



Fresno Unified
School District



Governor's 2025/26 Proposed State Budget

Board of Education

April 23, 2025

Overview

- ❑ State and Federal Economic Overview
- ❑ Governor's 2025/26 Proposed State Budget Highlights and Impacts
- ❑ Enrollment and Attendance
- ❑ Reporting Timelines
- ❑ Upcoming Budget Discussions

U.S. Economy – Economic Outlook

The current U.S. economy is relatively strong, but there is reason to be cautious

Inflation

Inflation is creeping up and is anticipated to remain stubborn

Labor Market

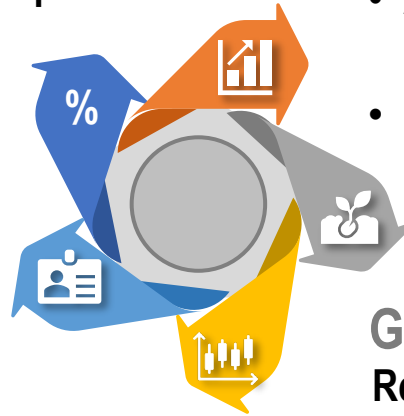
U.S. unemployment is predicted to rise to 4.3% in the short term and stay at or above 4.0% through 2027

Stock Market

The stock market is showing some volatility

Interest Rates

- Additional cuts to the federal funds rate before late 2025 are unlikely
- Mortgage and long-term rates remain high



Growth

Real GDP is projected to slow down but remain positive

Anticipated policies of the second Trump Administration may have significant impacts on the economy, but it is too soon to tell

Federal Uncertainty

- In 2024/25, Fresno Unified anticipates approximately \$250 million in federal grant funding

Federal Funding	2024/25 Budget	Personnel Costs	Other Use of Funds
Title Funding	\$90,204,138	\$70,825,373	\$19,378,765
Special Education	\$20,990,772	\$18,369,169	\$2,621,603
Child Nutrition Programs	\$66,850,003	\$32,645,845	\$34,204,158
ESSER	\$55,285,367	\$0	\$55,285,367
Other Federal Funds	\$16,831,285	\$7,205,656	\$9,625,629
Total	\$250,161,565	\$129,046,043	\$121,115,522

- On March 07, 2025, The U.S. Department of Agriculture informed recipients that it has canceled the Local Food for Schools Program for 2025.
 - The District received approximately \$500,000 in 2023/24 and anticipated being awarded again in 2024/25

"The Department of Education will continue to deliver on all statutory programs that fall under the agency's purview, including formula funding, student loans, Pell Grants, funding for special needs students, and competitive grantmaking."

The Governor's Budget and the Economy

- The California economy is continuing to grow with mixed signals for the road ahead
 - Inflation is persistent and the slowing of interest rate reductions by the Federal Reserve is impacting the state's housing market
 - With increased economic uncertainty, there are notable risks to Governor Newsom's 2025-26 State Budget and economic forecast
- The Governor's Budget projects a \$17 billion surplus and healthy reserves
 - The Governor presents a balanced budget that assumes steady, stable national growth
 - One of the greatest risks to the California economy and the Governor's budget assumptions is the state's vulnerability to the impacts of tariffs and changes in immigration policy



General Fund Budget Summary

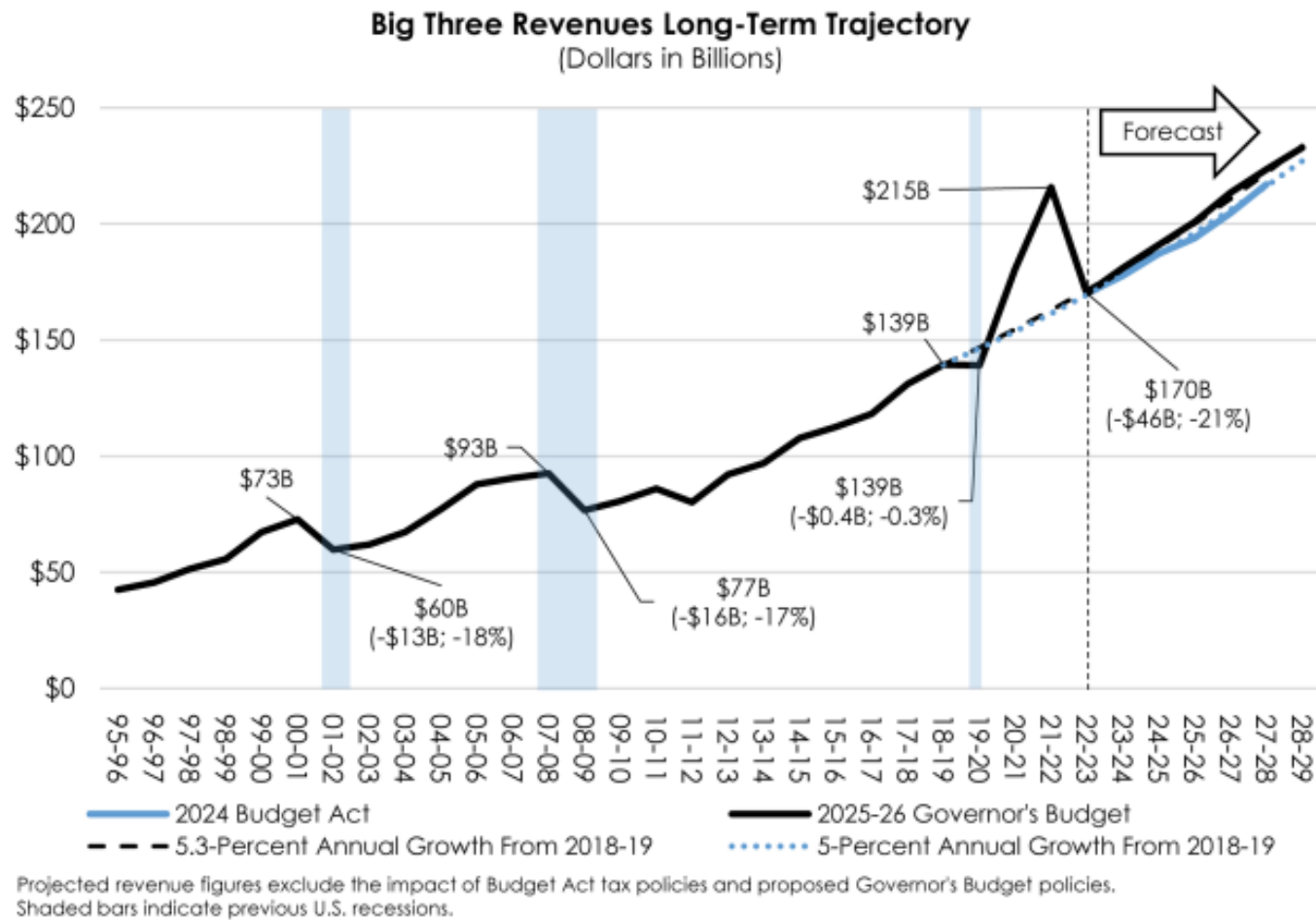
2025-26 Governor's Budget (In millions)

	<u>2024-25</u>	<u>2025-26</u>
Prior-Year Balance	\$35,877	\$26,299
Revenues and Transfers	\$222,473	\$225,095
Total Resources Available	\$258,350	\$251,394
Non-Proposition 98 Expenditures	\$146,998	\$144,290
Proposition 98 Expenditures	\$85,053	\$84,602
Total Expenditures	\$232,051	\$228,892
Fund Balance	\$26,299	\$22,502
Reserve for Liquidation of Encumbrances	\$18,001	\$18,001
Special Fund for Economic Uncertainties	\$8,298	\$4,501
Public School System Stabilization Account	\$1,157	\$1,533
Safety Net Reserve	—	—
Budget Stabilization Account/Rainy Day Fund	\$18,045	\$10,945

Source: 2025-26 Governor's Budget, General Fund Budget Summary



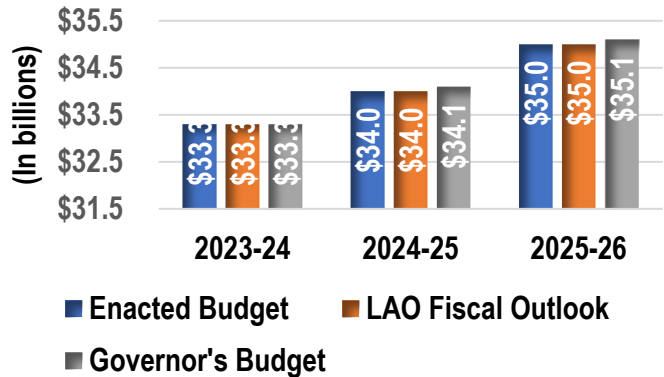
Big Three Revenues



Source: Governor's Budget K-12 Education, page 120

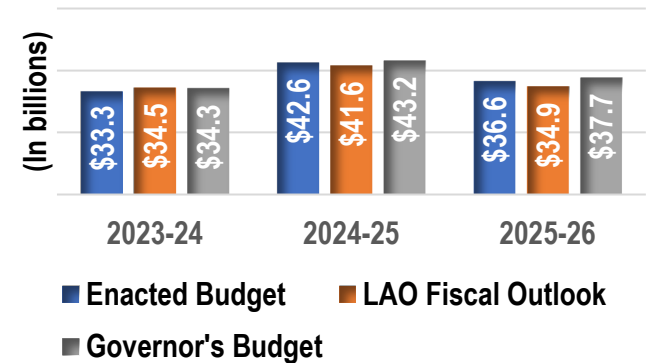
Big Three Taxes – Governor’s Budget vs. LAO Fiscal Outlook

Sales and Use Tax

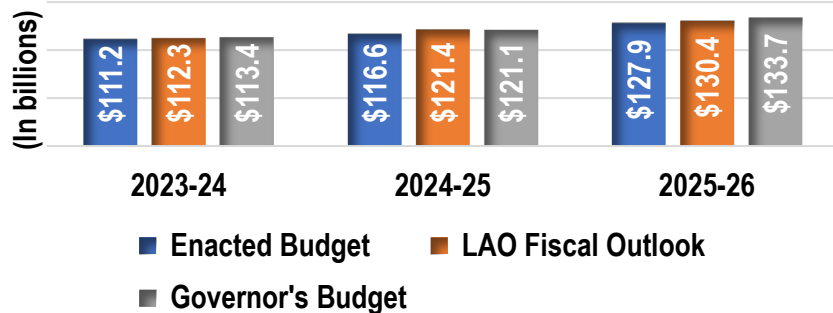


Governor’s Budget revenue projections for 2025-26 are higher than the Enacted Budget and the LAO¹ *Fiscal Outlook* for the “Big Three”

Corporation Tax



Personal Income Tax (PIT)



- Corporation taxes hit a peak in 2024-25 due to temporary tax credit and net operating loss deduction limits
- Over the 2023-24 through 2025-26 budget window:
 - PIT is projected to be 3.6% higher than forecast at Enacted Budget
 - Corporation taxes are forecast 2.2% higher than Enacted Budget

Source: 2024-25 Enacted Budget, 2025-26 Governor’s Budget Summary, and LAO *Fiscal Outlook*

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¹Legislative Analyst’s Office (LAO)

Governor's 2025/26 Proposed State Budget



Local Control Funding Formula (LCFF) – \$13.2 million for COLA of 2.43%

- ❑ COLA offset by declining enrollment and ADA averages
- ❑ Funded on 3-year prior ADA average
- ❑ Transitional Kindergarten lower ratios of 10:1 increases add on by \$3,077 to \$6,404 per TK ADA (\$8 million)

Special Education – \$1.3 million for COLA of 2.43%

PERS – \$700,000 additional costs for statutory increases
(no change to STRS rate)

STRS Rate 19.10%; PERS Rate 27.40%

Governor's 2025/26 Proposed State Budget

LCFF Equity Multiplier

- Per-Pupil rate \$933.73 (decrease from 2023/24 of \$1,052.61)
 - ✓ 14 sites will receive – \$7.3 million (2024/25 \$11.3 million)
 - ✓ 4 new sites allocated, however 4 previous sites not allocated

Student Support and Professional Development Block Grant

- \$1.8 billion discretionary one-time block grant with flexible uses to professional learning, recruitment, dual enrollment, or rising costs
- Approximately \$18 - \$20 million to FUSD

Literacy and Mathematics Instructional Coaches

- \$500 million one-time to expand Literacy Coach Program and include mathematical coaches (awaiting award notification)

Career Technical Grants

- Consolidate CTE grants and work towards automatic renewals

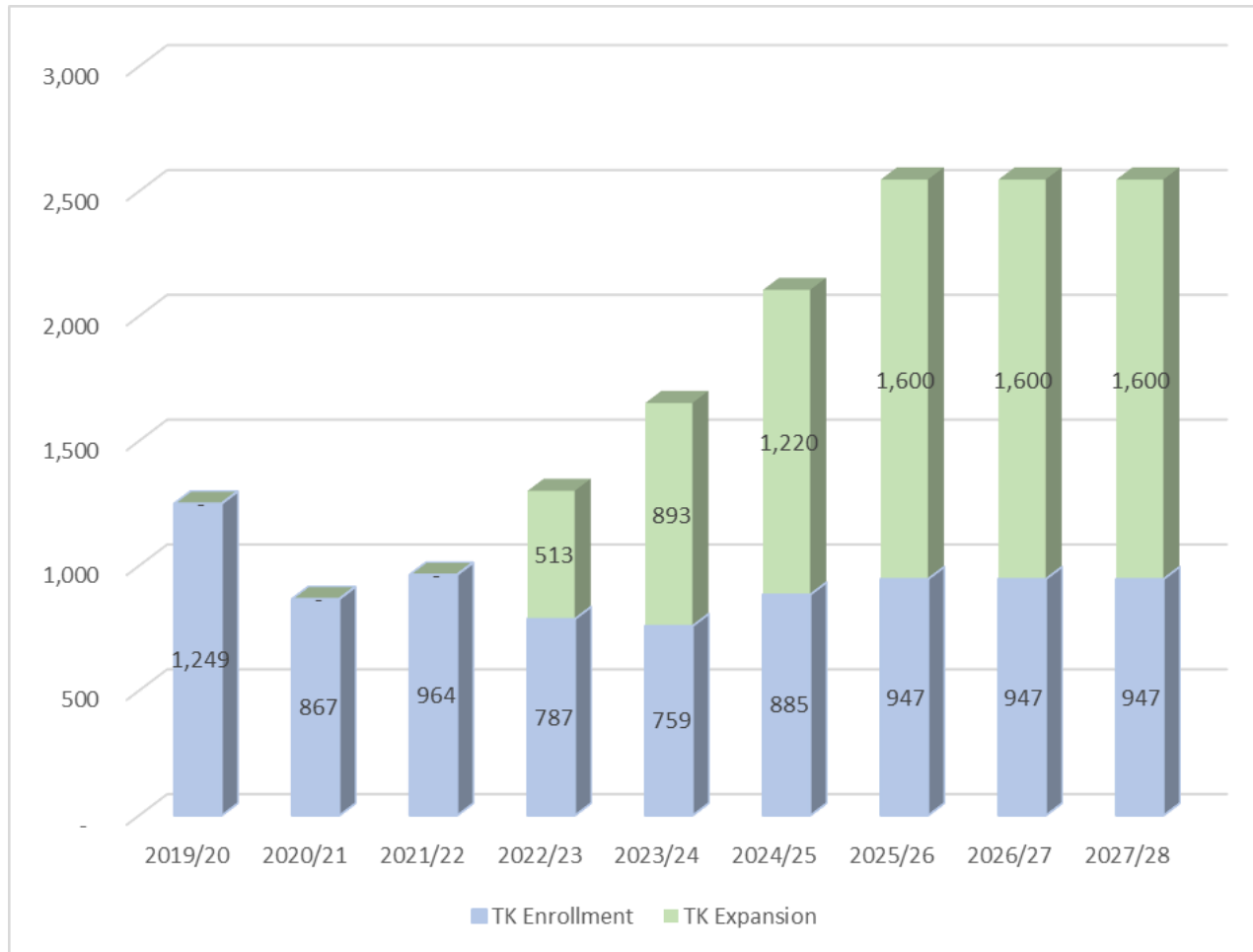
Learning Recovery Emergency Block Grant

- Restores \$378.6 million to Learning Recovery Block Grant
- Approximately \$6.0 million to FUSD

Safety Plans

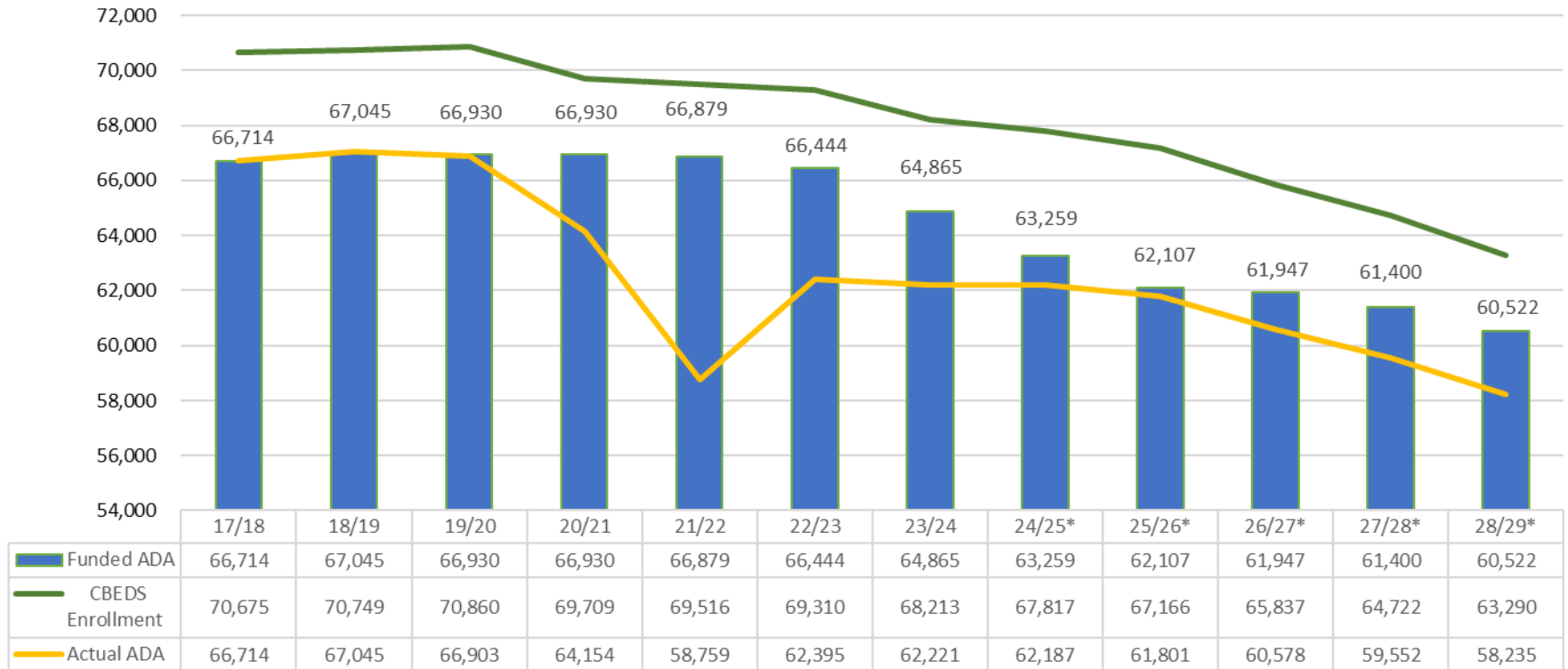
- Requires Learning Continuity Plan to be included by July 1, 2025

Transitional Kindergarten Impact on Enrollment



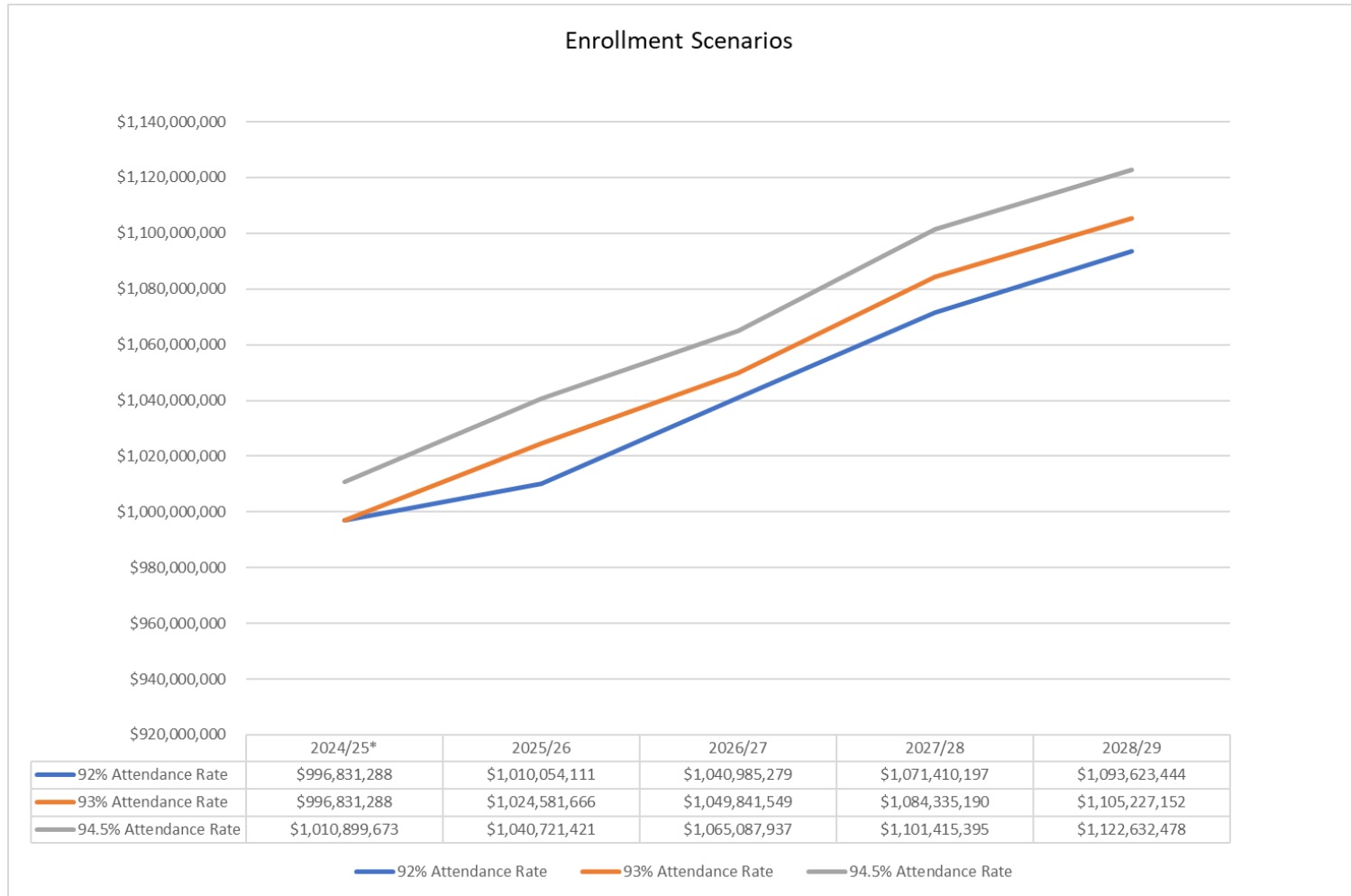
Enrollment and Average Daily Attendance

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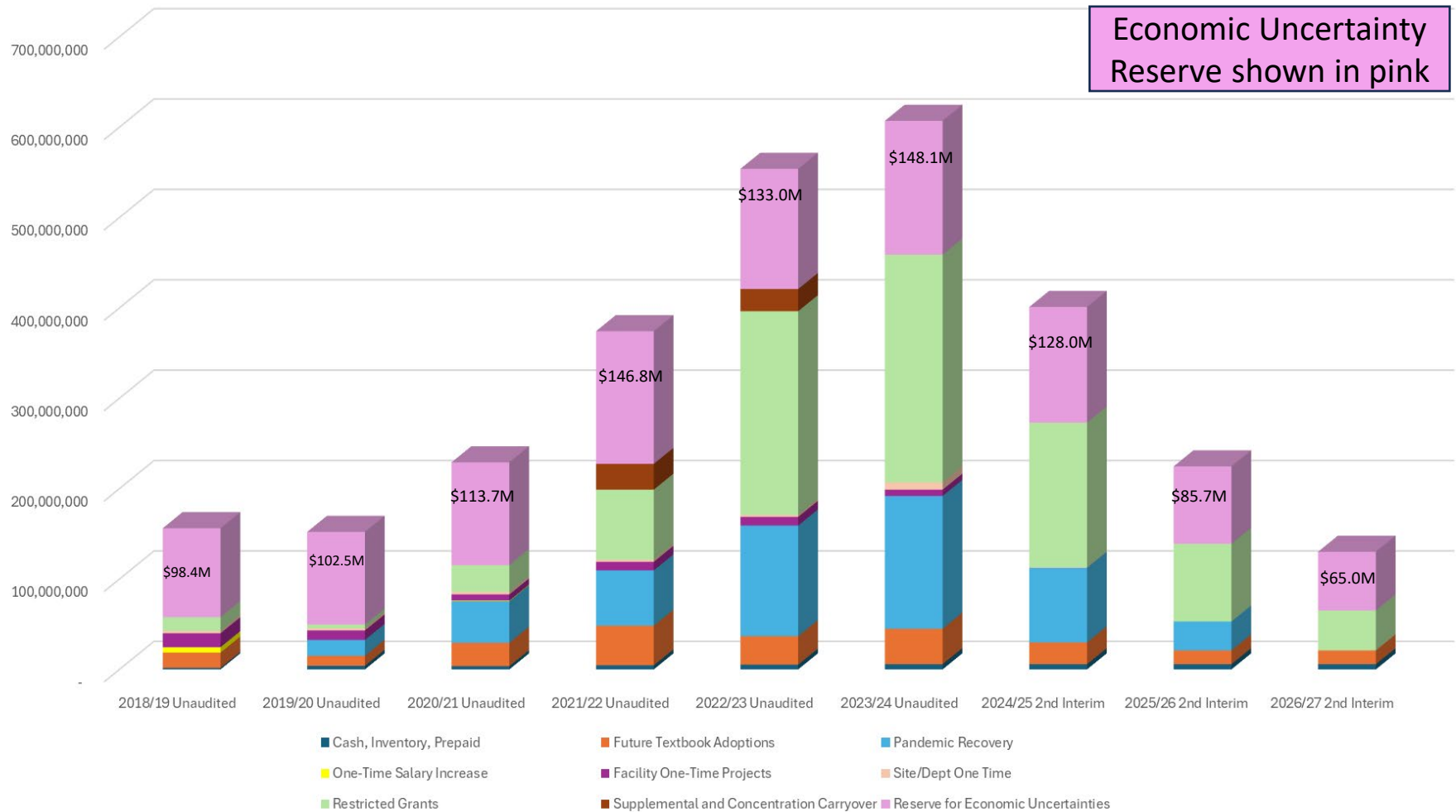


*includes Projected ADA

2025/26 Attendance Impact on LCFF



General Fund Reserve



Upcoming Budget Discussions

- ❑ April 30
 - Goal Aligned Investments – Early Literacy, Intervention Initiatives
- ❑ May 14
 - Goal Aligned Investments – College & Career Readiness, Life Skills
- ❑ May 28
 - Governor's May Revise
- ❑ June 04 and 20
 - Public Hearing & Adoption of LCAP & Budget