

SARATOGA UNION SCHOOL DISTRICT

2024-25 ADOPTED BUDGET PRESENTATION

JUNE 5, 2024

JEAN ALDRETE, CHIEF BUSINESS OFFICIAL

ECONOMIC REVIEW & STATE BUDGET

GOVERNOR NEWSOM'S MAY REVISION HIGHLIGHTS

3

The May Revision proposed new reductions amid state revenue shortfalls up to \$44.9 billion.

Early action measures taken by the State Legislature were made through reductions, revenue and borrowing, delays and deferrals as well as cost shifts from the State General has reduced this shortfall to \$27.6 billion

State budget deficit largely due to overestimation of the State's revenues in the 2023-24 Enacted Budget due to the extension of the tax filing deadline in 2022. Tax receipts came in over \$26 billion lower than anticipated. The Enacted Budget set the Proposition 98 Education funding bar too high and now a \$8.8 billion shortfall exists that the State General Fund cannot cover.

The Governor's "Maneuver"

4

- To address the State Budget shortfall, Governor Newsom proposed:
 - Depletion of the Rainy Day Fund by the end of 2024-25 of \$8.4 billion
 - Establishing an accrual to education in fiscal year 2022-23 that would be repaid in annual payments of \$1.8 billion per year beginning in 2025-26 through 2029-30.

The conundrum:

- Proposition 98 requires overpayments of Prop 98 to be included in the minimum guarantee, but the maneuver removes \$8.8 billion from the minimum guarantee permanently re-benching Prop 98 to a lower level. If approved by the Legislature, Education advocates will likely sue the state to avoid a loss of Prop 98 funds.

UPDATE May 28th: Governor Newsom reached a deal with the California Teacher's Association (CTA) to suspend Prop 98 rather than implement this maneuver and requires a 2/3's approval by the State Legislature. Essentially, the state will provide a zero interest loan to education of \$6.2 billion that will be required to be repaid. This aligns with previous actions in the past.

The California Economy - Are we headed for Stagflation

5

Stagflation is when there is simultaneous slow growth, high unemployment and rising costs. Are we headed into stagflation? Let's look at the economy....

- Inflation continues to remain at higher levels despite efforts by the Federal Reserve
- The California Gross Domestic Product (GDP) has been trending downward
- California unemployment is up to 5.3% in March (the highest in the nation)
- Dow Jones and S&P are trending up, but only at single digit increments since January
- State revenues has declined by \$10.5 billion since January

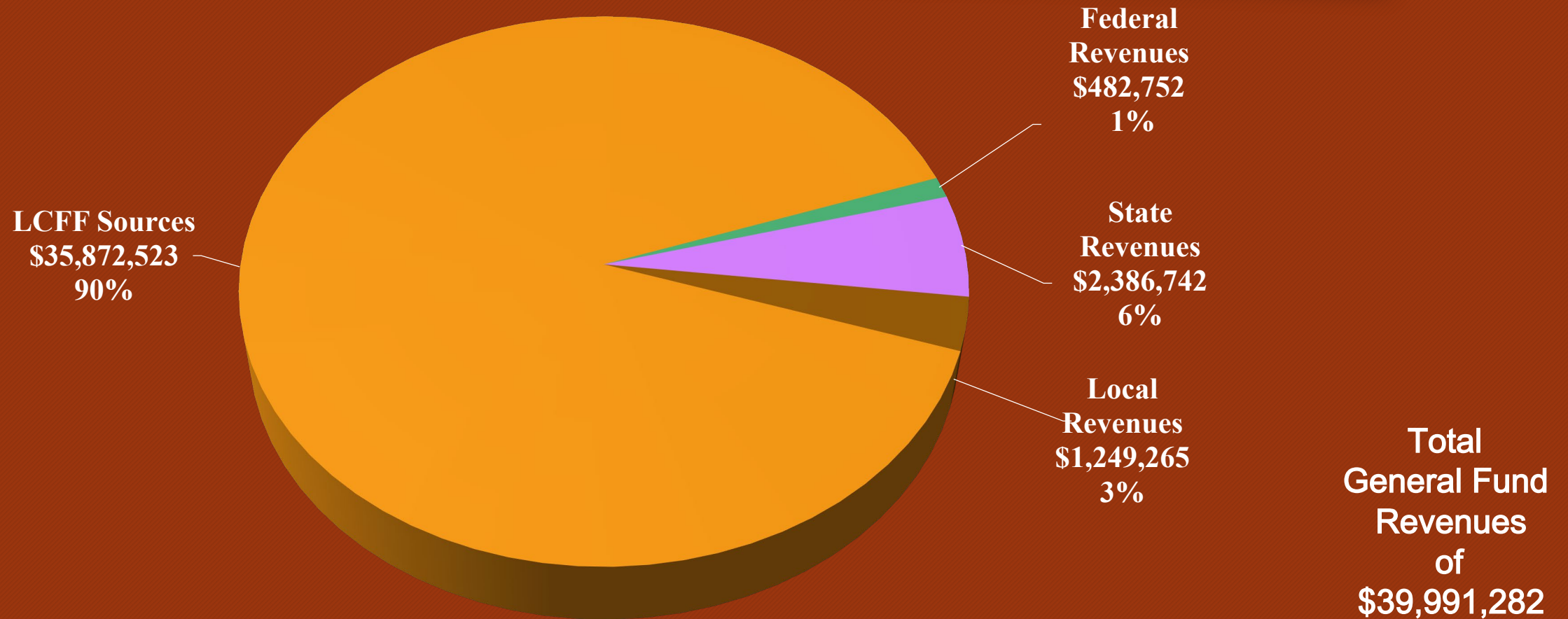
What's happening across the nation?

- Consumer Price Index (CPI) is slightly higher than projected in 1st Quarter 2024 at 3.4% instead of the Federal Reserve's goal of 2% affecting prices for goods and services
- The Federal Reserve continues to hold interest rates at 5.3%
- U.S. unemployment rate is steady at 3.9%
- Dow Jones and S&P are trending up, but only at single digit increments since January while still at record highs
- U.S. GDP is below forecast at 1.6% (lowest since 2022)
- Capital Gains as a share of personal income have lowered from 5% to 4.4% since January

SUSD 2024-25 ADOPTED BUDGET GENERAL FUND REVENUE REVIEW

2024-25 GENERAL FUND REVENUES

8

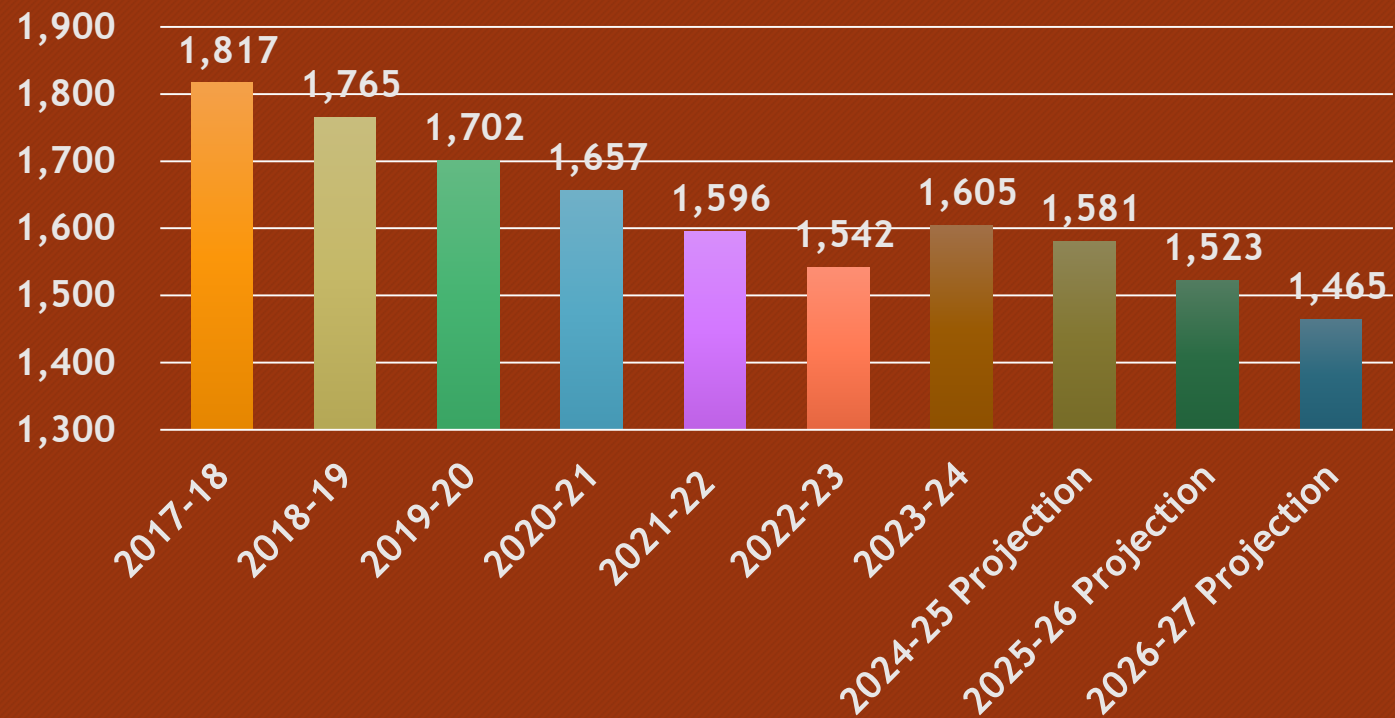


SUSD REVENUE FUNDING FACTORS - ESTIMATES

- **Property Tax** - Estimated increase of 4% for a total of \$37,731,220 (net of Deferred Maintenance transfer of \$3.5 million).
- **COLA** - 1.07% for 2024-25 applied to some categorical programs (Mandate Block Grant, Special Education, Child Nutrition) - *will not apply to LCFF funding for Basic Aid districts - only receive minimum guarantee of \$324,666.*
- **Education Protection Act** - General purpose state aid funding of \$313,020 pursuant to Section 36 of Article XIII of the California Constitution. Must be spent on teacher salaries and approved by resolution in tonight's board meeting.
- **Unduplicated Students - Supplemental Services**
 - Required set aside of local property taxes of \$321,201 to address academic support for low income free and reduced meal eligible students, foster youth, homeless and English learners. Adopted Budget and LCAP identifies expenditures of \$924,805 exceeding required amount.
- **Special Education** - Adjusted by COLA and now unified under one countywide SELPA resulting in funding of \$894.15 per ADA. Total Special Education revenues from federal and state sources is \$1,404,508. A General Fund contribution of \$5,989,072 is need to cover total Special Education expenditures of \$7,393,580.

ENROLLMENT HISTORY & PROJECTIONS

10 Year Enrollment Trends & Projections



Continuing to decline as higher classes move through and lower classes enroll at the elementary levels. Decline is occurring at both elementary and middle school.

Decline of 11.7% over last years from 2017-18 actuals to 2024-25 projection. Will report actual 2024-25 at First Interim in December 2024.

Actual decline of 13% from 2017-18 actuals to 2023-24 actuals

Expanded Learning Opportunities Program

There are no proposed programmatic changes or cuts to the Expanded Learning Opportunities Program (ELO-P)

Prior-Year Funds

- Per current law, 2021-22 and 2022-23 funds must be expended or encumbered by June 30, 2024
- May Revision proposes to require encumbered funds that are not expended by September 30, 2024, to return to the state

Proposed Declaration

- Starting in 2025-26, districts and charter schools must annually declare their intent to run the program
- Available funds will be used to stabilize the per pupil rate for recipients with UPP < 75%



Proposed Expenditure Deadline

- Starting with 2023-24 funds, a two-year deadline for expenditure
- Funds not expended by the June 30 deadline shall be returned to the state
- For example, 2023-24 funds must be expended by June 30, 2025

Universal Meals—Funding

As proposed, total funding for universal meals would increase by \$118.9 million in the current fiscal year to cover the anticipated shortfall

A total increase of \$198.9 million is proposed in 2024-25 to cover the COLA and growth in the number of meals served

All LEAs¹ are required to provide free breakfast and free lunch to any student who requests it

If approved, 2024-25 Proposition 98 share of the school nutrition program would be \$1.8 billion while the federal share would be \$2.7 billion

If approved, the 2024-25 LEA reimbursement rate per meal would increase to \$0.9790

¹Nonclassroom-based charter schools are not required to comply; however, they are required to offer a free meal to eligible students who are scheduled for educational activities lasting two or more hours per EC 47613.5(b)

REMAINING ONE-TIME FUNDS FOR SUSD

13

- One-Time Arts, Music and Instructional Materials Grant - The budget includes \$277,361 to fund the RMS ELA Adoption, SEL curriculum and training, Eureka Math materials, Acknowledge Alliance, elementary professional development for readers/writers and restorative justice training. Remaining balance of \$145,903 is budgeted in 2025-26 as funds must be spent by June 30, 2026.
- MTSS Grant - The budget includes \$151,191 for continued MTSS training and the MTSS Conference as the program continues to expand and refine practices across the district.

NEW FUNDS IN 2024-25

14

Proposition 28 - Arts & Music in Schools \$184,282

- Proposition 28 funds received in 2023-24 are included in the Adopted Budget to hire several new classified staff at all four school sites based on the plan approved by the board at the April 25, 2024 board meeting.
- Annual funding will continue to support the costs of implementing the program.
- The positions will be posted closer to the start of the school year.

Proposition 28—Arts and Music in Schools

Annually complete a plan for each school site
expending funds and an LEA expenditure report

Certify that no more than
1% of funds was used for
administrative costs,
inclusive of indirect costs

Certify that funds were used to
supplement, not supplant arts
education programs

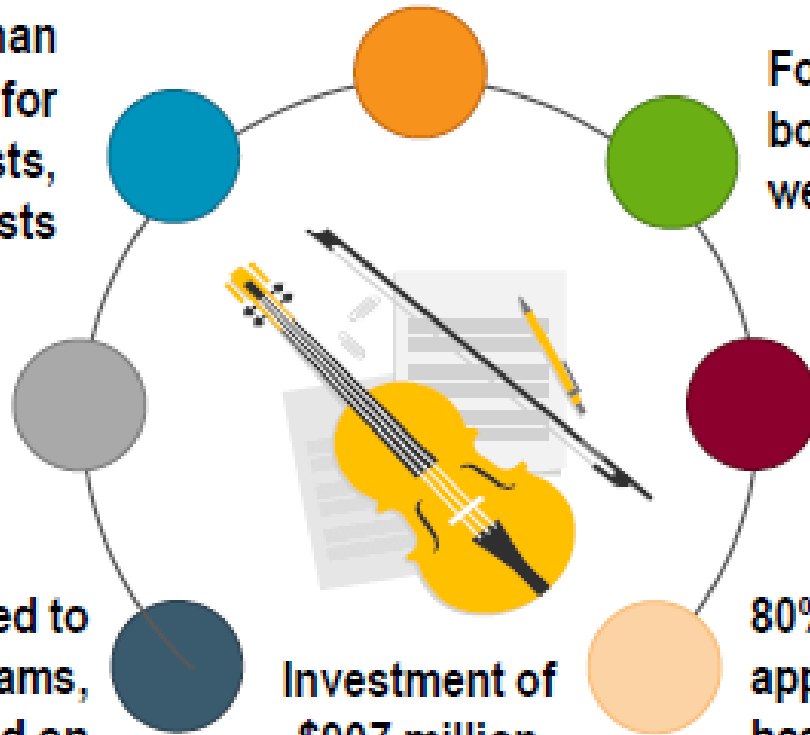
Certify that funds were used to
provide arts education programs,
and at least 80% was used on
salaries and benefits

Investment of
\$907 million
for 2024-25

For LEA expenditure report, obtain
board approval, post to the LEA's
website, and submit to the CDE

Spend each year's allocation
within three fiscal years

80% spending provision is waivable if
approved by the CDE, or if the LEA
has an enrollment of fewer than 500
students



Proposition 28—Supplement, Not Supplant

- Many questions existed around the application of supplement, not supplant provision
- The Audit Guide provides clarity via the audit procedures that will be applied, and auditors must verify the documentation for the following calculation

Step	Procedures	Considerations
A.	Identify total expenditures for arts education programs in the prior fiscal year	Use locally defined goal to track expenditures for arts music programs
B.	Less: expenditures in A. that were from Resource 6770	
C.	Less: expenditures in A. that were from funding sources, excluding Resource 6770, not available in current year	This would include any costs charged to one-time (e.g., ESSER, AMIM ¹ block grant)
D.	Plus: revenue from new resources in the audit year, excluding Resource 6770, for arts education programs	Include new revenue for funding streams that are used to pay for arts education programs
E.	Determine the amount of expenditures in the audit year on arts education programs, excluding Resource 6770	

- If E. is greater than A. through D., the LEA has supplemented, not supplanted

¹Arts, Music, and Instructional Materials

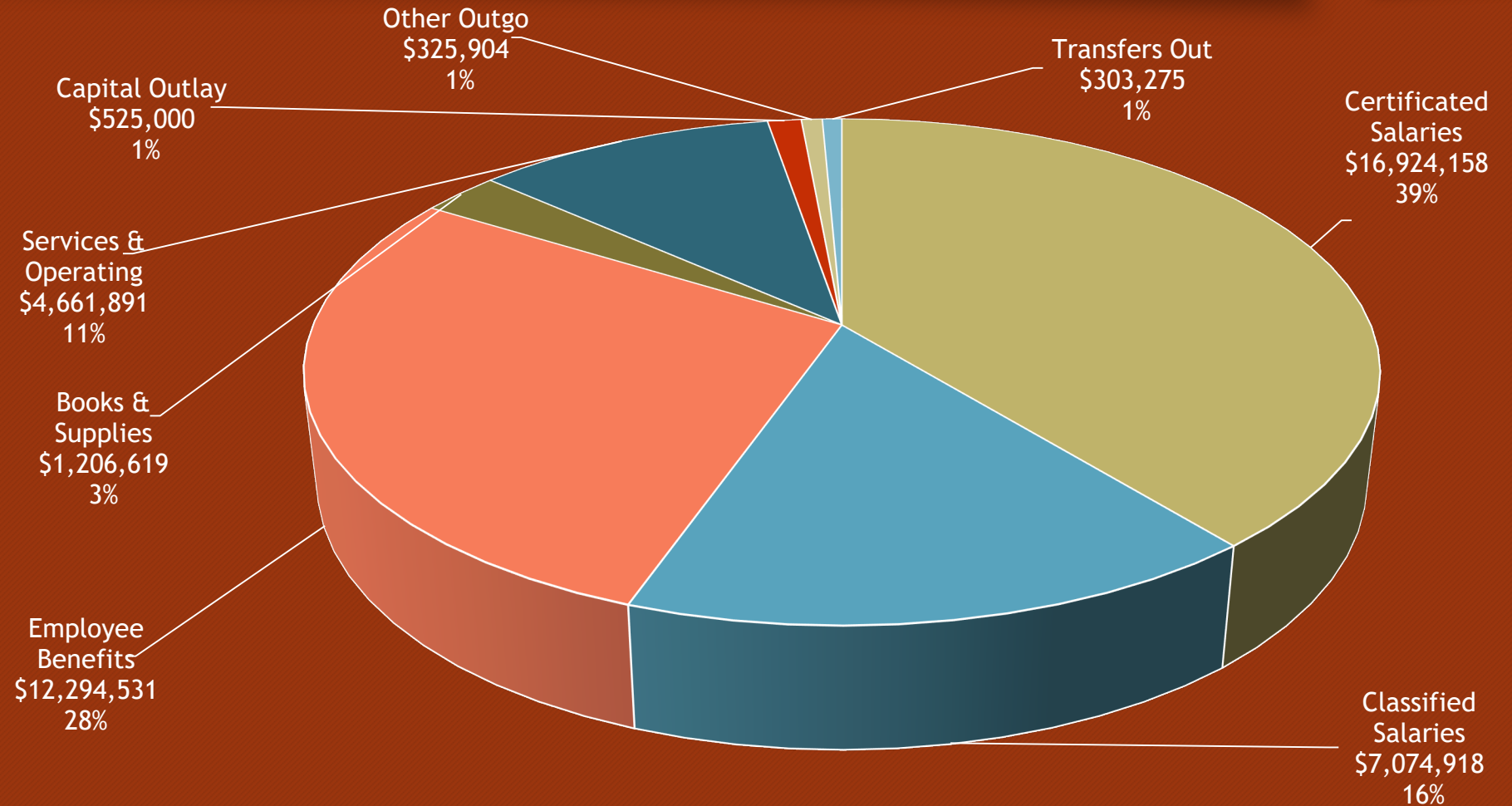
SUSD 2024-25 ADOPTED BUDGET GENERAL FUND EXPENDITURE REVIEW

2024-25 GENERAL FUND EXPENDITURES

18

Total General Fund Expenditures of \$43,316,296

83% dedicated to staffing throughout the district



EXPENDITURE FACTORS - ESTIMATES

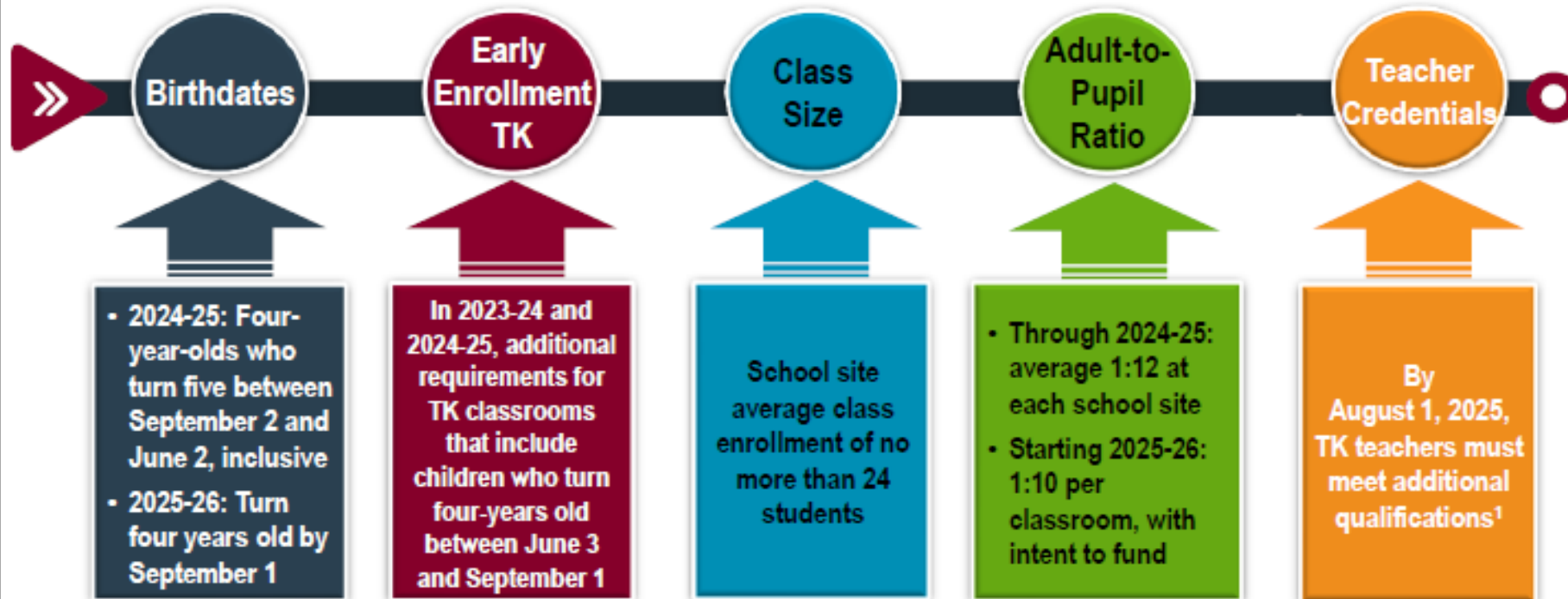
- Step and Column 1.5% (average of \$459K per year)
- Negotiated Salary increase of:
 - 7.5% for 2024-25
 - 0% for 2025-26 and 2026-27 (*not yet negotiated*)
- Health Benefits - Overall 6.7% increase for 2024-25 and estimating 10% increases in each subsequent year
- Certificated positions decrease slightly due to release of temporary staff and declining enrollment
- Classified positions increased slightly due to changes in aides in Special Education and Child Development programs
- Utility and insurance estimated increase of 10% over prior year
- Technology Replacement Budget of \$458,000 and Operating Budget of \$1,233,737 totaling \$1.69 million

Universal Transitional Kindergarten Implementation

20

Universal Transitional Kindergarten

There are no proposed changes to the implementation of Universal Transitional Kindergarten



¹Teachers assigned to TK on or before July 1, 2015, are grandfathered

UNIVERSAL TK - STAFFING REQUIREMENTS

21

- No additional funding for Basic Aid Districts
- Staffing Requirements in 2024-25:
 - A credentialed teacher and one adult can serve no more than 24 students per TK classroom (24:2) or 12:1 student/adult
 - If district decides to enroll a TK student who turns 5 between June 3rd - September 1st, then the staffing ratio for that class must be 10:1 student/adult
 - SUSD will not enroll any early enrollment TK students in 2024-25
 - TK considered an extension of kindergarten

The student/adult ratio reduces to 10:1 in 2025-26

MULTI YEAR GENERAL FUND PROJECTIONS

MULTI-YEAR PLANNING FACTORS

23

	2024-25	2025-26	2026-27
Projected Enrollment	1,581	1,523	1,465
Property Taxes	4%	4%	4%
Parcel Taxes	\$475,000	\$475,000	\$475,000
Unduplicated Count Students % (152 Students)	9.54%	9.70%	10.06%
Supplemental Services Set Aside for Unduplicated Students	\$320,755	\$321,201	\$340,327
STRS Employer Rates	19.10%	19.10%	19.10%
PERS Employer Rates	27.05%	27.60%	28.00%
General Fund Contributions to Restricted Programs	\$7,939,040	\$8,073,700	\$8,201,922
Certificated FTE's	97.5	97.5	97.5
Classified FTE's	90.7665	90.7665	90.7665
Management & Confidential FTE's	17	17	17
Step & Column Increases	1.5%	1.5%	1.5%
Health Benefit Increases	6.7%	10%	10%
Negotiated Salary Increase All Employees	7.5%	Not yet negotiated	Not yet negotiated
Utility Rate Increases	10%	10%	10%

GENERAL FUND - MULTIYEAR PROJECTIONS

24

	2024-25	2025-26	2026-27
General Fund Revenues	\$39,991,282	\$41,420,761	\$45,403,517
General Fund Expenditures & Transfers Out	\$43,316,296	\$42,986,082	\$44,074,978
Net Increase/(Decrease)	(\$3,225,014)	(\$1,565,321)	\$1,328,539
General Fund Beginning Fund Balance	\$10,422,267	\$7,097,253	\$5,142,741
General Fund Ending Fund Balance	\$7,097,253	\$5,142,741	\$6,305,535
General Fund Available Reserves: (Reserve for Economic Uncertainties Object 9789 + Un- assigned/Unappropriated 9790)	\$4,872,209	\$2,981,033	\$4,001,829
Fund 17 - Basic Aid Special Reserve Fund Ending Balance	\$6,138,534	\$6,459,207	\$6,956,861
Total Available Reserves for Funds (Fund 01 & Fund 17)	\$11,010,743	\$9,440,240	\$10,958,690
Available Reserve Fund %	25.42%	21.76%	24.77%

LCFF Revenues increase in 2026-27 due to reduction of Deferred Maintenance Transfer from \$3.5 million to \$1 million

A LOOK AT ALL OTHER SUSD FUNDS

2024-25 OTHER FUNDS SUMMARY

26

Fund	Beginning Balance	Revenues	Expenditures	Ending Balance
Student Body Funds 08	\$9,646	\$2,502	(\$2,502)	\$9,646
Child Nutrition Fund 13	\$168,623	\$1,217,997	(\$1,344,875)	\$41,745
Deferred Maintenance Fund 14	\$21,664	\$3,500,000	(\$125,377)	\$3,396,287
Basic Aid Reserve Fund 17	\$5,855,259	\$283,275	(\$-)	\$6,138,534
Post Employment Benefit Fund 20	\$505,100	\$10,000	(\$-)	\$515,100
Building Fund 21	\$2,028,320	\$25,000	(\$-)	\$2,053,320
Capital Facilities Fund 25	\$3,791,567	\$100,000	(\$504,000)	\$3,387,567
Bond Interest Redemption Fund 51	\$4,855,490	\$4,677,243	(\$4,755,001)	\$4,777,732
Enterprise Fund (Treehouse) 63	\$975,627	\$1,328,000	(\$1,482,005)	\$821,622

RESERVES REVIEW

Education Code 42127(a)(2)(B) Requirements

Education Code requires a statement of the reasons that substantiates the need for assigned and unassigned ending fund balances in excess of the minimum reserve standard for each fiscal year identified in the budget.

Reminder: As a Basic Aid District state funding is minimal and first issuance of tax receipts do not come in until November. Roughly \$11.2 million in expenses need to be covered before November so cash flow reserves are critical.

Combined Assigned/Unassigned/Unappropriated Fund Balances	2024-25	2025-26	2026-27
Fund 01 General Fund	\$6,122,209	\$4,231,034	\$5,251,829
Fund 17	\$6,138,534	\$6,459,207	\$6,956,861
Total	\$12,260,743	\$10,690,241	\$12,208,690
Less: 3% REU	(\$1,299,489)	(\$1,301,258)	(\$1,327,222)
Balance to Substantiate	\$10,961,254	\$9,388,983	\$10,881,468
Maintenance & Other Projects	\$500,000	\$500,000	\$500,000
Educational Technology Replacement Plan	\$250,000	\$250,000	\$250,000
Instructional Materials Adoptions	\$500,000	\$500,000	\$500,000
Cash Flow	\$3,572,720	\$1,929,776	\$2,674,607
Special Reserve Fund 17 Per Board Policy (15% PY GF Expenses)	\$6,138,534	\$6,459,207	\$6,956,861
Total	\$10,961,254	\$9,388,983	\$10,881,468

NEXT STEPS.....

- State Legislature will approve their budget proposal by June 15th and then negotiate with the Governor for a final version to be signed by June 30th. SUSD will adjust budget for any significant changes at the 2024-25 First Interim budget.
- This budget will be brought back to the SUSD Governing Board for approval on June 13th.
- Business Office will forward budget documents to Santa Clara County Office of Education for their review by required deadline of June 30th.

ANY
QUESTIONS

