Bellflower Unified School District

BUSD TOGETHER: UNIFIED IN PURPOSE







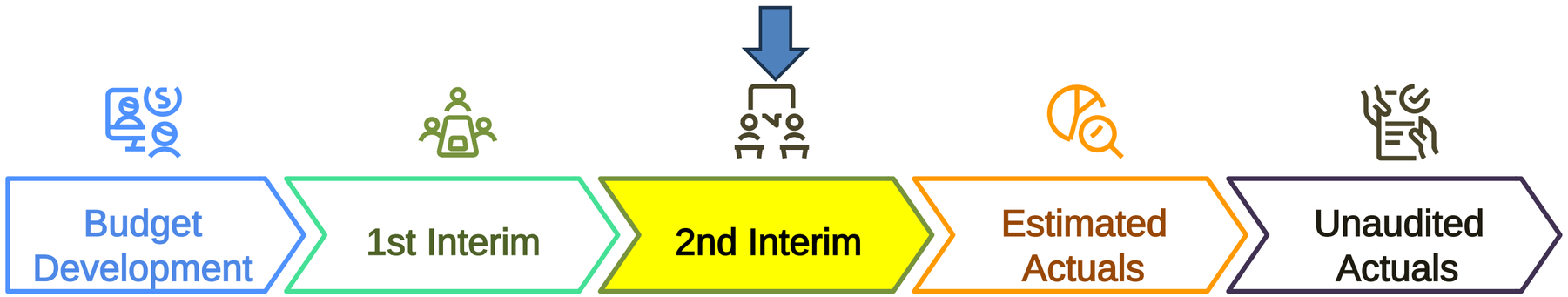


2025-2026 2nd Interim

Renee Arkus
Chief Business Officer
March 2026

What is the 2nd Interim?

- The 2nd Interim is:
  - A formal report of year-to-date revenues, expenditures, and fund balances compared to the adopted budget.
  - An assessment of the district's ability to meet financial obligations in the *current* and *two subsequent years*, resulting in a Positive, Qualified, or Negative certification.
  - A public accountability document that communicates financial status, assumptions, and transparency to stakeholders.





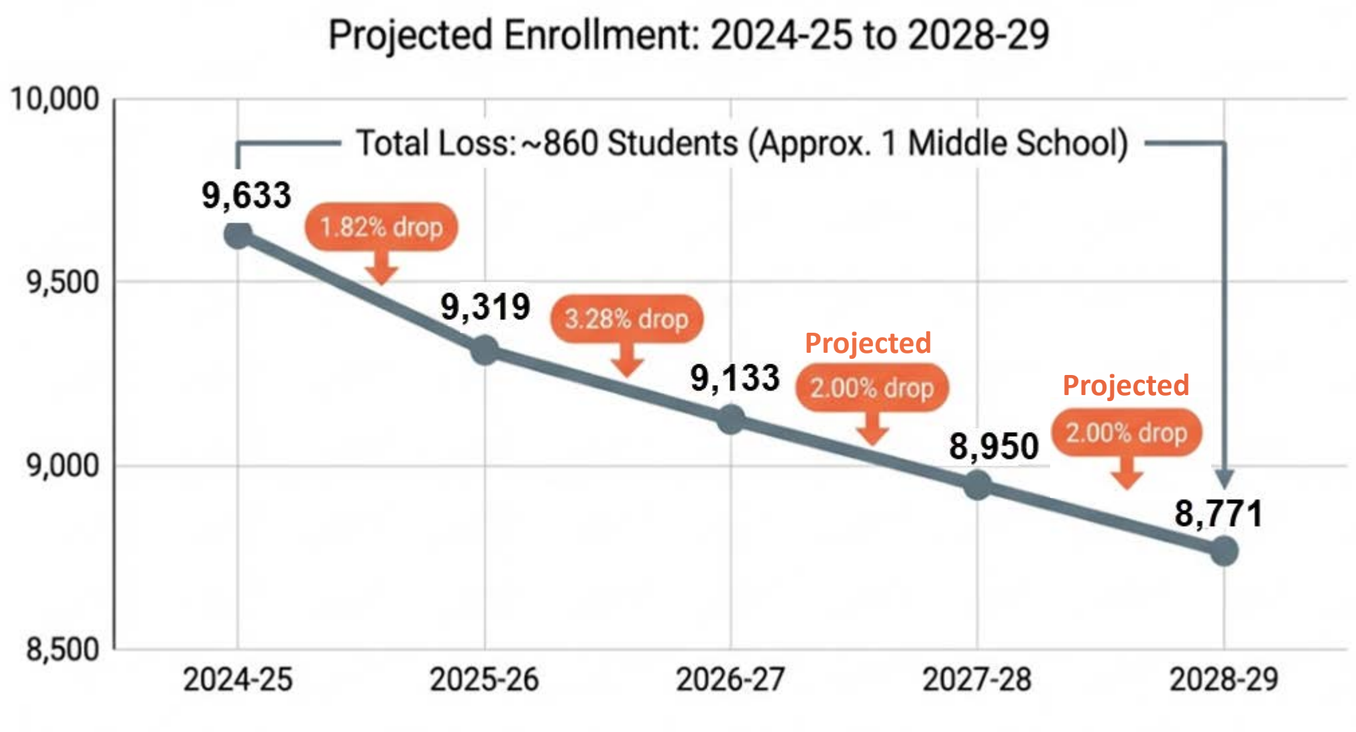
Financial Status of District

❖ **Key Highlights**

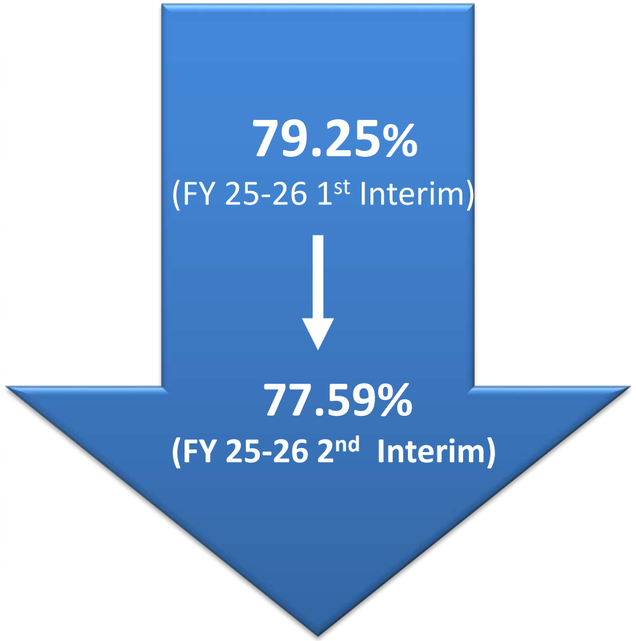
- District’s 2024-2025 Audit Report was issued.
- Enrollment declined more than anticipated, with a decrease of over 3%.
- Unduplicated Pupil Percentage (UPP) declined from 79.25% (FY 25-26 1st Interim) to 77.59% (FY 25-26 2nd Interim).
- Rising cost pressures in supplies, services, insurance, and utilities.
- The district will submit a "Positive” certification.



Student Enrollment and UPP Trends



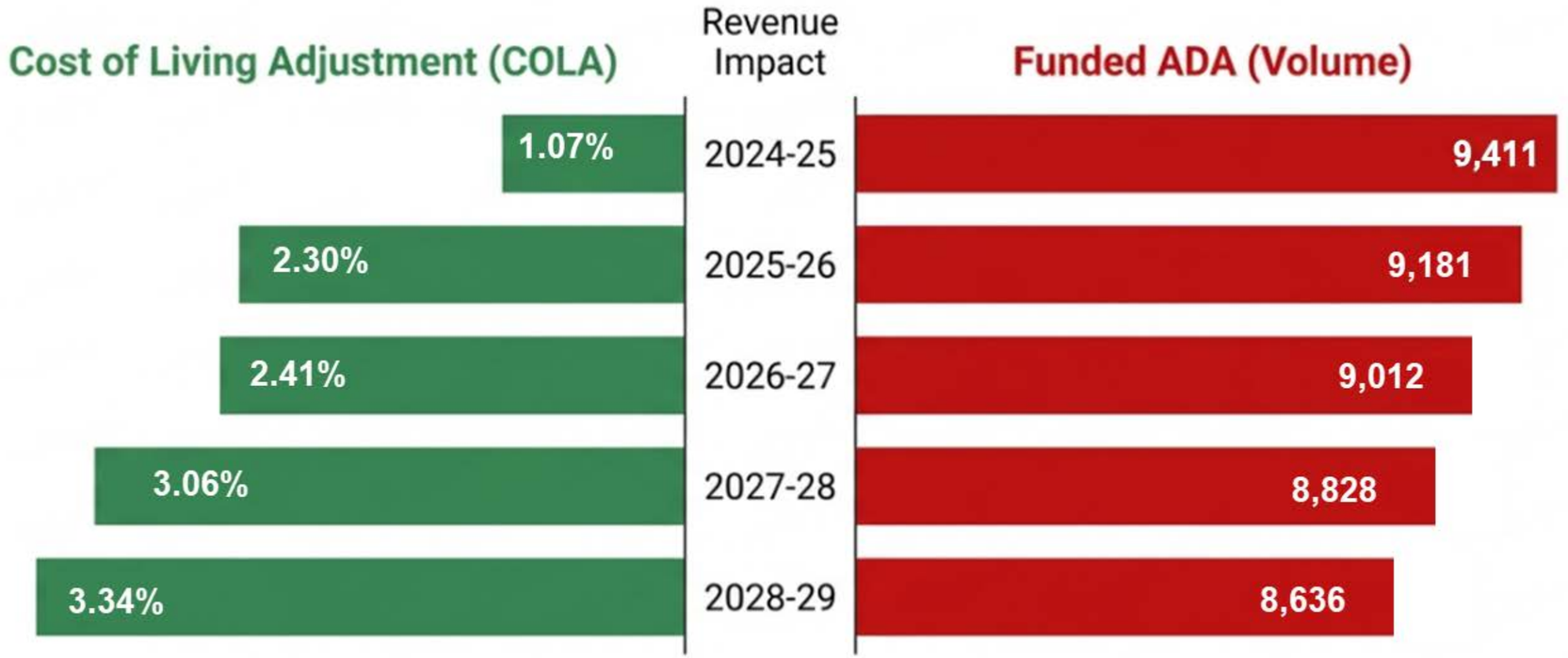
Unduplicated Pupil Percentage (UPP)



- **Consistent 2% annual enrollment loss So, the sustained enrollment decline creates a permanent reduction in funding capacity.**

- **High-need students are also declining, reducing supplemental and concentration grant funding.**

State Cost of Living Adjustments (COLA) vs. Funded ADA



[Higher Rates (COLA)] × [Lower Volume (ADA)] = [Flat Revenue]

While COLA rises from 1.07% in FY 2024-25 to 3.34% in FY 2028-29, the number of funded students drops by nearly 775 funded ADA in the same period, offsetting the financial benefit.



2025–26 General Fund Second Interim Summary

General Fund (in thousands)	Unrestricted	Restricted	Total
Revenues	$ 151,433	$ 47,949	$ 199,382
Expenditures	148,492	97,492	245,985
Other Financing Uses (Transfers out & Contributions)	(39,683)	39,683	0
Net Increase (Decrease) in Fund Balance	$ (36,741)	$ (9,861)	$ (46,602)
Beginning Fund Balance	86,339	39,534	125,873
Ending Fund Balance	$ 49,598	$ 29,673	$ 79,271
Ending Balance Components			
Revolving Cash and Stores	$ 2,425	$ 0	$ 2,425
Restricted		29,673	29,673
Reserve for Economic Uncertainty	7,380	0	7,380
Committed Funds:			
Deferred Facilities	5,000	0	5,000
Projected Deficit Spending	30,000	0	30,000
Unassigned Fund Balance	4,793	0	4,793
Ending Fund Balance	$ 49,598	$ 29,673*	$ 79,271

*Restricted fund balances are restricted for specific expenditure requirements.
**Amounts are presented in thousands; totals may not sum due to rounding.



Multi-Year Projection (MYP) Summary

General Fund (in thousands)	2025-26 - Interim			2026-27 Projected			2027-28 Projected		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Total Revenues	$ 151,433	$ 47,949	$ 199,382	$ 151,030	$ 41,126	$ 192,155	$ 151,751	$ 41,142	$ 192,893
Total Expenditures	(148,492)	(97,492)	(245,985)	(132,893)	(86,221)	(219,114)	(122,797)	(86,166)	(208,963)
Contributions	(39,683)	39,683	-	(39,488)	39,488	-	(40,188)	40,188	-
Beginning Fund Balance	86,339	39,534	125,873	49,598	29,673	79,271	28,247	24,065	52,312
Ending Fund Balance as of FY 25-26 2nd Interim	$ 49,598	$ 29,673	$ 79,271	$ 28,247	$ 24,065	$ 52,312	$ 17,014	$ 19,229	$ 36,242
Ending Fund Balance as of FY 25-26 1st Interim	$ 48,438	$ 33,726	$ 82,165	$ 30,227	$ 28,794	$ 59,021	$ 20,845	$ 26,092	$ 46,937

- The MYP shows the General Fund ending balance stays positive but drops from **$125.9M (FY 2024–25)** to **$36.2M (FY 2027–28)**, mainly due to increased contributions, especially **Special Education (6500)** and **Restricted Maintenance (8150),** that erode unrestricted reserves.
- Compared with **1st Interim**, **2nd Interim** reduced the projected ending balances by about **$2.9M (FY 25–26)**, **$6.7M (FY 26–27)**, and **$10.7M (FY 27–28)**.

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1st Interim and 2nd Interim Comparison

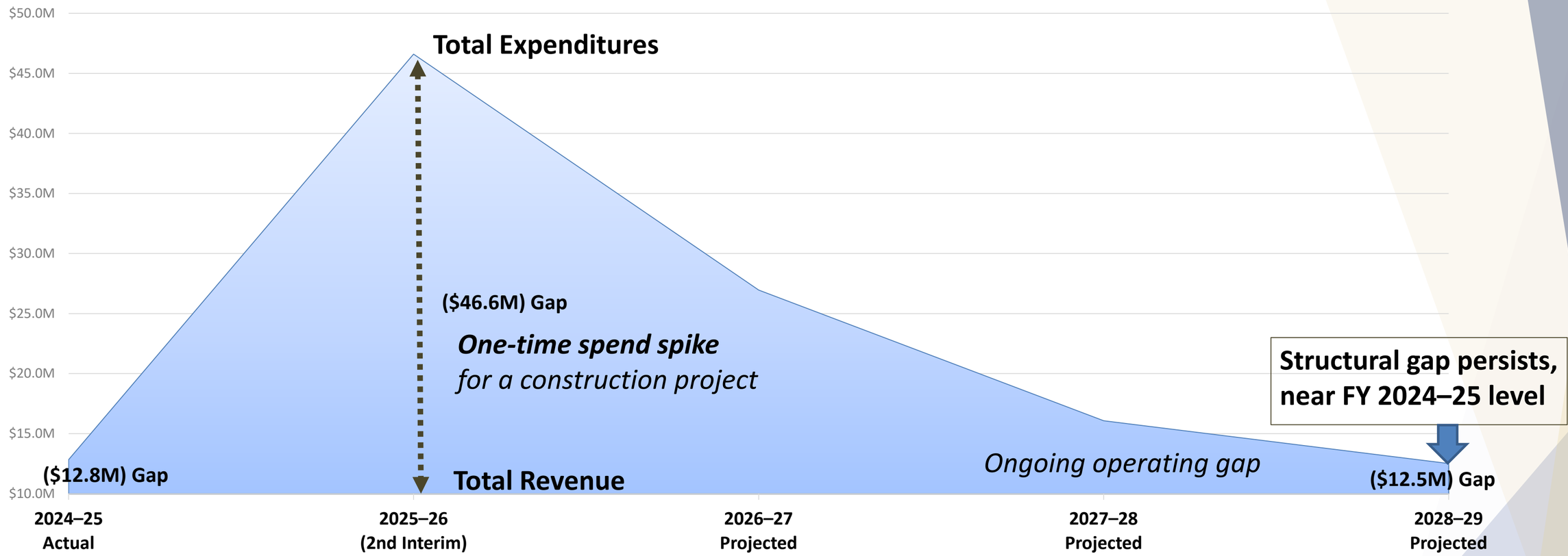
General Fund (in thousands)	Object Code	2025-26 - 1 st Interim			2025-26 - 2nd Interim			Difference 1st Interim vs. 2nd Interim		
		Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
LCFF/Revenue Limit Sources	8010-8099	$ 142,517	$ 637	$143,155	$ 141,908	$ 637	$ 142,545	$ (610)	$ -	$ (610)
Federal Revenues	8100-8299	-	7,823	7,823	-	7,823	7,823	-	-	-
Other State Revenues	8300-8599	3,715	34,955	38,670	4,021	34,968	38,990	306	13	320
Other Local Revenues	8600-8799	5,505	4,520	10,025	5,505	4,520	10,025	-	-	-
Total Revenues		**$ 151,737**	**$ 47,936**	**$199,672**	**$ 151,433**	**$ 47,949**	**$ 199,382**	**$ (303)**	**$ 13**	**$ (290)**
Certificated Salaries	1000-1999	59,611	21,690	81,302	59,453	20,912	80,365	(159)	(778)	(936)
Classified Salaries	2000-2999	17,015	10,155	27,170	17,022	9,767	26,789	7	(389)	(381)
Employee Benefits	3000-3999	33,867	19,375	53,243	33,867	19,015	52,882	-	(361)	(361)
Books and Supplies	4000-4999	3,267	7,616	10,883	3,044	9,930	12,974	(223)	2,314	2,091
Services, Other Operating Expenses	5000-5999	18,125	28,334	46,459	18,365	31,718	50,082	240	3,383	3,623
Capital Outlay	6000-6999	21,297	3,248	24,546	19,965	3,148	23,114	(1,332)	(100)	(1,432)
Other Outgo	71,72,74xx	75	-	75	75	-	75	-	-	-
Transfers - Indirect and Direct Costs	7300-7399	(3,303)	3,006	(296)	(3,299)	3,002	(296)	4	(4)	-
Total Expenditures		**$ 149,955**	**$ 93,426**	**$243,381**	**$ 148,492**	**$ 97,492**	**$ 245,985**	**$ (1,463)**	**$ 4,067**	**$ 2,604**
Excess (Deficiency)		**$ 1,782**	**$ (45,490)**	**$ (43,708)**	**$ 2,941**	**$ (49,544)**	**$ (46,602)**	**$ 1,159**	**$ (4,053)**	**$ (2,894)**

Key changes included:

- A decrease of $0.6M in total LCFF revenues due to a decline in the unduplicated pupil percentage (UPP).
- An increase of $2.3M in Books and Supplies (primarily textbook adoption) and $3.4M in Services and Other Operating Expenses, mainly for after-school programs and professional development contracts funded by restricted resources.
- A decrease of $1.4M in capital outlay due to the delayed capital projects (shifted to FY 26-27).

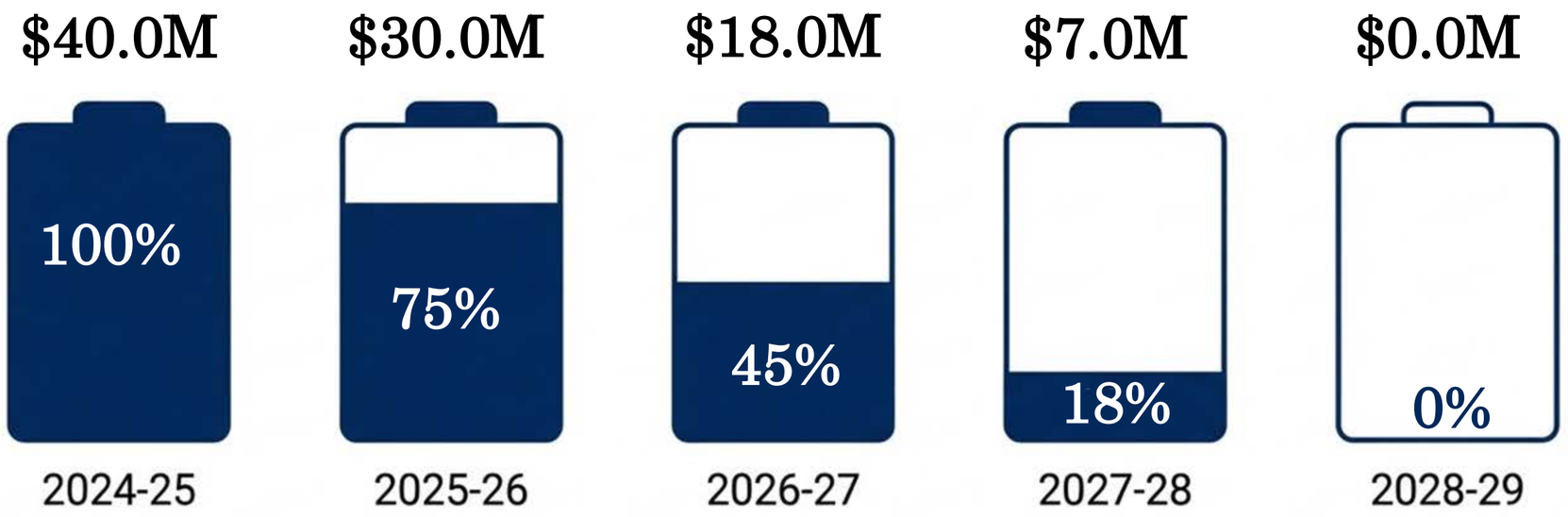
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Structural Deficit



- **Operational Deficit**: Cost of maintaining current service levels exceeds LCFF income.
- **Structural Deficit:** A persistent gap remains between ongoing operating revenues and expenditures. While expenditures decline in later years due to the removal of one-time capital/major project costs, the ongoing structural gap remains.

Committed Reserve: Deficit Spending Reserve



Fiscal Sustainability & Reserve Depletion

- The Board set aside a specific fund ($40M) from FY 2024-25 to manage a deficit spending scenario. We are currently using those savings to maintain programs while the district reviews expenditure patterns.

Required 3% Reserve for Economic Uncertainties

Fiscal Year (in millions)	Total Expenditures	3% Requirement	Status	Unassigned Balance
2024-25	$220.40	$6.61	✓Met	$12.87
2025-26 Second Interim	245.98	7.38	✓Met	4.79
2026-27	219.11	6.57	✓Met	1.24
2027-28	208.96	6.27	✓Met	1.32

While we meet the minimum state requirement, our buffer for unexpected costs (Unassigned Fund Balance) drops from $12.87M for FY 2024-25 to a lowest unassigned balance of $1.24M in FY 2026-27, remaining at $1.32M in FY 2027-28.



Next Steps

Budget Planning Cycle 2026

January 2026

2024-2025 Audit Report presentation at January 2026 Board meeting

February - March 2026

Fiscal Services Prepares Allocation of Budget Based on the Governor's Budget Release

March 2026

Sites and Departments Develop their Budgets

May 2026

State Budget Revision from the Governor; Budget Information Presented to the Board

June 2026

Approve the 2025-2026 Estimated Actuals

January 2026

Governor Releases Budget Proposal

March 2026

Present the 2025-2026 **Second Interim** Update at the March 2026 Board meeting

April 2026

Fiscal Services compiles all Budgets to Develop the **Proposed Budget** for the District

June 2026

Public Hearing on LCAP and Budget; Adoption of LCAP and Proposed Budget for FY 2026-27 at June 2026 Board meeting



Questions?

