

**Date:** 6/5/2024  
**To:** Ken Geisick – Superintendent  
**From:** Jean Aldrete – Chief Business Official  
**Subject:** Assumptions for 2024-25 Adopted Budget

## **Introduction**

The condition of the state budget has worsened since the Governor’s January Budget Proposal resulting in an increase in the state budget deficit from \$37.9 billion to \$44.9 billion. Early action measures of \$17.3 billion were taken reducing the current shortfall to \$27.6 billion with reductions, revenue and borrowing, delays and deferrals and cost shifts from the General Fund to other state funds. The issue largely stems from the 2023-24 Enacted State Budget that was passed without a clear picture of the state’s revenues for personal and corporate taxes due to the IRS extension of the tax deadline in 2022. Total tax receipts came in over \$26 billion lower than the Enacted Budget. This shortfall reduced the Proposition 98 guarantee by \$8.8 billion in 2022-23. The state’s general fund cannot afford to absorb the over-appropriation.

To address the over-appropriation without reductions to education funding in both 2023-24 and 2024-25, the Governor will deplete the Rainy Day Fund balance of \$8.4 billion by the end of 2024-25. Additionally, the Governor has created a “maneuver” by establishing an accrual to education in fiscal year 2022-23 and establish annual payments of \$1.8 billion per year from non-proposition 98 General Fund sources in fiscal years 2025-26 through 2029-30. The Governor further ignores these payments in the funding calculation of the minimum guarantee for future years therefore lowering Proposition 98 permanently. This is likely to be challenged in court by the Education community if realized. While this does not directly impact Saratoga Union School District due to its Basic Aid (Community Funded) status, it is a very questionable decision by the Governor. If the maneuver is not utilized then the Legislature has to begin making spending reductions and potentially suspend the Prop 98 guarantee, initiate cash deferrals, etc.

Inflation continues to remain high despite efforts to reduce it by the Federal Reserve Board, the economy has entered into stagflation (slow growth, but high unemployment and rising costs). The nation’s GDP (Gross Domestic Product) has been trending down, California unemployment rate is 5.3% (the highest in the nation) and the Dow Jones and S&P 500 are trending up slowing with only single digit growth since January. State tax revenues have been reduced by \$10.5 billion over three years since the January forecast.

The May Revise continues to protect education from budget cuts next year and includes Cost-of-Living Adjustments (COLA) of 1.07% for most programs including Universal Meals, LCFF and Special Education.

## **Budget Calendar**

All LEAs, including community-funded districts, (aka Basic Aid Districts), are required to have the LCAP report and budget adopted and approved by their Governing Boards by July 1.

The calendar listed below includes the public inspection and hearing dates for the 2024-25 LCAP and budget:

Public inspection of the 2024-25 Budget	06/05/2024
Public hearing of the 2024-25 Budget and LCAP	06/05/2024
Governing Board approval of the 2024-25 Budget & LCAP	06/13/2024
Governing Board approval of 2023-24 Unaudited Actuals	08/22/2024
Final Audit for the year ending June 30, 2024	12/16/2024
2024-25 First Interim Report data cut off	10/31/2024
2024-25 First Interim Report due to the County Office of Education	12/16/2024
2024-25 Second Interim Report data cut off	01/31/2025
2024-25 Second Interim Report due to the County Office of Education	03/17/2025

## **Property tax**

The District will remain in community-funded status for 2024-25 and two subsequent years. Based on the latest real property roll as of May 3, 2024 issued by the Santa Clara County Assessor's Office, the property tax growth rate is 5.01% for the 2023-24 fiscal year. The final roll total of secured and unsecured will be released by the County Assessor's Office on June 30, 2024. Staff's assumption for property tax revenues for 2024-25 and two subsequent years are as follows:

2024-25	4%
2025-26	4%
2026-27	4%

## **Local Control Funding Formula (LCFF)**

Although the District is community funded, several elements of the LCFF remain requirements for the District. These elements are as follows:

**State Aid** - Thirty-nine state 2012-13 categorical programs were consolidated in 2013-14

implementation of the LCFF formula and a Fair Share Reduction was applied during the Great Recession to Basic Aid Districts. The California Constitution under Article IX, Section 6 guarantees a minimum of \$120 per Average Daily Attendance (ADA) to be apportioned by the State School Fund. The net effect of this calculation resulted in \$324,666 in State Aid revenues.

**Proposition 30** - The Education Protection Act (EPA) represents \$200 per ADA and must be spent on direct classroom support. These funds are currently used to pay for a portion of teacher salaries. The District receives \$313,020 from the State of California.

**Unduplicated Students** - The last element is the required set aside of community funded property taxes to serve the needs of our unduplicated student population (low income, foster youth, homeless, and English language learners). The 2024-25 Adopted Budget reflects an unduplicated pupil percentage of 9.70% (158 students) and requires a set aside amount of \$321,201. Planned goals and activities for these funds are included in the Local Control Funding Plan (LCAP).

## **Compensation**

**Salaries** – Negotiations have been settled for the 2024-25 fiscal year with a 7.5% on schedule salary increase for all employee groups. These costs have been included in the 2024-25 Adopted Budget and two subsequent fiscal years. ***No additional salary increases were included in 2025-26 or 2026-27 fiscal years since negotiations have not yet occurred.***

## **Health and Welfare**

Plan rate changes were incorporated in the 2024-25 Adopted Budget. The District is a member of the Santa Clara County School Insurance Group (SCCSIG) for dental and vision insurance and the Self-Insured Schools of California (SISC) for medical benefits. The overall cost increase for all plans (medical, dental and vision) for the 2024-25 fiscal year was 6.7% over the prior year.

Cost sharing between the District and Certificated, Confidential and Management employees hired prior to July 1, 2023 remains a 90% and 10% split. New employees in this group hired on July 1, 2023 and thereafter are capped at the 90% of lowest non-deductible HMO family plan (Kaiser currently) plus family dental and vision. Plan costs above the cap are borne entirely by the employee.

Saratoga Classified Association - Health and Welfare benefit is capped at Kaiser family rate for 2024-25 and two subsequent fiscal years.

	<b>2023-24 (Estimated Actuals)</b>	<b>2024-25 (Adopted Budget)</b>	<b>2025-26 (1<sup>st</sup> Subsequent Year)</b>	<b>2026-27 (2<sup>nd</sup> Subsequent Year)</b>
Certificated	90%/10% split between District and Employee	90%/10% split between District and Employee; employees hired beginning 7/1/2023 90%/10% split of lowest non-deductible HMO Plan	10% increase over prior year District's payment	10% increase over prior year District's payment
Classified	Kaiser Family Rate	Kaiser Family Rate	10% increase over prior year District's payment	10% increase over prior year District's payment
Confidential	90%/10% split between District and Employee	90%/10% split between District and Employee; employees hired beginning 7/1/2023 90%/10% split of lowest non-deductible HMO Plan	10% increase over prior year District's payment	10% increase over prior year District's payment
Certificated Management	90%/10% split between District and Employee	90%/10% split between District and Employee; employees hired beginning 7/1/2023 90%/10% split of lowest non-deductible HMO Plan	10% increase over prior year District's payment	10% increase over prior year District's payment
Classified Management	90%/10% split between District and Employee	90%/10% split between District and Employee; employees hired beginning 7/1/2023 90%/10% split of lowest non-deductible HMO Plan	10% increase over prior year District's payment	10% increase over prior year District's payment
Estimated Cost for the District	<b>\$3,819,474</b>	<b>\$4,258,642</b>	<b>\$4,684,506</b>	<b>\$5,152,957</b>

## Staffing

The 2024-25 Certificated FTE counts are based on the third release of the teaching assignment list by Human Resources dated April 19, 2024.

A 1.5% step-and-column increase is assumed for all existing employees of \$457,403 and \$460,959 for the two subsequent years, respectively.

As noted in the compensation section, all employees received a 7.5% salary increase in

2024-25. No additional salary increases were included in 2025-26 or 2026-27 as negotiations for these years are not yet settled.

No attrition is assumed in the two subsequent fiscal years.

**Full Time Equivalents**

FTEs	2023-24	2024-25	2025-26	2026-27
Certificated	103.5	97.5	97.5	97.5
Certificated Management	8	8	8	8
Classified	88.0628	90.7665	90.7665	90.7665
Classified Management	6	6	6	6
Confidential	4	3	3	3

The decrease in certificated staff from 2023-24 to 2024-25 is due to a reduction of 6 FTE due to declining enrollment. Classified staff increased by 2.7037 FTE due to changes in staffing for Special Education and the Child Development (Treehouse) programs. Confidential staff reduced as the accountant position was moved to a classified position.

**Utilities**

An average increase of 10% for electricity, gas, phone, water, and garbage is assumed for 2024-25 and 10% in each of the two subsequent fiscal years.

**Parcel Tax Spending Plan**

Measure A passed in May of 2019 will provide parcel tax revenues beginning in 2020-21 and continue through 2027-28. Parcel tax revenues are fixed at \$68 per parcel generating an estimated annual income of \$475,000, net of exemptions in the current and two subsequent fiscal years.

The updated parcel tax spending plan for 2023-24 and 2024-25 is as follows:

Fund – Cost Center	Description	2023-24	2024-25
040-001810	Parcel Tax Funded FTEs	\$322,840	\$323,820
040-001830	Teacher Leadership Compensation	64,660	63,680
040-002130	Curriculum Development	22,000	22,000
040-007800	Site Based Technology	65,500	65,500
<b>Total:</b>		<b>475,000</b>	<b>475,000</b>

**Saratoga Education Foundation (SEF)**

At the February 15, 2024 Board Meeting, the Saratoga Education Foundation (SEF) presented a check in the amount of \$600,000 for the current fiscal year with carryover revenues of \$66,010 for a total of \$666,010 in the 2023-24 fiscal year. Based on the expenditure plan of \$705,302 below a general fund contribution of \$39,292 will be required for the 2023-24 fiscal year.

The 2024-25 Adopted Budget includes projected SEF revenues of \$550,000 and continues in each of the two subsequent fiscal years. Based on the expenditure plan of \$671,566 below a general fund contribution of \$121,566 will be required for the 2024-25 fiscal year. The Physical Education program was moved to the Unrestricted General Fund as SEF donation revenues will not be able to support the cost of the program.

A staffing change resulting in increased costs will be made for the PLTW/Makerspace program as the current teacher will retire in June 2024.

The 2024-25 projected budget includes 1.5% step-and-column salary increases and a salary schedule increase of 7.5%.

<b>Fund – Cost Center</b>	<b>Program</b>	<b>2023-24</b>	<b>2024-25</b>
060-095710	Physical Education K-5	\$168,134	\$ -
060-095713	Science Lab Aides K-5	\$106,141	\$127,901
060-095721	Music Program K-3	\$ 9,700	-
060-095722	Music Program 4-5	\$161,649	\$174,622
060-095723	Instructional Media Spec 3-5	\$107,658	\$136,144
060-095724	Art Program TK-5	-	-
060-095727	PLTW/Makerspace	\$152,020	\$232,899
<b>Total Estimates:</b>		<b>\$705,302</b>	<b>\$671,566</b>

**PERS/STRS**

The STRS and PERS contribution rates for employer for the current and two subsequent fiscal years is as follows:

	<u><b>STRS</b></u>	<u><b>PERS</b></u>
2024-25	19.10%	27.05%
2025-26	19.10%	27.60%
2026-27	19.10%	28.00%

## Technology

The 2024-25 Adopted Budget includes two budgets for Technology. Cost Center 7600, the Technology Replacement budget is estimated at \$458,000 in the current and two subsequent fiscal years.

The Technology Operating Budget is in Cost Center 7700 and is estimated at \$1,233,737. This account is used to account for salaries and benefits of the Technology Department, software licenses, technology contracts, network expenses, materials and supplies and repairs. This amount continues in the two subsequent fiscal years.

### 2024-25 Contributions to Restricted Programs:

Routine Restricted Maintenance:	\$ 1,751,878
Special Education	\$ 5,989,072
Saratoga Education Foundation	\$ 121,566
New Teacher Support Project	\$ 10,400
After-School Sports	\$ 60,000
After-School Music	<u>\$ 6,124</u>
<b>Total</b>	<b>\$ 7,939,040</b>

### Other Budget Items:

General Fund contribution to the Deferred Maintenance Fund is \$3,500,000 in 2024-25 and 2025-26 and \$1,000,000 in 2026-27.

A General Fund transfer of \$158,275 to the Basic Aid Reserve Fund - (Special Reserve Fund 17) was included in 2024-25, \$233,911 for 2025-26 and no contribution in 2026-27.

A transfer of \$145,000 is reflected in the 2024-25, a transfer of \$155,280 for 2025-26 and a transfer of \$165,745 in 2026-27 to support the costs of the Child Nutrition program.

The Supplemental Early Retirement Plan debt payments for five years started in July 2020 through July 2024 at an annual cost of \$325,904. The final payment was included in the 2024-25 Adopted Budget.

### Assigned Reserves

Set asides of the General Fund Balance Reserves of \$1,250,000 in 2024-25 are as follows:

- Maintenance and Other Projects - \$500,000 has been assigned in the fund balance reserves for maintenance and other projects and major repairs.
- Technology Plan - \$250,000 for anticipated expenditures above the current level of

expenditures in future years.

- Instructional Materials - \$500,000 was assigned to fund the costs of new instructional materials curriculum as one-time revenues expire.

**Proposition 28:**

The 2024-25 Adopted Budget includes \$184,282 in expenditures for Proposition 28 to be paid from 2023-24 reserves. The individual schools in consultation with their stakeholder groups developed a plan that was approved by the board on April 25, 2024.

**Budget Concerns:**

- Declining Enrollment – continued decline as larger grades graduate from grades 5-8 and are replaced by lower enrollment in lower grades.
- Continuous need to fund deferred maintenance repair with General Fund reserves.
- Increasing Special Education costs and continued underfunding from both state and federal resources.

**Available Reserves:**

	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
<b>General Fund Reserve for Economic Uncertainties – 3% Mandated</b>	\$1,299,489	\$1,301,258	\$1,327,222
<b>General Fund Undesignated/Unappropriated Amount</b>	\$3,575,720	\$1,679,776	\$2,674,607
<b>Special Reserve Fund</b>	\$6,138,534	\$6,459,207	\$6,956,861
<b>Total Available Reserves</b>	<b>\$11,010,743</b>	<b>\$9,440,240</b>	<b>\$10,958,690</b>
<b>Available Reserve %</b>	<b>25.42%</b>	<b>21.76%</b>	<b>24.77%</b>