Budget Update

Fiscal Planning and Legislative Adjustments

August 20, 2026

San Carlos
SCHOOL DISTRICT

Overview

1. 2026-27 Enacted State Budget Update
2. Ongoing Cost Escalation
3. Strategic Reserve Management
4. Next Steps

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2026-27 Enacted State Budget Update

Overview of the June 29, 2026 Signed State Budget

4.31%

Total Investment

Increase (2.87% statutory COLA + 1.44% for Paid Pregnancy Disability Leave and other mitigations).

$3.9B

Prop 98 "Settle-Up"

Approximately $3.9 billion withheld for 2025-26. Repayment is contingent on projected state revenues materializing.

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2026-27 Enacted State Budget Update

Paid Pregnancy Disability Leave (PPDL)

- Implementation delayed to **January 1, 2027**.

2026-27 Student Support and Professional Development Discretionary Block Grant

- Funding increased to **~$915-$930 per ADA**.
- Expenditure limit extended through **6/30/2032**.

California State Preschool Program (CSPP)

- Impact to Prop 98, dependant on overall program growth.

Universal Transitional Kindergarten

- New round of funding. District eligible for $50,000 (min.)

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2026-27 Enacted State Budget Update

Universal Meals

- Fully Funded for 2026-27
- Kitchen Infrastructure and Training Grant IV. District funding TBD

Enhanced Charter School Oversight

- Assembly Bill 126 enacted June 2026 Increased Charter School Authorizer Responsibilities
- Increased LEA Oversight and Auditing of that oversight
- More Realtime oversight. SSC to provide updated fiscal reports

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2026-27 Enacted State Budget Update

Expanded Audit Reporting Requirements

Signed on July 9, 2026, **AB 126 (Chapter 65)** strengthens LEA financial oversight and expands annual audit requirements.

New Audit Filing Deadline

January 31st

Extended from December 15th

Review & Resolution Timeline

Within 45 Days

- **Board Review:** LEA board must review report & exceptions.

By April 15

- **Corrective Actions:** Due from districts/EJPAs to COE, and charters to authorizers.

By May 15

- **Authorizer Certs:** Submit charter school certifications to COE.

By June 15

- **COE Certifications:** Due to CDE and State Controller's Office.

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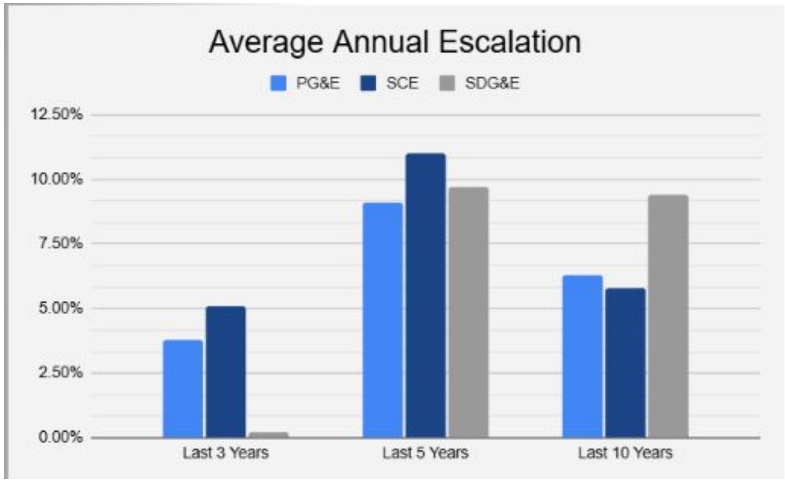
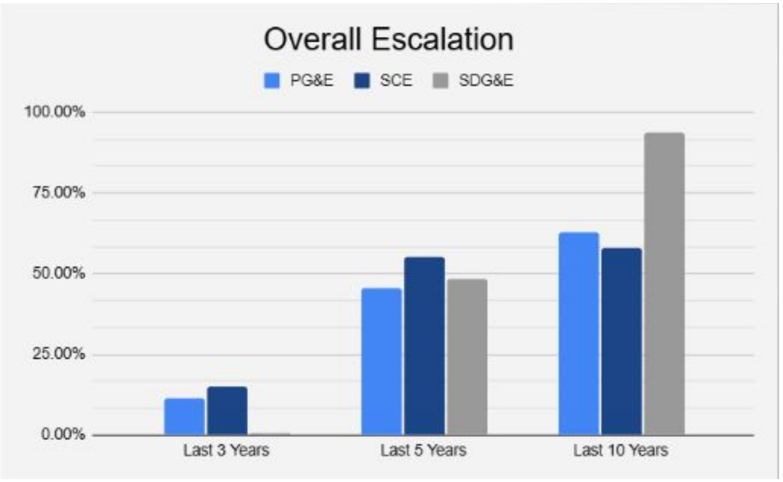
Ongoing Cost Escalation

Utility Escalation

Rising costs across major providers over 3, 5, and 10 years.





Software Tax Impact

SB122: Sales tax on software effective 1/1/27. **~$65K** Estimated Annual Cost

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Strategic Reserve Management

Funding Uncertainties

- The ongoing risk posed by the continued use of a settle-up mechanism, which can result in prior-year apportionment corrections that reduce near-term cash receipts, as well as the State's history of apportionment deferrals during periods of fiscal stress, which have the effect of delaying revenues across fiscal years.

- Districts historical fluctuation between LCFF and Community Funded status, These transitions can affect the timing and methodology of charter school apportionments, creating potential cash flow interruptions that may not be fully captured in current projections.

- Parcel Tax Expiring in 2028

- Risk of federal policy and funding changes

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Strategic Reserve Management

Reserve Cap Requirements (2026-27)

- As a result of the balance in the Public School System Stabilization Account, the statutory limitation on school district reserves will be in effect for the 2026–27 budget period, pursuant to Education Code (EC) Section 42127.01(e)
- Combined assigned/unassigned balances in the General Fund and Special Reserve Fund for Other Than Capital Outlay cannot exceed 10% (EC § 42127).
- **Exemptions:**
  - Basic aid and small school districts (<2,501 ADA) are exempt.
  - County Exemptions Districts can request an exemption for up to two consecutive years by substantiating extraordinary fiscal circumstances.

Recommendations

- Maintain reserves above minimums while committing or allocating funds for known future outflows (i.e. OPEB Trust, Curriculum Implementations, etc.)

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Next Steps

- [ ] **Unaudited Actuals - September 10th, 2026**
- [ ] **Board Budget Study Session - September 24th, 2026**
- [ ] **Budget Stabilization Plan - October 8th, 2026**

  Develop two primary scenarios based on local funding outcomes:

  ### Scenario A

  Parcel Tax Passes.

  ### Scenario B

  Parcel Tax Fails (requires setting aside funds for an off-year election).

- [ ] **Strategic Planning**

  Exploration of OPEB Trust options for long-term stability.

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