ 26,849,419</b>	<b>\$ 20,451,762</b>



\$4.0 million for Textbook Adoption in 2027-28 to comply with the Williams Act



# Multi-Year Budget Projections

## (Revenue Assumptions For 2026-27 and 2027-28)

- LCFF Sources
  - Enrollment is projected at 32,149 for 2026-27 and 31,711 for 2027-28 based on Demographer Report
    - **Decrease of 350 & 438, respectively**
  - Actual ADA is projected at 95.65% for the current and subsequent years
  - Unduplicated count of students (Free & Reduced Lunch, English Learners & Foster Youth) is projected at 38.22% for 2026-27 and 38.85% for 2027-28
  - COLA projections are based on School Services:
    - **2.41% in 2026-27** (3.02% at First Interim)
      - Loss of -0.61% or -\$1.9 million
    - **3.06% in 2027-28** (3.42% at First Interim)
      - Loss of -0.36% or -\$3.2 million
- Federal and State Revenues - **positions funded by one-time grants are moved to the Unrestricted GF** once the resource expires:
  - Educator Effectiveness depleted by end of 2025-26 (**funds 3.0 FTE TOSAs**)
  - Learning Recovery depleted by end of 2026-27 (**funds 39.0 FTE counselors**)
- Local Revenues
  - Local donations are included based on historical trends and commitments from donors
  - Parcel Tax (Measure I) expired June 2025
    - \$4.5 million in positions moved to Unrestricted GF in 2025-26

# Multi-Year Budget Projections

(Expenditure Assumptions For 2025-26 and 2026-27)

**Teachers:** -6 in 2026-27 and -8 in 2027-28 based on declining enrollment projections

**Salaries:** 1.5% step and column movement.

**Negotiations:** No salary increases are assumed in future-year projections, pending the outcome of collective bargaining and required approvals.

**Pension Contribution Rate:** PERS increases to 26.90% (+0.09%) and 27.80% (+0.90%) in the two subsequent years. STRS remains flat at 19.10%.

**Utilities:** Increase by \$1.0 million or 10% each year to account for inflation.

**Special Education Contribution:** Projected to increase by \$1.0 million each year based on historical trends.

## 2025-26 Other Funds (in millions)

Fund	Beginning Balance	Revenues	Expenditures	Ending Balance
Student Activity Special Revenue (08)	\$1.7	\$0.0	\$0.0	\$1.7
Charter School Special Revenue (09)	\$1.1	\$6.4	\$6.4	\$1.1
Special Education Pass-Through (10)	\$0.0	\$15.1	\$15.1	\$0.0
Adult Education (11)	\$1.4	\$6.3	\$6.6	\$1.1
Child Development (12)	\$2.2	\$2.4	\$2.1	\$2.5
Cafeteria (13)	\$17.5	\$17.3	\$18.4	\$16.4
Building Fund-Measure E and M (21)	\$389.3	\$10.7	\$348.2	\$51.8
Capital Facilities Fund-Developer Fee (25)	\$3.5	\$1.5	\$5.0	\$0
Special Reserve for Capital Outlay-Sale of Site (40)	\$18.2	\$3.6	\$5.3	\$16.5
Bond Interest & Redemption (51)	\$36.0	\$45.7	\$45.7	\$36.0
Self-Insurance Fund (67)	\$0.00	\$0.7	\$0.7	\$0.0

# NEXT STEPS

- May 2026 - Governor's May Revise Budget for 2026-27
- June 8, 2026 - Budget, Finance and Audit Advisory Committee Meeting at 4pm-5pm at the District Office's Central Meeting Room
  - Email Budget Secretary Catherine Evans at [Cevans@fusdk12.net](mailto:Cevans@fusdk12.net) to schedule a budget presentation for parents, students, staff, etc.
- June 2026 - Adopted Budget 2026-27 (Start Development in March)
- July 2026 - 45 Day Budget 2026-27