School Services of California INC.™
An Employee-Owned Company

Franklin-McKinley School District
PREPARING ALL CHILDREN AS GLOBAL LEARNERS

45 Day Budget Revision for FY 24-25

Presented August 13, 2024

by
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UCLA Anderson Forecast for the California Economy

- Slow gross domestic product growth
- High unemployment
- Low housing supply
- Personal income expected growth
- Homelessness, public safety, and climate concerns
- Upcoming national election and geopolitical risks

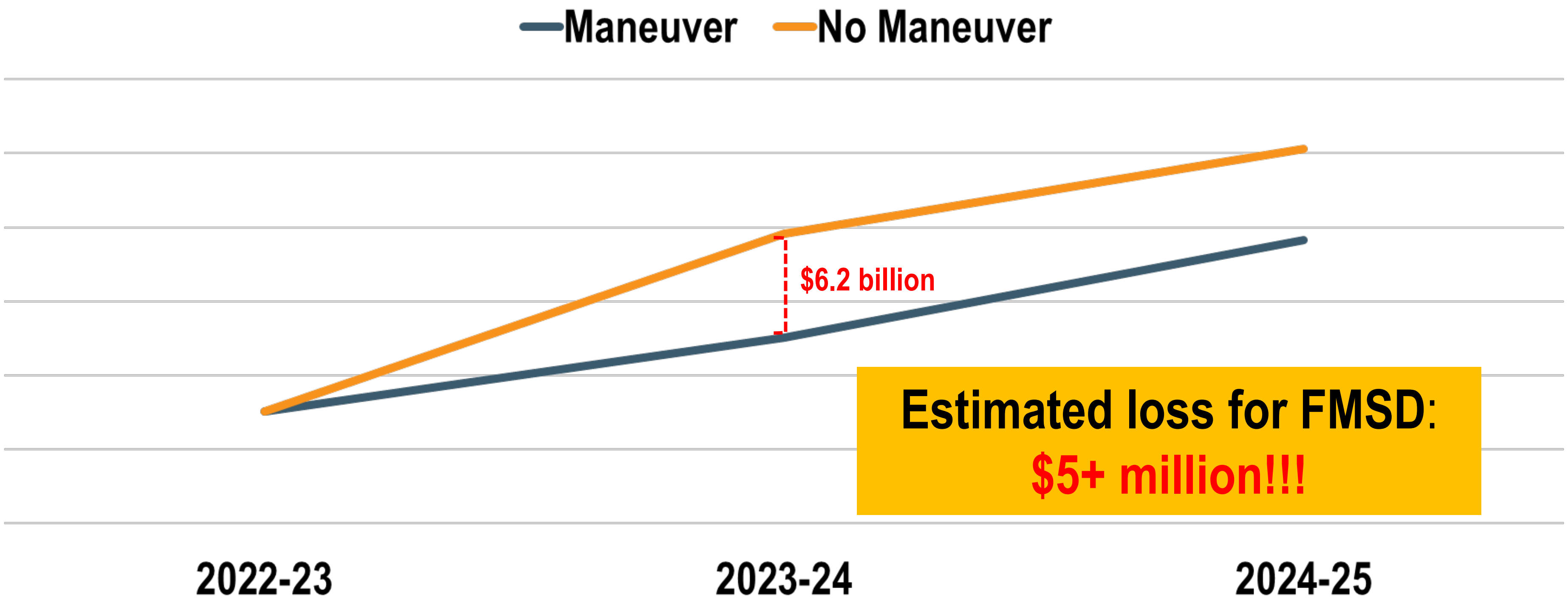
- California is atypically experiencing slower than national economic growth in the current year
  - California is expected to recover and outpace the national economy again in 2025 and 2026
- Current rising unemployment is predicted to improve to normal levels in 2025
- Housing is expected to remain weak in 2024 due to low supply, high demand
- Increased construction is expected in 2025, but housing affordability is not expected to improve
- Personal income is expected to grow 0.7%, 2.5%, and 3.0% in 2024, 2025, and 2026, respectively
- The economic outlook is expected to improve in 2025, but risks to improvement remain

Proposition 98 Minimum Guarantee

The 2024-25 Enacted Budget reflects the deal between Governor Gavin Newsom and the California Teachers Association on the treatment of allocations to K-14 education in excess of the 2022-23 minimum guarantee

$6.2 billion is included in the Proposition 98 base for 2023-24 and beyond

- Recall this chart that illustrates how the inclusion of $6.2 billion in the Proposition 98 base drastically increases the minimum guarantee in the current and budget years



Deferrals Are BACK!

Do Not Yet Know the Impact for FMSD!!

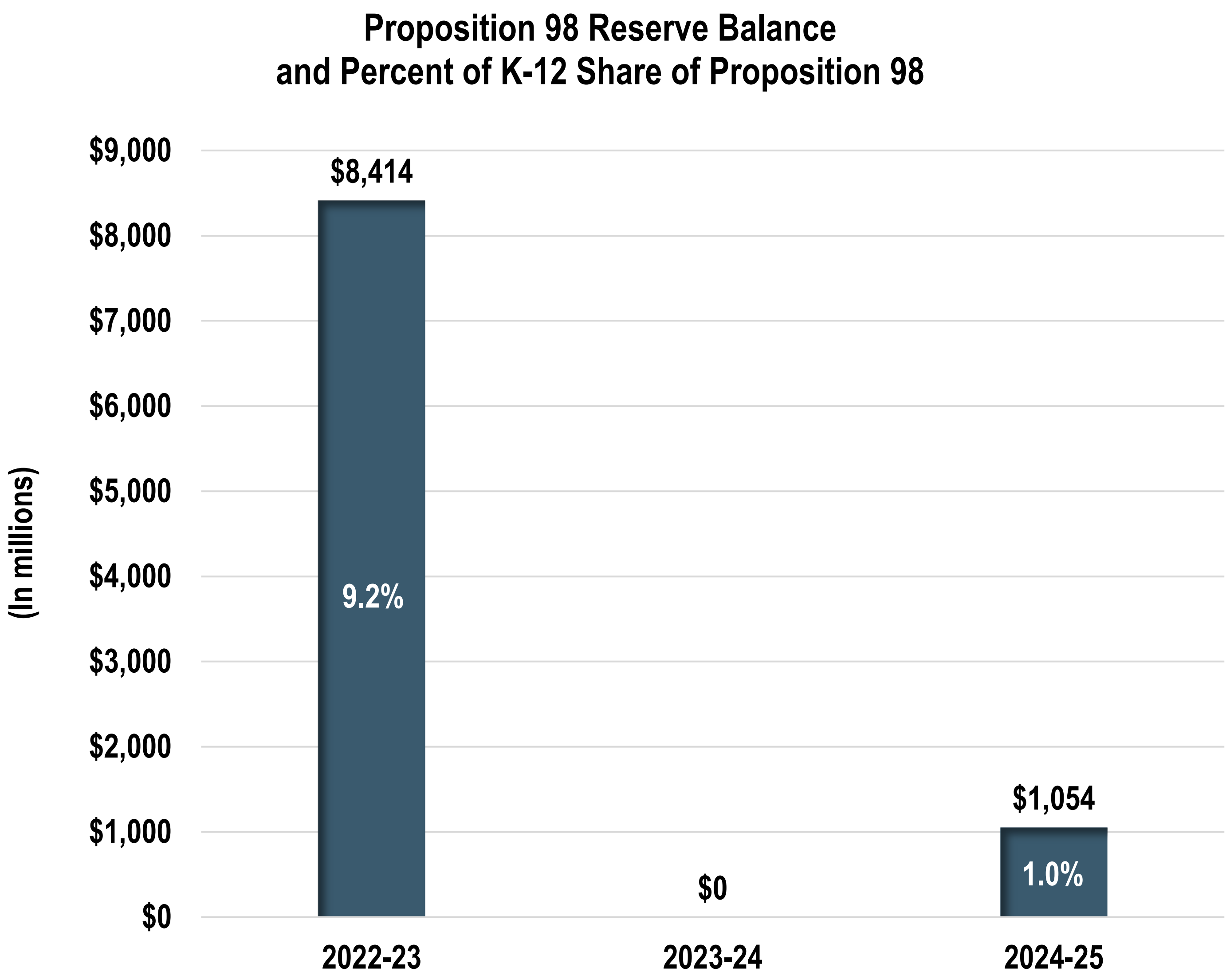
- The 2024-25 Enacted Budget includes a $4.0 billion budget deferral in 2023-24 and a $489 million cash and budget deferral in 2024-25 for K-12 agencies and community colleges—from June to July in each year

	2023-24	2024-25
K-12	$3,570,108,000	$245,604,000
Community Colleges	$446,427,000	$243,693,000
Total	$4,016,535,000	$489,297,000

- K-12 school districts and charter schools may be exempt from the deferral when it is determined that they would be unable to meet their financial obligations in June and any subsequent month until the deferral is repaid
  - The county superintendent or the chartering authority, in consultation with the county superintendent, shall make a certification to the Director of Finance by April 1, 2025

Local Reserve Cap Is No Longer Operative For 2024-25

- In a fiscal year immediately after a fiscal year in which the Proposition 98 reserve is at least 3% of K-12's share of the minimum guarantee, a school district's adopted budget or 45-day revision cannot contain a combined assigned or unassigned ending General Fund balance greater than 10%
- The depletion of the Proposition 98 reserve in 2023-24 makes the cap on local reserves inoperative for 2024-25
- With a projected $1.1 billion reserve in 2024-25, the district reserve cap is not likely to be in effect in 2025-26




R.I.P.
Reserve Cap
7-1-22 through 6-30-24

SSC Financial Projection Dartboard New Factors Highlighted in Yellow!

Planning Factors						
		2023-24	2024-25	2025-26	2026-27	2027-28
DOF[1] Planning COLA		8.22%	1.07%	2.93%	3.08%	3.30%
California CPI[2]		3.46%	3.23%	2.86%	2.81%	2.85%
CalSTRS[3] Employer Rate		19.10%	19.10%	19.10%	19.10%	19.10%
CalPERS[4] Employer Rate		26.68%	27.05%	27.60%	28.00%	29.20%
Unemployment Insurance		0.05%	0.05%	0.05%	0.05%	0.05%
California Lottery	Unrestricted per ADA	$211	$191	$191	$191	$191
	Restricted per ADA	$102	$82	$82	$82	$82
Mandate Block Grant (District)[5]	Grades K-8 per ADA	$37.81	$38.21	$39.33	$40.54	$41.88
	Grades 9-12 per ADA	$72.84	$73.62	$75.78	$78.11	$80.69
Mandate Block Grant (Charter)	Grades K-8 per ADA	$19.85	$20.06	$20.65	$21.29	$21.99
	Grades 9-12 per ADA	$55.17	$55.76	$57.39	$59.16	$61.11

[1]Department of Finance, [2]Consumer Price Index, [3]California State Teachers' Retirement System, [4]California Public Employees' Retirement System, [5]County Office of Education Mandate Block Grant: $38.21 per ADA grades K-8; $73.62 per ADA grades 9-12; $1.28 per unit of countywide ADA

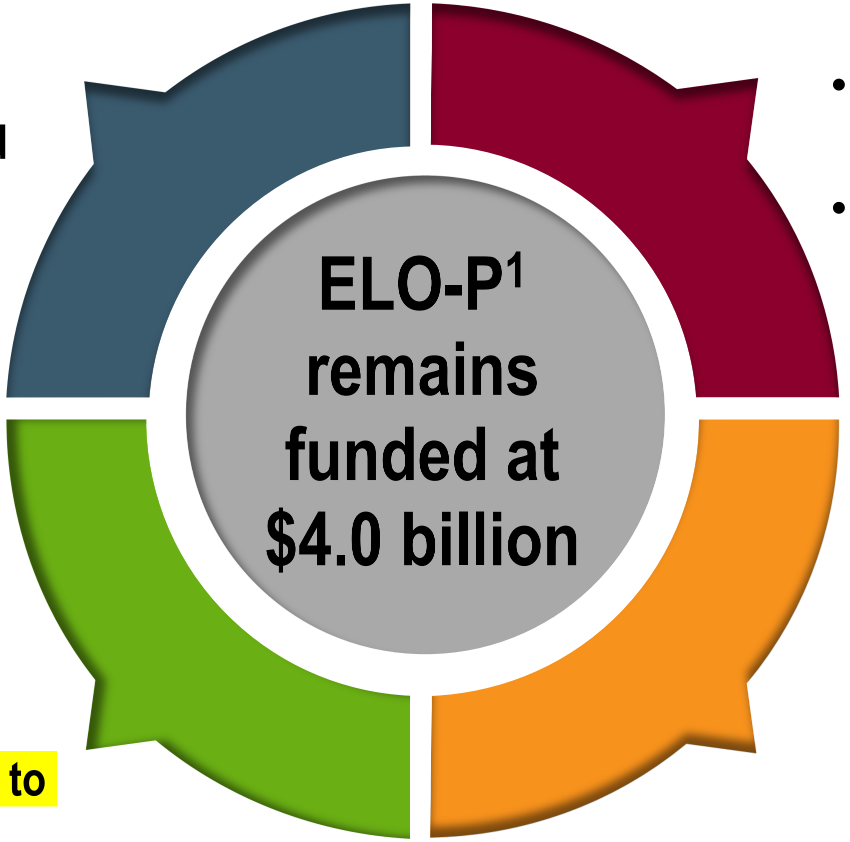
Expanded Learning Opportunities Program

Prior-Year Funds

- No change to the requirement that 2021-22 and 2022-23 funds be expended or encumbered by June 30, 2024
- Encumbered funds that are not expended by September 30, 2024, must be returned to the state
- In 2024-25, returned funds will augment the per-pupil rate for recipients with a UPP <75% (maximum per-pupil rate of $2,000)—or Rate 2 LEAs

New Declaration Requirement

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



[1]Expanded Learning Opportunities Program

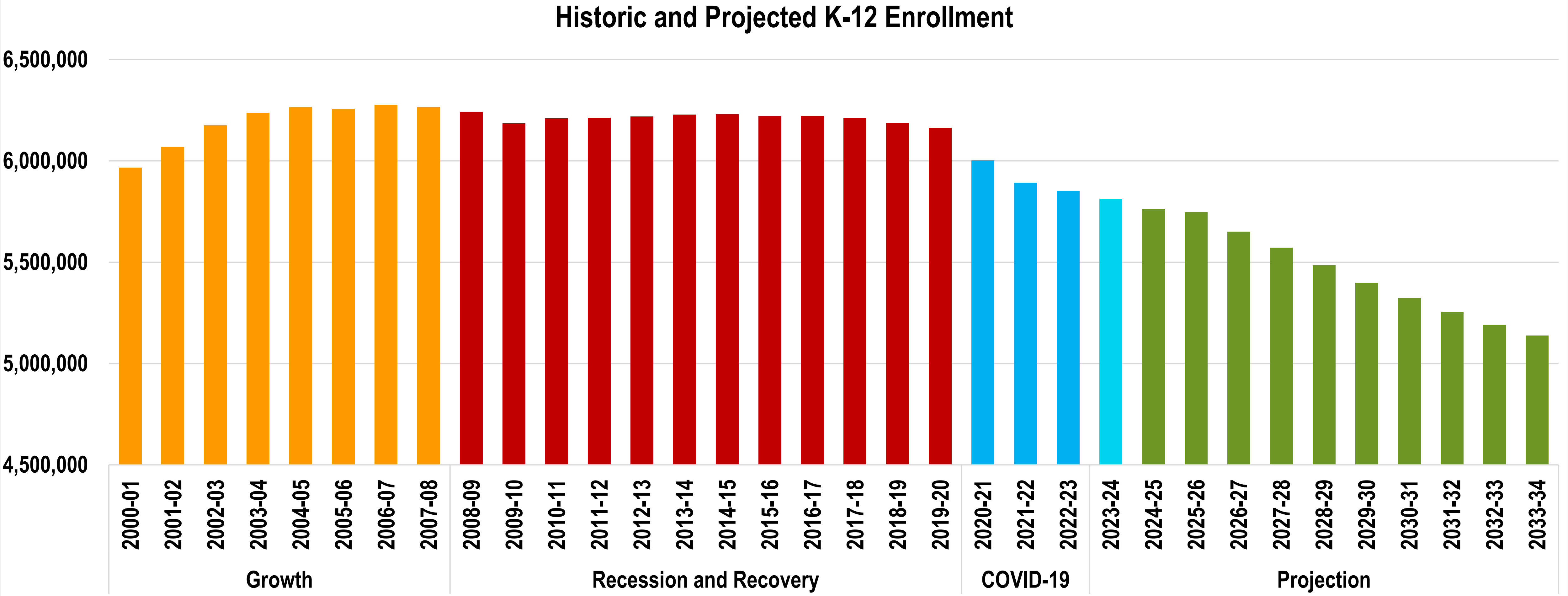
Expenditure Deadline

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

Attendance Recovery

- Starting July 1, 2025, ELO-P funds may be used to support attendance recovery
- The attendance recovery must be operated by the LEA in conjunction with, and on same school site as, the ELO-P
- New attendance recovery requirements must be followed

K-12 Student Enrollment



Source: DOF Demographic Research Unit, October 2023
Actual enrollment data through 2022-23

Attendance Recovery

A 0.5% increase in ADA could result in a $250K to $350K increase in LCFF Revenue in Future Years!

- COVID-19 disrupted student learning, access to instructional time, and student attendance patterns
- Pre- and post-pandemic, students also lost access to instructional days and minutes due to other emergency events
- The Enacted Budget includes changes intended to:

Mitigate chronic absenteeism and attendance loss and improve absentee data reporting

Provide in-person attendance and instructional time opportunities outside of the regular school day and instructional year

Facilitate continuity of learning and student engagement during emergencies

Other Adjustments To MYP

- Home To School Transportation Plan – New Reimbursement Under EC 39800.1 Added to MYP
- Allocated Ending Balance to Nonspendable components
- Reserve Percentages Have Increased:
  - 24-25: From 3% to 3.52%
  - 25-26: From 3% to 3.65%
  - 26-27: From 3% to 4.32% (not yet at 5% reserve)
  - Assumes we do not use the new revenue to reduce cuts in future years and work our way back to a 5% reserve [3% required plus 2% board approved]
- <u>*Adjustments To Come At First Interim*</u>
  - Carryover from 23-24
  - Actual audited ending General Fund balance for 23-24
  - Staffing Changes
  - Negotiated pay increase for CSEA
  - Budget “Clean Up” language impacts

Franklin - McKinley School District

Projection for FY 2024-2025 45 Day Revision

	UnRestricted General Fund	Restricted General Fund	Total General Fund
Revenue			
LCFF/Property Tax	80,256,081	-	80,256,081
Federal Revenue	-	4,976,592	4,976,592
State Revenue	1,158,406	20,369,207	21,527,613
Home To School Transportation	600,000	-	600,000
Lottery	130,000	87,000	217,000
Local Revenue	4,557,714	1,710,456	6,268,170
Other Sources	-	-	-
Total Revenue	86,702,201	27,143,255	113,845,456
Expenditures			
Certificated Salaries	34,537,776	17,061,139	51,598,915
Classified Salaries	11,564,746	9,361,361	20,926,107
Employee Benefits	18,305,751	15,364,778	33,670,529
Books & Supplies	1,530,599	3,023,112	4,553,711
Services and Other Operating Expenditure	7,617,845	20,345,708	27,963,553
Capital Outlay	81,902	980,000	1,061,902
Other Outgo	18,100	751,301	769,401
Direct/Indirect Costs	(1,475,774)	1,313,049	(162,725)
	-	-	-
Total Expenditures	72,180,945	68,200,448	140,381,393
Revenue over Expenditures	14,521,256	(41,057,193)	(26,535,937)
Interfund Transfers			
Transfers In	-	-	-
Transfers Out	-	-	-
Encroachment/Contribution	(31,825,951)	31,825,951	-
Total Transfers	(31,825,951)	31,825,951	-
Net Increase (Decrease)	(17,304,695)	(9,231,242)	(26,535,937)
Fund Balances			
Beginning Balance	23,413,386	14,721,459	38,134,845
a) Nonspendable			
Revolving Cash	25,000	-	25,000
Stores Inventory	-	-	-
Prepaid Expenditures	688,010	-	688,010
b) Restricted	-	5,490,217	5,490,217
c) Committed	448,642	-	448,642
d) Assigned	-	-	-
e) Unassigned/Unappropriated		-	
3% Reserve for Economic Uncertainties	4,217,038	-	4,217,038
2% Board Reserve	730,002		730,002
Unassigned/Unappropriated amount	(0)	(0)	(0)
Ending Balance	6,108,691	5,490,217	11,598,908

Franklin - McKinley School District

Projection for FY 2025-26 45 Day Budget Revision

	Un Restricted General Fund 010-040	Restricted General Fund	Total General Fund
Revenue			
LCFF/Property Tax	79,993,873		79,993,873
Federal Revenue	-	4,976,592	4,976,592
State Revenue	1,192,347	20,966,025	22,158,372
Home to school Transportation/Lottery	730,000	87,000	817,000
Local Revenue	4,557,714	502,456	5,060,170
Other Sources	-		-
Total Revenue	86,473,934	26,532,073	113,006,007
Expenditures			
Certificated Salaries	32,358,154	10,654,033	43,012,187
Classified Salaries	10,165,393	7,227,925	17,393,318
Employee Benefits	17,228,922	13,208,400	30,437,322
Books & Supplies	802,924	2,080,973	2,883,897
Services and Other Operating Expenditures	5,778,515	17,032,779	22,811,294
Capital Outlay	-	150,000	150,000
Other Outgo	10,000	650,000	660,000
Direct/Indirect Costs	(1,153,774)	991,049	(162,725)
	-		-
Total Expenditures	65,190,134	51,995,159	117,185,293
Revenue over Expenditures	21,283,800	(25,463,086)	(4,179,286)
Interfund Transfers			
Transfers In	-		-
Transfers Out	-		-
Encroachment/Contribution	(22,181,371)	22,181,371	-
Total Transfers	(22,181,371)	22,181,371	-
Net Increase (Decrease)	(897,571)	(3,281,715)	(4,179,286)
Fund Balances			
Beginning Balance	6,108,691	5,490,217	11,598,908
a) Nonspendable			
Revolving Cash	25,000	-	25,000
Stores Inventory		-	-
Prepaid Expenditures	688,010	-	688,010
b) Restricted	-	2,208,502	2,208,502
c) Committed	225,900	-	225,900
d) Assigned		-	-
e) Unassigned/Unappropriated		-	-
3% Reserve for Economic Uncertainties	3,525,220	-	3,525,220
2% Board Reserve	746,990	-	746,990
Unassigned/Unappropriated amount	0	-	0
Ending Balance	5,211,120	2,208,502	7,419,622

Franklin - McKinley School District

Projection for FY 2026-27 45 Day Budget Revision

	Unrestricted General Fund 010-040	Restricted General Fund	Total General Fund
Revenue			
LCFF/Property Tax	81,620,722		81,620,722
Federal Revenue	-	4,976,592	4,976,592
State Revenue	1,229,072	21,611,778	22,840,850
Home to school Transportation/Lottery	730,000	87,000	817,000
Local Revenue	4,557,714	502,456	5,060,170
Other Sources	-		-
Total Revenue	88,137,508	27,177,826	115,315,334
Expenditures			
Certificated Salaries	32,681,736	9,941,573	42,623,309
Classified Salaries	10,267,047	7,000,204	17,267,251
Employee Benefits	17,383,503	12,984,992	30,368,495
Books & Supplies	625,968	1,027,979	1,653,947
Services and Other Operating Expenditures	4,444,359	15,908,901	20,353,260
Capital Outlay	-	150,000	150,000
Other Outgo	10,000	700,000	710,000
Direct/Indirect Costs	(1,153,774)	991,049	(162,725)
	-		-
Total Expenditures	64,258,839	48,704,698	112,963,537
Revenue over Expenditures	23,878,669	(21,526,872)	2,351,797
Interfund Transfers			
Transfers In	-		-
Transfers Out	-		-
Encroachment/Contribution	(23,501,222)	23,501,222	-
Total Transfers	(23,501,222)	23,501,222	-
Net Increase (Decrease)	377,447	1,974,350	2,351,797
Fund Balances			
Beginning Balance	5,211,120	2,208,502	7,419,622
a) Nonspendable			
Revolving Cash	25,000	-	25,000
Stores Inventory	-	-	-
Prepaid Expenditures	688,010	-	688,010
b) Restricted	-	4,182,852	4,182,852
c) Committed	-	-	-
d) Assigned	-	-	-
e) Unassigned/Unappropriated	-	-	-
3% Reserve for Economic Uncertainties	3,398,567	-	3,398,567
2% Board Reserve	1,476,990	-	1,476,990
Unassigned/Unappropriated amount	0	-	0
Ending Balance	5,588,567	4,182,852	9,771,419

$22.9M In Cuts Required Before July 1, 2025 to Maintain 3% Reserve

Type of Cut	FTE	Estimated Savings
Certificated	50.55	$ 7,694,705
Classified	19.67	$ 1,826,880
Management	4.00	$ 755,014
School Consolidation / Reduce Work Calendar / Salary Adjustments (FMEA, CSEA, & Management)	61.06	$ 11,912,008
Contracts/Supplies	-	$ 711,393
Total Cuts	**135.28**	**$ 22,900,000**

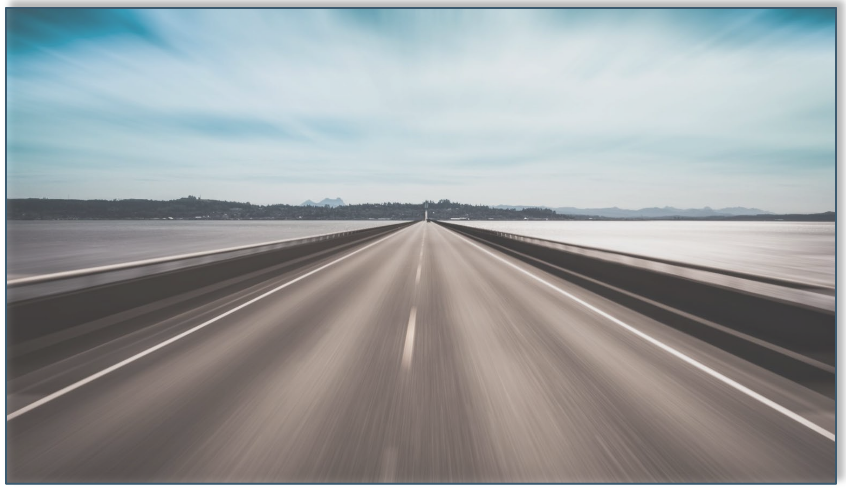
- **MUST Finalize personnel reductions before March 15, 2025**
- **FMSD still requires another $4M in cuts by July 1, 2026 to maintain 3% Reserve. [Perhaps the “Maneuver” Deal will reduce this cut]**
- **This is before any salary and stipend increases for FMEA, CSEA, and Mgmt.**
- **The cuts above assume $8M+ of the cut to come from Special Education to drastically reduce the contribution to the Special Education program.**

Budget Cut Milestones

- September 2024 – Begin school consolidation discussion and other budget reductions
- February 1, 2025 – Decide which schools to consolidate
- February 11, 2025 – Board meeting to approve cuts and schools to consolidate
- March 15, 2025 (Saturday) – Finish all formal staff notifications (i.e., CSEA, FMEA & Management)

The Road Ahead

- In 2023-24, the use of one-time funds to support ongoing programs felt like a bridge, but that bridge is primarily closed now.
- With deferrals and maneuvers added to the budget strategies in 2024-25, the state is running low on novel approaches to support educational programs
  - Need Revenue Estimates To Materialize

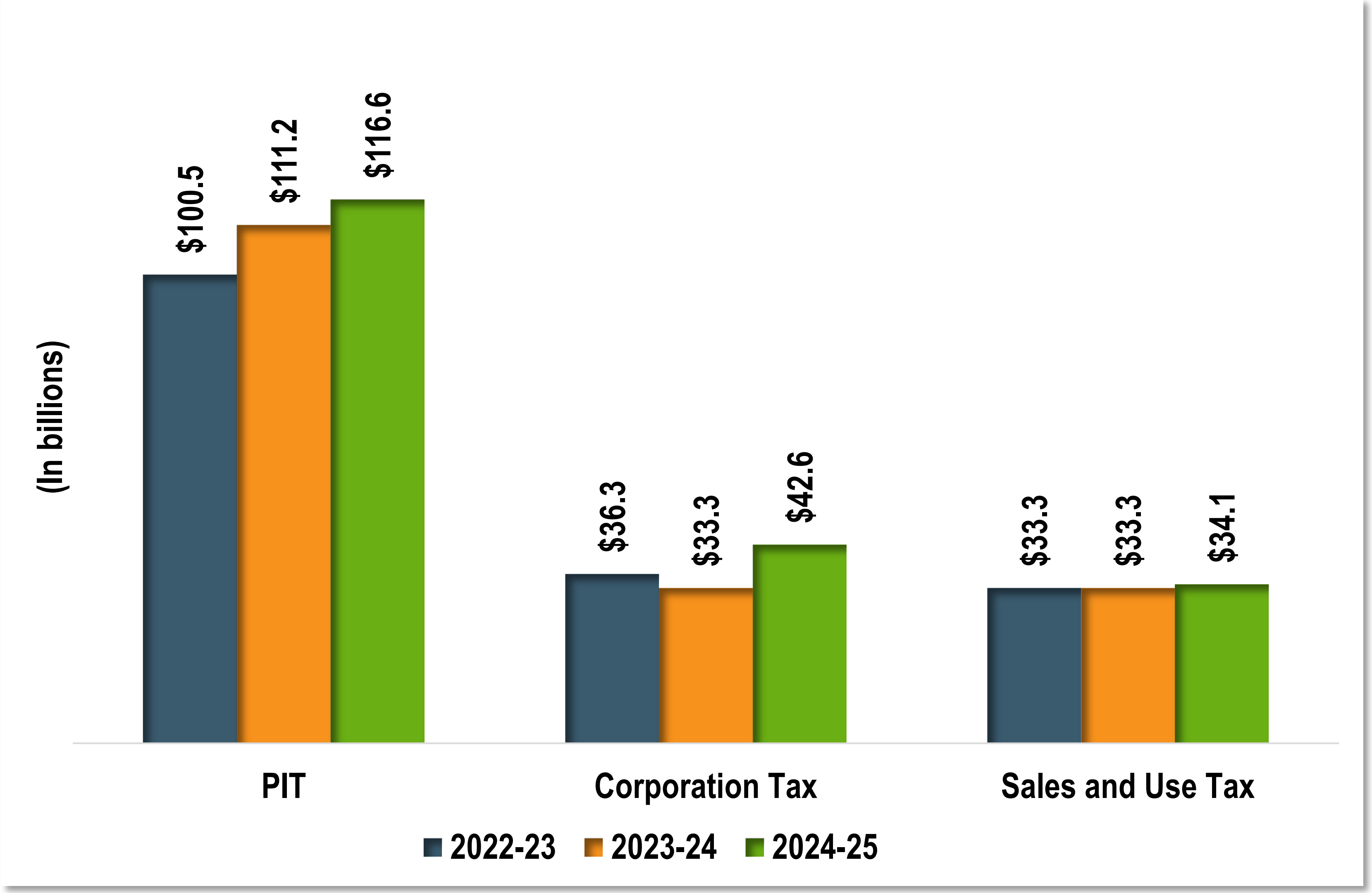


- Still Reviewing the Impact of 2024-25 Enacted Budget cleanup language but the next State Budget proposal will be released in January 2025
  - Between now and then—federal and state elections and half a year's worth of revenue collections
    - SSC will report on it all and help us plan for 2025-26 at the Governor's Budget Workshop in January 2025!

Thank you

Appendix

"Big Three" Taxes 2022-23 Through 2024-25



- Personal income tax (PIT) revenues rising
- Corporation tax revenue projected to rebound
- Sales and use tax revenue predicted to grow in 2024-25—a change of 4.8%

Source: 2024-25 May Revision Summary and 2024-25 Enacted Budget Summary

Proposition 98 Certification

- The Proposition 98 deal includes changes to the certification of the minimum guarantee
- Inspired by the significant funding, education was projected to receive above the 2022-23 minimum guarantee when state tax collections came in $26 billion lower than projections

1. Provides a methodology to determine the amount of the minimum guarantee funded in a Budget Act over the amount of the minimum guarantee calculated with actual tax revenue data
2. Reflect the state's minimum guarantee obligation for the 2023-24 fiscal year, identifying that an excess of $6.2 billion was allocated to K-14 agencies
3. Allows the state to adjust the minimum guarantee in years when the personal and corporate tax filing deadline is deferred past May 1 in counties that contributed more than 50% of these revenues in the prior year to reflect actual tax receipts

- Recognizes the State Budget impact of $6.2 billion in annual increments of $621 million in 2026-27 through 2035-36, and codifies the use of this accrual method for similar future situations

Proposition 98 Minimum Guarantee

- The boost in the Proposition 98 base of $6.2 billion makes Test 2 operative for 2023-24 at a level of $106.8 billion
- State revenues, exclusive of the rainy day fund withdrawal, cannot support this higher obligation; therefore, the Legislature and Governor used their constitutional authority to suspend Proposition 98 in 2023-24

Proposition 98 Suspension and Maintenance Factor

$98.5 billion

The California Constitution provides that, when Proposition 98 is suspended or determined by Test 3, education funding must be restored over time to what it would have been if funded by Test 2, when certain conditions are met

Proposition 98 Suspension

$8.3 billion

Maintenance Factor

Maintenance factor is the difference between the constitutional Test 2 minimum guarantee and the actual level of funding provided, adjusted annually for inflation and changes in enrollment, and payments are required to be made in years when Test 1 is operative

Local Impact of Proposition 98 and the 2024-25 Education Budget

- Historically, Proposition 98 suspensions and apportionment deferrals have had significant implications for local programs and budgets
- This year is different as the fiscal policies have little to no impact locally—*Why?*

Use of State Budget Tools

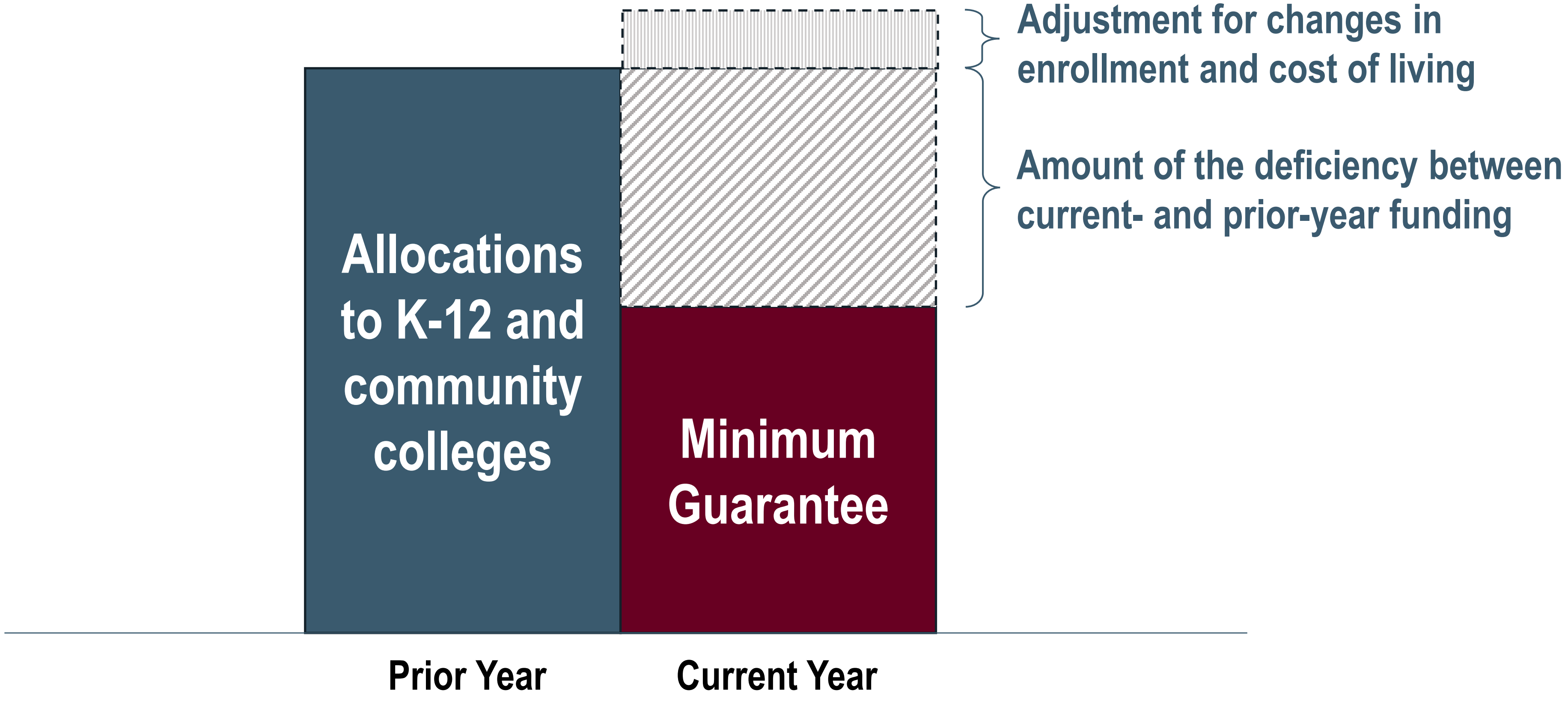
The Enacted Budget uses a combination of Proposition 98 reserve funds, budget deferrals, and reappropriated funds to maintain education programs at their current levels and provide inflation adjustments

Strong Local Cash Balances

The 2023-24 deferral is a deferral on paper and most local educational agencies (LEAs) have available local cash resources to absorb the impact of the June 2025 to July 2025 apportionment deferral

Proposition 98 Reserve Withdrawal Requirements

- The California Constitution sets conditions under which a withdrawal from the Proposition 98 reserve account must be made and the amount of the withdrawal
- The suspension of Proposition 98 in 2023-24 requires the state to deplete the fund



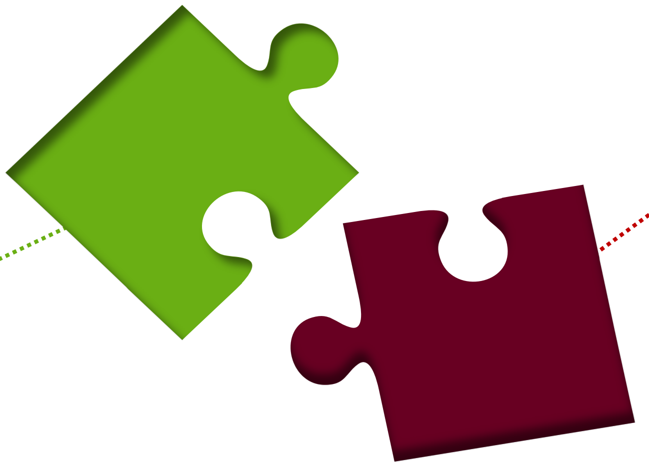
J-13A and Instructional Continuity Plan

- LEAs that experience emergency events that cause school closures or material losses of attendance can mitigate loss of funding through the J-13A process
- Currently, J-13A approval requires an independent study plan for offering remote instruction during emergency events

Effective July 1, 2025, the independent study plan requirement will be replaced with an instructional continuity requirement and J-13A requests must include LEA certification of the following:

Plan requirement

The LEA has a board-adopted comprehensive school safety plan inclusive of an instructional continuity plan



Engagement and Instruction

- Engagement and instruction were offered per instructional continuity plan provisions, or
- If engagement and instruction were not offered per the plan, the reasons why, and the engagement, instruction, or services that were offered

Instructional Continuity Plan

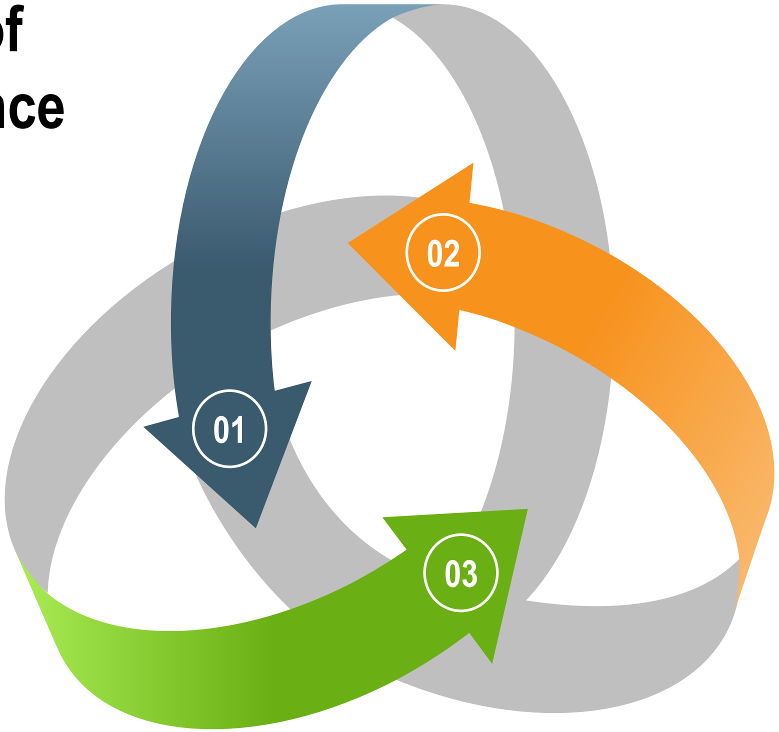
Senate Bill 153 adds an instructional continuity plan requirement to comprehensive school safety plans for use during emergency-related disruptions to learning

LEA Guidance

The California Department of Education must post guidance on instructional continuity plans by March 1, 2025

Effective Date

Beginning with the 2025-26 school year, instructional continuity plans must be included in comprehensive school safety plans



Plan Components

- Procedures for pupil engagement no later than five days after the emergency
- Plan to provide access to in-person or remote instruction no later than ten days after the emergency
  - Plans may include temporarily reassigning students

Universal TK Program Requirements

- Universal TK laws require LEAs to meet program quality requirements specific to maximum class size and classroom ratios—there are different requirements for regular and early enrollment TK
- Failure to comply with these requirements will result in audit penalties

TK

Student turns 5 between September 2-June 2

Average Class Size Maximum: 24 students

Average Class Size Ratio: 12:1

Early Enrollment TK

Student turns 5 after June 2

Class Size Maximum: 20 students

Class Size Ratio: 10:1

NOTE:
Compliance with early TK ratios and class size maximums are not determined by school site average—each classroom must comply

See workshop resources for the *Early TK Penalty Calculator*

Universal TK Teacher Qualifications

Credentialed teachers who were first assigned to a TK classroom after July 1, 2015, are required to have one of the following by August 1, 2025:

At least 24 units in early childhood education, child development, or both

A child development teacher permit or an early childhood education specialist credential

Met criteria, set by LEA governing board, of professional experience in a classroom setting with preschool age children comparable to option 1

Teacher qualification requirements are subject to audit and if not met on or after August 1, 2025, will result in fiscal penalties

Transitional Kindergarten—ELPAC

Assembly Bill (AB) 2268 (Muratsuchi, Statutes of 2024)
Immediately exempts TK students from taking the English Language Proficiency Assessments of California (ELPAC)

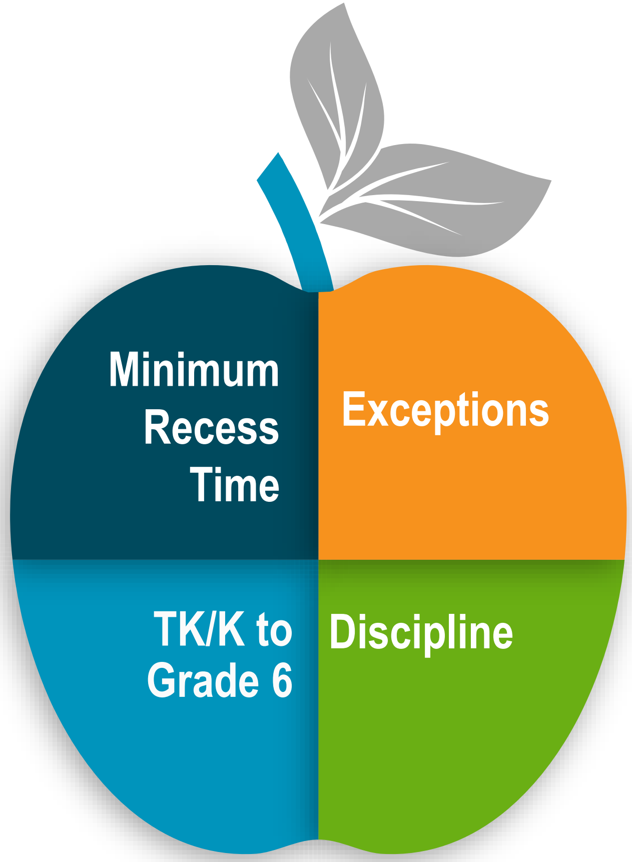
Amends California Education Code

EC § 60810(b)(3):	EC § 313(h):
For purposes of this subdivision, “kindergarten” does not include transitional kindergarten	For purposes of this section, “initial enrollment” does not include enrollment in a transitional kindergarten program

- LEAs should continue to conduct the Home Language Survey (HLS) during TK enrollment
- LEAs should populate the English Language Acquisition Status (ELAS) field with “To Be Determined (TBD)” if the HLS indicates primary language is other than English

CDE to provide alternative identification tools for English language proficiency

Recess



Beginning in 2024-25, if offering recess, LEAs must ensure:

- Recess is a total of at least 30 minutes on regular school days
- Recess is a total of at least 15 minutes on early release days

Exceptions for days on which:

- Entire school-sponsored educational programs are held
- Field trips are held

Students are only denied recess if their participation presents an immediate threat

- SB 153 clarifies that recess requirements apply to students in TK/K through 6th grade
- Sixth grade students in middle schools and schools serving students in any of grades 6-12 are exempt if the students receive physical education per grade 7-12 requirements

Safe Places to Learn Act

In place since 2007, the Safe Places to Learn Act (Act) is intended to reduce discrimination, harassment, violence, and intimidation at public schools

- The Enacted Budget expands existing compliance monitoring by the CDE to ensure that LEAs provide board-adopted policies required by the Act to certificated employees serving grades 7-12 students, and community resources related to any of the actual or perceived, or association with a person with one or more of these, characteristics, including:
  - Immigration status
  - Disability
  - Gender, gender identity, or gender expression
  - Nationality, race, or ethnicity
  - Religion
  - Sexual orientation

Safe Places to Learn Act Policies

Adds school office lobbies, staff lounges, meeting rooms, and the LEA Internet website to the list of places where policies required by the Act must be prominently and conspicuously displayed

Instructional Materials—Uniform Complaint Procedures

The governing board cannot adopt or approve the use of any instructional materials if the use would subject a pupil to unlawful discrimination

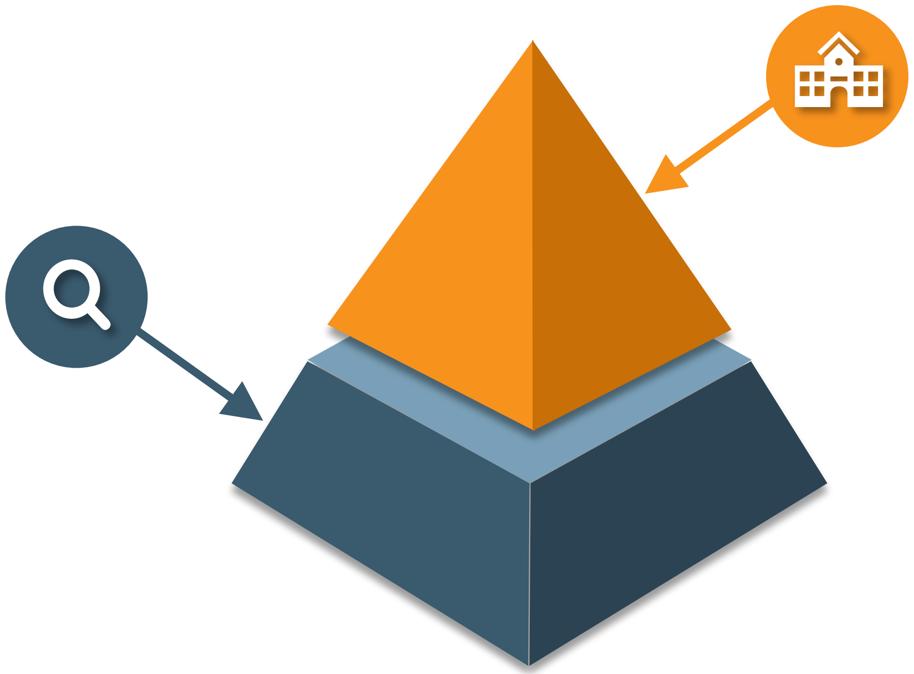
~ EC § 244 added by the Enacted Budget

- Similar to EC § 243, a complaint may be filed with the LEA under the Uniform Complaint Procedures or may be filed with the State Superintendent of Public Instruction (SSPI) directly
  - The complainant must present the SSPI with evidence to support the need for direct filing and immediate action
  - In responding to such a complaint, the SSPI may directly intervene without waiting for an investigation by the LEA

A complaint may be filed by any member of the public, including anyone electing to file anonymously, if the complaint provides evidence to support an allegation of noncompliance

~Added to the Uniform Complaint Procedure process by the Enacted Budget

Attendance Recovery Program



Scheduling

- Can be offered before school, after school, during intersession, and on weekends
- Must be offered at least once during each term
- Not bound by “late start” provisions
- Not included in annual instructional day and minute requirements or minimum school day calculations
- If using ELO-P funds, must be offered in conjunction with and on the same site as the ELO-P

Audit Guide

- Beginning with the 2025-26 fiscal year, must be included in the Audit Guide

Existing Saturday school laws are unaffected by the new Attendance Recovery Program

Attendance Recovery Program

Attendance Recovery Program Attendance:

- Is limited to the lesser of the number of absences for the year or ten days per school year
- Is credited to the school year[1] in which it occurs
- Can be generated in increments of one hour, but must total a minimum day's length of participation to generate a day of attendance recovery
- Can generate apportionment and reduce absences

- Must be documented by the certificated attendance recovery classroom teacher employed by the LEA
- Records must be kept separately by LEAs
- Must be reported separately by LEAs to the CDE
- Must be identified separately by the CDE when posting

[1]EC § 37200 defines the school year as ending on June 30