



PERRIS UNION
HIGH SCHOOL DISTRICT

2025-26 BUDGET

JUNE 2, 2025

BUDGET PROPOSAL



PUHSD.ORG



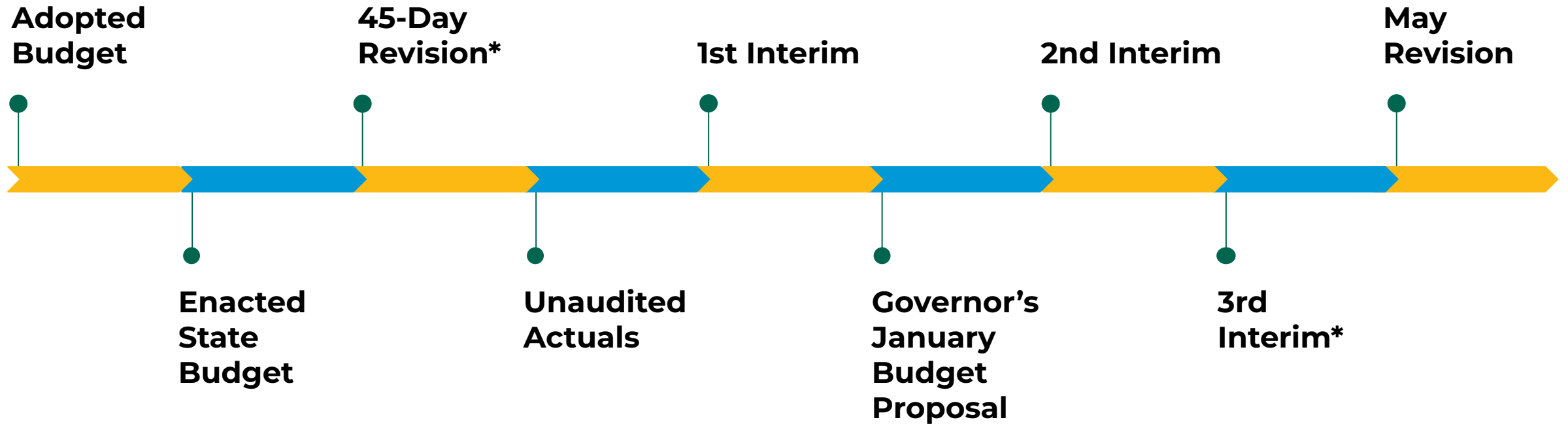
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BUDGET/FINANCIAL CYCLE



*Only required in certain circumstances



BUDGET ADOPTION

- California Education Code Section 42127 states that the Governing Board shall adopt a budget on or before the 1st of July each year
- The 2025-26 adopted budget must be filed with the Riverside County Office of Education (RCOE) no later than 5 days after the Governing Board's adoption, or by July 1, 2025, whichever occurs first
- Pursuant to Education Code Section 42126, the adopted budget must be prepared on the state-required forms and include:
 - Estimated Actuals for 2024-25
 - Projected budget for 2025-26
 - Multi-year projections for two additional years (2026-27 and 2027-28)
- Prior to the adoption of the budget a public hearing is required in accordance with Education Code Section 42103
- The budget was made available for public review May 29 through May 30, 2025 as required and as advertised

CALIFORNIA STATE BUDGET





THEMES FOR THE 2025-26 MAY REVISION



Governor Gavin Newsom released his 2025-26 May Revision amid significant financial and economic uncertainty



His May Revision projects both lower revenues and increased costs of health care in the current year and near term



Significant emphasis on federal policy and its impacts on California foreign trade, tourism, and immigration



To address the budget deficit, he uses a combination of reductions, borrowing, funding shifts, deferrals, and expenditures that would only be activated if sufficient revenues materialize



First seen in his January 2025 Budget proposal, the plan to under-appropriate the 2024-25 minimum guarantee remains in his May Revision to the tune of \$1.3 billion



Proposition 98 is largely insulated from these problems, with minimal disruptions to the proposals from the Governor's Budget in early January 2025, despite all that has come to pass since then



RISKS TO THE ECONOMY AND STATE BUDGET

Stock market volatility in response to federal policy changes can impact projected state revenue

California's unemployment rate is projected to increase in the budget year

California's GDP is projected to decrease in a similar pattern to U.S. GDP in the budget year



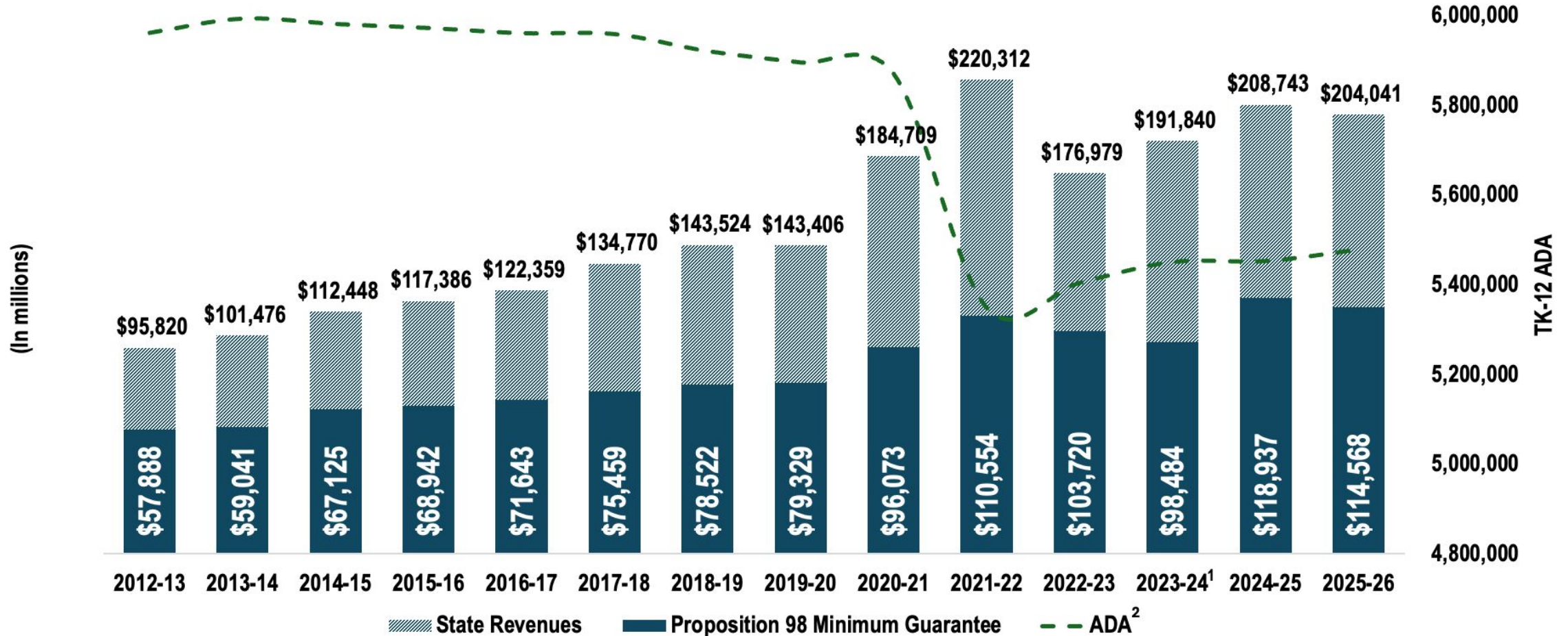
Anticipated cuts to key federal programs will increase pressure to backfill losses in federal funding with state dollars

California has several lawsuits pending against the federal government, the outcome of which could affect the California economy

The "Big Three" revenues are projected to be lower by \$4.8 billion over the three-year budget window when compared to January



PROPOSITION 98 AND STUDENT ATTENDANCE OVER TIME



¹Proposition 98 minimum guarantee was suspended in 2023-24; ²Average daily attendance (ADA)



PROPERTY, LIABILITY AND WORKERS' COMPENSATION COSTS

Property and Liability

- The Los Angeles wildfires are expected to be more than a \$50 billion insurable event—the global market can withstand \$100 billion+ in annual losses
- Most insurance platforms are requiring an increased deductible for wildfire-related losses, related to changing wildfire predictive modeling
- AB 218 (Gonzalez, Statutes of 2019) and AB 452 (Addis, Statutes of 2023) create short- and long-term sexual abuse and molestation insurance availability challenges
- FCMAT's¹ "Childhood Sexual Assault: Fiscal Implications for California Public Agencies" report outlines some of those challenges and potential solutions

FORECAST: LEAs can expect at least 20% premium increases pending legislation and changes in coverage

Workers' Compensation

- Claim severity and continuous trauma claims are on the rise due to medical wage and medical inflation
- Workers' Compensation claims costs are increasing as they remain open longer and medical/Rx costs increase

FORECAST: LEAs can expect 5-10% premium increases pending legislation and district-specific claim trends



ONE-TIME FUNDS

- The May Revision maintains the restoration of \$378.6 million to the Learning Recovery Emergency Block Grant (LREBG) to support learning recovery initiatives through the 2027-28 school year
 - The 2024-25 Enacted Budget made several changes to the LREBG that begin in 2025-26, including conducting a new student needs assessment and the inclusion of expenditures and actions in the LCAP
- The May Revision includes the new Student Support and Professional Development Discretionary Block Grant, but reduces this one-time block grant by \$100 million for a total of \$1.7 billion, but largely retains its original design
 - Funds are fully flexible to address rising costs and would be available for expenditure through the 2028-29 school year
- Other additional one-time funds are proposed for literacy and educator investments including supporting teachers and the educator pipeline

PROPOSED DISTRICT BUDGET

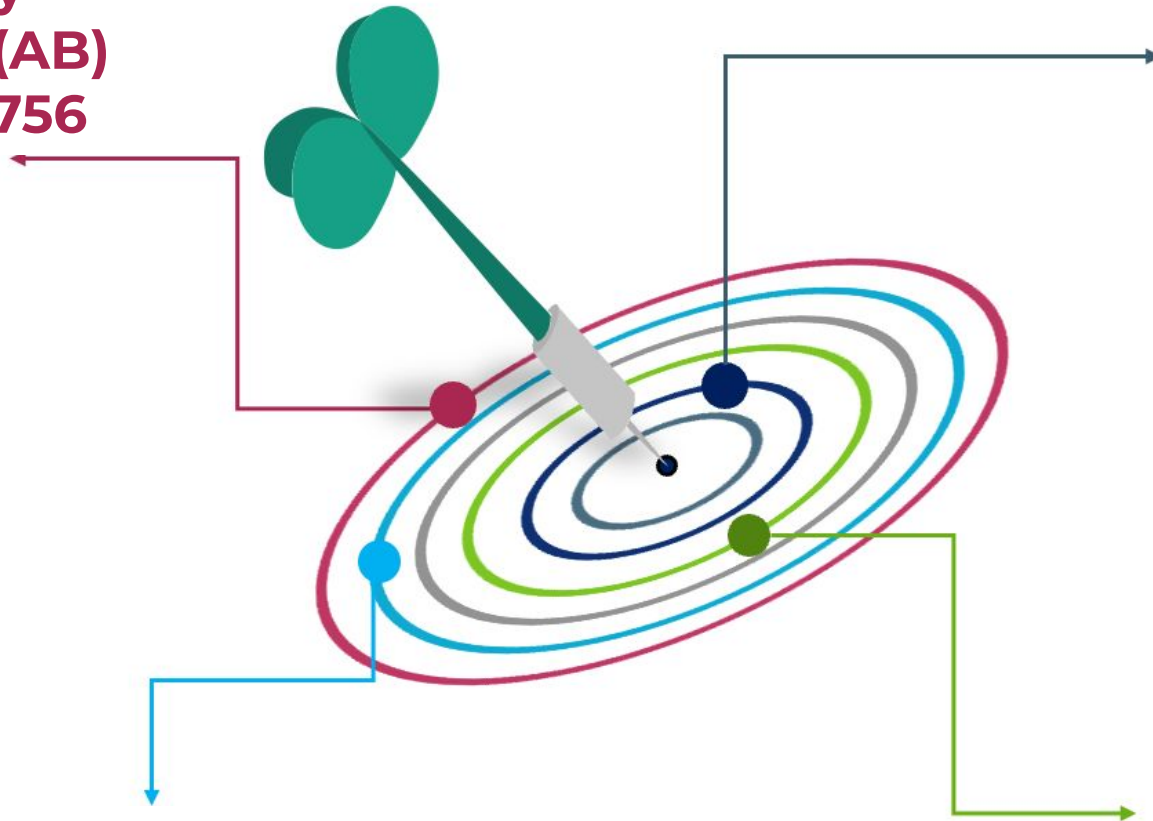




MULTI-YEAR PROJECTIONS

Multi-year projections are required by Assembly Bill (AB) 1200 and AB 2756

Projections are anchored in reliable information as of the date of the projection



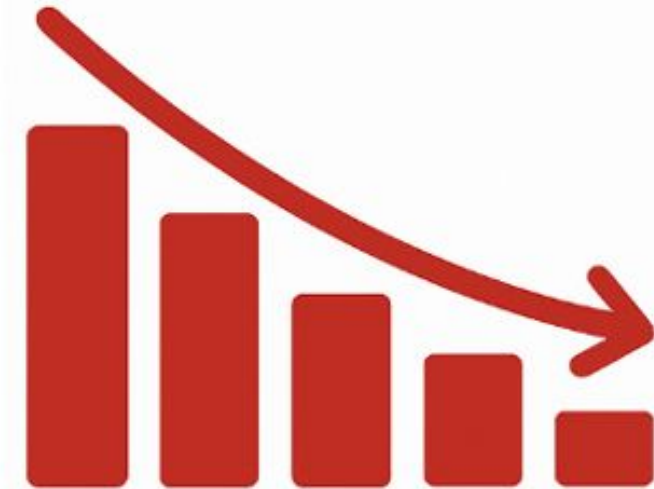
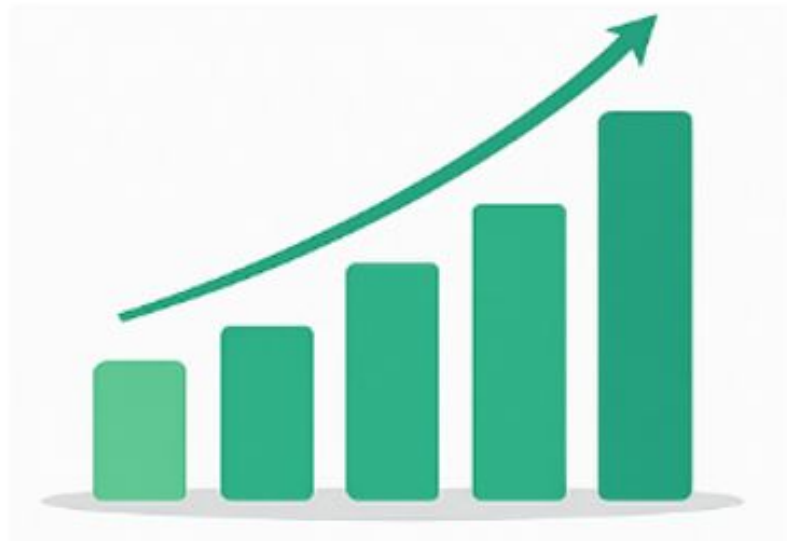
Projections will change any time underlying factors change

Projections must be documented because they will change



MULTI-YEAR PROJECTIONS

- Multi-year projections are the result of mathematical calculations for future years based on the following:
 - Industry standard economic assumptions
 - Locally calculated data point estimates
 - Decisions that have already been made



- MYP's are not:
 - Predictions or forecasts
 - Crystal balls
 - Measuring sticks for “wrongness”



REVENUES - MAJOR **ASSUMPTIONS**

	2024-25	2025-26	2026-27	2027-28
Department of Finance (DOF) Statutory COLA	1.07%	2.30%	3.02%	3.42%
Enrollment	10,801	10,651	10,544	10,438
Enrollment Growth %	-1.317%	-1.39%	-1.00%	-1.00%
Average Daily Attendance (ADA)	9,758.04	9,622.62	9,525.95	9,429.29
ADA as a % of Enrollment	90.34%	90.34%	90.34%	90.34%
Unduplicated % (Rolling 3-year average)	74.13%	74.63%	74.88%	74.99%
Lottery (Unrestricted/Restricted per ADA)	\$191/\$82	\$191/\$82	\$191/\$82	\$191/\$82
Mandated Block Grant (K-8/9-12 per ADA)	\$38.21/\$73.62	\$39.09/\$75.31	\$40.27/\$77.58	\$41.65/\$80.23
LREBG Restoration (proposed)	N/A	not included	not included	not included
New Discretionary Block Grant/Other One-Time Sources (proposed)	N/A	not included	not included	not included

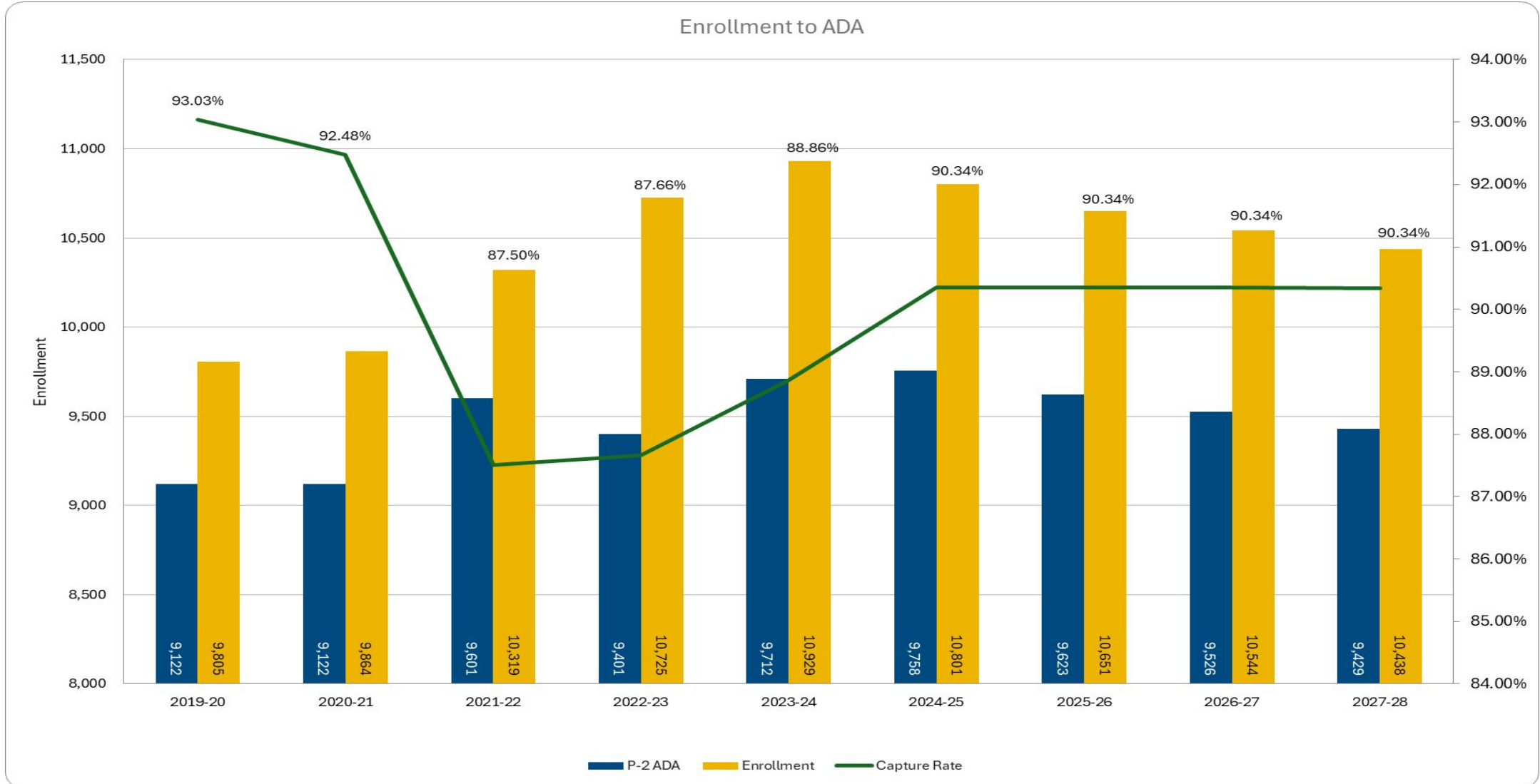


EXPENDITURES - MAJOR **ASSUMPTIONS**

	2024-25	2025-26	2026-27	2027-28
Step/Column Average	1.233%	1.255%	1.242%	1.242%
Step/Column Increase (including fixed costs)	\$1,716,881	\$1,716,285	\$1,757,819	\$1,800,358
STRS Employer Rate	19.10%	19.10%	19.10%	19.10%
PERS Employer Rate	27.05%	26.81%	26.90%	27.80%
Health & Welfare Increase	\$388,197	\$958,623	\$1,360,770	\$1,496,848
Overstaffing FTE (certificated)	14.0	8.0	11.6	13.3
Overstaffing Cost (including fixed costs)	\$2,313,294	\$1,398,736	\$2,130,761	\$2,579,868
Consumer Price Index (CPI)	3.07%	3.42%	2.98%	2.77%
Increase in Insurance Costs	17%	22%	25%	25%



ENROLLMENT TO ADA HISTORICAL TRENDS & PROJECTIONS





2025-26 PUHSD LCFF CALCULATION

Calculation Factors	7-8	9-12
2024-25 Base Grant per ADA	\$10,478	\$12,144
2.30% COLA	\$241	\$279
2025-26 Base Grant per ADA	\$10,719	\$12,423
Grade Span Adjustment (2.6% for 9-12)		\$323
2025-26 Adjusted Base Grant per ADA	\$10,719	\$12,746
20% Supplemental Grant per ADA (total UPP)*	\$1,600	\$1,902
65% Concentration Grant per ADA (total UPP)*	\$1,368	\$1,626
Total LCFF Funding per ADA	\$13,687	\$16,274

**District specific calculation based on 74.63% 3 year rolling average unduplicated pupil count (UPP)*



UNRESTRICTED GENERAL FUND MYP SUMMARY

Projected Budget

	2024-25 Estimated Actuals	2025-26 Projected Budget	2026-27 Projected Budget	2027-28 Projected Budget
Beginning Balance	\$37,639,621	\$38,952,412	\$36,051,141	\$25,313,317
LCFF Revenue	\$154,253,600	\$158,313,781	\$162,359,016	\$166,954,937
Other Revenue	\$10,464,569	\$9,925,960	\$9,224,509	\$8,925,960
Contributions	<u>-\$25,953,711</u>	<u>-\$29,793,194</u>	<u>-\$35,076,989</u>	<u>-\$37,051,682</u>
Total Revenues	\$138,764,458	\$138,446,547	\$136,506,536	\$138,829,215
Certificated Salaries	\$58,610,023	\$61,551,319	\$62,610,811	\$62,808,998
Classified Salaries	\$23,270,971	\$23,572,757	\$23,810,842	\$24,051,332
Employee Benefits	\$32,547,714	\$34,251,649	\$35,674,274	\$36,954,162
Books and Supplies	\$4,516,208	\$4,836,218	\$5,138,507	\$5,840,955
Services, Operating Expenses	\$20,186,227	\$21,075,793	\$23,815,766	\$26,502,037
Capital Outlay	\$1,800,011	\$466,034	\$466,034	\$466,034
Other Outgo	<u>-\$3,479,487</u>	<u>-\$4,405,952</u>	<u>-\$4,271,874</u>	<u>-\$4,261,006</u>
Total Expenditures	\$137,451,667	\$141,347,818	\$147,244,360	\$152,362,512
Net Increase/(Decrease) to Ending Balance	\$1,312,791	(\$2,901,271)	(\$10,737,824)	(\$13,533,297)
Total Ending Balance	\$38,952,412	\$36,051,141	\$25,313,317	\$11,780,020
<i>Ending Balance %</i>	18.64%	17.15%	11.74%	5.29%



RESTRICTED GENERAL FUND MYP SUMMARY

Projected Budget

	2024-25 Estimated Actuals	2025-26 Projected Budget	2026-27 Projected Budget	2027-28 Projected Budget
Beginning Balance	\$25,385,042	\$21,836,631	\$14,406,579	\$12,351,448
Federal Revenue	\$9,186,025	\$7,080,202	\$7,080,202	\$7,080,202
Other State Revenue	\$22,456,035	\$12,888,003	\$12,888,003	\$12,888,003
Other Local Revenue	\$10,238,718	\$11,565,861	\$11,115,983	\$11,115,983
Contributions	<u>\$25,953,711</u>	<u>\$29,793,194</u>	<u>\$35,076,989</u>	<u>\$37,051,682</u>
Total Revenues	\$67,834,489	\$61,327,260	\$66,161,177	\$68,135,870
Certificated Salaries	\$17,756,456	\$17,430,587	\$17,379,029	\$17,714,553
Classified Salaries	\$10,870,268	\$12,189,325	\$12,528,850	\$12,873,672
Employee Benefits	\$18,851,482	\$19,630,913	\$20,153,515	\$20,902,770
Books and Supplies	\$5,735,135	\$4,227,866	\$3,482,322	\$3,582,936
Services, Operating Expenses	\$11,703,547	\$10,095,738	\$9,653,287	\$9,899,718
Capital Outlay	\$3,169,691	\$1,208,477	\$1,168,477	\$1,168,477
Other Outgo	<u>\$3,296,325</u>	<u>\$3,974,406</u>	<u>\$3,850,828</u>	<u>\$3,850,828</u>
Total Expenditures	\$71,382,904	\$68,757,312	\$68,216,308	\$69,992,954
Net Increase/(Decrease) to Ending Balance	(\$3,548,415)	(\$7,430,052)	(\$2,055,131)	(\$1,857,084)
Total Ending Balance	\$21,836,631	\$14,406,579	\$12,351,448	\$10,494,364



UNRESTRICTED ENDING FUND BALANCE CHANGE

2024-25 *Estimated Actuals*

	1st Interim	2nd Interim	Estimated Actuals	Variance (2nd Interim to Estimated Actuals)
Revenue	\$161,822,404	\$163,255,680	\$164,718,169	\$1,462,489
Contributions	\$27,522,924	\$27,114,373	\$25,953,711	(\$1,160,662)
Expenditures	\$138,332,101	\$137,838,961	\$137,451,667	(\$387,294)
Net Increase/(Decrease) to Ending Balance	(\$4,032,621)	(\$1,697,654)	\$1,312,791	\$3,010,445
Ending Fund Balance	\$33,607,000	\$35,941,967	\$38,952,411	\$3,010,445



REVENUE VARIANCE

2024-25 Estimated Actuals

	Variance	Summary
LCFF Revenue	\$831,793	Net Increase in ADA and capture rate, adjustment in county operated programs ADA
Interest Revenue	\$600,000	Increase based on higher interest rate and actuals received in March and April
State Revenue	\$2,135	Increase in Mandated Costs Revenue
Other Revenue	\$28,561	Net increase in STRS excess DBS, reimbursement, accounts, donation, Safety Credits
Total Revenue Variance	\$1,462,489	% Variance = .90%
Contributions	(\$1,160,662)	Reduction in Special Education salary expenses (vacancies) and other operating costs/services
Total Revenue Variance Adjusted for Contributions	\$2,623,151	% Variance = 1.93%



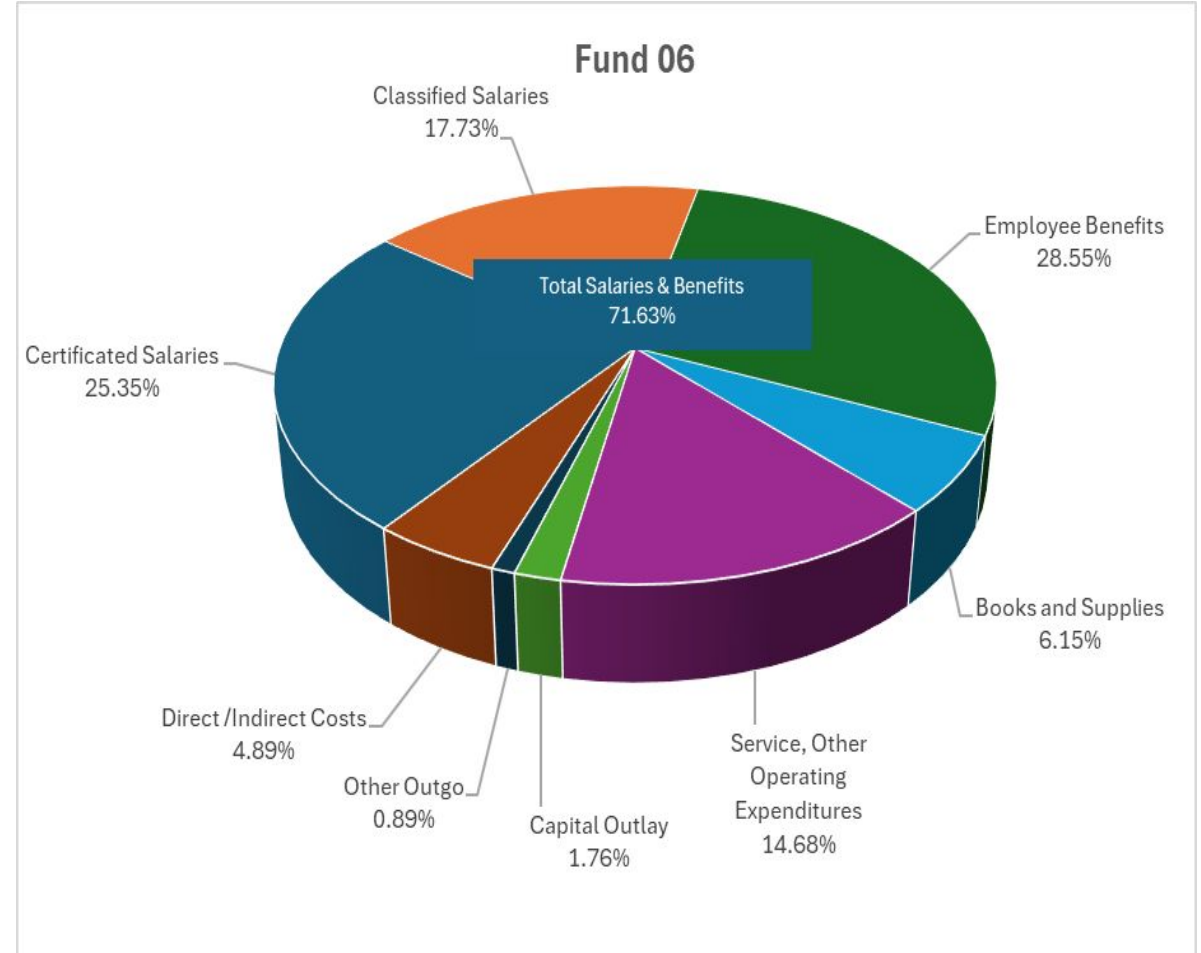
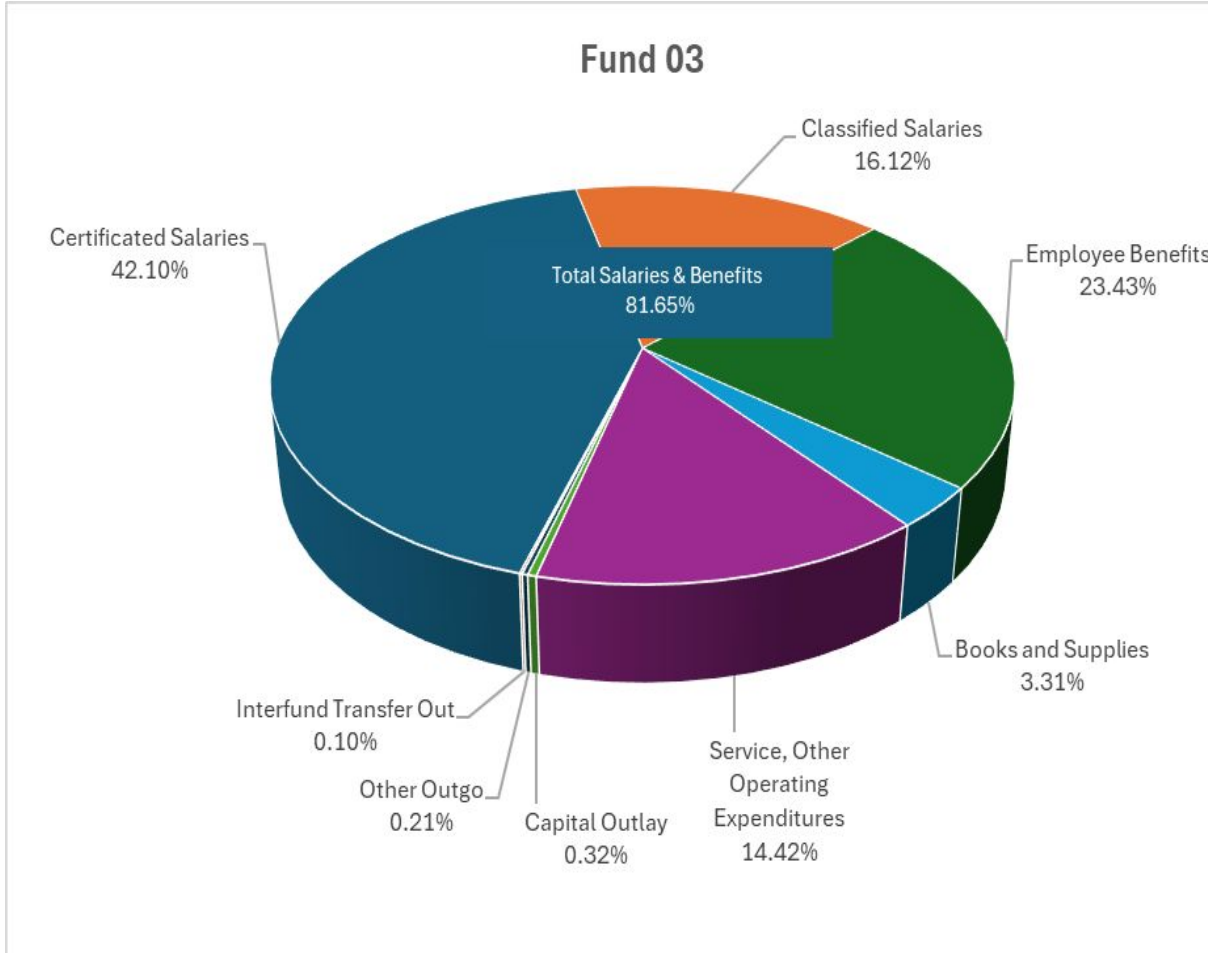
EXPENDITURE VARIANCE

2024-25 Estimated Actuals

	Variance	Summary
Salaries and Benefits	(\$271,526)	Savings for vacancies, other payroll and health benefit costs, and resulting budget realignment between object codes
Books and Supplies	(\$28,480)	Budget adjustments and realignment between object codes
Services and Other Operating Expenditures	(\$217,519)	Decrease in utilities, increase in consultants and legal costs, travel & conference costs from restricted to unrestricted, net budget adjustments and budget realignment between object codes
Capital Outlay	\$86,626	Budget adjustments and budget realignment between object codes
Other Outgo	\$43,405	Budget adjustments in county tuition costs and indirect costs
Total Expenditure Variance	(\$387,294)	% Variance = (.28%)



2025-26 SUMMARY OF EXPENDITURES





COST OF 1% SALARY INCREASE

2025-26 - Unrestricted and Restricted General Fund

Employee Group	Cost
Certificated	\$836,430
Classified	\$402,847
Management/Unrepresented	\$177,922
Total	\$1,417,199



HISTORICAL SALARY INCREASES AND COLA

Fiscal Year	COLA	Salary Increase
2013-14	1.565%	4.00%
2014-15	0.85%	2.00%
2015-16	1.02%	6.50% (+6.41% for add'l 25 min not included in total)
2016-17	0.00%	1.00%
2017-18	1.56%	2.00%
2018-19	2.71%+ .99% augmentation = 3.70%	2.00%
2019-20	3.26%	2.00%
2020-21	0.00%	2.00%
2021-22	1.7% + 4.05% (LCFF Mega COLA) = 5.07%	4.00%
2022-23	6.56%*	13.42%
2023-24	8.22%	5.00%
2024-25	1.07%	0.00%
Total	31.805%	43.92%

*2022-23 also included 6.70% additional LCFF funding for a total of 13.26%; however, total *Increase over prior year funding* was 6.49%



COLA AND DECLINING ENROLLMENT

2025-26 COLA = 2.30%

Fiscal Year	Base Grant per ADA (9-12)		Grades 9-12 ADA		Total
2024-25	\$12,144	X	8,913.69	=	\$108,247,851
	+\$279 COLA (2.30%)				
2025-26	\$12,423	X	8,786.03	=	\$109,148,851
Total Increase/(Decrease)					\$901,000
Increase/(Decrease) %					0.83%



SUMMARY OF CONTRIBUTIONS

Contribution Program	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
<i>Special Education (6500)</i>	\$15,065,576	\$18,050,890	\$21,264,996	\$22,820,590	\$26,965,068	\$28,261,023	\$29,924,064
<i>Special Education: Mental Health (6546)</i>	\$0	\$85,846	\$62,909	\$0	\$0	\$0	\$0
Total Special Education Contribution	\$15,065,576	\$18,136,736	\$21,357,905	\$22,820,590	\$26,965,068	\$28,261,023	\$29,924,064
Routine Maintenance Account (8150)	\$5,788,620	\$7,539,585	\$5,762,110	\$6,133,121	\$6,091,859	\$6,815,966	\$7,127,618
COVID ADA Relief (9024)	\$6,263,733	\$0	\$0	(\$3,000,000)	(\$3,263,733)	\$0	\$0
TOTAL	\$27,117,929	\$25,676,321	\$27,090,015	\$25,953,711	\$29,793,194	\$35,076,989	\$37,051,682

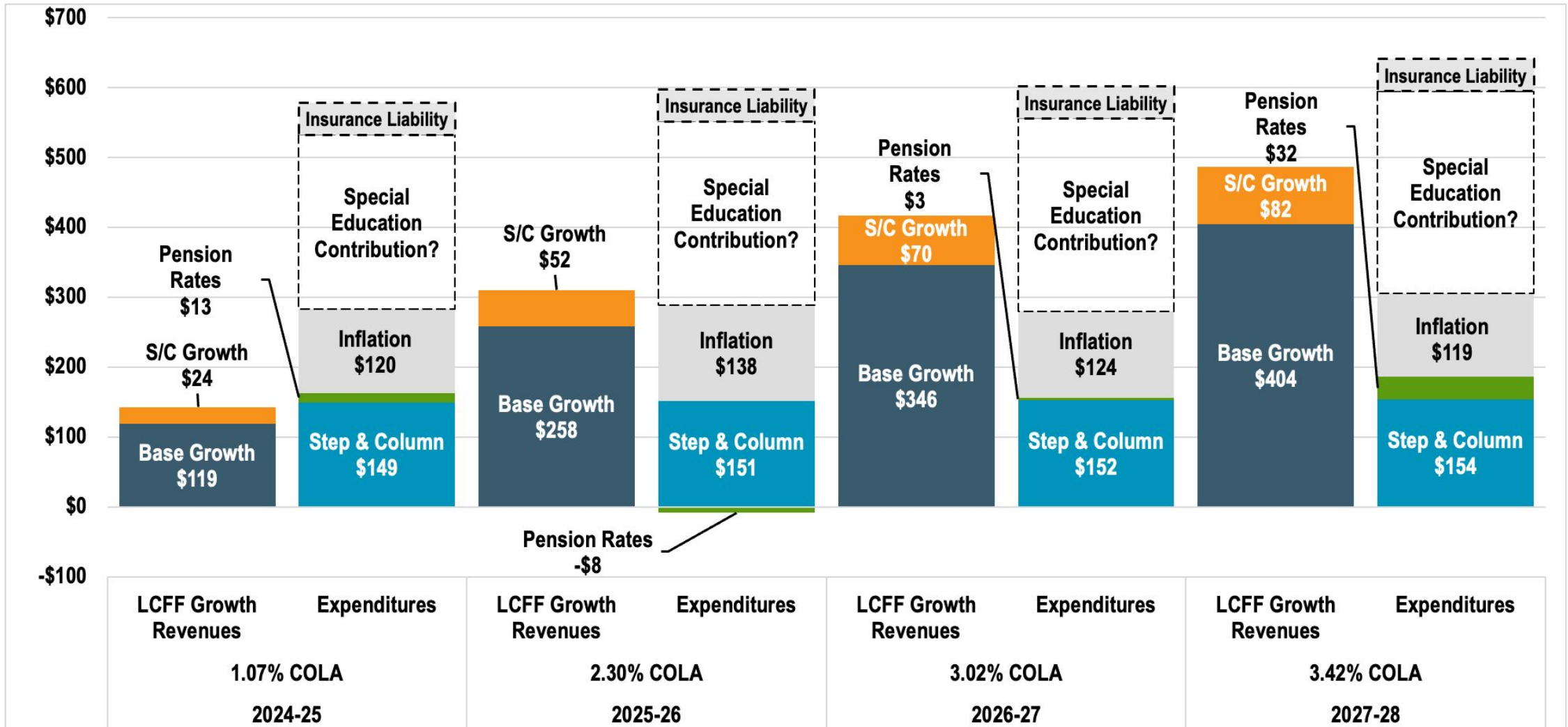


NEW REVENUE AND INCREASED COSTS

2025-26 New LCFF Revenue	\$4,060,181
Step/Column Increases	\$1,716,285
Health Insurance Increase	\$958,623
STRS/PERS Increases	\$0
Remaining New Revenue	\$1,385,273
Cost of Overstaffing	\$1,398,736
Special Education Contribution Increase	\$4,144,478
Remaining New LCFF Revenue	-\$4,157,941



MULTI-YEAR COST FORECAST





DEFICIT SPENDING

- What is Deficit Spending?
 - In school finance, Deficit Spending happens when a school district's expenses exceed its revenues in a given year
 - The district is spending more money than it is receiving, which means the district is using up savings (or reserves) to cover the gap
- Why does deficit spending happen?
 - Rising costs (like salaries, benefits, pensions and operational costs)
 - Reduced or unpredictable state funding (like lower COLA or volatile COLA)
 - One-time expenses (like repairs or programs)
 - Enrollment and ADA declines (fewer students = less funding)
 - Downward pressure on revenue and upward pressure on expenditures



DEFICIT SPENDING

- Is Deficit Spending always bad?
 - Not necessarily!
 - Temporary Deficit Spending (for planned projects or one-time costs) can be okay
 - Ongoing Deficit Spending (especially with no plan to balance the budget) is risky, and can lead to financial trouble and even state intervention (e.g., a fiscal crisis, like in the past for some districts)
- What is a Structural Budget Deficit?
 - A Structural Budget Deficit happens when a school district's ongoing revenues are not enough to cover its ongoing expenses, year after year
 - It's a chronic imbalance that doesn't go away on its own
 - The gap between revenues and expenditures widens each year creating the structural deficit



ADDRESSING DEFICIT SPENDING

Two Sides of the Equation

- When we look at Deficit Spending, we must remember there are two sides to the budget equation:
 - Revenue (total funds received from all sources to support the district's operations)
 - Expenditures (total funds spent by the district to operate and support students)
- How can we address the revenue side of the equation? (i.e. increase revenue)
 - Increase enrollment and ADA (including the ADA capture rate)
 - Operation enrollment recovery!
 - Operation attendance recovery!
 - Advocate for increased funding from the state (e.g., LCFF base grant increases, COLA adjustments)
 - Seek grants and alternative funding sources



ADDRESSING DEFICIT SPENDING, continued

Two Sides of the Equation

- How can we address the expenditure side of the equation? (i.e. reduce expenditures)
 - Review programs for cost-effectiveness and alignment with student outcomes
 - Regularly evaluate program impact—are we getting results for the investment?
 - Evaluate contracts and services for possible savings
 - Postpone non-essential purchases or capital projects
 - Temporary, one-time solutions, such as reviewing Restricted General Fund and/or Supplemental/Concentration funds, including spending down of any carryover, to free up unrestricted General Fund dollars
 - Align staffing levels with enrollment trends to avoid overstaffing
 - Review new or (originally) unbudgeted positions



OVERSTAFFING AND POSITIONS/SALARY MODIFICATIONS ORIGINALLY UNBUDGETED

Budget Item	Cost	Fiscal Year/Notes
Campus Supervisors - increase 5 hours to 8	\$787,692	2023-24 - added May 2023
CSEA Compensation Study Positions	\$387,822	2023-24 - added June 2023
Management/Unrepresented Compensation Study Positions	\$182,206	2023-24 - added June 2023
2 Additional Technology TOSA's	\$350,150	2024-25 - added July 2024
8 Teachers Overstaffed	\$1,398,736	2025-26 - Board decision on resolution March 2025
Total	\$3,106,606	



DEFICIT SPENDING, FINAL THOUGHTS

- PUHSD is facing a structural challenge, not just a one-time issue
 - While many districts are in this situation, that does not mean we should not look for ways to reduce deficit spending
- There is not one answer to “where” we are deficit spending, rather this is the function of all expenditures exceeding all revenues, and PUHSD must continue to look at both revenues and expenditures
- Without changes, PUHSD risks depleting reserves and losing flexibility for future needs
- In addressing Deficit Spending, PUHSD should make thoughtful choices that balance the needs of students today and tomorrow
- Every new expenditure has a long-term impact, not just for this year, but for future years as well



NEXT STEPS

- The Board will open a public hearing to receive input on the District's budget
- A final budget will be presented to the Board for approval on June 18, 2025
 - This will include any adjustments requested by the Board
- The District's Adopted Budget, along with the District's Local Control Accountability Plan (LCAP), will be reviewed by the Riverside County Office of Education (RCOE)
- After the California State Budget is adopted, if necessary, the District's Budget will be revised and submitted to the Board for approval ("45-Day Revision")
- The District's 2024-25 Unaudited Actuals will be completed and presented to the Board in September 2025



QUESTIONS?