

2025-2026 Budget Adoption Narrative
Board Meeting June 26, 2025

Executive Summary

On May 14, 2025, Governor Gavin Newsom released the May Revision to the proposed 2025–26 State Budget. The revision reflects an increase of approximately \$2.9 billion in Proposition 98 funding over the three-year budget window compared to the 2024 Budget Act, but a decrease of \$4.6 billion from the Governor’s January Budget. For 2024–25, the revised budget proposes appropriating \$117.6 billion for education programs, slightly below the calculated Proposition 98 minimum guarantee of \$118.9 billion, in an effort to avoid over-appropriation should revenue projections fall short. The proposed Proposition 98 funding level for 2025–26 is \$114.6 billion, reflecting the state’s intent to maintain stability for TK–12 education amid broader economic uncertainty.

While the May Revision fully funds the COLA and avoids direct cuts to ongoing education programs, this is achieved in part through deferral of \$1.8 billion in LCFF funding from June to July 2026. The Revision also acknowledges significant economic risks that may impact state revenues in the near future. These include the financial fallout from recent wildfires in Southern California, unstable federal tariff policies, inflation, and potential cuts to federal education and Medicaid funding. The state is preparing for a “growth recession” scenario, slower-than-average growth and higher unemployment, but not a full economic downturn. Nonetheless, even a mild recession could result in state revenues falling by as much as \$14 billion compared to current projections.

Ongoing challenges such as declining enrollment, chronic absenteeism, rising pension and utility costs, and the expiration of key block grants within the next few years continue to apply pressure on our local budget. The Government Finance Officers Association (GFOA) recommends maintaining a minimum reserve of two months of general fund operating expenditures (approximately 17%) to absorb fiscal shocks. Dos Palos Oro Loma Joint Unified currently maintains a 16% reserve level for economic uncertainties.

The Annual Budget Cycle

The school district follows an annual budget cycle, starting with the initial budget proposal and proceeding through various review and update stages. At each period, the district updates the budget, certifies its financial condition, presents summaries to the Board of Education, and submits copies to the County Office of Education and the State.

- | | |
|----------------------|---|
| • June 12/26, 2025 | Hearing/Adopted 2025-26 Budget |
| • December 18, 2025 | 1st Interim Budget (Data as of October) |
| • March 19, 2026 | 2nd Interim Budget (Data as of January) |
| • September 17, 2026 | Unaudited Actuals |
| • December 17, 2026 | Audit Report |

District Funds

Operating Funds

The district utilizes operating funds to support its core daily functions and instructional activities. These include the General Fund, which covers the bulk of district operations and the Student Activity Fund.

Capital Funds

Capital funds are reserved for long-term investments in district infrastructure and facilities. These include the Building Fund for construction and modernization, the Capital Facilities Fund for developer fee-supported projects, and the Bond Interest & Redemption Fund for repaying voter-approved debt.

Special Funds

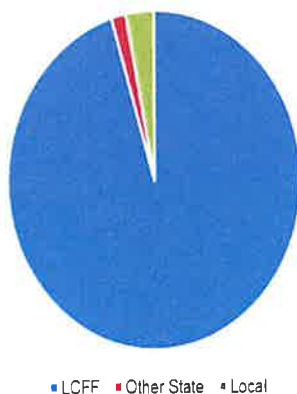
To address specific educational and operational priorities, the district maintains a range of special funds. These include the Adult Education Fund to support lifelong learning programs, the Child Development Fund for early education services, and the Cafeteria Fund to manage nutritional meals for our students.

General Fund Revenues

The Local Control Funding Formula (LCFF) is the primary source of revenue for the school district, accounting for 74% of the General Fund's \$47.8 million in total funding. The LCFF provides a base grant for each of the four grade spans, with the amount determined by the average daily attendance (ADA) of students, rather than total enrollment.

LCFF	74%
Federal	6%
Other State	17%
Local	3%

A significant portion of the LCFF revenue, \$9.8 million, is designated as Supplemental Funds to support the district's educational programs and initiatives.



LCFF

State Aid	\$23,990,255
Education Protection Account	\$4,501,037
Property Taxes	\$6,783,139

Other State

SPED Early Intervention	\$61,000
Lottery	\$416,953
Mandated Costs Block Grant	\$101,613

Local

Interest & Lease	\$828,830
Other Local	\$324,322

Restricted General Fund Revenues

The school district's primary source of restricted revenue, or categorical funds, is from the State. These funds have specific restrictions on how they can be used.

70%	26%	3%
Other State	Federal	Local

Federal		
Title I		\$1,386,415
CSI		\$421,191
SPED IDEA		\$411,936
Other Federal Funding		\$616,028
Other State		
Educator Effectiveness		\$254,009
CA Community Schools Partnership Program		\$1,282,500
Special Education		\$901,586
Prop 28 Arts and Music		\$403,568
Equity Multiplier		\$114,564
Learning Recovery Block Grant		\$784,294
Arts & Music Discretionary Block Grant		\$571,946
Lottery		\$172,914
Golden State Pathways Program		\$113,731
CTIEG		\$162,937
State Mental Health Services		\$173,011
STRS on-behalf		\$1,309,180
Other State		\$1,297,965
Local		
Medical Billing		\$319,226
ROP		\$50,000

CA Community Schools Partnership Program

The California Community Schools Partnership Program (CCSPP) is a state-funded initiative designed to transform schools into community hubs that provide integrated student supports, expanded learning opportunities, family and community engagement, and collaborative leadership. The goal is to improve student outcomes by addressing academic and non-academic barriers to learning, especially in schools serving high percentages of low-income, foster youth, English learners, and other underserved populations.

The California Department of Education (CDE) presented the proposed list of Cohort 4 Implementation Grantees for the California Community Schools Partnership Program (CCSPP) in May 2025. Dos Palos Oro Loma Joint Unified School District was among the grantees included in this proposal. The State Board of Education (SBE) formally approved the list during its May 2025 meeting.

Dos Palos Oro Loma Joint Unified School District is anticipated to be awarded \$6,412,500 over five years through the California Community Schools Partnership Program (CCSPP) Cohort 4 Implementation Grant. As part of the grant requirements, the district must hire key personnel to support the successful implementation of the program. These positions include a community school coordinator, family engagement liaisons, and student support specialists.

The CCSPP grant allows expenditures in several core areas that align with the community school's framework:

- Staffing and coordination, including community school coordinators, mental health professionals, and outreach staff

- Integrated student supports, such as health, mental health, nutrition, and social services designed to remove barriers to learning
- Family and community engagement, through parent workshops, home visits, and the development of advisory councils
- Collaborative leadership and professional development, focusing on training in social-emotional learning (SEL), trauma-informed practices, and restorative justice
- Expanded learning opportunities, including after-school programs, summer enrichment, and student internship experiences

These investments aim to improve academic outcomes and promote whole child development by transforming schools into inclusive, supportive hubs for students and families.

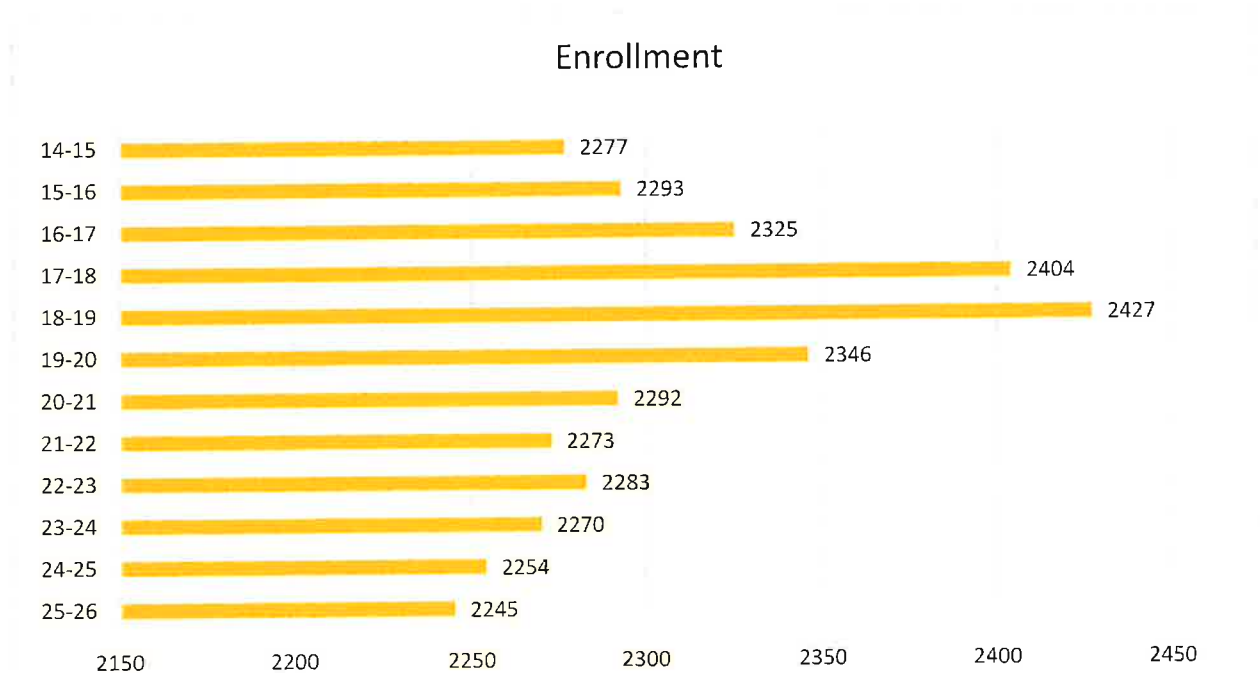
Planning Factors for 2025-26 and Multiyear Projections

When developing the budget and projections, we use the most current information available from the Governor's May Revision and collaborate with School Services of California, FCMAT, and the Legislative Analyst's Office to ensure our estimates reflect the latest guidance and fiscal assumptions.

	<i>Projections 2025-26</i>	<i>Projections 2026-27</i>	<i>Projections 2027-28</i>
Revenues			
LCFF Cost of Living Increase (COLA)	2.300%	3.020%	3.420%
Lottery Unrestricted per ADA	\$191.00	\$191.00	\$191.00
Lottery - Prop 20 per ADA	\$82.00	\$82.00	\$82.00
Mandate Block Grant for Districts - K-8 per ADA	\$39.09	\$40.27	\$41.65
Mandate Block Grant for Districts - 9-12 per ADA	\$75.31	\$77.58	\$80.23
District & COE Enrollment Projection	2,285.00	2,285.00	2,285.00
Unduplicated as % of Enrollment	89.94%	89.95%	89.95%
District ADA to Enrollment %	92.51%	92.51%	92.51%
Current Year LCFF Average Daily Attendance	2,107.69	2,107.69	2,107.69
LCFF ADA Funding	2,107.69	2,107.69	2,107.69
LCFF Entitlement PER ADA (Average)	\$16,376.00	\$17,324.00	\$17,952.00
Expenditures	<i>Projections 2025-26</i>	<i>Projections 2026-27</i>	<i>Projections 2027-28</i>
Certificated Step & Column	1.000%	1.000%	1.000%
CalSTRS Employer Rate	19.100%	19.100%	19.100%
Classified Step & Range	1.00%	1.00%	1.00%
CalPERS Employer Rate	26.81%	26.90%	27.80%
Restricted Maintenance Account	3.00%	3.00%	3.00%
Deferred Maintenance Transfer	\$ 800,000.00	\$ 800,000.00	\$800,000.00
General Fund Contribution to Facilities	\$ 600,000.00	\$1,000,000.00	\$ 600,000.00

Enrollment Trend Assessment (2014-15 to 2025-26)

Based on enrollment data from the 2014–15 to the 2025–26 school years, the district experienced a period of growth followed by a gradual decline. Enrollment peaked in 2018–19 at 2,427 students, reflecting a 6.6% increase from 2,277 in 2014–15. Since that peak, enrollment has steadily declined, with projections showing 2,245 students in 2025–26—a 7.5% decrease over seven years. While the decline has been modest in recent years, the trend is consistent, with current and projected enrollment appearing to stabilize around the 2,250 range.



This trend has several implications for district planning. From a budgeting perspective, continued declines in enrollment may impact LCFF revenue, so conservative ADA forecasting is recommended. Staffing decisions should remain flexible to align with enrollment levels and avoid overstaffing. Finally, there may be value in evaluating student retention strategies, interdistrict transfer policies, and the potential to enhance academic or extracurricular offerings to attract and retain students.

Analysis of Variances: Second Interim vs. Estimated Actuals

As part of the budget development process, we review and compare the Second Interim projections to the Estimated Actuals to identify key variances. This analysis is essential to understanding what has changed since the Second Interim and provides critical insights into spending patterns, revenue adjustments, and year-end balances. Identifying these changes ensures we account for accurate assumptions and make informed decisions as we finalize the 2025–26 budget.

	24-25 2nd Interim			24-25 Estimated Actuals			Unrestricted Variance	Restricted Variance	Total Variance
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total			
LCFF Revenues	\$35,005,170		\$35,005,170	\$34,856,576		\$34,856,576	-\$148,594	\$0	-\$148,594
Federal Revenues		3,363,415	\$3,363,415		3,428,892	\$3,428,892	\$0	\$65,477	\$65,477
State Revenues	564,766	6,409,263	\$6,974,029	569,380	5,910,764	\$6,480,144	\$4,614	-\$498,499	-\$493,885
Other Local Revenues	1,085,772	369,926	\$1,455,698	1,171,254	401,058	\$1,572,312	\$85,482	\$31,132	\$116,614
Contributions	(4,639,915)	4,639,915	\$0	(4,310,396)	4,310,396	\$0	\$329,519	-\$329,519	\$0
Total Revenues	\$32,015,793	\$14,782,519	\$46,798,312	\$32,286,814	\$14,051,110	\$46,337,924	\$271,021	-\$731,409	-\$460,388

LCFF Revenue Variance

LCFF revenue decreased due to an 8-student reduction in funded ADA from Second Interim to Estimated Actuals. This adjustment reflects updated CALPADS reporting and lower attendance rates and has been factored into 2025–26 budget projections.

Federal Revenue Variance

Federal revenue increased due to a \$40,000 adjustment in Title II, Part A – Supporting Effective Instruction, and an upward revision to Special Education (IDEA) funding. These updates reflect final award notifications and revenue alignment after Second Interim.

State Revenue Variance

State revenue decreased by \$493,885 due to a reduction in Expanded Learning Opportunities Program (ELOP) funding. This adjustment reflects updated apportionment data received after Second Interim.

Local Revenue Variance

Local revenue increased due to a \$31,000 rise in Medi-Cal billing reimbursements and an \$85,000 increase in interest earnings. These adjustments reflect updated year-end projections based on actual collections and interest rates.

Expenditures

	24-25 2nd Interim			24-25 Estimated Actuals			Unrestricted Variance	Restricted Variance	Total Variance
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total			
Certificated Salaries	13,374,582	2,604,895	\$15,979,477	13,370,957	2,491,301	\$15,862,258	-\$3,625	-\$113,594	-\$117,219
Classified Salaries	5,446,265	2,330,476	\$7,776,741	5,421,265	2,389,230	\$7,810,495	-\$25,000	\$58,754	\$33,754
Employee Benefits	7,787,578	3,258,630	\$11,046,208	7,788,058	3,227,010	\$11,015,068	\$480	-\$31,620	-\$31,140
Books and Supplies	2,067,146	2,206,353	\$4,273,499	1,090,028	1,918,830	\$3,008,858	-\$977,118	-\$287,523	-\$1,264,641
Services and Other Oper Exp	4,202,888	2,819,476	\$7,022,364	4,008,055	2,626,287	\$6,634,342	-\$194,833	-\$193,189	-\$388,022
Capital Outlay	474,879	2,361,608	\$2,836,487	189,460	2,307,205	\$2,496,665	-\$285,419	-\$54,403	-\$339,822
Other Outgo	789,831	316,450	\$1,106,281	937,126	224,227	\$1,161,353	\$147,295	-\$92,223	\$55,072
Direct/Indirect Costs	(1,159,343)	1,088,022	-\$71,321	(875,200)	803,879	-\$71,321	\$284,143	-\$284,143	\$0
Transfers Out	6,645,797		\$6,645,797	6,635,535		\$6,635,535	-\$10,262	\$0	-\$10,262
Total Expenditures	\$39,629,623	\$16,985,910	\$56,615,533	\$38,565,284	\$15,987,969	\$54,553,253	-\$1,064,339	-\$997,941	-\$2,062,281

Variances:**Salary and Benefits Variance**

Salary and benefits decreased by \$117,219 due to savings from unfilled or open positions and lower-than-projected benefit costs. These adjustments reflect actual staffing levels and expenditures through year-end.

Books, Supplies, and Services Variance

There was a savings of \$1.6 million under Books and Supplies and Services and Other Operating Expenses due to the underutilization of site budgets and the deferral of certain programs, such as Dual Enrollment and A–G Access. These programs are planned for implementation in the 2025–26 fiscal year.

Capital Outlay Variance

The variance is due to planned IT infrastructure investments that were not expended in the current year and have been deferred to the 2025–26 fiscal year.

Other Outgo Variance

The variance in Other Outgo reflects an upward adjustment in loan repayment obligations and a downward adjustment due to lower-than-anticipated county transportation costs. These updates were made based on final year-end figures.

Indirect Cost Variance

Indirect cost revenue came in lower due to the underutilization of program and site budgets, which reduced the total eligible expenditures used to calculate indirect cost recovery.

Transfers Out Variance

Transfers out include \$1,000,000 to Fund 40, \$800,000 for Deferred Maintenance, and \$4,835,534 related to a fire claim also transferred to Fund 40. The remaining \$10,262 variance reflects an LCAP-related transfer that is no longer part of the current plan.

Net Fund Balance Impact

After accounting for all major revenue and expenditure variances—such as decreased ELOP funding, increased federal and local revenues, salary savings, and underutilized site budgets—the District anticipates a net positive impact of approximately \$1.6 million to the ending fund balance compared to Second Interim projections.

	24-25 2nd Interim Fund Balance			24-25 Estimated Actuals Fund Balance		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Beginning Fund Balance	\$19,266,422	\$10,164,073	\$29,430,495	\$19,266,422	\$10,164,073	\$29,430,495
Revenues	\$32,015,793	\$14,782,519	\$46,798,312	\$32,286,814	\$14,051,110	\$46,337,924
Expenditures	\$39,629,623	\$16,985,910	\$56,615,533	\$38,565,284	\$15,987,969	\$54,553,253
Net Increase/(Decrease)	-\$7,613,831	-\$2,203,391	-\$9,817,222	-\$6,278,470	-\$1,936,859	-\$8,215,329
Ending Fund Balance	\$11,652,591	\$7,960,682	\$19,613,273	\$12,987,952	\$8,227,214	\$21,215,166

Understanding the General Fund Balance

The General Fund balance does not represent actual cash on hand. Instead, it reflects the net difference between revenues the District expects to receive and the expenditures incurred within the fiscal year. Budgeted revenue is not guaranteed to be received by June 30, as most funding is allocated on an apportionment schedule and may arrive after year-end. Similarly, not all expenditures are paid out by June 30, and both revenues and expenditures may be adjusted through year-end entries.

Because of this timing, the ending fund balance rarely aligns with the District's actual cash position at the close of the fiscal year. The fund balance functions more like a savings account and should not be used to cover ongoing and increasing costs such as salaries and benefits. These funds are intended for one-time purchases or short-term commitments. Relying on fund balance for ongoing expenses can lead to structural deficits and unsustainable financial obligations in future years.

All other funds are accounted for separately because each serves a specific purpose. For example, Fund 12 is designated for preschool programs, Fund 13 is used for cafeteria operations, and Fund 40 is allocated for capital outlay projects such as facility improvements. These funds are managed independently to ensure proper allocation and compliance with their unique requirements.

Multi-Year Projection Narrative (2025-26 through 2027-28)

The District's updated multi-year projections point to a steadily improving fiscal picture. Operating gaps decline from about \$3 million in 2025-26 to roughly \$0.4 million by 2027-28, helped by modest LCFF COLA growth and a planned tapering of one-time instructional initiatives.

Reserve Strength

Reserves remain well above both the 3 percent state requirement and the Board's 16 percent target, providing ample flexibility. Although the unassigned balance dips in 2026-27, it rebounds the following year, keeping a reasonable cushion for unexpected needs.

Outlook

Ongoing salary and benefit costs are now matched to ongoing revenues, so the residual shortfall is almost entirely tied to time-limited educational programs. As these initiatives sunset or move to alternative funding sources, the District is positioned to balance its budget without cutting core programs or staff.

Continued monitoring of attendance, thoughtful pacing of new initiatives, and disciplined use of reserves will ensure the District remains on a sustainable fiscal path while still investing in high-impact learning opportunities for students.

Multi-Year Projections

	2025-26 Budget	2026-27 Projection	2027-28 Projection
REVENUE			
LCFF Revenue	\$ 35,274,431	\$ 36,339,912	\$ 37,579,868
Federal Revenues	\$ 2,835,570	\$ 2,363,451	\$ 2,363,451
Other State Revenue	8,121,771	8,121,770	8,121,770
Other Local Revenue	1,523,078	1,523,078	1,523,078
Total Revenue	\$ 47,754,850	\$ 48,348,211	\$ 49,588,167
EXPENDITURES			
Salaries & Benefits	37,232,932	37,451,303	37,949,172
Books & Supplies	3,212,780	2,852,584	2,878,521
Services & Other Operating Expenditures	7,137,656	6,283,513	6,326,283
Capital Outlay	969,449	821,111	821,111
Other Outgo	831,180	831,180	831,180
Direct Support/Indirect Costs	(71,321)	(219,196)	(219,196)
Transfers Out	1,400,000	1,800,000	1,400,000
Total Expenditures	\$ 50,712,676	\$ 49,820,495	\$ 49,987,070
Net Inc/Dec in Fund Balance	\$ (2,957,826)	\$ (1,472,284)	\$ (398,903)
BEGINNING BALANCE	\$ 21,215,166	\$ 18,257,340	\$ 16,785,057
ENDING BALANCE	\$ 18,257,340	\$ 16,785,057	\$ 16,386,154
Nonspendable	\$ 5,000	\$ 5,000	\$ 5,000
Restricted	\$ 6,213,145	\$ 5,508,826	\$ 4,737,450
Assignments	\$ 3,237,390	\$ 3,237,390	\$ 3,237,390
16% Economic Uncertainties	\$ 8,114,028	\$ 7,971,279	\$ 7,997,931
Unassigned/Unappropriated	\$ 687,777	\$ 62,562	\$ 408,383
Reserve Available	17.36%	16.13%	16.82%

Components of Unrestricted Ending Fund Balance

Revolving Cash

The district maintains a revolving cash account to cover short-term operational expenses and emergencies.

Restricted Reserves

Restricted reserves are funds set aside for specific purposes, such as capital projects or special education programs.

Assigned Funds

Assigned funds represent amounts the District intends to use for particular purposes in the near term (e.g., specific site initiatives or one-time projects).

Economic Uncertainties

The district maintains the required reserve for economic uncertainties to mitigate the impact of potential funding reductions or cost increases.

<u>Components of Ending Fund Balance</u>		FY 25-26
	\$	12,044,202
Assignments		
Revolving Cash		5,000
EV/Diesel Bus Replacement		521,250
Reserved for Declining Enrollment		378,903
Safety Measures		500,000
MAA carry over		337,237
Technology upgrades		900,000
Professional Development		300,000
Textbook adoption		300,000
Early Retirement & Recruitment		687,784
Total Assignments		3,930,174
District Standard Reserve 3%		1,521,380
Additional District Standard Reserve 13%		6,592,648
Ending Fund Balance After Assignments		(0)

Other funds

2025-26 Other Funds						
	Beginning Fund Balance	Revenue	Expenses	Transfers In/Out	Net Inc/Dec	Ending Fund Balance
08 - Student Activity Fund	147,369.28	100,000.00	128,000.00		-\$28,000	\$119,369
11 - Adult Education	\$61,562	\$96,159	\$95,359		\$800	\$62,362
12 - Child Development	\$312,068	\$450,491	\$498,791		-\$48,300	\$263,768
13 - Cafeteria	\$1,941,545	\$2,409,013	\$2,469,640		-\$60,627	\$1,880,918
14 - Deferred Maintenance	\$313,828	\$2,000	\$800,000	\$800,000	\$2,000	\$315,828
17 - Special Reserve Other Capital Out	\$1,877				\$0	\$1,877
25 - Capital Facilities	\$584,766	\$52,000	\$6,659		\$45,341	\$630,107
40 - Special Reserve for Capital Proj	\$4,792,745	\$125,000	\$1,939,582	\$600,000	-\$1,214,582	\$3,578,163
51 - Bond Redemption and Interest	\$697,706	\$758,426	\$742,250		\$16,176	\$713,882
TOTALS	\$8,155,760	\$3,234,663	\$5,938,031	\$1,400,000	-\$1,303,368	\$6,852,392

Fund 8, the Student Activity Fund, records activity at year-end and oversees student body clubs operating under district guidelines, with oversight provided by the Business Department.

Fund 11 serves as a flow-through fund to track and code the Adult Education Block Grant, with no district contributions for expenditures. The board has authorized \$50,000 to remain in Fund 11 for cash flow purposes.

Fund 12 is designated for the Preschool program, which has benefited from increased state reimbursement rates and a PreK Planning grant. No General Fund contribution is anticipated for FY 2025-26. Services provided to preschool students are foundational to the success of K-12 students, and additional support is included in the Local Control Accountability Plan (LCAP). The ending fund balance is restricted to preschool-related expenses, with \$70,000 authorized by the board to remain for cash flow purposes.

Fund 13, the Cafeteria Fund, remains self-sufficient and is projected to continue as such over the next two fiscal years.

Fund 25 accounts for Developer Fees, which are restricted to classroom and student facilities modernization or creating additional student space, as the district receives funds from residential developments within its boundaries.

Fund 40 is allocated for capital outlay projects, including acquiring, maintaining, repairing, or upgrading district facilities and equipment. For FY 2025-26, the General Fund will contribute \$600,000 for facility projects and \$800,000 for deferred maintenance projects.

Fund 51 is used to account for the repayment of bonds.

Conclusion and Recommendation

The 2025-26 Adopted Budget incorporates the most current information available from the Governor's May Revision, updated LCFF factors, and guidance from School Services of California, Capitol Advisors, and the Legislative Analyst's Office. While it represents our best estimate of revenues and expenditures for the coming year, circumstances will continue to evolve; ongoing monitoring and mid-year adjustments will be essential.

The adopted plan shows operating gaps shrinking from \$3.0 million in 2025-26 to roughly \$0.4 million by 2027-28, largely as one-time program spending tapers off. Reserves remain at or above the Board's 16 percent target in each year, maintaining a positive cushion for unforeseen needs.

Next Steps

- Update projections after the Governor's January Budget proposal, the 2026 May Revision, and apportionment adjustments.
- Continue aligning staffing with funded ADA and pacing new initiatives to available ongoing revenue.
- Monitor federal and state funding signals particularly special education and Title allocations and adjust the budget at First and Second Interim as needed.

Recommendation

It is recommended that the Board approve the 2025-26 Adopted Budget with a Positive Certification. A Positive Certification affirms that the District can meet its financial obligations in the current and next two fiscal years, preserving fiscal stability while supporting key educational priorities.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Audrey Hernandez", is written in a cursive style.

Assistant Superintendent of Business Services