

Date: 6/4/2025
To: Ken Geisick – Superintendent
From: Jean Aldrete – Chief Business Official
Subject: Assumptions for 2025-26 Adopted Budget

Introduction

In January, the Governor’s January Budget Proposal for 2025-26 was roughly balanced, but several factors have resulted in a weakened fiscal outlook for the State of California. Personal income and corporate tax revenue projections have been lowered by \$11 billion and increased costs for Medi-Cal have resulted in a budget deficit of \$14 billion. To address the budget deficit, the Governor has proposed \$9.5 billion in spending solutions consisting of \$4.9 billion in spending reductions, \$3.2 billion in spending shifts and \$1.3 billion in funding delays.

The Proposition 98 funding guarantee is now \$4.6 billion lower than the January projection across both 2024-25 and 2025-26. The May Revision fully funds a revised state-wide cost of living adjustment (COLA) of 2.30% even with the decrease in funding. The reduction to the guarantee is due to several factors as follows:

- Deferral of \$1.8 billion in Proposition 98 payments to school districts and \$531.6 million for community colleges from June 2025 to July 2025
- Utilizing the entire balance in the Proposition 98 Rainy Day Fund
- Withdrawing and reducing several community college proposals by \$400 million
- Under-appropriating the Proposition 98 guarantee by \$1.3 billion by delaying payment to an unspecified year in the future

While the Legislative Analyst’s Office (LAO) agrees with the Governor’s revenue estimates and proposed reductions, the Governor does include \$2 billion in new discretionary funds for school districts that will only increase the budget deficit.

There are several risks to the economy and state budget including projected rising unemployment rates in California, a decrease in the states Gross Domestic Product (GDP), stock market volatility in response to federal policy changes that could affect revenues for the state, declining revenues for the “big three” taxes, anticipated cuts to federal programs that any need to be backfilled with state funds and unknown results for several lawsuits the state has filed against the federal government which may have broad impacts.

President Trump’s proposed budget for 2026, which affects the district’s budget in 2026-27, includes elimination of Title III Limited English Proficiency Grant, but maintains funding for Special Education and Title I. The impact would be minimal, but still something that would fall to the district’s General Fund to replace the loss in funding. We are still waiting

to see what if any reductions may occur for the Child Nutrition meal reimbursement program that would have to be absorbed by the State's general fund.

The proposal is now in the hands of the state legislature and negotiations will begin. The legislature must approve a budget by June 15th and then the Governor has twelve days to sign the budget. Any changes will be reflected in the district's 2025-26 First Interim Budget to be presented to the governing board in December 2025.

Budget Calendar

All LEAs, including community-funded districts, (aka Basic Aid Districts), are required to have the LCAP report and budget adopted and approved by their Governing Boards by July 1.

The calendar listed below includes the public inspection and hearing dates for the 2025-26 LCAP and budget:

Public inspection of the 2025-26 Budget	05/30/2025
Public hearing of the 2025-26 Budget and LCAP	06/04/2025
Governing Board approval of the 2025-26 Budget & LCAP	06/12/2025
Governing Board approval of 2024-25 Unaudited Actuals	09/11/2025
Final Audit for the year ending June 30, 2025	12/15/2025
2025-26 First Interim Report data cut off	10/31/2025
2025-26 First Interim Report due to the County Office of Education	12/15/2025
2025-26 Second Interim Report data cut off	01/31/2026
2025-26 Second Interim Report due to the County Office of Education	03/16/2026

Property tax

The District will remain in community-funded status for 2025-26 and two subsequent years. Based on the latest real property roll as of May 9, 2025 issued by the Santa Clara County Assessor's Office, the property tax growth rate is 5.08% for the 2024-25 fiscal year. The final roll total of secured and unsecured will be released by the County Assessor's Office on June 30, 2025. Staff assumes no change in unsecured taxes but has budgeted the following increases for secured property taxes for 2025-26 and two subsequent years are as follows:

2025-26	5%
2026-27	4%
2027-28	4%

Local Control Funding Formula (LCFF)

Although the District is community funded, several elements of the LCFF remain

requirements for the District. These elements are as follows:

State Aid - Thirty-nine state 2012-13 categorical programs were consolidated in 2013-14 implementation of the LCFF formula and a Fair Share Reduction was applied during the Great Recession to Basic Aid Districts. The California Constitution under Article IX, Section 6 guarantees a minimum of \$120 per Average Daily Attendance (ADA) to be apportioned by the State School Fund. The net effect of this calculation resulted in \$324,666 in State Aid revenues.

Proposition 30 - The Education Protection Act (EPA) represents \$200 per ADA and must be spent on direct classroom support. These funds are currently used to pay for a portion of teacher salaries. The District receives \$319,052 from the State of California. The Education Protection Act expires in 2030 and an extension will require voter approval.

Unduplicated Students - The last element is the required set aside of community funded property taxes to serve the needs of our unduplicated student population (low income, foster youth, homeless, and English language learners). The 2025-26 Adopted Budget reflects an unduplicated pupil percentage of 10.78% (179 students) and requires a set aside amount of \$372,406. Planned goals and activities for these funds are included in the Local Control Funding Plan (LCAP).

Compensation

Salaries – Negotiations have been settled for the 2025-26 and 2026-27 fiscal years with a 6.0% and 6.5%, respectively, on schedule salary increases for all employee groups. These costs have been included in the 2025-26 Adopted Budget and 2026-27 fiscal years. ***No additional salary increases were included in 2027-28 fiscal year since negotiations have not yet occurred.***

Health and Welfare

Plan rate changes were incorporated in the 2025-26 Adopted Budget. The District is a member of the Santa Clara County School Insurance Group (SCCSIG) for dental and vision insurance and the Self-Insured Schools of California (SISC) for medical benefits. The overall cost increase for all plans (medical, dental and vision) for the 2025-26 fiscal year was 7% over the prior year.

Cost sharing between the District and Certificated, Confidential and Management employees hired prior to July 1, 2023 remains a 90% and 10% split. New employees in this group hired on July 1, 2023 and thereafter are capped at the 90% of lowest non-deductible HMO family plan (Kaiser currently) plus family dental and vision. Plan costs above the cap are borne entirely by the employee.

Saratoga Classified Association - Health and Welfare benefit is capped at Kaiser

family rate for 2025-26 and two subsequent fiscal years.

	2024-25 (Estimated Actuals)	2025-26 (Adopted Budget)	2026-27 (1st Subsequent Year)	2027-28 (2nd Subsequent Year)
Certificated	90%/10% split between District and Employee	90%/10% split between District and Employee; employees hired beginning 7/1/2023 90%/10% split of lowest non-deductible HMO Plan	10% increase over prior year District's payment	10% increase over prior year District's payment
Classified	Kaiser Family Rate	Kaiser Family Rate	10% increase over prior year District's payment	10% increase over prior year District's payment
Confidential	90%/10% split between District and Employee	90%/10% split between District and Employee; employees hired beginning 7/1/2023 90%/10% split of lowest non-deductible HMO Plan	10% increase over prior year District's payment	10% increase over prior year District's payment
Certificated Management	90%/10% split between District and Employee	90%/10% split between District and Employee; employees hired beginning 7/1/2023 90%/10% split of lowest non-deductible HMO Plan	10% increase over prior year District's payment	10% increase over prior year District's payment
Classified Management	90%/10% split between District and Employee	90%/10% split between District and Employee; employees hired beginning 7/1/2023 90%/10% split of lowest non-deductible HMO Plan	10% increase over prior year District's payment	10% increase over prior year District's payment
Estimated Cost for the District	\$4,051,077	\$4,711,601	\$5,182,761	\$5,701,037

Staffing

The 2025-26 Certificated FTE counts are based on the third release of the teaching assignment list by Human Resources dated April 18, 2025.

A 1.5% step-and-column increase is assumed for all existing employees of \$491,903 and \$530,865 for the two subsequent years, respectively.

As noted in the compensation section, all employees received a 6.0% salary increase in 2025-2026 and 6.5% in 2026-27. No increases have been included for 2027-28 as negotiations for this year have not yet been settled.

No attrition is assumed in the two subsequent fiscal years.

Full Time Equivalents

FTEs	2024-25	2025-26	2026-27	2027-28
Certificated	98.5	103.5	103.5	103.5
Certificated Management	8	8	8	8
Classified	95.3615	93.0475	93.0475	93.0475
Classified Management	9	9	9	9
Confidential	3	3	3	3
Total FTE	213.8615	216.5475	216.5475	216.5475

The increase of 5 FTE in certificated staff from 2024-25 to 2025-26 is due to the addition of one Social Worker due to elimination of CASSY counseling contract, two elementary PE teachers with elimination of the Rhythm and Moves contract, and two additional roving sub-teachers. Classified staff decreased by 2.314 FTE due to changes in staffing for the Child Development (Treehouse) program.

Utilities

An overall average increase of 12.6% for electricity, gas, phone, water, and garbage is assumed for 2025-26 and 10% in each of the two subsequent fiscal years.

Parcel Tax Spending Plan

Measure A passed in May of 2019 will provide parcel tax revenues beginning in 2020-21 and continue through 2027-28. Parcel tax revenues are fixed at \$68 per parcel generating an estimated annual income of \$475,000, net of exemptions in the current and two subsequent fiscal years.

The updated parcel tax spending plan for 2024-25 and 2025-26 is as follows:

Fund – Cost Center	Description	2024-25	2025-26
040-001810	Parcel Tax Funded FTEs	\$323,873	\$317,141
040-001830	Teacher Leadership Compensation	63,627	70,359
040-002130/007800	Curriculum Development & Technology	87,500	87,500
Total:		475,000	475,000

Saratoga Education Foundation (SEF)

At the February 13, 2025 Board Meeting, the Saratoga Education Foundation (SEF) presented a check in the amount of \$500,000 for the 2024-25 fiscal year. The Elementary Music Teacher was moved to the District General Fund in the 2024-25 fiscal year.

The 2025-26 Adopted Budget includes projected SEF revenues of \$246,820 and continues in each of the two subsequent fiscal years. The PLTW/Makerspace teacher was moved to the District's General Fund beginning in the 2025-26 fiscal year. Also new in 2025-26, SEF plans to provide funding to support for all field trip admissions and transportation for all four schools. The amount of funding and expenses will be budgeted as received and incurred throughout the year.

The 2025-26 projected budget includes 1.5% step-and-column salary increases and a salary schedule increase of 6%.

Fund – Cost Center	Program	2024-25	2025-26
060-095713	Science Lab Aides K-5	\$127,475	\$135,531
060-095723	Instructional Media Spec 3-5	\$114,872	\$111,289
060-095727	PLTW/Makerspace	\$232,828	-
060-095712	Field Trips	-	-
Total Estimates:		\$475,175	\$246,820

PERS/STRS

The STRS and PERS contribution rates for employer for the current and two subsequent fiscal years is as follows:

	<u>STRS</u>	<u>PERS</u>
2025-26	19.10%	26.81%
2026-27	19.10%	26.90%
2027-28	19.10%	27.80%

Technology

The 2025-26 Adopted Budget includes two budgets for Technology. Cost Center 7600, the Technology Replacement budget is estimated at \$301,800 in the current and two subsequent fiscal years. Device replacements for students and teachers will be funded by restricted lottery funds as allowable under current guidance from the California Department of Education.

The Technology Operating Budget is in Cost Center 7700 and is estimated at \$1,303,079. This account is used to account for salaries and benefits of the Technology Department, software licenses, technology contracts, network expenses, materials and supplies and repairs. This amount continues in the two subsequent fiscal years.

2025-26 Contributions to Restricted Programs:

Routine Restricted Maintenance:	\$ 1,929,566
Special Education	\$ 6,224,753
New Teacher Support Project	\$ 22,400
After-School Sports	\$ 63,302
After-School Music Supervision	<u>\$ 6,124</u>
Total	\$ 8,246,145

Other Budget Items:

An ongoing General Fund contribution to the Deferred Maintenance Fund of \$1,000,000 is included in the 2025-26 budget and in the two subsequent fiscal years.

A General Fund transfer of \$300,571 to the Basic Aid Reserve Fund - (Special Reserve Fund 17) was included in 2025-26, \$290,215 for 2026-27 and \$282,523 in 2026-27.

A General Fund transfer of \$260,000 is reflected in 2025-26, a transfer of \$300,000 for 2026-27, and a transfer of \$340,000 in 2027-28 to support the costs of the Child Nutrition program.

Assigned Reserves

Set asides of the General Fund Balance Reserves of \$1,351,878 in 2025-26 are as follows:

- Maintenance and Other Projects - \$500,000 has been assigned in the fund balance reserves for maintenance and other projects and major repairs.
- Technology Plan - \$250,000 for anticipated expenditures above the current level of expenditures in future years.
- Elementary Furniture Replacement - \$351,878 has been set aside to replace furniture for Grades 4-5 and student instructional spaces in 2026-27.
- Instructional Materials - \$250,000 was assigned to fund the costs of new instructional materials curriculum as one-time revenues expire.

Proposition 28:

The 2025-26 Adopted Budget includes \$197,179 in expenditures for Proposition 28 to be paid from 2024-25 reserves and current year grants. The individual schools in consultation with their stakeholder groups developed a plan that was approved by the board on May 15, 2025.

Budget Concerns:

- Declining Enrollment – continued decline as larger grades graduate from grades 7-8 and are replaced by lower enrollment in lower grades.
- Continuous needs to fund facility maintenance repairs throughout the district with General Fund reserves.
- Increasing Special Education costs and continued underfunding from both state and federal resources.

Available Reserves:

	2025-26	2026-27	2027-28
General Fund Reserve for Economic Uncertainties – 3% Mandated	\$1,383,787	\$1,469,895	\$1,499,067
General Fund Undesignated/Unappropriated Amount	\$5,925,682	\$3,622,921	\$1,468,337
Special Reserve Fund	\$6,479,333	\$6,894,548	\$7,302,071
Total Available Reserves	\$13,788,802	\$11,987,364	\$10,269,475
Available Reserve %	29.89%	24.47%	20.55%