

Franklin-McKinley School District

PREPARING ALL CHILDREN AS GLOBAL LEARNERS

2025-26 First Interim Presentation

December 9, 2025



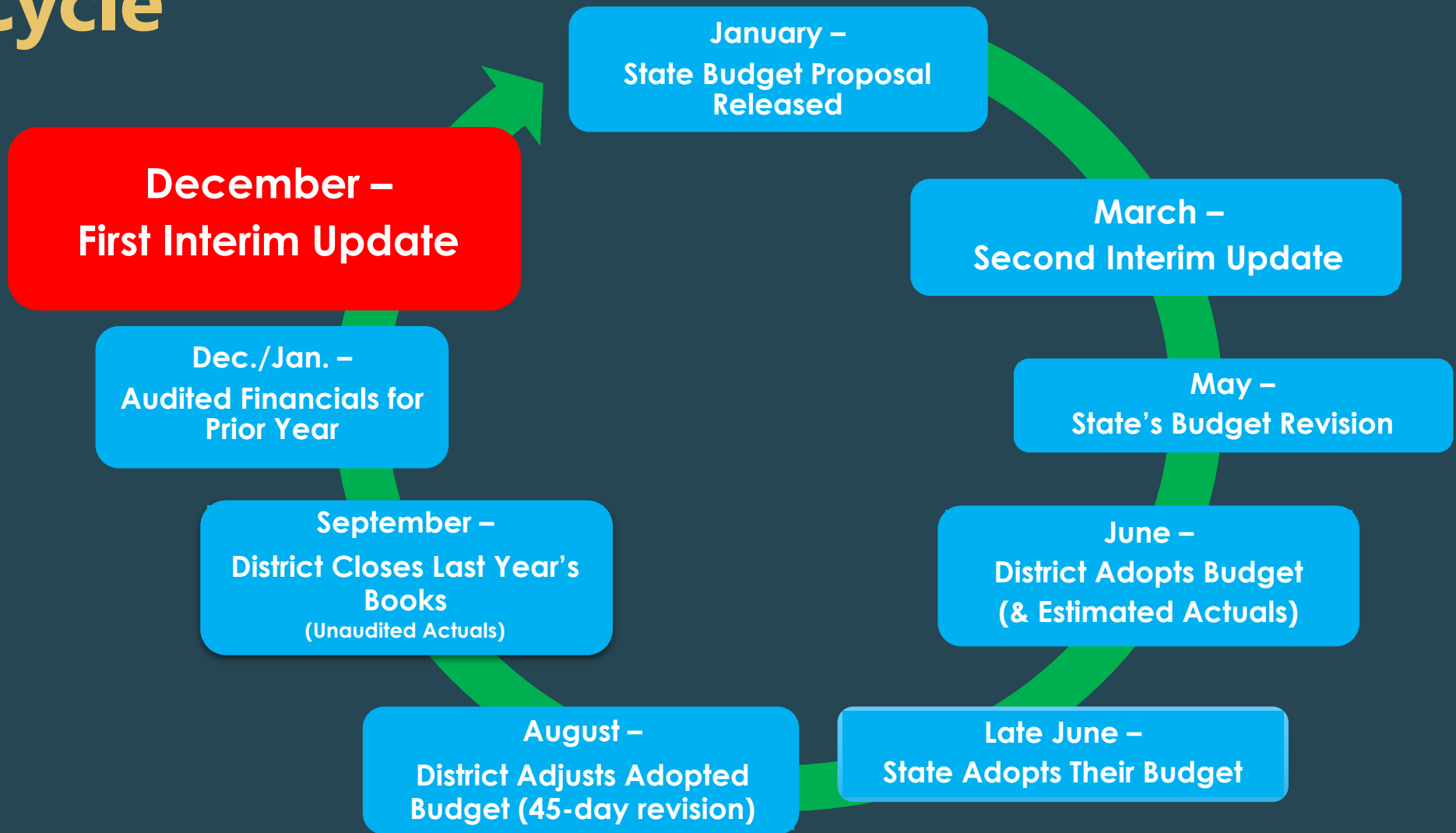
Introduction

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

Purpose of the First Interim

- Realign FMUSD MYP (Multi Year Projection) with State Adopted Budget
- 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)
- In accordance with Ed Code 42130, 33127, 33129, AB 1200 & AB 2756
 - Typically, During December and March of each year
 - MYP include 25-26, 26-27, and 27-28

Budget Cycle



SSC School District and Charter School Financial Projection Dartboard 2025-26 Enacted State Budget

This version of the School Services of California Inc. (SSC) Financial Projection Dartboard is based on the 2025-26 Enacted State Budget. We have updated the cost-of-living adjustment (COLA), Consumer Price Index (CPI), and ten-year T-bill planning factors per the latest economic forecasts. We have also updated the Local Control Funding Formula (LCFF) factors. We rely on various state agencies and outside sources in developing these factors, but we assume responsibility for them with the understanding that they are general guidelines.

LCFF PLANNING FACTORS

Factor	2024-25 ¹	2025-26 ²	2026-27	2027-28	2028-29
Department of Finance Statutory COLA	1.07%	2.30%	3.02%	3.42%	3.31%

LCFF GRADE SPAN FACTORS FOR 2025-26

Entitlement Factors per ADA*	TK-3	4-6	7-8	9-12
2024-25 Base Grants	\$10,025	\$10,177	\$10,478	\$12,144
Statutory COLA of 2.30%	\$231	\$234	\$241	\$279
2025-26 Base Grants	\$10,256	\$10,411	\$10,719	\$12,423
Grade Span Adjustment Factors	10.4%	—	—	2.6%
Grade Span Adjustment Amounts	\$1,067	—	—	\$323
2025-26 Adjusted Base Grants ³	\$11,323	\$10,411	\$10,719	\$12,746
Transitional Kindergarten (TK) Add-On ⁴	\$5,545	—	—	—

*Average daily attendance (ADA)

OTHER PLANNING FACTORS

Factors	2024-25	2025-26	2026-27	2027-28	2028-29
California CPI	2.86%	3.09%	2.82%	2.72%	2.79%
California Lottery	Unrestricted per ADA	\$195.37	\$190.00	\$190.00	\$190.00
	Restricted per ADA	\$88.22	\$82.00	\$82.00	\$82.00
Mandate Block Grant (District)	Grades K-8 per ADA	\$38.21	\$39.09	\$40.27	\$41.65
	Grades 9-12 per ADA	\$73.62	\$76.48	\$78.79	\$81.48
Mandate Block Grant (Charter)	Grades K-8 per ADA	\$20.06	\$20.52	\$21.14	\$21.86
	Grades 9-12 per ADA	\$55.76	\$58.21	\$59.97	\$62.02
Interest Rate for Ten-Year Treasuries	4.23%	4.50%	4.36%	4.40%	4.50%
CalSTRS Employer Rate ⁵	19.10%	19.10%	19.10%	19.10%	19.10%
CalPERS Employer Rate ⁵	27.05%	26.81%	26.90%	27.80%	27.40%
Unemployment Insurance Rate ⁶	0.05%	0.05%	0.05%	0.05%	0.05%
Minimum Wage ⁷	\$16.50	\$16.90	\$17.40	\$17.80	\$18.30

STATE MINIMUM RESERVE REQUIREMENTS FOR 2025-26

Reserve Requirement	District ADA Range
The greater of 5% or \$88,000	0 to 300
The greater of 4% or \$88,000	301 to 1,000
3%	1,001 to 30,000
2%	30,001 to 250,000
1%	250,001 and higher

Key MYP Assumptions

- Unaudited Actuals Ending Balance
- Updated ADA Projections & UPP numbers
- School Services Dartboard (July 2025)
 - Based on enacted budget
- Guidance from SCCOE
- Measure W revenue starting July 1, 2025
- Updated lottery funding rates
- New grant awards & donations
- Negotiated pay increase for CSEA
- Savings from unfilled positions
- Added carryovers from 24-25
- Revised budgets plans based on funding
- New contracts
- Revised staffing based on enrollment

NOT IN ASSUMPTIONS

- Excluded any additional revenue generated from a more robust Attendance Recovery Program
- Tentative Agreement with FMEA for 3% raise
- Raises for Management and Executive Cabinet Team
- Excluded possible increase in Property & Liability insurance premiums [20% increase Per FCMAT = \$171K]
- Impact of open enrollment on benefit expenditures
- Excluded possible Federal funding reduction to districts in out years; FMUSD receives \$5.3M annually (Plan B – reduction in staffing & services?)
- Impact if Form CEA waiver is not approved

Caveats - Numbers will change.

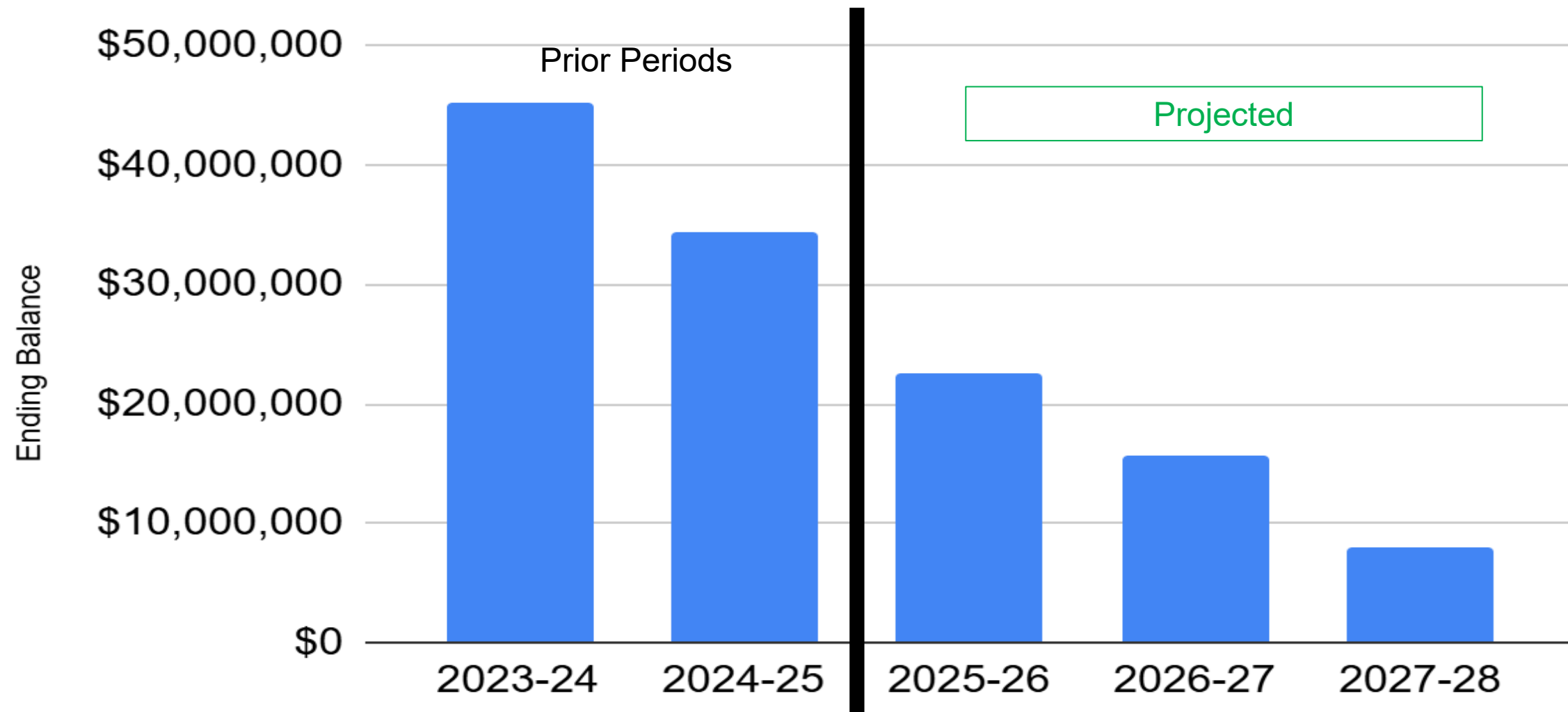


Multiyear Projection

Combined General Fund		Unaudited			
Multi-Year Projections	Formula	Actuals	Multi-Year Projections		
(amounts in dollars)	Reference	2024-25	2025-26	2026-27	2027-28
Beginning Balance	(a)	\$45,153,764	\$34,312,249	\$22,494,636	\$15,708,118
Revenue	(b)	\$119,098,129	\$126,026,320	\$119,640,484	\$118,931,737
Expenditures	(c)	\$129,939,644	\$137,843,933	\$126,427,002	\$126,707,118
Net Increase / (Decrease)	(b) - (c) = (d)	\$ (10,841,515)	\$ (11,817,613)	\$ (6,786,518)	\$ (7,775,381)
Ending Balance	(a) + (d) = (e)	\$34,312,249	\$22,494,636	\$15,708,118	\$7,932,737
Total Available Reserves	(f)	\$6,519,486	\$4,135,318	\$3,792,810	\$3,801,214
Total GF Expenditures	(c)	\$129,939,644	\$137,843,933	\$126,427,002	\$126,707,118
Reserve at First Interim	(f) / (c)	5.0%	3.0%	3.0%	3.0%



Ending Balance Trend



Ending balance represents one-time funds. Once spent it only gets replenished by unspent funds in the future.

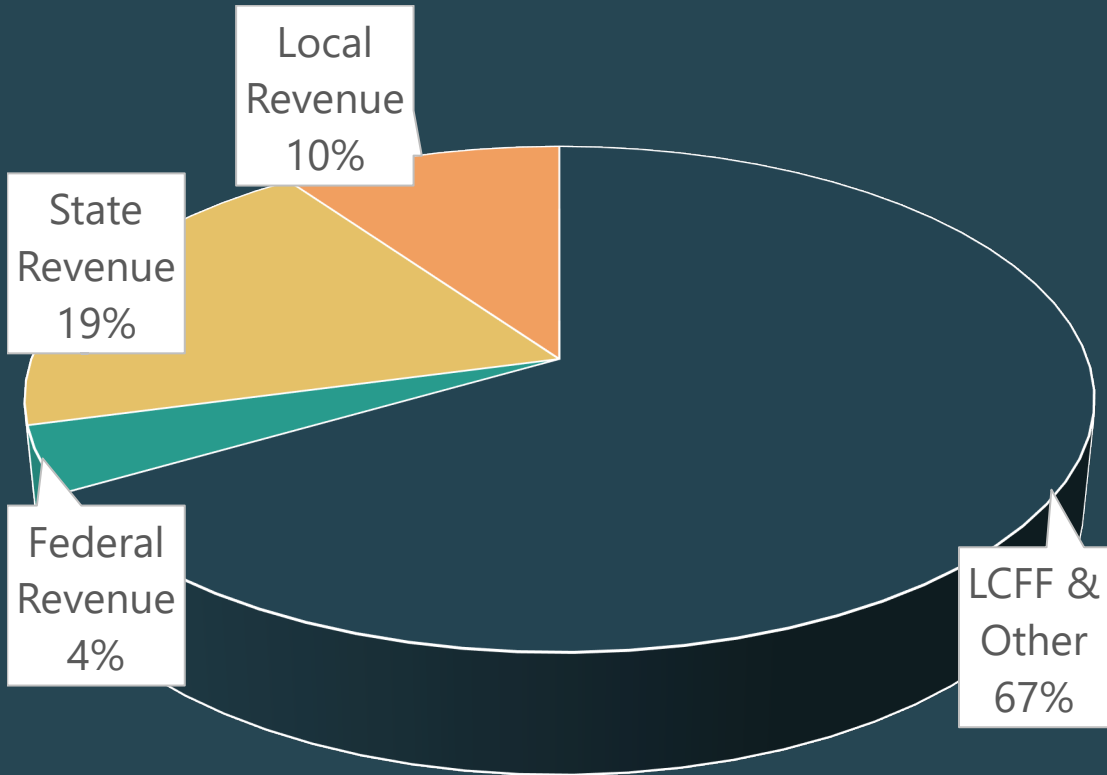
Combined General Fund - Change from Adopted Budget

		<u>2025-26</u>	<u>2025-26</u>		
<i>(amounts in dollars)</i>	<u>Formula Reference</u>	<u>Adopted</u>	<u>First Interim</u>	<u>Incr/(Decr) Variance</u>	<u>Percent Change</u>
<i>Formula Reference</i>		<i>(A)</i>	<i>(B)</i>	<i>(B) - (A) = (C)</i>	<i>(C) / (A)</i>
Revenue	<i>(b)</i>	\$117,964,781	\$126,026,320	\$8,061,539	6.83%
Expenditures	<i>(c)</i>	\$126,153,992	\$137,843,933	\$11,689,941	9.27%
Net Increase / (Decrease)	<i>(b) - (c) = (d)</i>	\$ (8,189,211)	\$ (11,817,613)	\$ (3,628,402)	

Primary reason for the change is due:

- State adopted budget increasing the per student funding for TK students
- Higher than expected TK enrollment
- UPP higher than expected
- New One-Time Funding
- Posting of Carryover from FY 24-25
- Accelerated spend down plan of ELOP funds

Revenue By Major Category



Revenue By Major Category	Adopted Budget	First Interim	Increase / (Decrease)	Percent Change
LCFF & Other	\$81,514,498	\$83,997,389	\$2,482,891	3.05%
Federal Revenue	\$4,564,361	\$5,291,080	\$726,719	15.92%
State Revenue	\$22,106,761	\$24,353,521	\$2,246,760	10.16%
Local Revenue	<u>\$9,779,161</u>	<u>\$12,384,330</u>	<u>\$2,605,169</u>	<u>26.64%</u>
Total Revenue	<u>\$117,964,781</u>	<u>\$126,026,320</u>	<u>\$8,061,539</u>	<u>6.83%</u>

73% of LCFF revenue still comes from the State so we are a long way off from being basic aid.

Why Did Revenue Change?

- **LCFF & Other** – \$2.5M more primarily from increases in:
 - Unduplicated pupil percentage from 79.59% to 83.84%,
 - TK funding rate from \$3,148 to \$5,545
 - TK population from 178 to 232
 - This has also boosted the revenue for the 2 out years
- **Federal Revenue** – \$727K increase primarily due to:
 - An increase in current year funding estimates
 - \$97K for various Title I to IV programs
 - \$6K for Special Ed funding
 - \$624K in carryover from prior year's Title I to IV funding added to the budget for 25-26.
 - All of these funds are **restricted** for a particular purpose

Why Did Revenue Change?

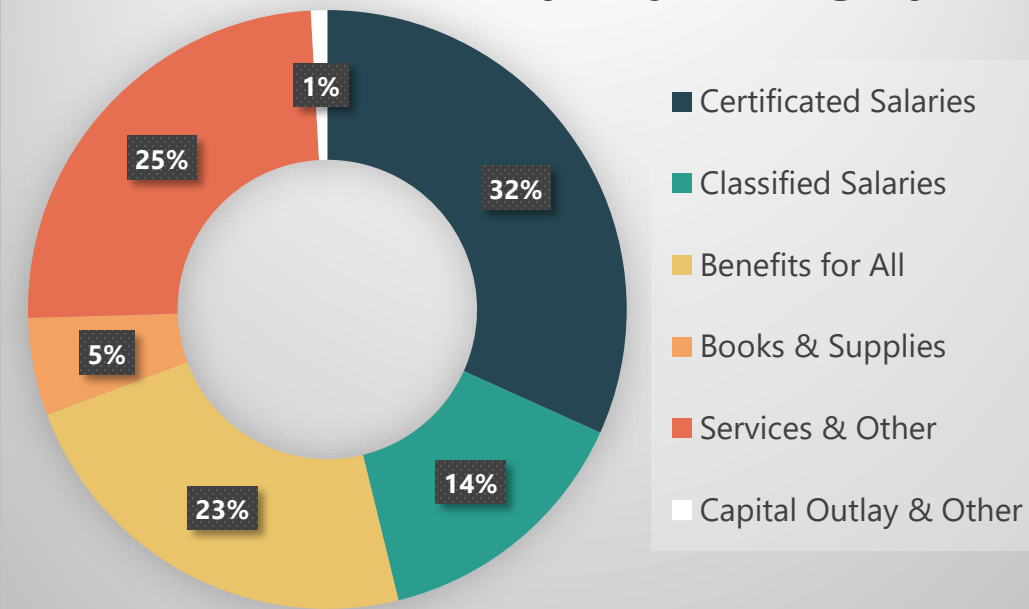
- **State Revenue**— \$2.2M increase primarily due to
 - **\$1.7M** for new, one-time, Student Support & Prof. Development Disc. Block Grant (SSPDBG)
 - **\$0.5M** for new, one-time, Learning Recovery Block Grant (LREBG)
 - **\$0.3M** in carryover booked for UPK grant (covers classroom setup)
 - **\$0.1M** for new one-time Restorative Practices block grant
 - **\$0.1M** in carryover booked of CCSPP grant
 - **(\$0.3M)** loss in ASES grant funding due to lower enrollment
 - **(\$0.1M)** true up of Home to School Reimbursement amount
 - **(\$0.1M)** other true ups in revenue for various state grants
- Excluding SSPDBG, all of these funds are **restricted** for a particular purpose.

Why Did Revenue Change?

- **Local Revenue** – \$2.6M increase primarily due to:
 - **\$1.6M** in carryover including but not limited to:
 - \$600K LEA BOP (Special Ed),
 - \$351K Packard Foundation (Student Wellness),
 - \$231K School Donations,
 - \$150K Applied Materials (CORAL),
 - \$93K Parking Fundraiser,
 - \$88K San Jose Public Library (CORAL; Cultivating Literacy),
 - \$49K Silicon School Fund,
 - \$45K Teacher Residency Grant.
 - **\$0.8M** from new grants including but not limited to the
 - \$322K Children & Youth Behavioral Health Initiative (CYBHI),
 - \$178K San Jose Public Library (CORAL; Cultivating Literacy),
 - \$150K Applied Materials (CORAL),
 - \$136K SCCOE's CCSPP.
 - **\$0.1M** from donations

Expenditures By Major Category

\$137.8 million in Expenditures at First Interim by Major Category



Expenditures By Category	Adopted Budget	First Interim	Increase / (Decrease)	Percent Change
Certificated Salaries	\$44,414,226	\$43,763,917	\$(650,309)	(1.46%)
Classified Salaries	\$19,356,366	\$19,886,008	\$529,642	2.74%
Benefits for All	\$31,074,621	\$31,852,049	\$777,428	2.50%
Books & Supplies	\$3,249,440	\$7,263,085	\$4,013,645	123.52%
Services & Other	\$27,073,392	\$33,861,610	\$6,788,218	25.07%
Capital Outlay & Other	\$985,947	\$1,217,263	\$231,316	23.46%
Total Expenditures	\$126,153,992	\$137,843,932	\$11,689,940	9.27%

69% of expenditures goes towards compensation;

This has gone down primarily due to the accelerated spend down the remaining ELOP funds and carryover budgeted primarily as additional (i) books & supplies and (ii) services & other expenditures.



Why Did Expenditures Change?¹⁵

- **Certificated Salaries – Decreased by \$650K due to various certificated positions that have been unfilled for part of the year.**
- This includes various teaching positions, psychologist, and speech therapist. As of December 1, 2025, we have 4 vacant teacher positions and 1 vacant speech therapist position.
- The first interim projection does not include the increased cost from the tentative agreement with FMEA, Management and Executive Cabinet positions.



Why Did Expenditures Change?¹⁶

- **Classified Salaries – Increased \$530K primarily due to:**
 - The negotiated pay increase of 2.34% one-time bonus in fiscal year 2025-26 and a 2.24% ongoing increase effective July 1, 2026.
 - Increase transportation services for ELOP
 - These increases have been offset by various classified positions that have been vacant for part of the year.
 - This includes the Dir. of Maintenance & Auxiliary, Maintenance Sup., Behavior Therapists, Dispatcher, Bus & Van Drivers, CNS staff, Maintenance Tech, Gardener, Mechanic School O.T., SLS Specialist, District Liaison, para-educators, and custodial positions.
 - To the greatest extent possible, work was completed by contractors, current staff via overtime, and substitutes.
 - As of December 1, 2025, we have 9 positions vacant and 9 hourly positions open (including substitutes).
 - The first interim projection does not include the cost of increases for Management and Executive Cabinet positions.



Why Did Expenditures Change?¹⁷

- **Benefits for All – Increased by \$777K primarily due to**
 - The accelerated payments for the SERP
 - CSEA pay increase
 - Update to OPEB liability
 - Offset by the savings from unfilled positions
 - The first interim projection does not include the increased cost from the tentative agreement with FMEA, Management and Executive Cabinet positions.
 - There also may be fluctuations from the plan changes due to open enrollment.

Why Did Expenditures Change?¹⁸

- **Books & Supplies – Increased by \$4M due to:**
 - \$0.7M – Placeholder for the remaining Prop 28 budget per school. Will most likely be use for contracted services so this will move to Services and Other in the second interim
 - \$0.7M – LEA BOP funding to pay for special ed staffing
 - \$0.7M – Tech refresh
 - \$0.3M – Donations carryover placeholder
 - \$0.3M – To meet 3% contribution requirement for RRMA
 - \$0.3M – Spend down of remaining UPK funding for classroom setups.
 - \$0.3M – Spend down of the remaining Lottery carryover
 - \$0.3M – Set up remaining CCSPP budget by school site
 - \$0.2M – Applied Material Grant placeholder
 - \$0.1M – Parking Fundraiser carryover
 - \$0.1M – San Jose Public Library grant placeholder.
 - \$0.1M – Placeholder for LREBG funds received.
 - \$0.1M – Placeholder for Restorative Practices grant
 - (\$0.1M) – Budget transfer from Books and supplies to Staffing



Why Did Expenditures Change?¹⁹

- **Services & Other – Increased by \$6.8M primarily due**
 - \$4.0M – Expectation to spend all of last year's carryover this fiscal year.
 - \$0.7M – Placeholder for carryover of the Title I to IV programs.
 - \$0.5M – Placeholder for the local grant carryover amounts (i.e., Packard, SJPL, Donations)
 - \$0.4M – Placeholder for the new LREBG funds.
 - \$0.3M – To pay for contracted services under the CCSP program
 - \$0.3M – To pay for contracted Art and Music services with Prop 28 funds.
 - \$0.3M – Placeholder for the spending of lottery funds.
 - \$0.2M – Increase in RRMA contribution to meet 3% requirement
 - \$0.2M – Increase in school site budgets to cover the cost to pay for SWING subs
 - \$0.2M – Increase in Special Education budget to cover the cost of SWING subs and other smaller budget adjustments (e.g., reclassifications, match funding updates)
 - (\$0.3M) – Reduction in ASES funding due to lower enrollment.
- **Capital Outlay & Other – Increased by \$231K primarily due to increased cost of the SCCOE's Special Education programs, net of other smaller reductions.**

Projected ending balance (June 30, 2026)

Components of Ending Balances Projection As of June 30, 2025	<u>Unrestricted</u>	<u>Restricted</u>	<u>Combined</u>	<u>Percentage of Ending Balance</u>
(Amounts in Dollars)				
Prepaid Expenditures	\$ 723,657	\$ -	\$ 723,657	3.22%
Legally Restricted (1)	\$ -	\$ 475,922	\$ 475,922	2.12%
Committed (2)	\$ 14,402,859	\$ -	\$ 14,402,859	64.02%
Assigned (2% Board Reserve)	\$ 2,756,879	\$ -	\$ 2,756,879	12.26%
3% Economic Uncertainty	\$ 4,135,318	\$ -	\$ 4,135,318	18.38%
Unassigned Reserve	\$ -	\$ -	\$ -	0.00%
Ending Balance	<u>\$ 22,018,713</u>	<u>\$ 475,922</u>	<u>\$ 22,494,635</u>	<u>100.00%</u>

(1) - Primarily Lottery Funds & Mental Health funds

(2) - Deficit Spending Mitigation Measures, Curriculum Adoption, SERP, and OPEB payments

NEXT STEPS

- ❖ **Action Item For Board Tonight** – Approval Interim, as presented
- ❖ Staff submits Interim to County for review – December 2025
- ❖ Governor's Budget Proposal – January 2026
- ❖ Finalize budget reductions – February 2026
- ❖ Assumptions for Adopted Budget finalized – May 2026
- ❖ Present Governor's May Revise to FMSD Board – June 2026
- ❖ Present District Budget Proposal to FMSD Board – June 2026
- ❖ Board Adopts Next Year's Budget – June 2026



What If?

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Combined General Fund Multi-Year Projections (amounts in dollars)				
	Formula Reference	Multi-Year Projections		
		2025-26	2026-27	2027-28
Total Available Reserves Before Raise	A	\$ 4,135,318	\$ 3,792,810	\$ 3,801,214
Estimated Cost of FMEA Raise @ 3%	B	\$ (1,439,484)	\$ (1,456,994)	\$ (1,475,194)
Est. Cost for Exec. Cabinet @ 3% (6 months)	B	\$ (17,194)	\$ (17,710)	\$ (18,241)
Estimated Cost of Management Raise @ 3%	B	\$ (204,238)	\$ (210,418)	\$ (213,200)
Net Available Reserves After Raise	A + Bs = C	\$ 2,474,402	\$ 2,107,688	\$ 2,094,579
Total GF Expenditures Before Raise	D	\$137,843,933	\$126,427,002	\$126,707,118
Estimated Cost of FMEA Raise @ 3%	D	\$ 1,439,484	\$ 1,456,994	\$ 1,475,194
Estimated Cost for Executive Cabinet @ 3%	D	\$ 17,194	\$ 17,710	\$ 18,241
Estimated Cost of Management Raise @ 3%	E	\$ 204,238	\$ 210,418	\$ 213,200
Adjusted GF Expenditures After Raise	Ds + E = F	\$139,504,849	\$128,112,124	\$128,413,753
Reserve before raise		3.00%	3.00%	3.00%
Reserve after raise	C / F	1.77%	1.65%	1.63%
Short of 3% reserve by...		\$ 1,710,743	\$ 1,735,676	\$ 1,757,834

To get the District back to 3% we would need to use the Deficit Mitigation Funds in the Fund Balance, assuming no other reductions or new revenue to offset increased cost.



Buckets of ending fund balance

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<u>Amount</u>	<u>Category</u>	<u>Description</u>
\$12.7	Committed	Mitigations measures - To offset future deficit spending; extend positions funded with expired one-time funds.
\$4.1	Required	3% reserve for economic uncertainty required by Ed Code
\$2.8	Assigned	Additional 2% reserve based on board resolution 2011-25
\$1.4	Committed	S.E.R.P - 2 years of remaining payments
\$0.7	Non-spendable	Prepaid Health Insurance Expenditures



Buckets of ending fund balance

24

24

<u>Amount</u>	<u>Category</u>	<u>Description</u>
\$0.3	Committed	O.P.E.B. - Remaining medical premium payments for retired administrators
\$0.2	Restricted	Various Other Local Grants
\$0.1	Restricted	Lottery: Instructional Materials – Shall only be used for the purchase of instructional materials.
\$0.1	Restricted	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.



Questions & Answers





***Thank
you!***

APPENDIX

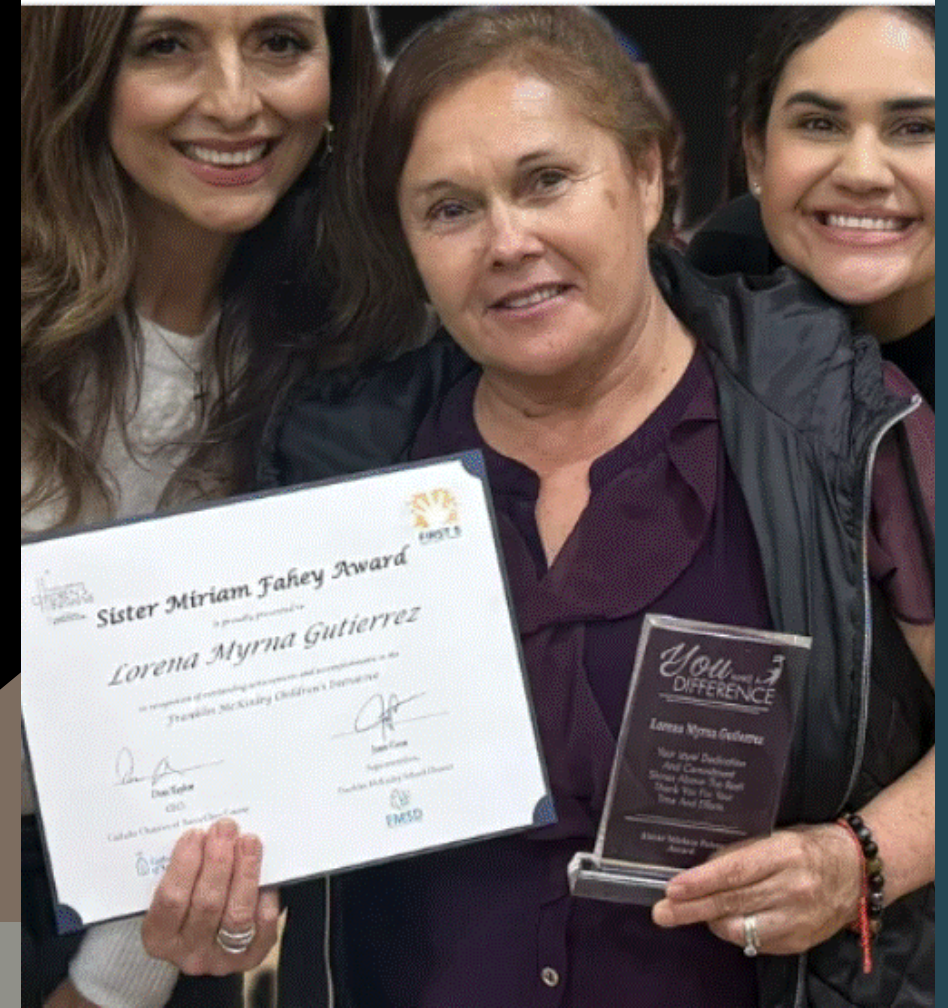


Summary of Other Funds

- The following pages outline other funds FMSD has but are restricted for a particular purpose outlined in Ed Code and Government Code.
- FMSD staff continue to monitor these funds and use them to help support the educational program, staff and students



**Franklin-McKirk
School District**
PREPARING ALL CHILDREN AS GLOBAL LEADERS



Other Restricted Funds (in Millions)

Fund	Cafeteria	Building	Capital Facilities	Capital Outlay	Bond Interest & Redemption	Self Insurance
Beginning Balance	\$ 8.1	\$ 26.3	\$ 10.5	\$ 1.4	\$ 13.3	\$ 1.8
Revenue	\$ 7.9	\$ 0.0	\$ 0.6	\$ 0.0	\$ 15.3	\$ 1.4
Expenditures	<u>\$ 8.1</u>	<u>\$ 17.2</u>	<u>\$ -</u>	<u>\$ 0.0</u>	<u>\$ 14.2</u>	<u>\$ 1.3</u>
Change	<u>\$ (0.2)</u>	<u>\$ (17.2)</u>	<u>\$ 0.6</u>	<u>\$ 0.0</u>	<u>\$ 1.1</u>	<u>\$ 0.1</u>
Ending Balance	<u>\$ 7.9</u>	<u>\$ 9.1</u>	<u>\$11.1</u>	<u>\$ 1.4</u>	<u>\$ 14.4</u>	<u>\$ 1.9</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).