



# 2023-24 SECOND INTERIM

March 13, 2024

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*Presented by Tracy Huynh  
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# 2023-24 SECOND INTERIM

## Presentation Items

- Background
- Economic Overview
- State Budget
- School District Budget and LCFF
- District Specifics
- Multi-Year Projections
- Next Steps



# 2023-24 SECOND INTERIM

## Background

- School Districts are required to submit a Second Interim Budget to their COE by mid-March every year
- The COE assigns the Second Interim Budget either a Positive, Qualified, or Negative Certification
- For the District's Second Interim report to be positively certified, the District must meet the 3% State required minimum reserve for the current and subsequent two years
- District Assumptions for the Second Interim Budget are based on the January 2024 Governor's Proposed State Budget from School Services of California (SSC), and the Common Message from the Santa Clara County Office of Education
- 2023-24 Second Interim Report for MPESD is positive





# 2023-24 SECOND INTERIM

## Economic Overview

### The State Budget and The Economy

- **Headline inflation is down year over year and is expected to decline further through the budget year**
- **Leading economists anticipate a reduction to interest rates later in 2024**
- **The national and state economies are in a slow growth pattern**
- **The Governor projects a \$37.9 billion budget deficit for 2024-25**
- **Budget-balancing measures include drawing down \$13.1 billion in reserves and \$5.7 billion from the Public School System Stabilization Account (PSSSA), along with borrowing, funding reductions in non-Proposition 98 areas, funding delays, deferrals to payroll and University of California/California State University, and tax revenue proposals**
- **A recession is no longer forecasted in 2024 or 2025 by most economists, but there are notable risks to the State Budget**



# 2023-24 SECOND INTERIM

## Economic Overview

- The U.S. labor force participation (LFP) was at a 63.4% peak pre-pandemic. In April 2023, people between the ages of 25-54 returned to the labor force at a robust rate of 62.8%
- Interest rate cuts are projected as early as 2024. The Forecast predicted the federal rate will be 4.8% by 2025
- U.S. inflation was at 3.4% in December
- Wall Street Stock Market outperformed expectations for 2023
- California median single-family home price was \$787,000
- With slow improvement, the Local Education Agency (LEAs) are still facing the challenges of operational considerations: Collective bargaining, employee recruitment, program expansion/implementation, plan completion, spending deadlines, declining enrollment, and staffing shortage





# 2023-24 SECOND INTERIM

## State Budget and School District Revenues – Dartboard

Factors	2021-22	2022-23	2023-24 Projection	2024-25 Projection	2024-25 Projection
Statutory COLA	5.07%	6.56%	8.22%	0.76%	2.73%
STRS	16.92%	19.10%	19.10%	19.10%	19.10%
PERS	22.91%	25.37%	26.68%	27.80%	28.50%
Unemployment Insurance	0.50%	0.50%	0.05%	0.05%	0.05%
California CPI	5.78%	5.69%	3.36%	2.83%	2.70%
California Lottery Base / Prop-20	\$163 / \$65	\$204 / \$100	\$177 / \$72	\$177 / \$72	\$177 / \$72
Interest Rate	1.93%	3.72%	4.16%	3.68%	3.50%
Mandated Block Grand per ADA (District/Charter)	\$32.79/ \$17.21	\$34.94/ \$18.34	\$37.81/ \$19.85	\$38.10/ \$20.00	\$39.14/ \$20.55
Transitional Kinder Add-on per ADA		\$2,813.00	\$3,044.23	\$3,067.36	\$3,151.10

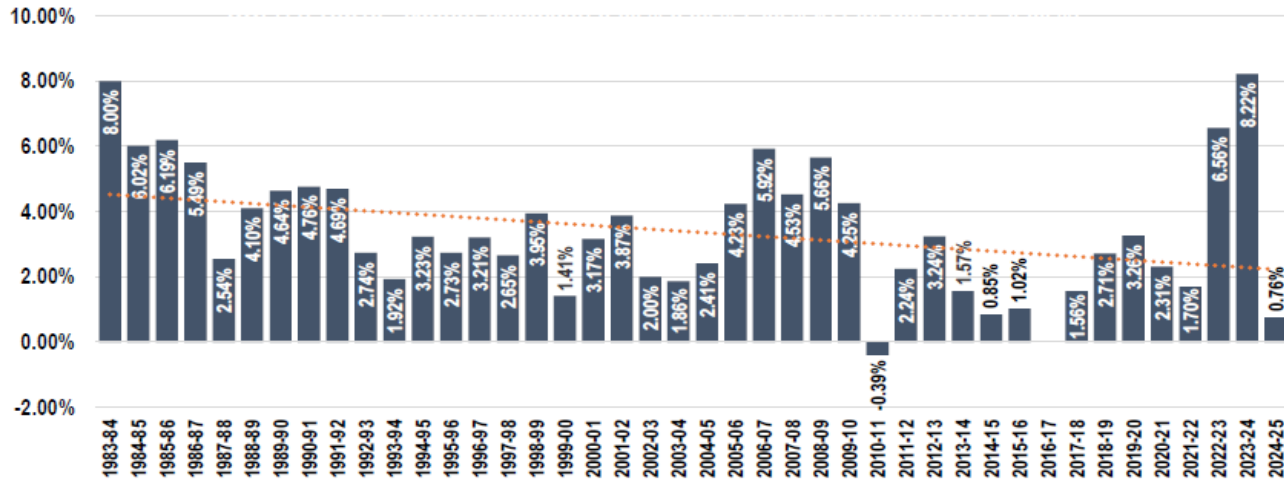


# 2023-24 SECOND INTERIM

## School District Budget – LCFF COLA

### Historical Statutory COLAs

- The statutory COLA for 2024-25 feels anomalous relative to the last two years, but when looking back, COLA is beginning to normalize to historical trends—COLAs above 6% are the anomalies



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# 2023-24 SECOND INTERIM

## District Specifics – Enrollment & ADA

<b>P-2 ADA</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24 (Projection)</b>
<b>Regular Sites</b>	1,859.90	1,586.45	1,497.65	1,437.17
<b>COE &amp; NPS</b>	16.64	15.75	17.61	17.39
<b>TOTAL</b>	1,876.54	1,602.20	1,515.26	1,454.56
<b>% Change in P2 ADA</b>	<b>-7.62%</b>	<b>-14.62%</b>	<b>-5.43%</b>	<b>-4.01%</b>
<b>Enrollment</b>	1,941.00	1,718.00	1,642.00	1,547.00
<b>Change</b>	(179.00)	(223.00)	(76.00)	(95.00)







# 2023-24 SECOND INTERIM

## District Specifics – Salary & FTEs

- Certificated Bargaining Unit has been settled for negotiation as of Second Interim:
  - 5% salary increase
  - An additional \$1,500 increase to each cell of the schedule is equal to about a 1.5% salary increase for an overall 6.5% increase
  - Automatic 6.5% increases to longevity steps and the contractual hourly rate.
  - Health and Welfare Benefit cap increases by \$2,000 from \$15,500 to \$17,500 per FTE
  - Moved the Speech & Language Pathologists to the Psychologist salary schedule
  - Lower class size maximum
- The district is waiting for the Classified Bargaining Unit to provide the negotiation date
- Management and Confidential groups have no changes as of now
  
- District FTEs by Group:
  - Certificated: 95.70
  - Classified: 67.82
  - Management & Confidential: 19.58
  - SELPA & EVSTA: 12.45





# 2023-24 SECOND INTERIM

## District Specifics – General Fund Compared to First Interim

Revenues	First Interim	Second Interim	Difference
LCFF Source	\$ 23,238,682	\$ 23,311,531	\$ 72,849
Federal Revenue	\$ 2,767,594	\$ 2,767,594	\$ -
Other State Revenue	\$ 8,759,222	\$ 8,885,717	\$ 126,495
Local Revenue	\$ 1,728,100	\$ 1,858,575	\$ 130,475
<b>TOTAL REVENUES</b>	<b>\$ 36,493,598</b>	<b>\$ 36,823,417</b>	<b>\$ 329,819</b>
<b>Expenses</b>			
Certificated	\$ 13,213,969	\$ 13,613,909	\$ 399,940
Classified	\$ 6,522,548	\$ 6,460,426	\$ (62,122)
Benefits	\$ 9,133,457	\$ 9,216,226	\$ 82,769
Operating Expenses	\$ 10,428,217	\$ 10,049,104	\$ (379,113)
<b>TOTAL EXPENSES</b>	<b>\$ 39,298,191</b>	<b>\$ 39,339,665</b>	<b>\$ 41,474</b>
Excess/Deficit	\$ (2,804,593)	\$ (2,516,248)	\$ 288,345





# 2023-24 SECOND INTERIM

## General Fund - Unrestricted and Restricted Fund Summary

<b>General Fund</b>	<b>Second Interim</b>
Revenues	\$ 36,823,417.00
Expenses	\$ 39,339,665.00
Deficit	\$ (2,516,248.00)
Beginning Balance	\$ 11,127,532.34
Ending Balance	\$ 8,611,284.34
Restricted SELPA Fund	\$ 1,068,450.61
Restricted District Fund	\$ 5,325,297.62
Total Restricted Balance	\$ 6,393,748.23
Unrestricted balance	\$ 2,217,536.11
3% Reserved Requirement	\$ 1,183,000.00
Transfer to fund 140	\$ (87,807.00)
Borrow from Fund 17	\$ 1,850,000.00
Total	\$ 2,796,729.11
Assigned Balance	\$ 946,729.11



# 2023-24 SECOND INTERIM

## General Fund - Unrestricted and Restricted Fund Summary

- General fund deficit spending of (\$2,516,248)
- Subtracting the deficit from the Beginning Fund Balance of \$11,127,532, it gave the District an ending balance of \$8,611,284
- That ending balance includes \$2,217,536 unrestricted, \$5,325,298 restricted and \$1,068,451 belongs to the SELPA.
- The District is required to maintain a 3% reserve for economic uncertainties of \$1,183,000
- The net rental revenue of \$87,807 from leasing the Valle Vista Surplus Site has been transferred to Fund 140 Deferred Maintenance. This fund will be set aside for the facility renovation, repair, upgrade, and maintenance of all sites at MPESD.
- In the total balance of \$2,796,729, it had \$1.85 million that the district borrowed from Fund 17 to balance the 3% reserved requirement due to the significant reduction of COLA in 2024-25
- The final assigned balance of \$946,729 will allow the district to fulfill the commitments with the unsettled groups and other unforeseeable inflation costs.





# 2023-24 SECOND INTERIM

## General Fund - Restricted Balance

Resource Description		MPESD
2600	Expanded Learning Opportunities Program	\$ 2,544,555.11
6266	Educator Effectiveness, FY 2021-22	\$ 307,031.38
6300	Lottery: Instructional Materials	\$ 37,725.65
6331	CA Community Schools Partnership Act - Planning Grant	\$ 51,383.91
6546	Mental Health-Related Services	\$ 74,908.01
6547	Special Education Early Intervention Preschool Grant	\$ 105,825.75
6762	Arts, Music, and Instructional Materials Discretionary Block Grant	\$ 424,503.00
7032	Child Nutrition: Kitchen Infrastructure and Training Funds - 2022 KIT Funds	\$ 197,163.00
7415	Classified School Employee Summer Assistance Program	\$ 104,910.07
7425	Expanded Learning Opportunities (ELO) Grant	\$ 5,765.97
7426	Expanded Learning Opportunities (ELO) Grant: Paraprofessional Staff	\$ 2,434.21
7435	Learning Recovery Emergency Block Grant	\$ 1,222,148.29
9010	Other Restricted Local	\$ 246,943.27
<b>Total, District Restricted Balance</b>		<b>\$ 5,325,297.62</b>
6500	SELPA Special Education	\$ 1,068,450.61
<b>Total, Restricted Balance</b>		<b>\$ 6,393,748.23</b>



# 2023-24 SECOND INTERIM

## Multi Year Projections

Descriptions	2023-24 Second Interim	2024-25 Projections	2025-26 Projections
Revenues & Transfer in	38,673,417	32,823,476	31,261,708
Expenditures & Transfer out	39,427,472	36,879,497	34,795,713
Surplus/Deficit	(754,055)	(4,056,021)	(3,534,005)
Beginning Balance	11,127,532	10,373,477	6,317,456
Estimated Ending Fund Balance	10,373,477	6,317,456	2,783,451
3% Minimum Reserve	1,183,000	1,106,385	1,043,871
Restricted Funds	6,393,748	3,024,830	961,258
Balance	2,796,729	2,186,241	778,322
Borrowed from Fund 17	1,850,000	1,850,000	1,850,000
Assigned Balance	946,729	336,241	(1,071,678)





# 2023-24 SECOND INTERIM

## Multi Year Assumptions – General Fund Unrestricted / Restricted

### Budget Assumptions for the fiscal year 2024-25 and 2025-26

- LCFF Revenue: estimated 6% decline in enrollment
- Add 1.5% step & column increase
- COLA budgeted at 0.76% in 24-25 and 2.73% in 25-26
- Benefit costs were budgeted with the increase in PERS, STRS, and decrease based on projected FTE reductions
- In 2024-25, Restricted One-time Federal funding was reduced by \$1.54 million, State by \$1.02 million, and Local by \$375 thousand.
- Contribution to Special Education reduced by 4% accounted for the decline in enrollment
- Projected expenditures reduction of 4% in unrestricted and 15% in restricted funds.
- Updated information will be presented to the Board after the Governor releases the May Revise Budget.





# 2023-24 SECOND INTERIM

## Next Steps

- March 13, 2024, Administration presents Board with 2023-24 Second Interim Reports
- Mid May 2024 Governor announces the 2024-25 State May Revise
- June 12, 2024 – Administration presents 2024-25:
  - LCAP Annual Updates for the public hearing for the first time
  - Budget Study Session
- June 22, 2024, Administration presents 2024-25:
  - LCAP for the public hearing for the second time and adoption
  - Budget Report for adoption
- June 30, 2024, LCAP & Budget submission to County Office of Education

