

# **DOWNEY UNIFIED SCHOOL DISTRICT 2025-26 Year – Second Interim Report**

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**DUSD**

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# HOW WE FRAME OUR WORK

- Align resources to maximize the student experience**
- Provide high quality programs**
- Retain and develop the best staff**
- Provide a scalable infrastructure into the future**



# HOW WE FRAME OUR WORK

## Our Vision

- All students graduate with a 21st Century education that ensures they are college and career ready, globally competitive and citizens of strong character.**



# Understanding California's Education Budget Landscape

A comprehensive look at how improved state revenues impact Downey Unified School District's fiscal planning and budget decisions





# Statewide Budget Context: Stronger Revenues, Cautious Optimism



## Higher Tax Collections

Personal income and corporate taxes are driving stronger-than-expected revenues, with \$33.4 billion more across current and budget years



## Modest Sales Tax Growth

Sales tax increases remain limited, reflecting continued economic uncertainty and cautious consumer spending patterns



## No Automatic Increase

Strong state revenues do not automatically translate to new discretionary funding for school districts like Downey USD

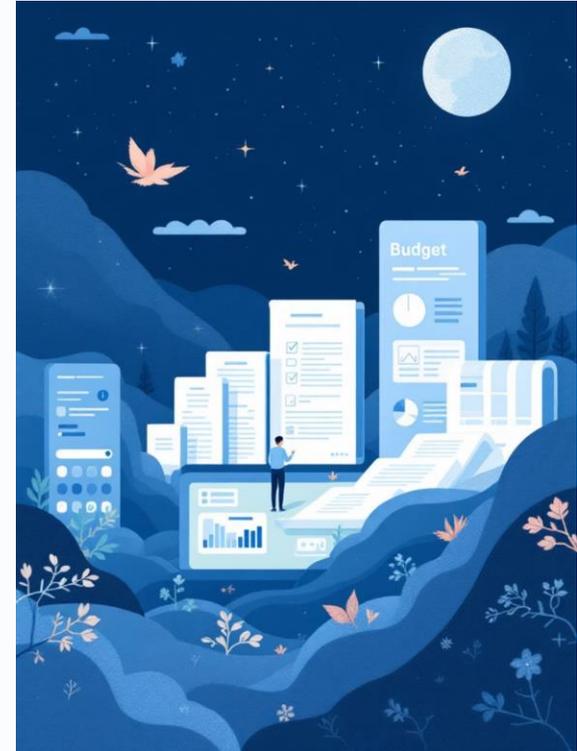
# What This Means for Education Funding

## Proposition 98 and the Path Forward



Improved revenues are expected to increase overall Proposition 98 funding for TK–12 education. However, the 2025–26 state budget intentionally funds below the calculated Prop 98 level, creating a future "settle-up" mechanism.

Some revenue growth may be set aside in state education reserves, reducing immediate dollars available to districts. Final funding levels will not be known until the May Revision and adopted state budget are finalized.





# One-Time Funding vs. Ongoing Costs



## Recent State Budgets

Include significant one-time funds such as learning recovery and discretionary block grants



## Fiscal Guidance

Strongly cautions districts not to use one-time funds for permanent staffing or ongoing programs



## Federal Expiration

Pandemic-related funding is expiring, increasing pressure on district budgets



## Sustainable Budgeting

Ongoing revenues must support ongoing expenses for long-term stability



# County Oversight & Fiscal Responsibility

01

## Demonstrate Financial Capacity

Prove ability to meet obligations for current year plus two future years

02

## Support Deficit Projections

Provide specific, realistic plans for any projected deficit spending

03

## Distinguish Deficit Types

Clearly differentiate between one-time shortfalls and structural deficits

04

## Protect Core Services

Maintain fiscal solvency to protect students, staff, and instructional programs

# Reserves and Long-Term Stability



## The State Reserve Cap

The state education rainy-day fund is projected to trigger a district reserve cap in 2026–27. Even when capped, prudent reserves remain essential for cash flow management and economic stability.



### Enrollment Changes

Manage fluctuating student populations and associated funding shifts



### Benefit Costs

Address rising pension and employee benefit expenses over time



### Economic Volatility

Navigate economic downturns and revenue fluctuations



# Why Downey USD Is Budgeting Conservatively

## Funding Volatility

State revenues are improving, but funding remains volatile and uncertain despite positive projections

## Delayed and Restricted Funds

Some education funding is delayed, restricted, or structured as one-time allocations

## Multi-Year Requirements

County and state guidance mandate multi-year fiscal sustainability planning

## Our Commitment

Downey USD's budget prioritizes stability, transparency, and long-term responsibility for our community



# Key Takeaways

## **Strong State Revenues ≠ Guaranteed District Funding**

Improved tax collections don't automatically translate to increased local education dollars

## **One-Time Funds Cannot Support Permanent Costs**

Temporary funding must not be used for ongoing staffing Or programs

## **Reserves Protect Classrooms and Employees**

Prudent reserves ensure instructional continuity and staff stability

## **Conservative Budgeting Safeguards Our Future**

Responsible planning protects Downey USD's ability to serve students long-term





**Local Impact, Local Success**

**Second Interim Report  
2025-26**

DUSD

# Second Interim Budget Certification



Positive

The district **will** meet its financial obligations for the current and two subsequent fiscal years



Qualified

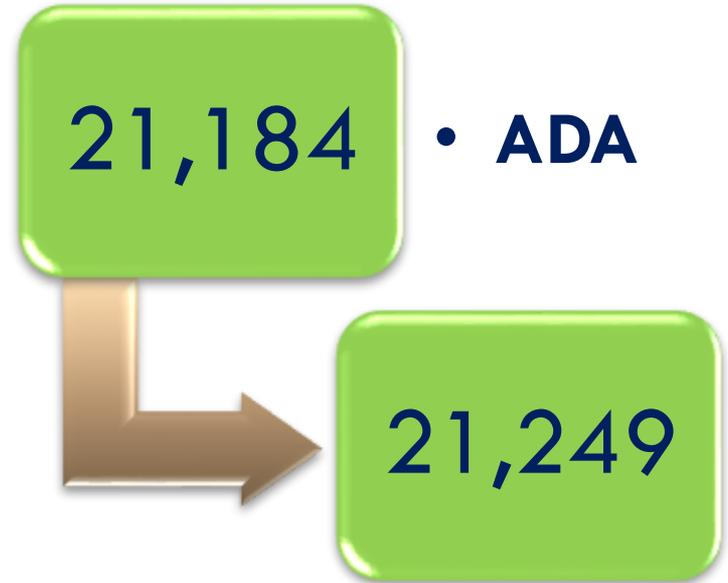
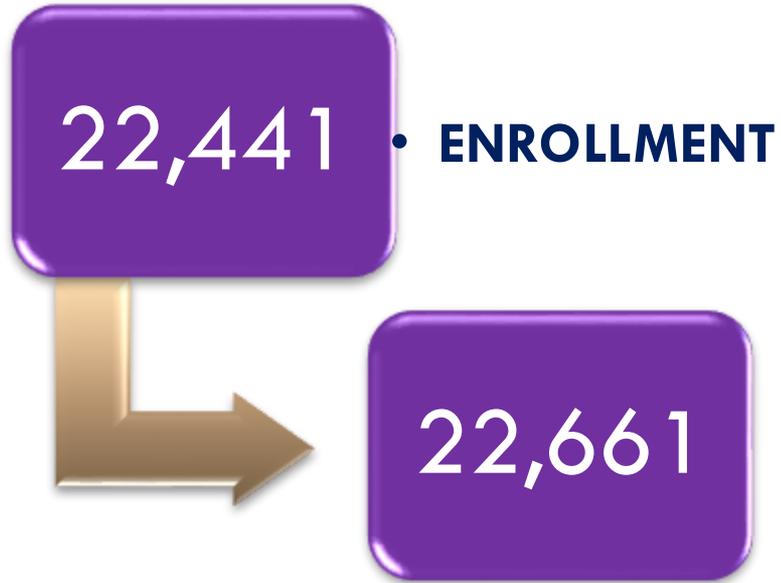
The district **may not** meet its financial obligations for the current or two subsequent fiscal years

Negative

The district **will be unable** to meet its financial obligations for the remainder of the current year or for the subsequent fiscal year.

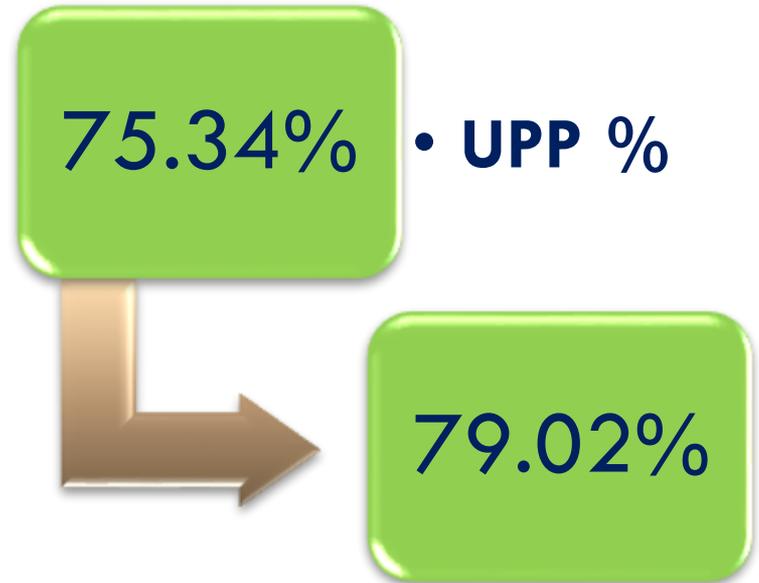
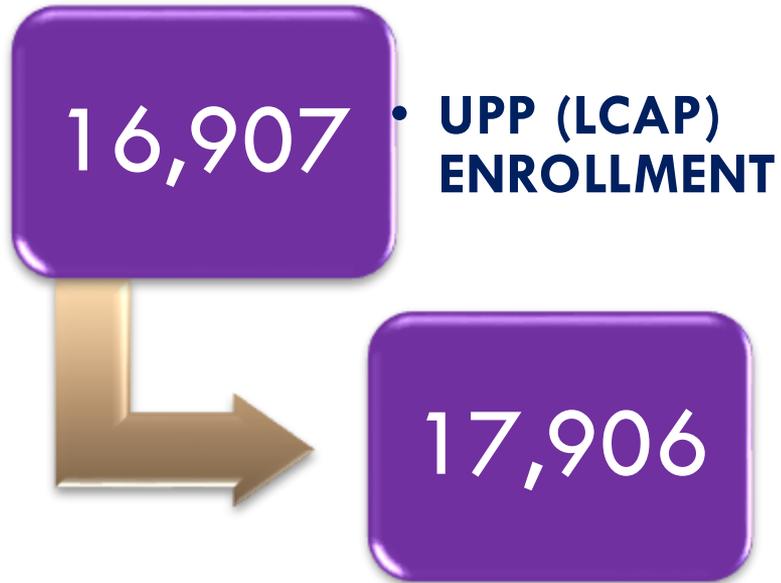


# Change in Assumptions





# Change in Assumptions



# General Fund Revenues & Expenditures

	Unrestricted
<b>Changes in Revenues</b>	
Enrollment & UPP Funding	4.83
Lottery	0.38
Interest Income	0.32
<b>Total Change in Revenues</b>	<b>5.53</b>
<b>Change Expenses</b>	
Certificated Salaries	0.15
Classified Salaries (ECAs)	0.34
Statutory Benefits	0.2
Changes in LCAP & Site Carryovers	0.84
<b>Total Changes in Expenses</b>	<b>1.53</b>
<b>Fiscal Solvency Contributions</b>	<b>4.2</b>
<b>Change in Fund Balance</b>	<b>-0.2</b>



	Restricted
<b>Changes in Revenues</b>	
Federal Revenues	0.5
State Revenues	4.8
ELOP Adjustments and Prop 28	2.2
<b>Total Change in Revenues</b>	<b>7.5</b>
<b>Change Expenses</b>	
Certificated Salaries	1.1
Classified Salaries (ECAs)	1.3
Statutory Benefits	1.1
Supplies	1.2
ELOP Adjustments and Prop 28	2.8
Capital Outlay (PACE)	2.8
<b>Total Changes in Expenses</b>	<b>10.3</b>
<b>Fiscal Solvency Contributions</b>	<b>4.2</b>
<b>Change in Fund Balance</b>	<b>1.4</b>





# LCFF Funding Structure

**\$251.3M**

LCFF Base Funding

\$8.8M increase over prior year base funding only

**\$73.6M**

S&C Funding

\$6.2M increase over prior year S&C S&C funding only

**2.3%**

Statutory COLA

Cost-of-living adjustment applied to applied to LCFF funding

## Enrollment & ADA Projections

Projected at 22,661 students with 21,249 ADA, representing 94.30% enrollment/ADA adjusted for students in programs such as pre-K, NPS, and DHH.



# LCFF Supplemental & Concentration Grants

The LCAP dedicates a portion of LCFF funding to services for English learners, low-income, homeless, and foster youth students.

## Unduplicated Pupil Count

Updated to 79% based on NSLP, NSLP, Provision 2

## Supplemental Grant

20% of base funding allocated for total UPP students

## Concentration Grant

65% of base funding for UPP above 55% threshold

# Special Education Funding



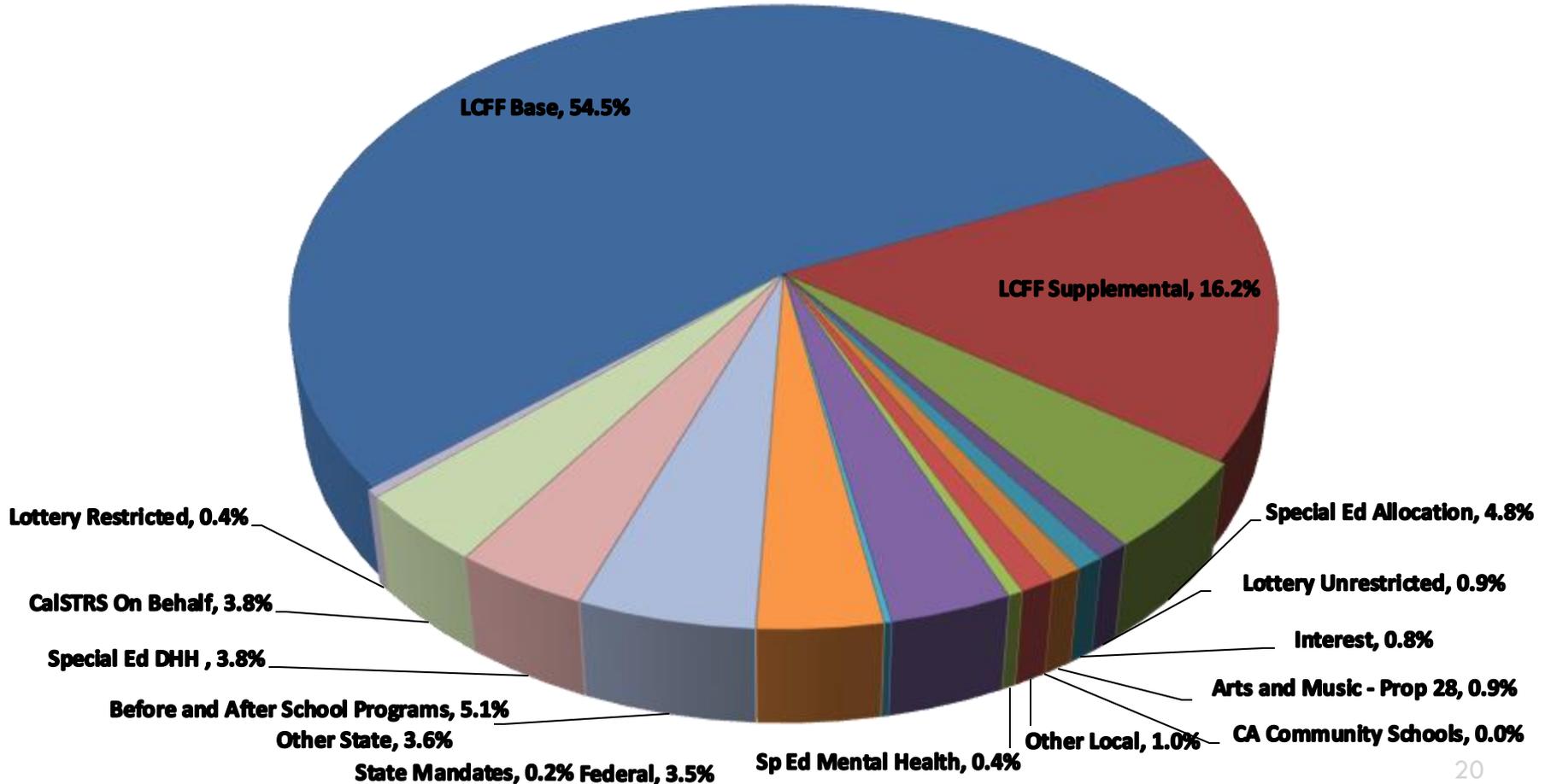
## Key Funding Assumptions



- COLA of 2.30% applied: Base funding increases from \$895/ADA to \$895/ADA to \$917/ADA
- Budgeted based on SELPA recommendations
- SELPA funding funded on actual ADA
- Increase in rate offset by decrease in actual ADA
- Maintained at prior year funding level

Funding sourced from LCFF, Federal, State, and Local SELPA contributions plus Unrestricted General Fund.

# General Fund Revenue



# Salary & Benefits Assumptions

## Salary Increases

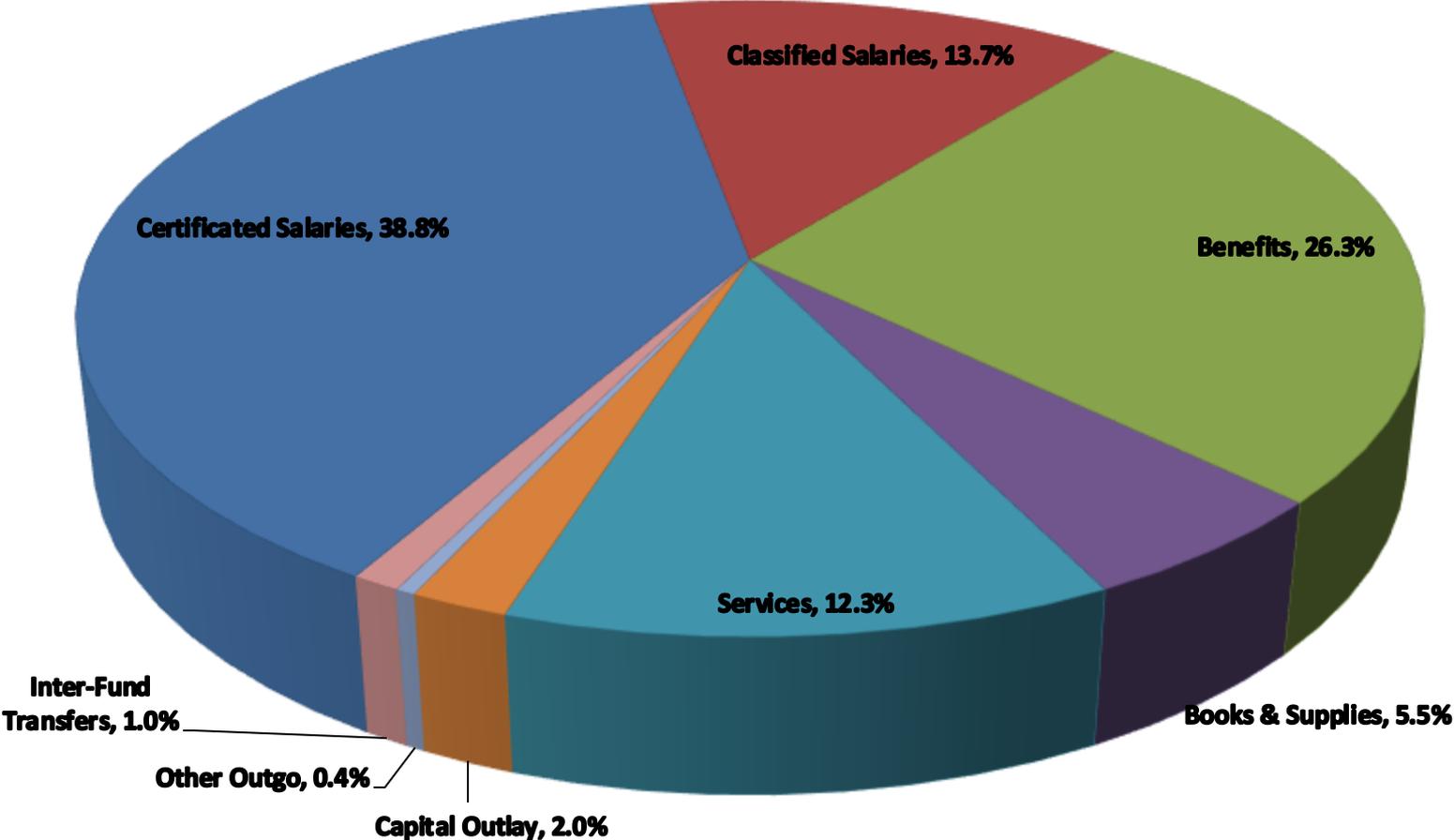
- Step and column movement: \$2.9M
- Negotiated 2.00% increase effective July 1, 2025
- Updated staffing classes as of January 2026

## Statutory Benefits Rates

- 22.20% for certificated positions (CalSTRS eligible)
- 36.11% for classified positions (CalPERS eligible)
- 5.60% for part-time positions (not pension eligible)



# General Fund Expenditures



# Ending Fund Balance & Reserve Policy



## Reserve for Economic Uncertainties

Projected at 6.78% of General Fund Fund expenditures



## Restricted Fund Balance

Committed for specific program program purposes



## RRM Contribution

Required 3% increase adds \$580K





# Multi-Year Financial Position



## Enrollment Trends

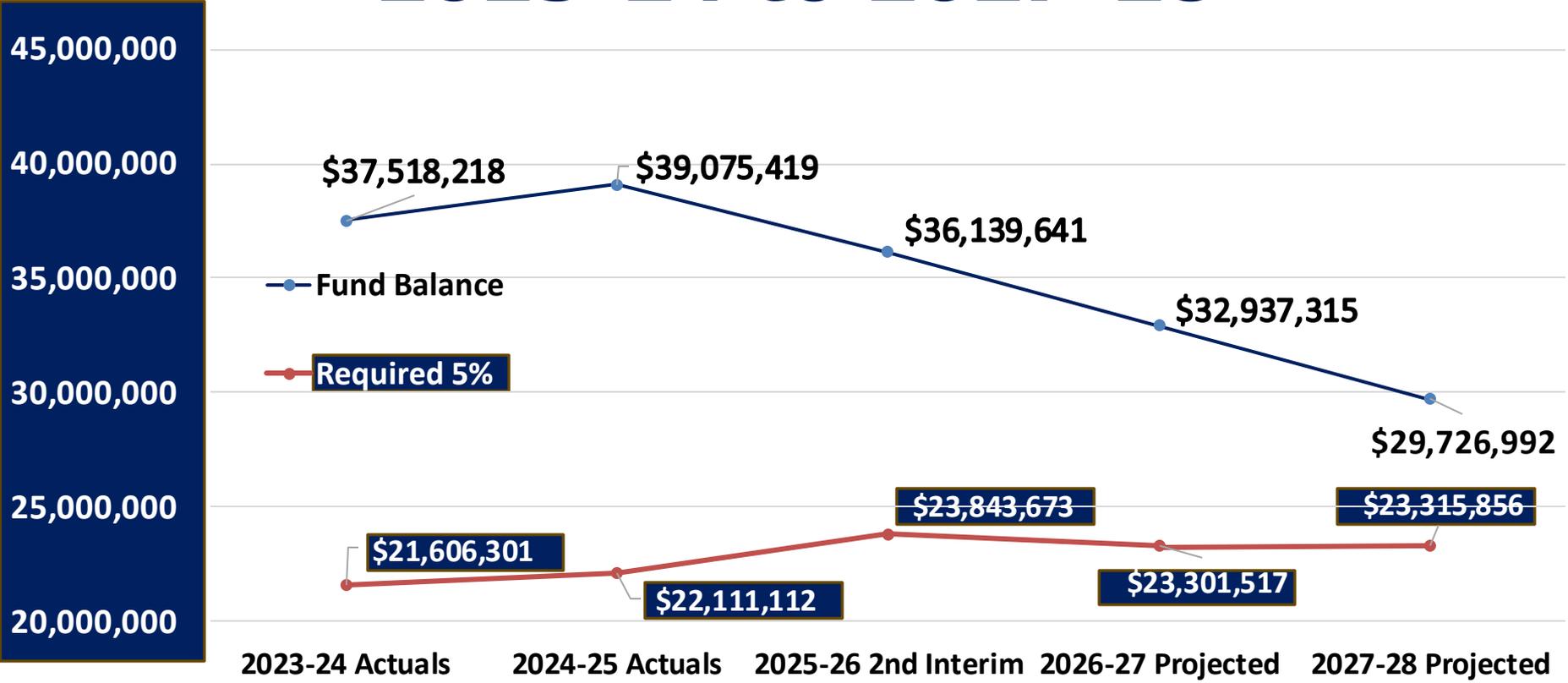
Projected decline of 200 students for each of the two out-years

## COLA Projections

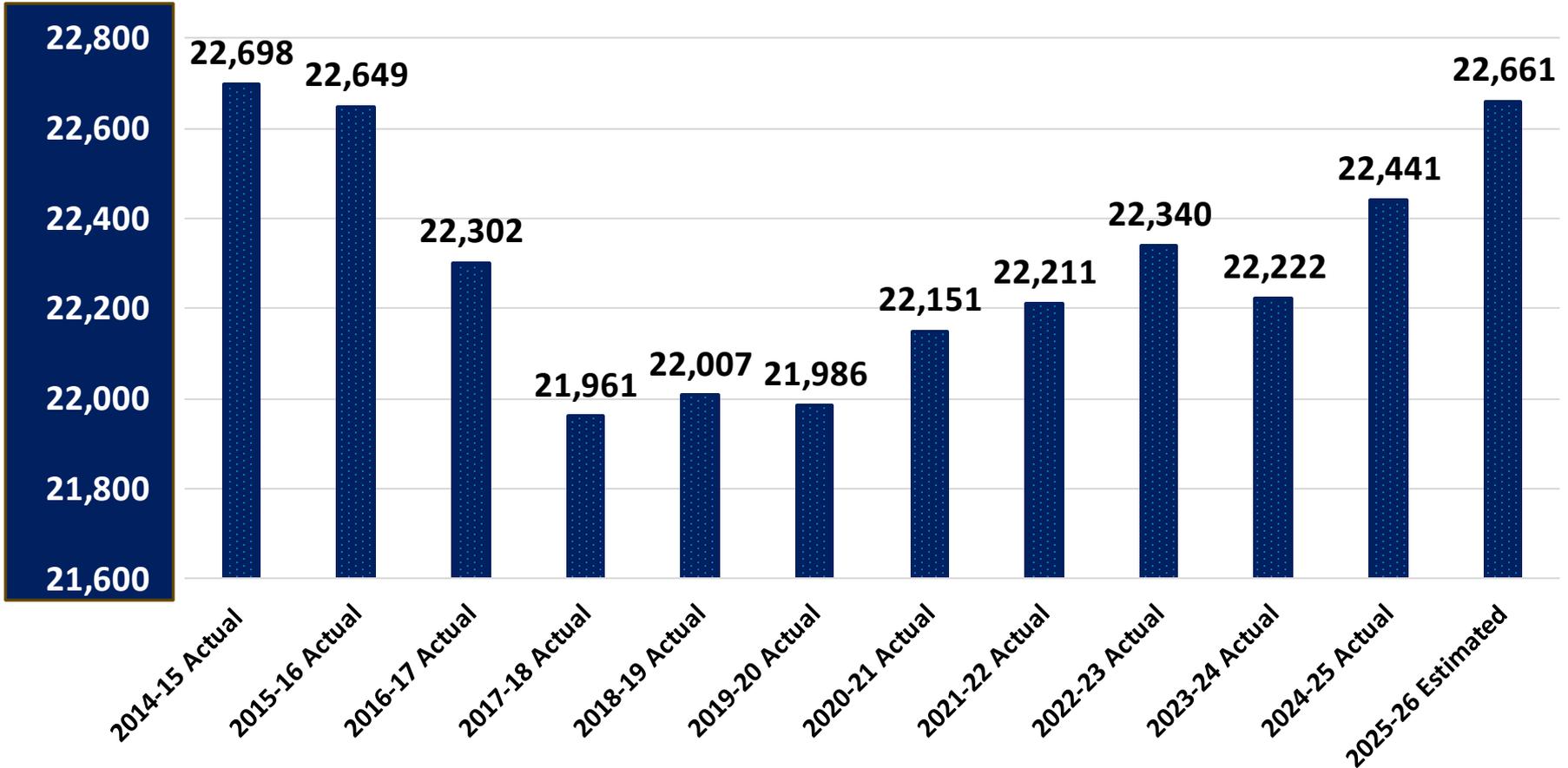
Year 1: 2.30% • Year 2: 2.41% • Year 3: 3.06%

Health and welfare costs maintained at prior year levels with projected step/column movement increases included.

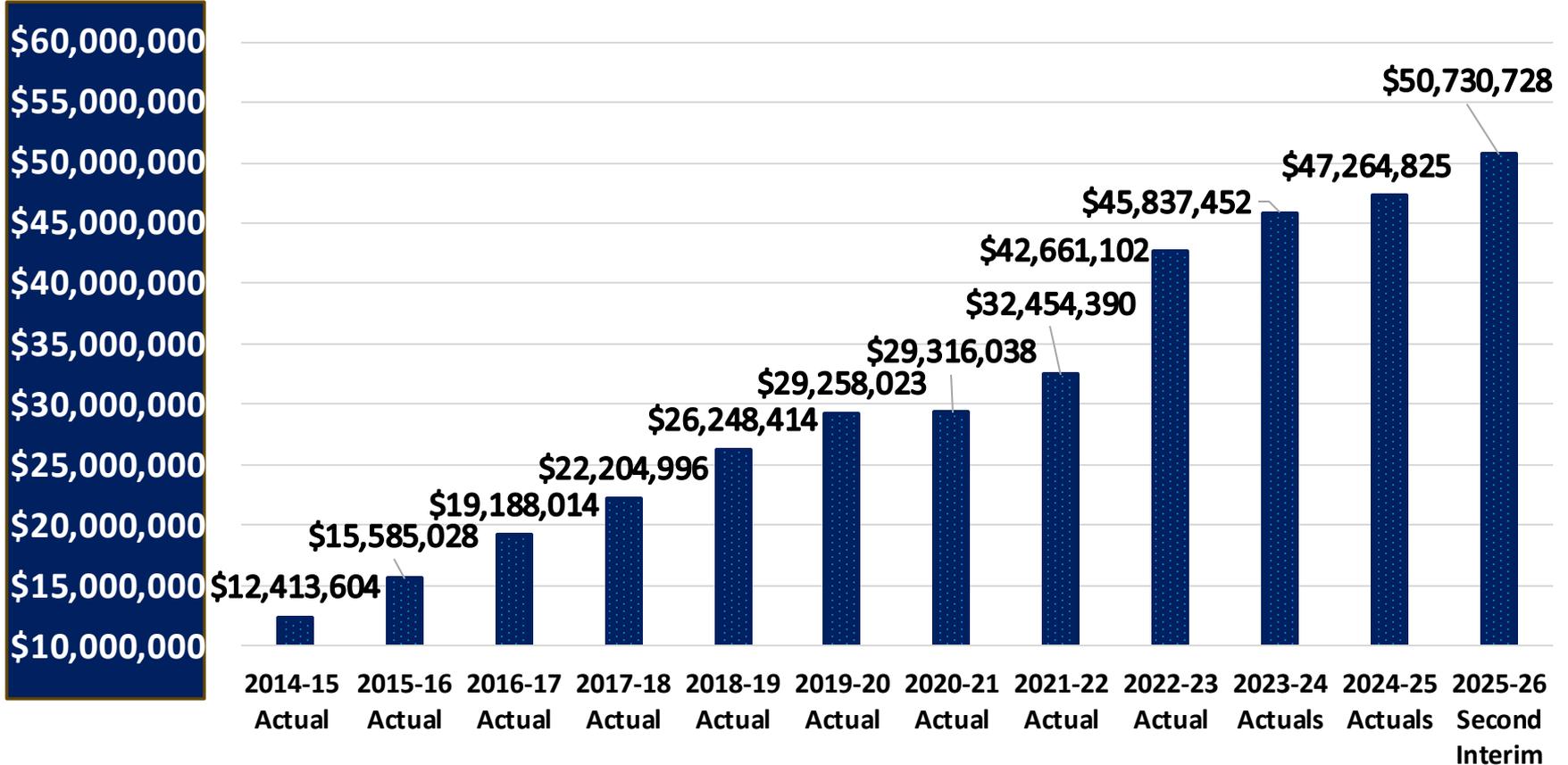
# Unrestricted Ending Fund Balance 2023-24 to 2027-28



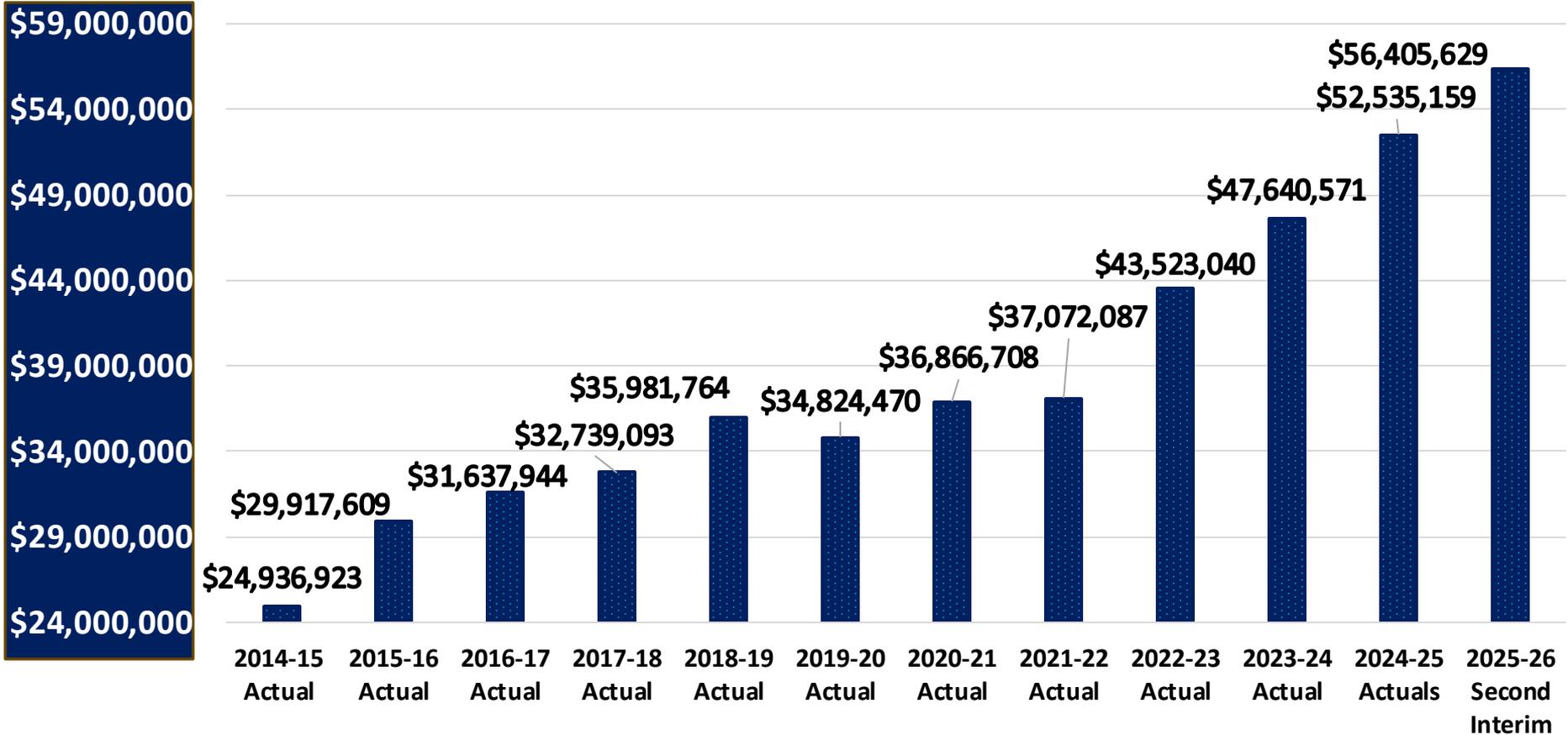
# Student Enrollment 2014 to 2026



# STRS/PERS Contribution From 2014 to 2026



# Contribution to Special Ed 2014 to 2026



A stylized graphic of a rainbow with curved bands in light blue, yellow, green, and orange, set against a background of faint concentric circles.

**Thank you!**

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