

Santa Rosa City Schools (SRCS)

Executive Financial Report: 2026–27 45-Day Budget Update

Date: August 12, 2026

Executive Summary

In accordance with California Education Code Section 42127(h), Santa Rosa City Schools has prepared the 45-Day Budget Update following the passage of the 2026–27 California Enacted State Budget. This update reconciles the district's 2026–27 Adopted Budget with new statutory requirements, adjusted revenue formulas, and updated local expenditure commitments.

The primary net impact of the 45-Day Revision is a significant boost to the district's fiscal stability. Driven by a \$2.44M increase in LCFF investment and a \$4.6M increase to the Special Education base rate, the combined unrestricted reserve projection increases from **\$8,646,707 (3.65%)** at budget adoption to **\$14,030,856 (5.88%)**.

Legislative Context & Annual Budget Cycle

California legislative mandates establish a formal, multi-stage timeline for annual budget formulation and district-level compliance:

- **January 10:** The Governor is required to present the preliminary state budget proposal for the ensuing fiscal year.
- **May 14:** Release of the "May Revision," providing updated fiscal projections based on current economic trends.
- **June 15:** Constitutional deadline for the California State Legislature to approve the budget bill.
- **Executive Ratification:** Upon legislative approval, the Governor maintains a 12-day window to sign the legislation into effect.
- **The 45-Day Revision Requirement:** Per Education Code Section 42127(h), LEAs must disclose any substantial fiscal adjustments within 45 days of the Governor's enactment of the Budget Act.

For the 2026–27 fiscal cycle, Governor Newsom ratified the State Budget on June 29, 2026. This triggered a statutory deadline of **August 13, 2026**, for local reporting. By submitting this update on August 12, 2026, SRCS has successfully fulfilled its legal obligations ahead of the mandated schedule.

State Enacted Budget

Overall, the Budget Act maintains most of the proposals included in the May Revision, preserves ongoing funding priorities, and provides for significant one-time investments in K-12 education and policy changes.

Proposition 98

The enacted budget creates a \$3.9 billion settle-up for 2025-26 because the guarantee exceeds the amount appropriated. This is similar to the May revision proposal; however, the enacted budget includes a formula to begin paying on the settlement (into the Proposition 98 rainy day fund) if 2027-28 May revision revenues exceed 2026-27 enacted budget revenues.

If this amount was distributed to schools on a per ADA basis the impact to SRCS would be: Based on the district's relative share of statewide Average Daily Attendance (ADA), SRCS's theoretical proportionate interest in the \$3.9 billion Proposition 98 settle-up is estimated at **\$7.2 million to \$7.5 million**, excluding dependent charter schools. However, this settle-up does not constitute a direct allocation. Under the enacted budget, future payments are subject to a formula that prioritizes deposits into the state Proposition 98 rainy day fund based on specific revenue conditions. Consequently, no related revenue should be incorporated into the SRCS budget until the state authorizes a formal appropriation and establishes a definitive allocation methodology.

Key Revenue & State Funding Adjustments

1. Local Control Funding Formula (LCFF) Expansion

The State Budget incorporates an additional 1.44% investment into the LCFF. The funding to help school employers absorb the costs of providing up to 14 weeks of paid pregnancy disability leave is directly incorporated into the 1.44% additional Local Control Funding Formula (LCFF) investment. Multi-year revenue projections for SRCS and its charter schools are detailed below:

Entity	2026-27	2027-28	2028-29
Santa Rosa City Schools	\$2,444,743	\$2,471,443	\$2,456,110
Santa Rosa Charter School for the Arts	\$67,071	\$69,462	\$71,613

Santa Rosa French-American Charter	\$103,715	\$107,281	\$110,548
Cesar Chavez Language Academy	\$170,722	\$176,838	\$182,307
Santa Rosa Accelerated Charter	\$19,447	\$20,224	\$20,877

2. Special Education Base Rate Increase

The state boosted the Special Education base funding rate to **\$1,340 per Average Daily Attendance (ADA)**. Based on SoCo SELPA projections, SRCS expects the following sustained revenue growth, as currently structured:

- **2026–27:** \$4,600,000
- **2027–28:** \$4,751,800
- **2028–29:** \$4,898,631

This revenue will result in a reduction in the projected contribution to restricted funds from the unrestricted general fund.

3. One-Time & Ongoing Categorical Grants

- **Student Support & Professional Development Discretionary Block Grant:** Provides ~\$930 per ADA based on 2025–26 P2 figures, yielding **\$10,433,335** for SRCS (11,219 ADA) and **\$1,598,159** distributed across partner charters. Districts with declining enrollment must hold a public hearing on mitigation plans (e.g., closures/consolidations) and ensure employees incur no costs for induction or PD through June 30, 2032.
 - **Prohibition of Fees:** Prohibits LEAs from charging employees for professional development or beginning teacher induction program costs during the grant period.
 - **Declining Enrollment Hearings:** LEAs experiencing or projecting declining enrollment within five years must hold a public hearing to evaluate enrollment impacts, including potential site closures or consolidations.

	2025-26 P2 - ADA	~\$930 per ADA	Estimated Proceeds
Santa Rosa City Schools	11,219	\$930	\$10,433,335
Santa Rosa Charter School for the Arts	350	\$930	\$325,770
Santa Rosa French-American Charter	521	\$930	\$484,670
Cesar Chavez Language Academy	723	\$930	\$672,492
Santa Rosa Accelerated Charter	124	\$930	\$115,227

- Community Schools Funding (Ongoing):** Allocates **\$3,210,000** annually to SRCS sites based on Unduplicated Pupil Percentage (UPP) thresholds. Fully funded comprehensive high schools receive \$305,000 annually. This now after two previous related one-time grants is now ongoing funding for Community Schools.
 - Eligible schools are schools with Unduplicated Pupil Percentage $\geq 65\%$. Annual funding levels will be determined by the number of students at eligible schools, with statutory COLA added starting in 2027-28 as follows:

School Site Enrollment	Funding
10 to 24	\$75,000
25 to 150	\$115,000
151 to 400	\$190,000
401 to 1,000	\$230,000
1,001 to 2,000	\$305,000
2,000+	\$400,000

	26-27 Projected Enrollment	26-27 Projected Total Unduplicated FRPM/EL Eligible Count	Projected 26-27 % Unduplicate d Pupil Count to Enrollment	26-27 Annual Funding Level
ELEMENTARY SCHOOLS				
Abraham Lincoln Elementary	342	331	96.78%	\$190,000
Helen M. Lehman Elementary	621	580	93.40%	\$230,000
Hidden Valley Elementary	640	315	49.22%	\$0
James Monroe Elementary	539	502	93.14%	\$230,000
Luther Burbank Elementary	459	425	92.59%	\$230,000
Proctor Terrace Elementary	449	294	65.48%	\$230,000
SECONDARY SCHOOLS				
	26-27 Projected Enrollment	26-27 Projected Total Unduplicated Pupil Count (UPP)	Projected 26-27 % UPP to Enrollment	26-27 Annual Funding Level
Elsie Allen High	910	836	91.87%	\$230,000
Montgomery Junior High Program (Previously Slater) @ Montgomery High	472	376	79.66%	\$230,000
Piner Junior High Program (Previously Comstock) @ Piner High	354	328	92.66%	\$190,000
Maria Carrillo High	1,488	677	45.50%	\$0
Montgomery High	1,156	811	70.16%	\$305,000
Piner High	1,529	1,228	80.31%	\$305,000
Ridgway High (Continuation)	208	162	77.88%	\$190,000
Rincon Valley Middle	712	312	43.82%	\$0
Santa Rosa High	1347	891	66.15%	\$305,000
Santa Rosa Junior High Program (Previously Santa Rosa Middle) @ Santa Rosa High	459	386	84.10%	\$230,000
Santa Rosa City Schools	From above Elem & High Sites			\$3,095,000

CHARTER SCHOOLS	26-27 Projected Enrollment	26-27 Projected Total Unduplicated Pupil Count (UPP)	Projected 26-27 % UPP to Enrollment	26-27 Annual Funding Level
Santa Rosa French American Charter	544	245	45.04%	\$0
Cesar Chavez Language Academy	763	663	86.89%	\$230,000
Santa Rosa Charter School for the Arts	375	200	53.33%	\$0
Accelerated Charter Schools	128	34	26.56%	\$0

- **Learning Recovery Emergency Block Grant (LREBG):** Full state restoration of prior recoveries. SRCS receives **\$1,359,127** in restored funding for 2026–27, bringing remaining state obligations to \$0.

	2021-22 ADA x UPP	2022–23 Allocation	2022–23 Revised Allocation	2022-23 Amount State Took Back	FY 2025-26 Total Allocatio n	FY 2026-27 Total Allocation	Amount State Has Left to Give Back
Santa Rosa City Schools	5,953	\$14,264,335	\$12,222,556	\$2,041,779	\$682,652	\$1,359,127	\$0
Santa Rosa Charter School for the Arts	139	\$332,720	\$285,096	\$47,624	\$15,923	\$31,701	\$0
Santa Rosa French-American Charter	99	\$238,099	\$204,017	\$34,082	\$11,395	\$22,687	\$0
Cesar Chavez Language Academy	547	\$1,311,472	\$1,123,749	\$187,723	\$62,763	\$124,960	\$0
Santa Rosa Accelerated Charter	14	\$34,024	\$29,154	\$4,870	\$1,628	\$3,242	\$0

- **Reading Difficulties Risk Screening:** One-time allocation of ~\$35.75 per K–2 student, providing **\$45,224** to SRCS (1,265 students) and additional funds to charters.

	2026-27 Projected K-2 students	~\$35.75 per K-2 student	Estimated Proceeds
Santa Rosa City Schools	1,265	\$35.75	\$45,224
Santa Rosa Charter School for the Arts	116	\$35.75	\$4,147
Santa Rosa French-American Charter	288	\$35.75	\$10,296
Cesar Chavez Language Academy	245	\$35.75	\$8,759
Santa Rosa Accelerated Charter	0	\$35.75	\$0

- **Literacy Coaches & Reading Specialists:** Abraham Lincoln Elementary will receive **\$450,000** in 2026–27, joining Helen M. Lehman Elementary (\$553,290 in 2025–26). The encumbrance window extended through June 30, 2031.

	Fiscal Year 2022-23	Fiscal Year 2023-24	Fiscal Year 2025-26	Fiscal Year 2026-27
Who is eligible to receive Literacy Coaches and Reading Specialists funds	Elementary with greater than UPP 97% for pupils enrolled in kindergarten and grades one to three	Elementary with greater than UPP 95% for pupils enrolled in kindergarten and grades one to three	Elementary with greater than UPP 94% for pupils enrolled in kindergarten and grades one to three	Assume Elementary with greater than UPP 93% for pupils enrolled in kindergarten and grades one to three
How long have to spend the funds	Funds are available for encumbrance through June 30, 2027	Funds are available for encumbrance through June 30, 2028	Funds are available for encumbrance through June 30, 2029	Extends encumbrance window to June 30, 2031, for existing and new funds
	\$0	\$0		
Helen M. Lehman Elementary			\$553,290	
Abraham Lincoln Elementary				\$450,000

- **California PreKindergarten (UPK) Planning & Implementation:** In order to receive these funds we must:
 - Offer TK to all eligible pupils
 - Offer full-day TK at school sites with a kindergarten program
 - Commit to planning with the local planning counsel, tribes, CSPP, and Head Start providers in the region
 - SRCS does not offer full day TK and instead invests in providing a shortened TK and uses the remaining time in the day for teacher preparation and academic intervention. We currently see this as the best practice for the success of our students.
 - The potential proceeds could be **\$183,310** to SRCS with an encumbrance deadline of June 30, 2032.
 - The ongoing cost of providing full day TK/K would also exceed this potential allocation of one-time funds.
- **Kitchen Infrastructure & Training (KIT):** Enacted State Budget includes funding schools for a one-time appropriation for the Kitchen Infrastructure and Training program and makes changes to how the funds are to be awarded.
 - Funding is no longer distributed as a competitive grant, but rather will be allocated using criteria established by the CDE with an encumbrance date of June 30, 2030. When the funding allocation method is known by and provided to schools by the CDE, we will provide the amount SRCS can project to receive.
- **Educator Workforce Investments in 2026-27 Enacted Budget. The Enacted Budget revisits existing programs and creates a new one:**

Grant Program	Timeline	Administering Body	Terms	Current Status
Student Teacher Stipend Program	NEW (First year of active distribution in 2026–27)	Commission on Teacher Credentialing (CTC)	Apply on behalf of eligible candidates to receive stipends until funds are exhausted	New
Teacher Residency Grant Program	CONTINUING	Commission on Teacher Credentialing (CTC)	Submit competitive partnership proposals alongside CTC-approved teacher preparation programs.	SRCS is current grant holder of these funds
Bilingual Teaching Pathways Program	CONTINUING	California Dept. of Education	Local Application Process administered through grantee school districts, County Offices of Education, or university partnerships to	SRCS is current grant holder of these funds

			address bilingual teacher shortages.	
Classified School Employee Teacher Credentialing Program	CONTINUING	Commission on Teacher Credentialing (CTC)	Administered by the CTC since 2016 to support school staff earning teaching credentials	SRCS has no current participants

- **Other State Restricted Grants in 2026-27 Enacted Budget**

- The enacted State Budget includes \$116 million in one-time funds for grants to **Increase identification of and improve outcomes for students experiencing homelessness** (an increase from the \$30 million proposed in the May revision). This is a competitive grant.
- The enacted State Budget includes \$100 million (one-time) for the new **California's New Americans in Schools Program (CalNAS)** and \$75 million (one-time) for the **Dream Resource Center Grant Program**. These are both competitive grants.
- The enacted State Budget includes a one-time increase of \$50 million (from \$60 million proposed in the May revision) to expand the **Mathematics Professional Learning Program** beyond its current expiration date of June 30, 2029. California Department of Education awards the funds to a regional Lead County Office of Education.

Local Operational & Cost Adjustments

The 45-day revision is also an opportunity to update expenditures that may have changed since budget adoption.

- **Paid Pregnancy Disability Leave**

- Beginning January 1, 2027, district-funded pregnancy leave (up to 14 weeks / 70 days) introduces new financial obligations. The funding to help school employers absorb the costs of providing up to 14 weeks of paid pregnancy disability leave is directly incorporated into the 1.44% additional Local Control Funding Formula (LCFF) investment. A spouse or partner cannot claim pregnancy disability leave (which covers the physical recovery from pregnancy and childbirth). Assuming a 3% leave rate (~35 leaves for SRCS), expenditure impact models are as follows:

- **2026–27 (1/1/2027 start):** \$428,750
- **2027–28 & 2028–29 (Full Year):** \$857,500 annually

	Estimated Leaves: Education typically 3% annual pregnancy leave rate	Substitute Cost (approximate w/ benefits)	Up to 14 weeks (70 Days) fully paid by district	2026-27 Potential New Cost w/ 1/1/2027 start	2027-28 Potential New Cost 7/1/2027 start	2028-29 Potential New Cost 7/1/2028 start
Santa Rosa City Schools	35	\$350	70	\$428,750	\$857,500	\$857,500
Santa Rosa Charter School for the Arts	1	\$350	70	\$12,250	\$24,500	\$24,500
Santa Rosa French-American Charter	1	\$350	70	\$12,250	\$24,500	\$24,500
Cesar Chavez Language Academy	2	\$350	70	\$24,500	\$49,000	\$49,000
Santa Rosa Accelerated Charter	1	\$350	70	\$12,250	\$24,500	\$24,500

- **Expenditure Adjustments (Unrestricted & Restricted)**

- **CSEA Chapter 75 MOU #3 (Classified Layoff Agreement):** Fund 01
Unrestricted: \$178,036
- **CSEA Chapter 75 MOU #4 (100 Hrs Extra Work at New Jr/Sr Sites):** Fund 01
Unrestricted: \$4,357
- **Santa Rosa Teachers Association (SRTA) MOU/TA:** Fund 01 Unrestricted: \$428,319
- **Board Bylaw 9250 (Remuneration & Benefits):** Fund 01 Unrestricted: \$122,973
- **Reinstatement of Calendar Work Days:** Fund 01 Unrestricted: \$135,000
- **Special Services Restructure & SELPA Formation Prep:** Fund 01 Unrestricted: \$250,000
- **California Senate Bill 122 (SB 122)** is a major budget trailer bill signed into law on June 29, 2026, that expands California's sales and use tax base to include digital prewritten software and Software-as-a-Service (SaaS). Effective January 1, 2027, California's 7.25% statewide sales tax (plus local district taxes 2.75%) applies to software downloaded electronically or accessed remotely in the cloud, marking a major change in state tax policy: Fund 01 Unrestricted: \$113,159; Fund 01 Restricted: \$65,894.

Financial Outlook & Reserve Analysis

California state law enforces a **10% maximum local reserve cap** (combined Fund 01 and Fund 17 assigned/unassigned) for 2026–27, while maintaining a **3% mandatory minimum reserve**.

2026–27 General Fund 01 Unrestricted Reserve Reconciliation	
Adopted Budget Unrestricted Ending Balance (Fund 01):	\$8,001,906
Special Reserve / Economic Uncertainty (Fund 17):	\$644,801
INITIAL COMBINED UNRESTRICTED RESERVE:	\$8,646,707
INITIAL COMBINED UNRESTRICTED RESERVE as a %:	3.65%
(+) LCFF 1.44% Add-on: +	\$2,444,743
(+) Special Education Base Rate Increase: +[cite: 1]	\$4,600,000
(-) Paid Pregnancy Leave (Half-Year): [cite: 1]	-\$428,750
(-) Labor MOUs & Agreements (CSEA & SRTA): [cite: 1]	-\$610,712
(-) Reinstatements, Bylaw 9250 & SELPA Prep: [cite: 1]	-\$507,973
(-) California Senate Bill 122 (SB 122)	-\$113,159
REVISED POTENTIAL UNRESTRICTED COMBINED RESERVE:	\$14,030,856
REVISED POTENTIAL UNRESTRICTED COMBINED RESERVE as %:	5.88%

One-Time Funds Compared with Ongoing Funds

The most important distinction is whether revenue is expected to repeat. **Ongoing revenue** is built into the funding structure and is expected to continue, subject to enrollment, attendance, statutory formulas, and future **State Budgets**. **One-time revenue** is provided once or for a defined grant period and then ends. A multi-year spending deadline does not convert a one-time grant into ongoing revenue; it only provides more time to use the finite allocation.

Examples of ongoing changes in this update include the additional LCFF investment, the higher special education base rate, and eligible community schools funding. These sources can support recurring services only after the District accounts for enrollment trends, cost escalation, statutory requirements, and the possibility that future state budgets may change funding levels.

Examples of one-time resources include approximately **\$10.433 million** for the **Student Support and Professional Development Discretionary Block Grant**, approximately **\$1.359 million** in restored **Learning Recovery Emergency Block Grant** funding, approximately **\$45,224** for reading-difficulties screening implementation, and an anticipated but not yet determined **kitchen infrastructure and training allocation**. Each carries its own allowable uses, deadlines, and reporting requirements.

A prudent spending plan matches the life of the expense to the life of the revenue:

- Appropriate one-time uses include equipment, curriculum adoption, facilities or technology improvements, start-up and transition costs, temporary positions with explicit end dates, professional development, and paying down defined liabilities.
- Higher-risk uses include permanent positions, continuing salary enhancements, or recurring contracts that will remain after the grant is exhausted unless a separate ongoing funding source is identified.
- When one-time restricted funds pay an eligible cost that would otherwise be paid from unrestricted funds, they can temporarily preserve unrestricted resources. This is useful, but the savings should not be mistaken for a permanent increase in annual revenue.

Restricted and Unrestricted Funds in Lay Terms

Restricted funds are dollars received with instructions attached. The law, grant agreement, donor, or funding agency identifies who may benefit, what may be purchased, when the money must be spent, and what records must be maintained. Money restricted for literacy, nutrition equipment, special education, or a particular student group cannot simply be redirected to an unrelated general operating need, even if cash is physically held in the same county treasury account.

Unrestricted funds are the District's more flexible operating dollars. They pay for the core costs of running schools, including salaries, utilities, insurance, supplies, and services. "Unrestricted" does not mean "without accountability." The Board must still adopt a balanced budget, comply with collective bargaining agreements and law, maintain required reserves, and demonstrate through the LCAP that supplemental and concentration grant funds increase or improve services for unduplicated students.

Three related terms should not be confused:

- Fund balance is an accounting measure of resources remaining after liabilities and commitments are considered.
- Reserve is the portion of fund balance set aside to protect against uncertainty and help the District remain solvent.
- Cash is the money actually available in the treasury on a particular day. A district can report a positive year-end fund balance and still have negative cash during the year because revenues arrive later than expenditures must be paid.

Why SRCS Relies on the Sonoma County Treasury Line of Credit

SRCS's cash-flow need is primarily caused by the timing of LCFF funding and local property tax receipts. As a property-tax-supported district, SRCS receives a significant share of LCFF entitlement through local property taxes rather than in equal monthly state payments. Property taxes are collected and distributed on a schedule tied to the December and April taxpayer installments. Payroll, benefits, transportation, utilities, special education services, and vendor

obligations continue throughout the year regardless of that collection schedule.

The July-through-December period is the most difficult. The 2025-26 Fund 01 cash-flow report shows beginning July cash of approximately \$16.85 million. Cash remained positive at the end of July but became approximately negative \$7.23 million in August, negative \$20.05 million in September, negative \$25.34 million in October, and negative \$38.71 million in November. December included approximately \$72.54 million in property tax receipts and ended with approximately \$31.39 million in positive cash. Cash again declined through March and was replenished by approximately \$49.90 million in April property taxes.

Month-end, 2025-26	Fund 01 ending cash	What the pattern shows
July	\$11.70 million	Opening cash is being used
August	(\$7.23 million)	Borrowing need begins
September	(\$20.05 million)	Payroll/operations exceed receipts
October	(\$25.34 million)	Timing gap expands
November	(\$38.71 million)	Observed annual low point
December	\$31.39 million	Large property tax distribution received
March	\$0.39 million	Cash nearly exhausted again
April	\$37.74 million	Second major property tax distribution received

The county treasury credit arrangement allows valid warrants and operating obligations to be paid during this predictable low-cash period and is repaid as property tax and other revenue arrive. California Education Code section 42620 authorizes temporary county transfers when a district lacks sufficient money before receipt of state or local funds, subject to statutory limits and repayment from the first accruing moneys. The Sonoma County Treasury also serves as custodian and investment pool for school district funds.

Line of Credit Compared with a TRAN

A Tax and Revenue Anticipation Note (TRAN) is a short-term, interest-bearing note issued in anticipation of revenues expected later in the fiscal year. Both tools address timing; neither supplies ongoing budget revenue. For SRCS's current pattern, the county line of credit offers several practical advantages:

- Borrowing can generally track the actual cash deficit rather than requiring the District to issue the full projected amount at the beginning of the year.
- Interest is associated with the amount and period actually borrowed, reducing negative arbitrage—the risk of borrowing more or earlier than needed and investing the proceeds at a lower yield than the borrowing cost.
- The arrangement avoids a separate public debt issuance, including financing documents, legal and disclosure work, ratings or credit review, trustee or paying-agent functions, and issuance costs.
- Repayment aligns directly with revenue deposited into the county treasury, making the

mechanism operationally simple and transparent for a timing gap driven by December and April property taxes.

A TRAN can still be useful when a district needs a committed amount that exceeds available county liquidity, wants fixed market access independent of discretionary county transfers, or determines that market pricing and investment earnings make the total cost advantageous. A TRAN, however, requires advance cash-flow sizing, formal issuance and repayment within the applicable fiscal-year framework, and exposes the District to issuance cost and market-rate risk. The California Department of Education describes TRANs as short-term interest-bearing notes repaid from later tax revenues and notes that they are typically available only within the fiscal year.

Liquidity Needed to Avoid the Line of Credit

Using the **2025-26** actual cash pattern as a planning proxy, **SRCS** would have needed approximately **\$38.71 million** of additional liquid cash available by the end of **November** to keep **Fund 01** at or above zero throughout the year. Because **July** began with approximately **\$16.85 million** of cash, the same revenue and expenditure pattern would require total beginning liquidity of approximately **\$55.56 million** (**\$16.85 million** existing beginning cash plus **\$38.71 million** additional liquidity). This is a liquidity calculation—not a recommendation to hold that amount as unrestricted reserve and not a forecast of the exact **2026-27** borrowing need.

Liquidity measure	Approximate amount	Interpretation
Observed lowest Fund 01 cash balance	(\$38.71 million)	End of November 2025
Additional liquid cash needed to avoid negative cash	\$38.71 million	Minimum based on actual pattern; excludes cushion
Beginning July cash actually available	\$16.85 million	Already embedded in the observed pattern
Beginning liquidity required under same pattern	\$55.56 million	Existing beginning cash plus additional amount
Projected 45-Day combined unrestricted reserve	\$14.14 million	Accounting reserve; not automatically equal to cash
Additional liquidity vs. projected reserve	\$24.57 million	Simple comparison, not a direct accounting reconciliation

The projected \$14.14 million unrestricted reserve equals 5.97% of expenditures and other financing uses. The implied expenditure base is approximately \$236.9 million. The \$38.71 million peak cash deficit is approximately 16.3% of that base. The 2026-27 local reserve cap limits combined assigned and unassigned reserves in Funds 01 and 17 to 10%, or roughly \$23.7 million using the same base. Therefore, even building unrestricted reserves to the 10% cap would not, by itself, cover a cash trough of the size experienced in 2025-26. Other legally available fund cash, authorized interfund borrowing, a TRAN, or the county line of credit would still be necessary unless the timing or amount of receipts and disbursements changes.

It is prudent to also maintain a margin above the mathematical low point for payroll timing, delayed reimbursements, property tax corrections, emergency expenditures, and forecast error. Eliminating borrowing completely would therefore require more than \$38.71 million of additional liquidity. Holding that much idle or committed cash has an opportunity cost: funds maintained solely for the November trough cannot be used for other priorities, and restricted balances cannot be treated as freely spendable reserves. For these reasons, a predictable, low-cost short-term credit facility can be fiscally preferable to accumulating enough unrestricted reserves to self-finance the entire timing gap.

Fiscal Management Considerations

- Adopt a spending plan for each one-time allocation that identifies allowable uses, the encumbrance deadline, the responsible department, and the exit plan for any temporary position or service.
- Avoid adding permanent commitments unless they are supported by clearly identified ongoing revenue after considering declining enrollment, salary and benefit growth, and other mandated costs.
- Update the 2026-27 and 2027-28 month-by-month cash forecast monthly.
- Monitor both budget solvency and cash liquidity. Reserve percentage alone does not demonstrate that sufficient cash will be available each month.

Policy & Other Requirement Updates

Audit Report Requirements & Oversight

- **Selection Deadline:** Moves the annual audit selection deadline for school districts, charter schools, and educational joint powers authorities (JPAs) to May 1.
- **Submission Due Date:** Shifts the annual audit report submission deadline to January 31, with public board review required within 45 days of issuance.
- **Auditor Quality Control:** Commencing in 2027–28, audit partners and staff must complete 16 hours of targeted continuing education every two years to remain on the State Controller's directory of qualified auditors.

California School Dashboard & Differentiated Assistance

- **Three-Year Cycle:** Aligns differentiated assistance identification and support directly with the three-year Local Control and Accountability Plan (LCAP) cycle using three consecutive years of data.
- **Expanded Indicators:** Incorporates Science, English Language Arts (ELA) Growth, and Math Growth into state indicators, with assistance triggered when student groups remain in the lowest performance level across all three years.
- **Student Groups:** Adds an "All Pupils" student group with 30 or more pupils.

California State Preschool Program (CSPP) Policy Shifts

- **Proposition 98 Re-benching:** Shifts non-school-based CSPP programs into Proposition 98.
- **Expanded Eligibility:** Grants CSPP eligibility to children of education agencies employees and expands site eligibility to school sites or district boundaries with 80% or higher unduplicated pupil percentages.
- **Staff Development:** Increases allowable paid staff training days from two to five days annually.

Athletic Coaches Behavioral & Mental Health Training (AB 1665)

- **Training Mandate:** Starting in the 2027–28 school year, high school athletic coaches must complete annual training on student mental health, while other school coaches must complete initial training and refresher courses every two years.

Next Steps

The district's financial baseline will undergo further refinement over the autumn term:

- **September 2026:** Finalization and filing of 2025–26 Unaudited Actuals Financial Report.
- **October 2026:** CALPADS Census Day data collection to establish actual 2026–27 student enrollment and unduplicated pupil counts.
- **December 2026:** Presentation of the **First Interim Financial Report** to the Board, incorporating complete financial projections through October 31, 2026.

Closing

The financial outlook will evolve over the next few weeks as our financial records for 2025–26 are finalized in the unaudited actuals report due by September 15th, actual student enrollments for 2026–27 are known after school has opened, and the staffing assignments are completed. The next current fiscal year financial report, the 2026–27 First Interim, will be presented to the board in December 2026 with complete updated financial projections through October 31, 2026, including all the items included in this 2026–27 45-Day Budget Update.