

Second Interim Update

March 11, 2025

Jason E. Vann, Assistant Superintendent –
Business Services



Agenda

- Purpose of the Interim
- Where we are in the Budget Cycle
- Key Changes in Assumptions
- Summarize FMSD Updated MYP
- Explain Significant Changes Since First Interim
- Discuss Next Steps
- BOARD ACTION - Approve Interim As Presented



Purpose

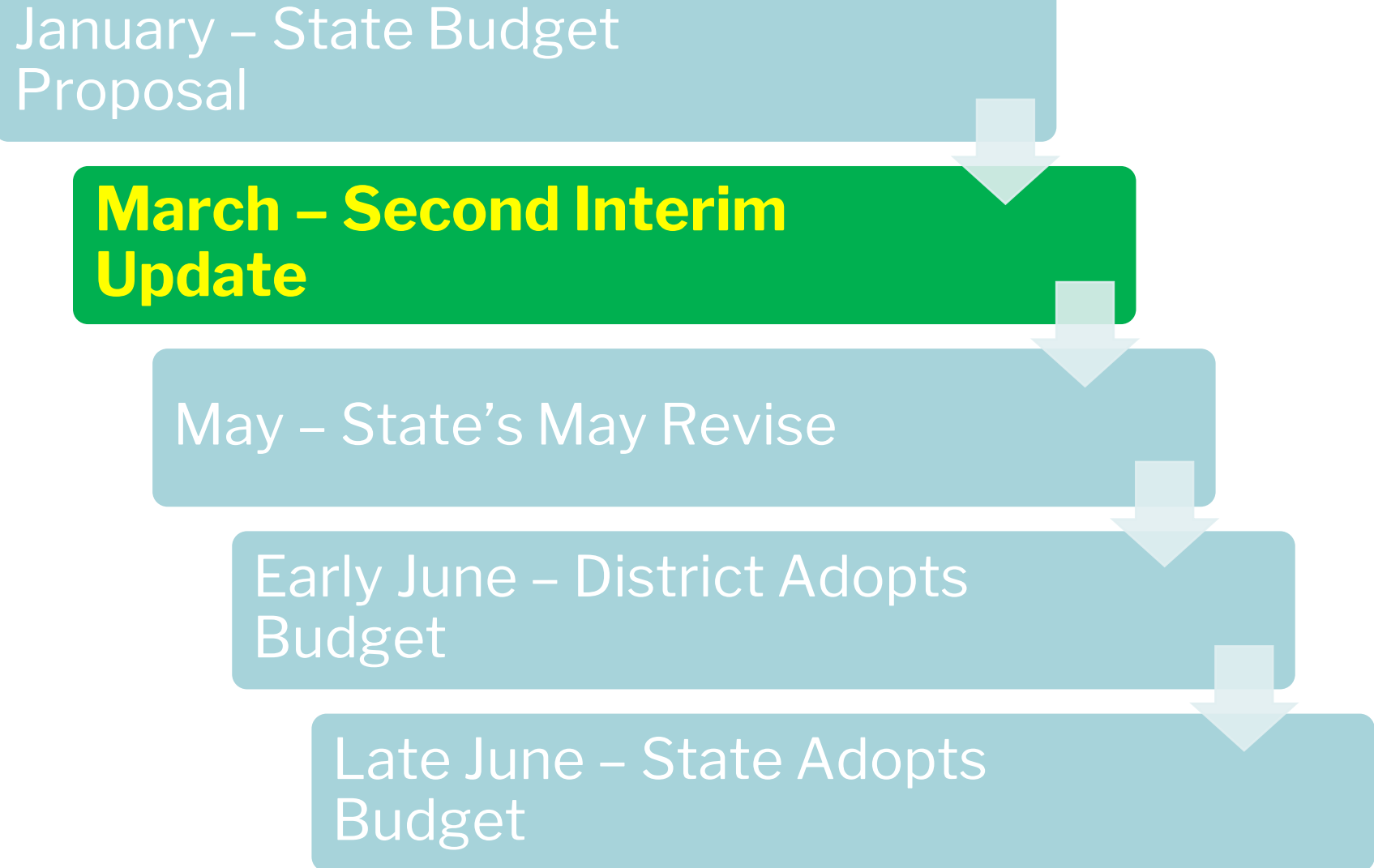
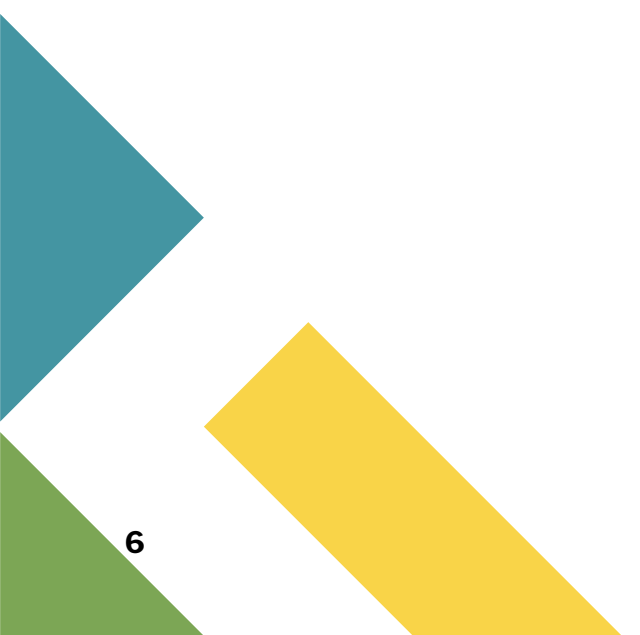
Purpose of the Interim

- **Realign** FMSD MYP (Multi Year Projection) with State Budget Proposal
- **Summarize changes** in other budget assumptions impacting MYP
 - Examples include (i) Funding updates, (ii) Staffing Changes, (iii) Carryover, etc.,
- **Board Action Required** Under Ed Code: School Boards are required to certify updated projection for the current year and two subsequent years twice a year (Interim Reports)
 - Ed Code 42130, 33127, 33129, AB 1200 and AB 2756
- Typically, During December and March of each year
- MYP includes 24-25, 25-26 and 26-27



Where are we?

Budget Cycle



```
graph TD; A[January – State Budget Proposal] --> B[March – Second Interim Update]; B --> C[May – State’s May Revise]; C --> D[Early June – District Adopts Budget]; D --> E[Late June – State Adopts Budget];
```

January – State Budget Proposal

March – Second Interim Update

May – State’s May Revise

Early June – District Adopts Budget

Late June – State Adopts Budget

Key Assumption Changes

Nothing more important than decreased COLA

- **From 2.93% to 2.43% in FY 25-26
(Loss of \$400K in ongoing revenue)**

Other Items

- **\$300K+ Ongoing Increase to Home To School Transportation Reimbursement based on P-1 Certification**
- **Increase in Interest Income \$300K+**



Other Assumptions

Reductions in Workforce

- Included estimated savings from layoffs approved by the Board prior to March 4, 2025.
- **Does not include** all estimated savings from layoffs approved on March 4, 2025 or later.

Enrollment Projected

- **5,703** in 24-25
- **5,583** in 25-26 (Reduction of **120** students)
- **5,404** in 26-27 (Reduction of **179** students)

Caveat

- MYP does not assume any new funding from the State or recession impact; **Numbers will change.**
- **Any unbudgeted expenditures (without offsetting funding or savings) will require more cuts**

NOT In Assumptions

Caveats

- MYP does not assume any new funding from the State or impact of a recession; **Numbers will change.**
- **Any addition of unbudgeted expenditures (without offsetting funding or savings) will require additional cuts**

-
- **Excluded possible New Discretionary Block Grant [Estimated at \$1.6M]**
 - **Excluded possible Learning Recovery Emergency Block Grant [Approx. \$500K/year for 3 years]**
 - **Excluded possible increase in TK funding for 10:1 ratio (students to staff) [Approx. \$486K/year]**
 - **Excluded revenue from Attendance Recovery Program**
 - **Excluded possible AB 218 expenditures [Paid to Date - \$671K]**
 - **Excluded possible increase in Property & Liability insurance premiums [May go up 10%]**
 - **Excluded possible increase in Medical and Dental premiums in future years**
 - **Excluded possible Federal funding reduction to Districts; FMSD receives \$5.3M annually (Plan B?)**
 - **Excluded \$4M reduction placeholder in future ongoing expenditures as they need to be bargained, and board approved**



Multi-Year Projections

MYP (Multi - Year Projections)

Combined General Fund		Unaudited			
Multi-Year Projections	Formula	Actuals	Multi-Year Projections		
(amounts in dollars)	Reference	2023-24	2024-25	2025-26	2026-27
Beginning Balance	(a)	\$48,999,203	\$45,153,764	\$20,870,919	\$15,308,677
Revenue	(b)	\$134,775,586	\$117,573,319	\$117,602,300	\$117,464,583
Expenditures, net*	(c)	<u>\$138,621,025</u>	<u>\$141,856,164</u>	<u>\$123,164,542</u>	<u>\$127,177,562</u>
Net Increase / (Decrease)	(b) - (c) = (d)	\$ (3,845,439)	\$ (24,282,845)	\$ (5,562,242)	\$ (9,712,979)
Ending Balance	(a) + (d) = (e)	\$45,153,764	\$20,870,919	\$15,308,677	\$5,595,698
Total Available Reserves	(f)	\$6,965,167	\$7,096,910	\$6,158,227	\$2,710,638
Total GF Expenditures	(c)	\$138,621,025	\$141,856,164	\$123,164,542	\$127,177,562
Reserve at Second Interim	(f) / (c)	5.02%	5.00%	5.00%	2.13%

This means we still need **CUTS**.
 If they are not identified, our Proposed Budget for 2025-26
 will have a **NEGATIVE** reserve percentage in FY 27-28.

Notable Changes

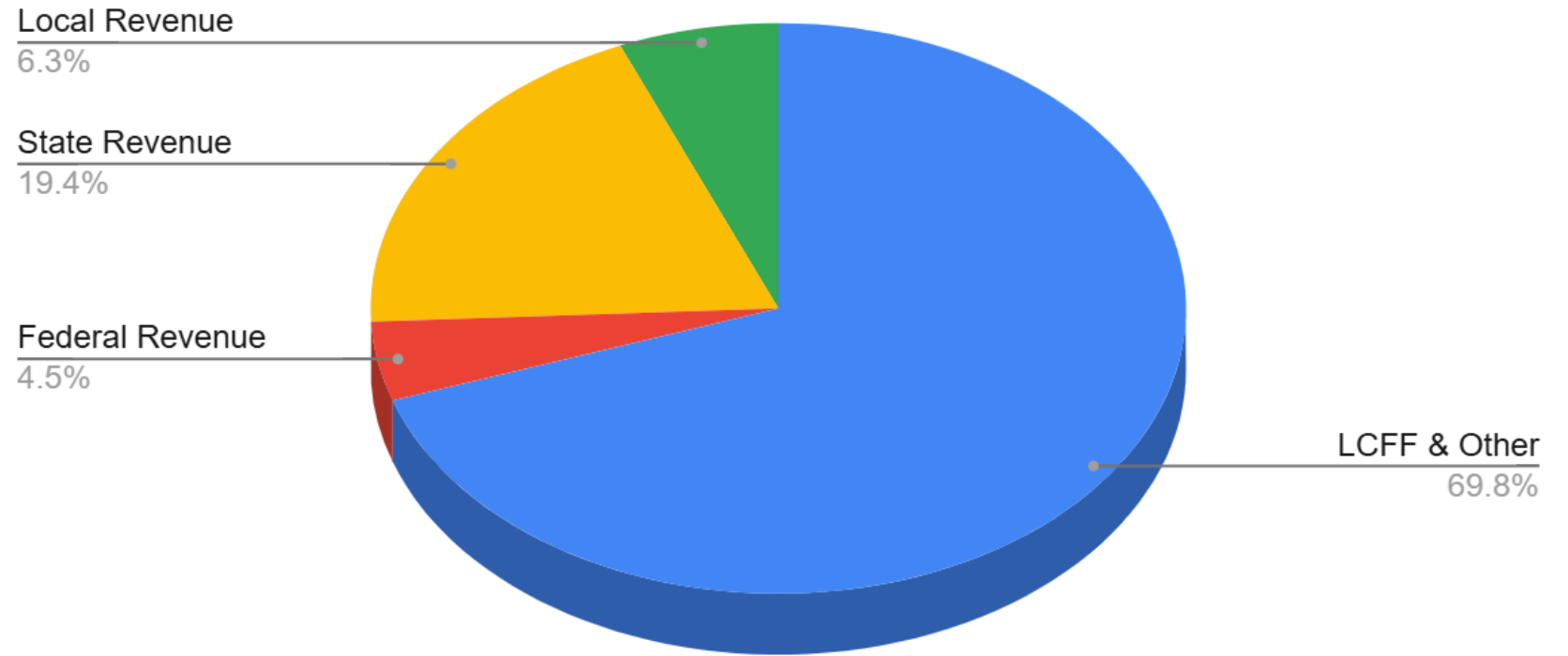


Change from First Interim (Combined General Fund)

		<u>2024-25</u>	<u>2024-25</u>		
<i>(amounts in dollars)</i>	<u>Formula Reference</u>	<u>First Interim</u>	<u>Second Interim</u>	<u>Incr/(Decr) Variance</u>	<u>Percent Change</u>
<i>Formula Reference</i>		(A)	(B)	(B) - (A) = (C)	(C) / (A)
Beginning Balance	(a)	\$45,153,764	\$45,153,764	\$0	0.00%
Revenue	(b)	\$116,817,909	\$117,573,319	\$755,410	0.65%
Expenditures	(c)	<u>\$141,762,859</u>	<u>\$141,856,164</u>	<u>\$93,305</u>	0.07%
Net Increase / (Decrease)	(b) - (c) = (d)	<u>\$ (24,944,950)</u>	<u>\$ (24,282,845)</u>	<u>\$ 662,105</u>	
Ending Balance	(a) + (d) = (e)	\$20,208,814	\$20,870,919	\$662,105	3.28%

- **70%** (or \$82.0M) of total revenue from LCFF
- When LCFF has a cold, we will all feel it.
- Avg. Per ADA Funding under LCFF is **\$14.6K** in 24-25
- Unduplicated Pupil Percentage: **87.2%**
- **\$5.3M from Federal**

Total Revenue At Second Interim By Category



Components of Revenue

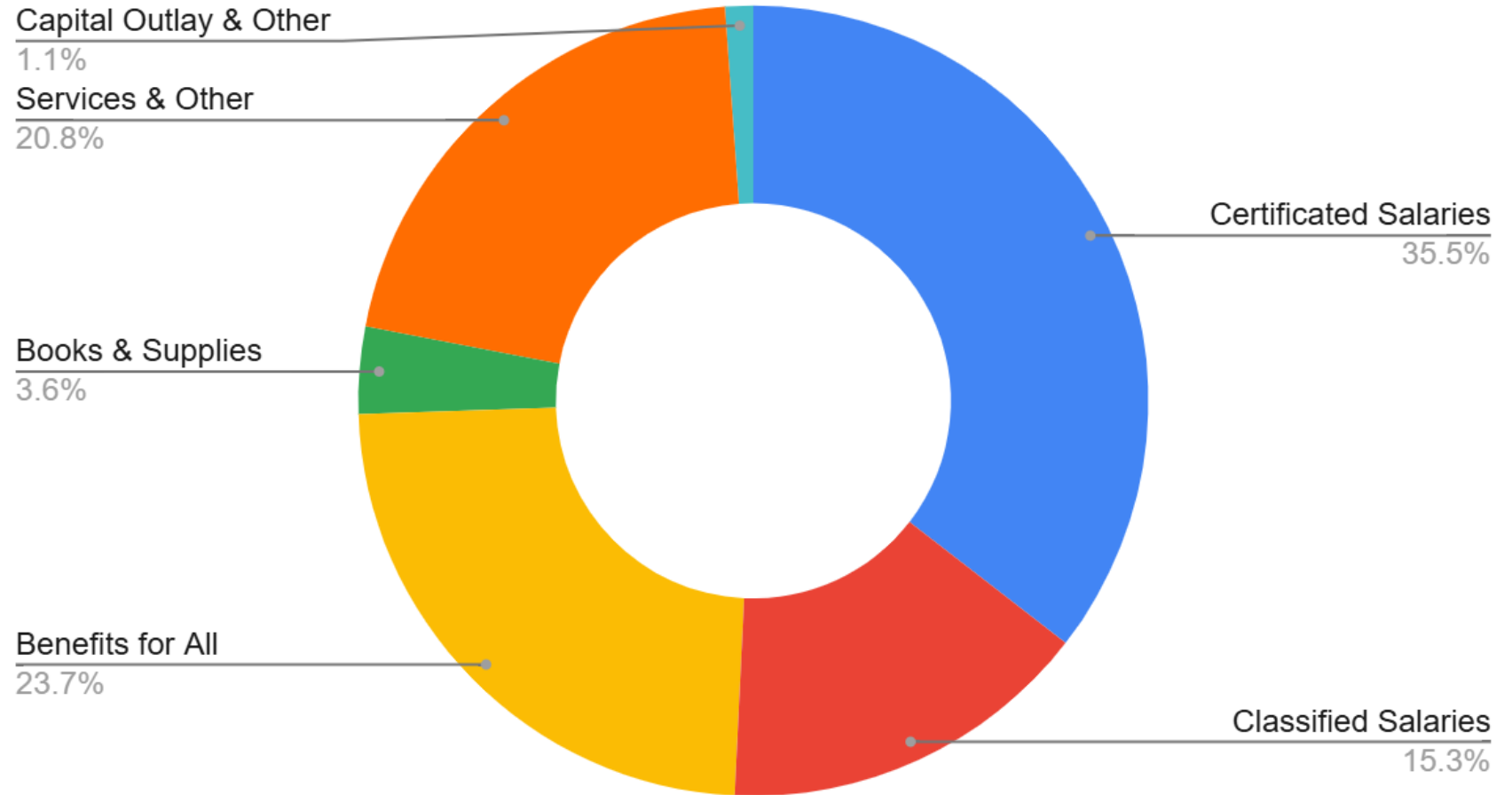
Change by Revenue Category

Revenue By Major Category		2nd Interim % of Total		First Interim	Second Interim	Increase / (Decrease)	Percent Change
LCFF & Other		69.76%		\$ 82,015,983	\$ 82,021,909	\$ 5,926	0.01%
Federal Revenue		4.49%		\$ 5,293,430	\$ 5,283,820	\$ (9,610)	-0.18%
State Revenue		19.40%		\$ 22,516,193	\$ 22,807,045	\$ 290,852	1.29%
Local Revenue		6.35%		\$ 6,992,303	\$ 7,460,545	\$ 468,242	6.70%
Total Revenue		100.00%		\$ 116,817,909	\$ 117,573,319	\$ 755,410	0.65%

- **State:** Based on Principal Apportionment Certification (P-1) Home To School Reimbursement increased.
- **Local:** Based on County Treasurer Calculations, Interest Income was the largest portion of the increase, accompanied by larger donations and grants.
- We need to develop a **Plan B** if Federal Funds are taken from School Districts.

- **75%** of our expenditures go to total compensation of all employees.
- We will need to continue to look at ways to reduce **“Services and Other”** expenditures to identify cuts in the future.

Expenditures at Second Interim by Category



Components of Expenditures

Change by Expenditure Category

Expenditures By Category	2nd Interim % of Total	First Interim	Second Interim	Increase / (Decrease)	Percent Change
Certificated Salaries	35.5%	\$51,195,337	\$50,347,248	\$ (848,089)	(1.66%)
Classified Salaries	15.3%	\$20,790,277	\$21,640,764	\$ 850,487	4.09%
Benefits for All	23.7%	\$33,089,232	\$33,652,324	\$ 563,092	1.70%
Books & Supplies	3.6%	\$5,227,048	\$5,036,029	\$ (191,019)	(3.65%)
Services & Other	20.8%	\$29,939,967	\$29,549,518	\$ (390,449)	(1.30%)
Capital Outlay & Other	1.1%	\$1,520,997	\$1,630,281	\$ 109,284	7.19%
Total Expenditures	100.0%	\$141,762,858	\$141,856,164	\$ 93,306	0.07%

- **Certificated Salaries:** Net saving from unfilled certificated positions
- **Classified Salaries:** Impact of pay increases net of savings from unfilled positions
- **Benefits:** Rising health premiums fueling benefits increase.
- **Books & Supplies:** Reduction in RRM Budget to cover pay increases for classified staff
- **Services:** Anticipated savings from Special Ed program offset against increase in classified salaries
- **Capital Outlay & Other:** Increased cost of students served in County Programs

Projected June 2025 Ending Balance

Components of Ending Balances Projection For June 30, 2025	<u>Unrestricted</u>	<u>Restricted</u>	<u>Combined</u>	<u>Percentage of Ending Balance</u>
(Amounts in Dollars)				
Prepaid Expenditures	\$ 713,010	\$ -	\$ 713,010	3.4%
Legally Restricted (1)	\$ -	\$ 4,684,344	\$ 4,684,344	22.4%
Committed (2)	\$ 8,380,757	\$ -	\$ 8,380,757	40.2%
Assigned (2% Board Reserve)	\$ 2,837,123	\$ -	\$ 2,837,123	13.6%
3% Economic Uncertainty	\$ <u>4,255,685</u>	\$ <u>-</u>	\$ <u>4,255,685</u>	<u>20.4%</u>
Ending Balance	\$ 16,186,575	\$ 4,684,344	\$ 20,870,919	100.0%

(1) - Primarily ELO Program funds, Educator Effectiveness and Lottery Funds

(2) - Committed for Curriculum Adoption, SERP payments, OPEB payments and projected deficit spending



Buckets of the Projected Ending Balance

<u>Category</u>	<u>Amount</u>	<u>Description</u>
Committed	\$4.7M	Mitigations measures - To offset future deficit spending; extend positions funded with expired one-time funds.
Committed	\$3.1M	Supplemental Employment Retirement Plan (SERP) Payments to be made
Committed	\$0.6M	Curriculum Adoption & Tech Refresh
Ed Code Requirement	\$4.3M	3% reserve for economic uncertainty required by Ed Code
Assigned	\$2.8M	Additional 2% reserve based on board resolution 2011-25
Non-Spendable	\$0.7M	Prepaid Health Insurance Expenditures



Buckets of the Projected Ending Balance

<u>Category</u>	<u>Amount</u>	<u>Description</u>
Restricted	\$3.1M	Expanded Learning Opportunities Program – Only provides funding for afterschool, intersessional and summer school enrichment programs; Can't be used during the day; Focus on developing the academic, social, emotional, and physical needs and interests of pupils through hands-on, engaging learning experiences;
Restricted	\$0.6M	Educator Effectiveness Block Grant funds are intended to support professional learning for teachers, administrators, classified staff, and paraprofessionals who work with pupils. Primary focus is SEL & ELD (Spend by June 2026)
Restricted	\$0.4M	Lottery: Instructional Materials – Shall only be used for the purchase of instructional materials.
Restricted	\$0.3M	Other Restricted Local – primarily remaining funds from the Packard Foundation Grant.
Restricted	\$0.1M	K.I.T. - funds that allow districts to continue expanding or modifying their kitchen equipment, infrastructure, and food service staff training. Routine Repairs and Maintenance - For purposes of ongoing and major maintenance.



Buckets of the Projected Ending Balance

<u>Category</u>	<u>Amount</u>	<u>Description</u>
Restricted	\$0.1M	Mental Health Related Services - funds are used to provide mental health-related services for pupils with or without an individualized education program as described in the California Education Code (EC) Section 56836.07. These funds are allocated to the Special Education Program.
Restricted	\$0.1M	Learning Recovery Emergency Block Grant can only be used for learning recovery initiatives through the 2027-28 school year that supports academic learning recovery, and staff and pupil social and emotional well-being. Currently used to pay for Social Workers, Student Support Specialists and increased hours for Paraeducators. (Spend by June 2028)

Next Steps



Next Steps

- ❖ **Action Item For Board Tonight** – Approval of Interim, as presented
- ❖ Staff submits Interim to County for review – March 2025
- ❖ Governor's May Revise – May 2025
- ❖ Assumptions for Adopted Budget finalized – May 2025
- ❖ Present Governor's May Revise to FMSD Board – June 2025
- ❖ Present District Budget Proposal to FMSD Board – June 10, 2025
- ❖ FMSD Board Adopts District's Next Year's Budget – June 24, 2025



Thank you

Appendix— Average Salary

Stat By Group

Estimated Average Annual Salary

• Management (Cert. & Class.)	\$193,241
• Classified	\$ 94,246
• Certificated	\$156,535

Estimated Cost of a Furlough Day

• Management (Cert. & Class.)	\$ 39,311
• Classified	\$ 112,129
• Certificated	\$ 290,269

Estimated Annual Savings from 25% cut in Base Pay

• Management (Cert. & Class.)	\$ 1.5M
• Classified	\$ 4.5M
• Certificated	\$ 11.0M

Appendix— Other Restricted Funds

Other Restricted Funds

Fund	Bond Interest &						Self Insurance
	Cafeteria	Building	Capital Facilities	Capital Outlay	Redemption		
Beginning Balance	\$ 6.3	\$ 24.7	\$ 9.4	\$ 1.2	\$ 11.5		\$ 1.7
Revenue	\$ 7.5	\$ 23.5	\$ 0.5	\$ -	\$ 9.2		\$ 1.3
Expenditures	\$ <u>6.3</u>	\$ <u>33.1</u>	\$ <u>-</u>	\$ <u>0.6</u>	\$ <u>9.9</u>		\$ <u>1.2</u>
Change	\$ <u>1.2</u>	\$ <u>(9.6)</u>	\$ <u>0.5</u>	\$ <u>(0.6)</u>	\$ <u>(0.7)</u>		\$ <u>0.1</u>
Ending Balance	\$ <u>7.5</u>	\$ <u>15.1</u>	\$ <u>9.9</u>	\$ <u>0.6</u>	\$ <u>10.8</u>		\$ <u>1.8</u>

OTHER RESTRICTED FUNDS - PURPOSE

- **Cafeteria Fund** - This fund accounts for federal, state, and local resources to operate the food service program (Education Code sections 38090 and 38093). The Cafeteria Fund (Fund 13) shall be used only for those expenditures authorized by the governing board as necessary for the operation of the LEA's food service program (Education Code sections 38091 and 38100).
- **Building Fund** - This fund accounts for proceeds received and use of proceeds from the sale of bonds (Education Code Section 15146 and 16058) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund (Fund 21) are revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (Education Code Section 41003).

OTHER RESTRICTED FUNDS - PURPOSE

- **Capital Facilities Fund** - This fund accounts for moneys received from fees levied on development projects (“Developer Fees”) as a condition of approval (Education Code sections 17620–17626 and Government Code Section 65995 et seq.). Interest earned in the Capital Facilities Fund (Fund 25) is restricted to that fund (Government Code Section 66006). Expenditures in Capital Facilities Fund are restricted to the purposes specified in Government Code sections 65970–65981 or Government Code Section 65995 et seq., or to the items specified in agreements with the developer (Government Code Section 66006). Costs of justifying and adopting developer fees may be paid from Fund 25 (Education Code Section 17620). Administrative costs of collecting fees may be reimbursed from Fund 25 (Education Code Section 17620).

OTHER RESTRICTED FUNDS - PURPOSE

- **Capital Outlay Fund** - This fund accounts for general fund moneys for capital outlay purposes (Education Code Section 42840). This fund may also account for any revenues specifically for capital projects that are not restricted to other funds. Other authorized resources that may be deposited to the Fund are rentals and leases of real property (Education Code Section 41003). Authorized transfers from the general fund to Fund 40 must be expended for capital outlay purposes. Proceeds from the sale or lease-with-option-to-purchase may be spent for capital outlay purposes, costs of maintenance of the LEA's property, and future maintenance and renovation of school sites (Education Code Section 17462). Salaries of employees working directly on projects financed by Fund 40 revenues are capitalized as a part of the capital facilities project.

OTHER RESTRICTED FUNDS - PURPOSE

- **Bond Interest and Redemption Fund** - This fund is used for the repayment of bonds issued (Education Code sections 15125–15262). Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund (Fund 51) of the LEA. The county auditor maintains control over the Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller. Expenditures in this fund are limited to bond interest, redemption, and related costs. Any money remaining in this fund after the payment of all bonds shall be transferred to the general fund upon order of the county auditor (Education Code Section 15234).

OTHER RESTRICTED FUNDS - PURPOSE

- **Self-Insurance Fund** - Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of an LEA. We use this fund for the dental and vision self-insurance (Education Code Section 17566). Expenses in the Self-Insurance Fund (Fund 67) include the payment of claims, estimates of costs relating to incurred but not reported (IBNR) claims, administrative costs, deductible insurance amounts, cost of excess insurance, and other related costs. Amounts contributed to Fund 67, Self-Insurance Fund, are lawfully restricted for insurance purposes (Education Code Section 17566 and Government Code Section 53205).

Appendix— Excerpts from SSC Workshop

Themes for the 2025-26 Governor's Budget



- Governor Gavin Newsom released his 2025-26 proposal amidst one of California's most devastating natural disasters
 - Employs the tenets of stability and resilience to protect California residents and the state's economy
 - Budget resilience is confronted by calls to expand essential services in an increasingly unaffordable state
- Following last year's proposed Proposition 98 "maneuver" to reduce education funding in the long term, his current proposal appears to under-appropriate the 2024-25 minimum guarantee by \$1.6 billion
- Amidst stable Proposition 98 funding, the Governor proposes an education budget that invests in core instruction and learning
- The protection of every Proposition 98 dollar is critical to ensure local leaders can provide high-quality education and services to their students

Proposition 98



- Proposition 98 is the bright spot of the Governor's Budget

Within the state's spending limit, Proposition 98 funding encumbers over half of available revenue

Eliminates reliance on one-time funding to support the Local Control Funding Formula (LCFF) and other ongoing costs

Provides significant one-time discretionary resources to help local educational agencies (LEAs) with rising costs and other liabilities

Fully funds the estimated cost-of-living adjustment (COLA)

- But we must be mindful that the state meets its minimum funding obligation to public education every year—including 2024-25

Risks to Proposition 98 and Local Budgets

- The education community can breathe a collective sigh of relief as the Governor's Budget contains fewer risks to Proposition 98 and local budgets than recent past

Eliminates reliance on one-time funding to support the LCFF and other ongoing costs

Slowly replenishing the Proposition 98 reserve for times of uncertainty and fiscal turmoil

Fully funding COLA

- The greatest risk to local budgets are local—accounting and budgeting for enrollment changes and rising costs continue to be critical for fiscal health management



Statewide Data—One-Time Funding Total Salary and Benefits

In 2022-23, approximately \$4.3 billion was spent on staffing expenditures with emergency funding

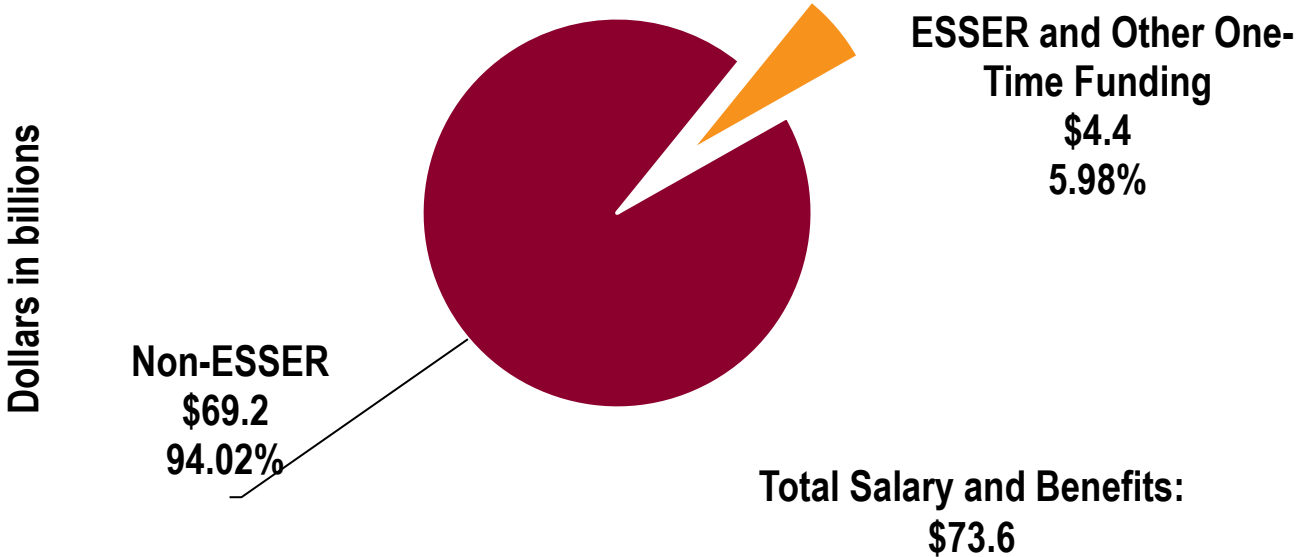
This is 6% of the statewide district workforce funded utilizing temporary resources

- The staffing needs to be addressed through either reduction or elimination of the position or identify an ongoing funding resource



Operational advice:
Evaluate staffing expenditures and assess positions funded with temporary funding and implement a plan to address the expiration of funding resources

2022-23 One-Time Funding Share of Personnel Expense (Salary and Benefits)



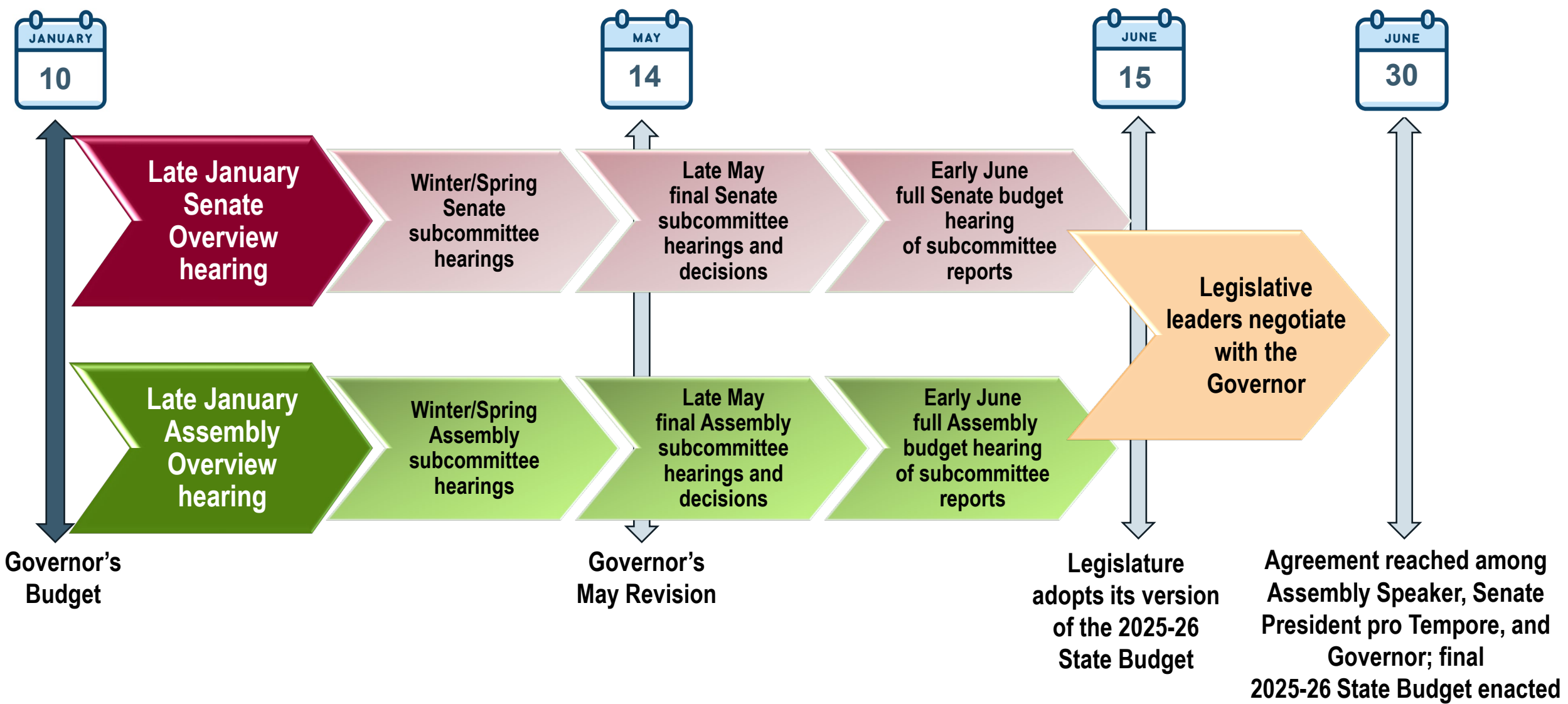
Source: Standardized Account Code Structure Unaudited Actuals

Next Steps for 2025-26 Budget Development—SSC Advice

- We do not yet have allocation or program details for many proposals in the Governor’s Budget
 - Until more detail becomes available, do not include in 2025-26 budget development

Program	Include in 2025-26 Budget Development	Develop Tentative Internal Plan for Funding/Program Requirements
2.43% COLA (all applicable programs)	✓	
LREBG Additional Funding		✓
TK LCFF Add-On For Ratios		✓
Discretionary Block Grant		✓
TK-12 Literacy and Mathematics Coaches/Literacy Screenings		✓
ELO-P 55% Threshold		✓

State Budget Process—From January to June



School
Services
of California
INC.™

An Employee-Owned Company

Thank you