



Franklin-McKinley
School District

PREPARING ALL CHILDREN AS GLOBAL LEARNERS

Budget Proposal 2025-26

June 10, 2025

Presented by

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Topics Covered

Budget Cycle

MYP Assumptions

Multi-Year Projection

What is not in the Budget

Budget Overview For Parents

Upcoming Action Items



Over the Past Year - Tough Decisions Have Been Made

Due to dire financial situation largely due to declining enrollment for over a decade:

- The Board has made some of the most difficult decisions a board can make:
 - Decided to close 3 schools at the end of this school year
 - Eliminated 5 Management position, approved 5 furlough days for all management and confidential staff members & Supt. 10% salary reduction
 - Laid off 29 teachers
 - Reduced work hours for 84 classified staff members
 - Laid off 20 classified staff members

Unfortunately Tough Decisions Still Need to Be Made! Fiscal Solvency at RISK!!

- Spec. Educ. Expenses Have Doubled Since June 30, 2022
 - From \$13.5M to \$27M
- Declining Enrollment Continues (Another 8% decline)
 - 24-25 @ 5,704;
 - 27-28 @ 5,233;
- No More COVID Funds To Bail Us Out
- Economic Uncertainty From Federal, State and Local levels



We **NEED** to make more very
DIFFICULT CHOICES by **March 15, 2026.....!**

We need **\$11.0M** in Ongoing Cuts

Possible Reduction Options (Estimated Savings)

- Re-imagine Special Ed Program (\$3M)
- Reduces Work Calendar for all (\$1.9M/day)
- Sites and Dept. Budget Reductions (\$1M)
- More School Closures (\$545K to \$1M)
- Salary Reduction for All (\$0.8M for 1%)
- Look for utility savings (\$250K)
- Eliminate positions paid with one-time funds
- Equal salary reduction percentage for all
- Program reductions
- Less Health Benefits to Reduce Premiums
- Reduce work hours
- Reduce Professional Development
- No out-of-state travel
- Pause all stipends
- Increase Facility Rental Rates
- Reduce Staffing (FMEA, CSEA, & Man.)
- New Grants
- Lease Revenue from closed school sites.

Budget Cycle

- Where we are in the cycle.
- State Budget not yet approved.
- Assumptions will change.

Governor's
Proposal
(Jan.)

**May Revise &
District Budget
Adoption**
(May / June)



State
Adopts
Their
Budget
(June)

45-Day
Budget
Revision
(Aug.)

Close
District's
Books
(Sept.)

Audited
Financials
(Dec.)

FMSD has to adopt its budget before we know the final numbers approved by the State. This makes it IMPOSSIBLE to properly predict revenue amounts for the upcoming Fiscal Year.



Risks to the Economy and the 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

MYP Assumptions

MYP Assumptions [Latest and Greatest Info As of Early May]

LCFF PLANNING FACTORS

Factor	2024-25 ¹	2025-26 ²	2026-27	2027-28	2028-29
Department of Finance Statutory COLA	1.07%	2.43%	3.52%	3.63%	3.49%

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 2.43%	\$244	\$247	\$255	\$295
2025-26 Base Grants	\$10,269	\$10,424	\$10,733	\$12,439
Grade Span Adjustment Factors	10.4%	—	—	2.6%
Grade Span Adjustment Amounts	\$1,068	—	—	\$323
2025-26 Adjusted Base Grants ³	\$11,337	\$10,424	\$10,733	\$12,762

OTHER PLANNING FACTORS

Factors		2024-25	2025-26	2026-27	2027-28	2028-29
California CPI		2.85%	2.92%	2.70%	2.76%	2.90%
California Lottery	Unrestricted per ADA	\$191	\$191	\$191	\$191	\$191
	Restricted per ADA	\$82	\$82	\$82	\$82	\$82
Mandate Block Grant (District)	Grades K-8 per ADA	\$38.21	\$39.14	\$40.52	\$41.99	\$43.46
	Grades 9-12 per ADA	\$73.62	\$75.41	\$78.06	\$80.89	\$83.71
Mandate Block Grant (Charter)	Grades K-8 per ADA	\$20.06	\$20.55	\$21.27	\$22.04	\$22.81
	Grades 9-12 per ADA	\$55.76	\$57.11	\$59.12	\$61.27	\$63.41
Interest Rate for Ten-Year Treasuries		4.39%	4.49%	4.41%	4.30%	4.30%
CalSTRS Employer Rate ⁵		19.10%	19.10%	19.10%	19.10%	19.10%
CalPERS Employer Rate ⁵		27.05%	27.40%	27.50%	28.50%	28.20%
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

➤ Dashboard Used For:

- LCFF Funding rates
- Lottery funding rates
- Mandated Block Grant
- CalSTRS & CalPERS
- Unemployment Insurance
- Impact of Inflation

➤ Also Used:

- AB 218 Invoice = \$541K
- Salary Schedules
- Staffing Projections
- Enrollment Projections
- Position Control
- County Guidance
- Grant Award Letters
- Governor's May Revise
- Expiration of One-Time \$s
- Known Donations
- Negotiated Agreements
- MOUs

NOT IN ASSUMPTIONS

Caveats

- 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. \$442K/year]
- Excluded any additional revenue generated from a more robust Attendance Recovery Program
- Excluded possible increase in Property & Liability insurance premiums [20% increase Per FCMAT = \$171K]
- Excluded possible increase in Medical & Dental premiums [We will need to look for cheaper plans]
- Excluded possible Federal funding reduction to Districts; FMSD receives \$5.3M annually (Plan B?)
- Excluded any placeholders for ongoing expenditure cuts, as they may need to be bargained, and require board-approval

MYP



Multi-Year Projections For FMSD

Summary of MYP for Proposed Budget		Estimated			
(in Thousands)		Actuals	Multi-Year Projections		
	Formula	2024-25	2025-26	2026-27	2027-28
Revenue	(a)	\$117,877.2	\$117,964.8	\$113,644.0	\$110,942.7
Expense	(b)	\$140,008.0	\$126,154.0	\$124,803.7	\$124,540.0
Surplus / (Deficit)	(c)=(a)-(b)	(\$22,130.8)	(\$8,189.2)	(\$11,159.7)	(\$13,597.3)
Beginning Fund Balance	(d)	\$45,153.8	\$23,023.0	\$14,833.8	\$3,674.1
Ending Fund Balance - June 30	(e)=(d)+(c)	\$23,023.0	\$14,833.8	\$3,674.1	(\$9,923.2)
Total Expense (B)		\$140,008.0	\$126,154.0	\$124,803.7	\$124,540.0
Unrestricted & Assigned Balance (A)		\$12,032.1	\$5,631.2	(\$4,912.4)	(\$18,452.9)
Reserve % = (A) / (B)		8.6%	4.5%	-3.9%	-14.8%

Without more drastic intervention we will not be able to make payroll during FY 26-27 without loans and we will be without cash in FY 27-28

Multi-Year Revenue Projections By Component for FMSD

Summary of MYP for Proposed Budget		Estimated			
(in Thousands)		<u>Actuals</u>	<u>Multi-Year Projections</u>		
		<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
LCFF Sources		\$ 82,040.0	\$ 81,514.5	\$ 82,095.7	\$ 80,008.1
Federal Sources		\$ 5,155.6	\$ 4,564.4	\$ 4,336.1	\$ 4,119.3
Other State Revenue		\$ 22,364.7	\$ 22,106.7	\$ 21,207.5	\$ 20,808.2
Other Local Revenue		\$ 8,316.9	\$ 9,779.2	\$ 6,004.7	\$ 6,007.1
Other adjustments		\$ -	\$ -	\$ -	\$ - .0
Total of Revenue Components		\$ 117,877.2	\$ 117,964.8	\$ 113,644.0	\$ 110,942.7

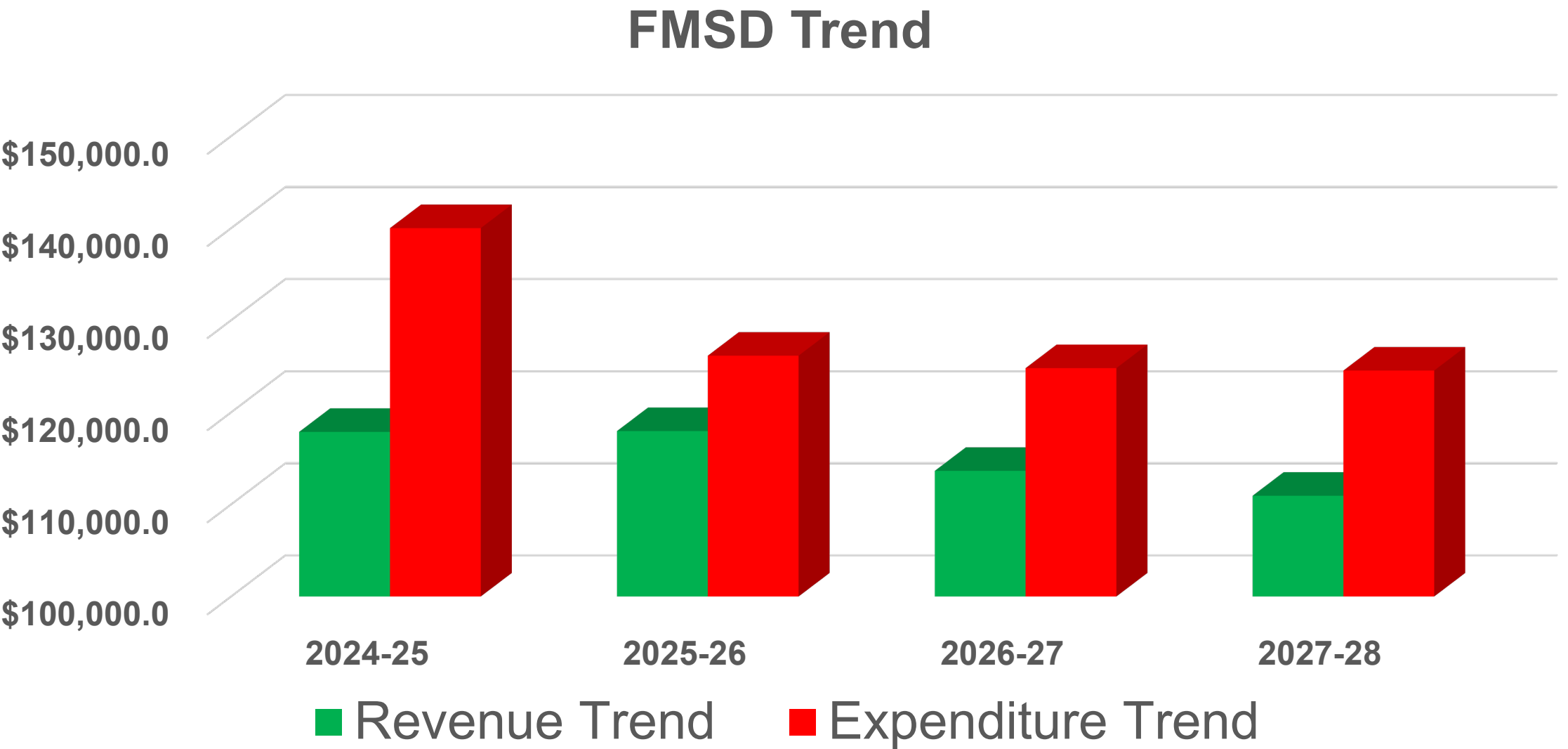
- **LCFF ranges between 69% to 72% of Total Revenue; Fluctuations in COLA and Average Daily Attendance have huge implications on funding**
- **The Dip in Other Local Revenue is largely due to 2 parcel taxes expiring as of June 30, 2026.**

Multi-Year Expenditure Projections By Major Components

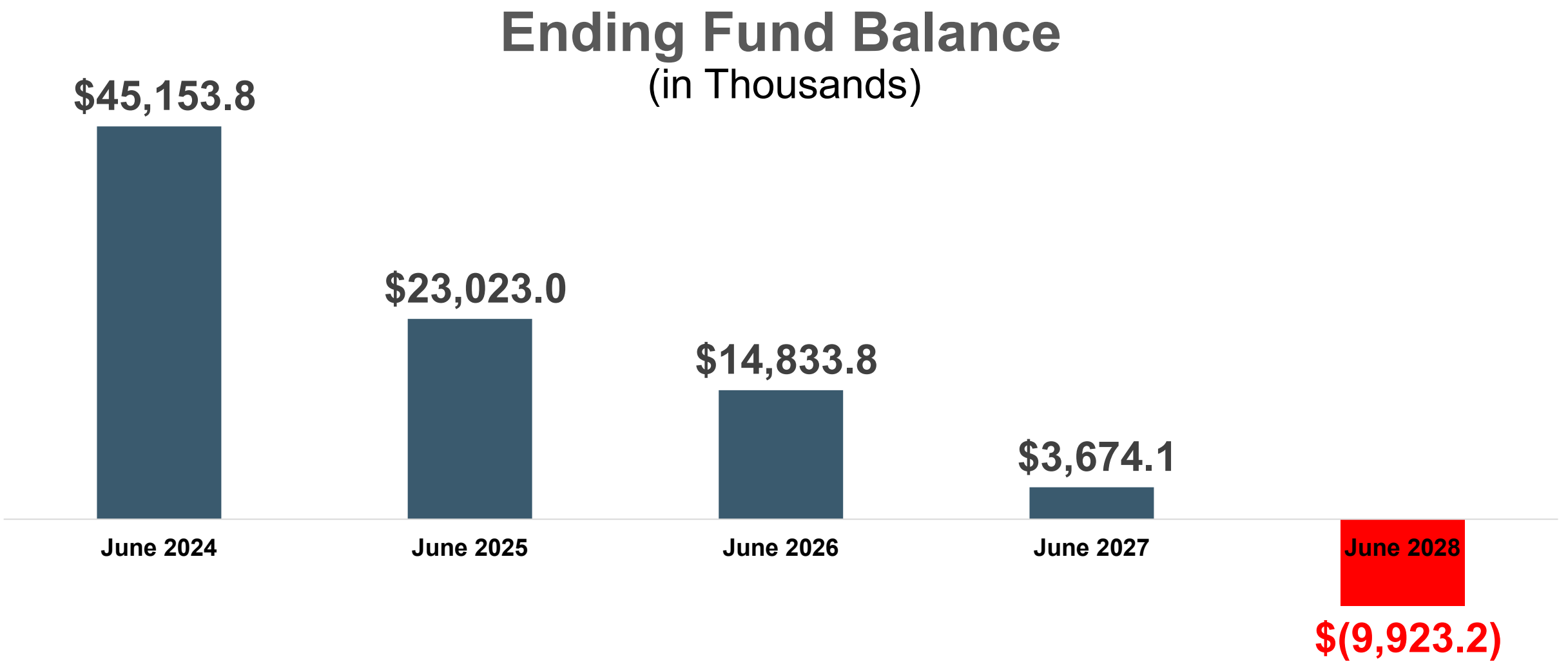
Summary of MYP for Proposed Budget		Estimated				
(in Thousands)		Actuals	Multi-Year Projections			
		2024-25	2025-26	2026-27	2027-28	
Expenditure Components						
Certificated Salaries		\$ 49,204.1	\$ 44,414.3	\$ 44,246.6	\$ 44,207.7	
Classified Salaries		\$ 21,483.2	\$ 19,356.4	\$ 18,931.4	\$ 19,120.7	
Employee Benefits		\$ 33,298.2	\$ 31,074.6	\$ 30,598.7	\$ 30,553.4	
Books and Supplies		\$ 5,581.3	\$ 3,249.4	\$ 3,403.6	\$ 3,274.4	
Services & Other		\$ 28,703.3	\$ 27,073.4	\$ 26,761.7	\$ 26,487.7	
Capital Outlay (CNS KIT Funds/Vehicles)		\$ 1,011.1	\$ 151.0	\$ 10.3	\$ 10.6	
Other Outgo & Indirect		\$ 726.8	\$ 834.9	\$ 851.4	\$ 885.5	
Total Expenditures (A)		\$ 140,008.0	\$ 126,154.0	\$ 124,803.7	\$ 124,540.0	

Compensation represents approximately 74% to 75% of total expenditures;
This means future ongoing reductions will most likely impact FMSD Staff

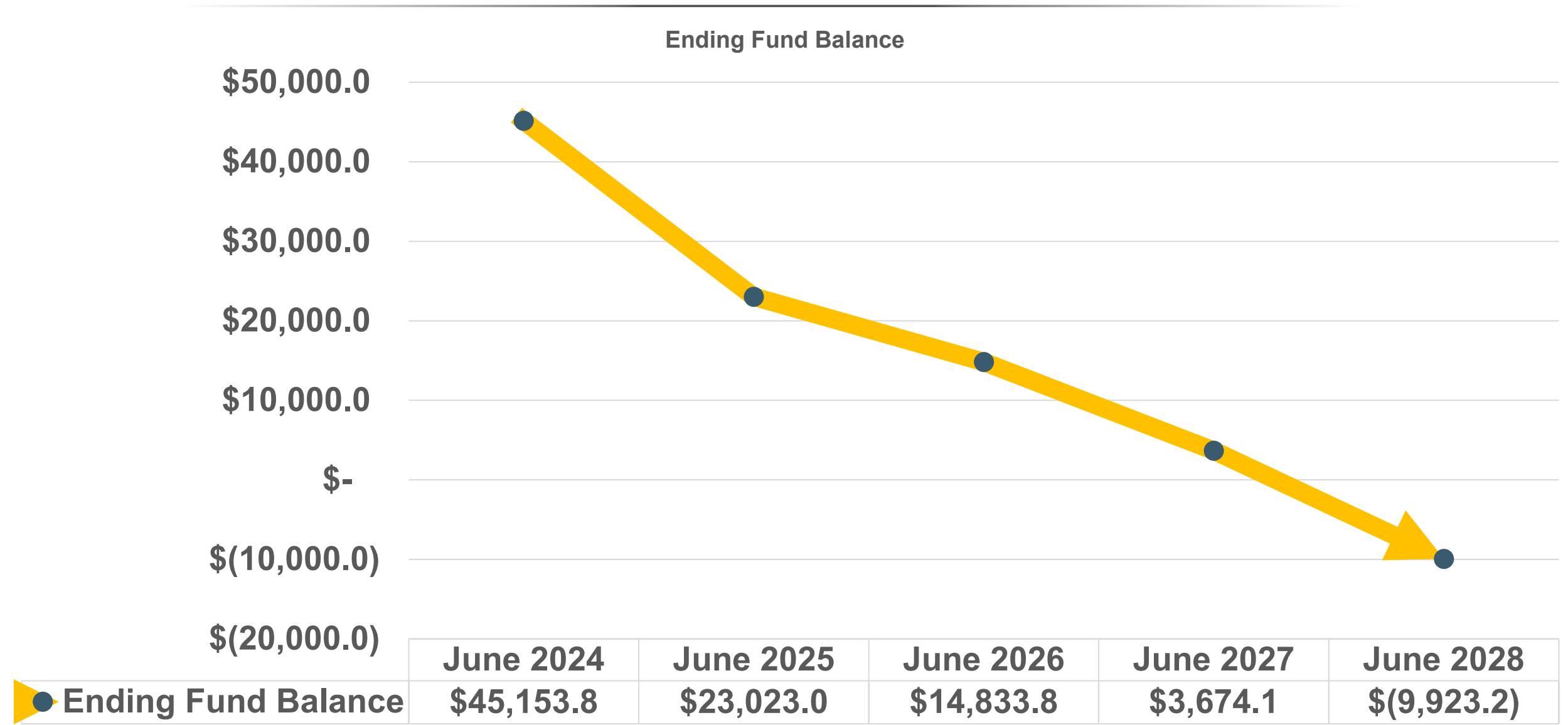
Multi-Year Expenditure Projections By Component for FMSD



Trend of Ending Fund Balance



Trend of Ending Fund Balance *(in thousands)*



Components of Ending Fund Balance

	June 30, 2026	June 30, 2026	June 30, 2026	
Components of Ending Balance	<u>Unrestricted</u>	<u>Restricted</u>	<u>Combined</u>	<u>Percentage Of Ending Balance</u>
<i>(Amounts in thousands)</i>				
Non-spendable	713.0	-	713.0	4.81%
Legally Restricted	-	6,087.9	6,087.9	41.05%
Assigned (2% Board Reserve)	1,850.7	-	1,850.7	12.48%
3% Economic Uncertainty	3,784.6	-	3,784.6	25.51%
Committed (1)	2,397.5	-	2,397.5	16.16%
Unassigned Reserve	-	-	-	0.00%
Ending Balance	<u>8,745.8</u>	<u>6,087.9</u>	<u>14,833.7</u>	<u>100.00%</u>

(1) To make the next 5 years of SERP payments; Mitigation measures are fully exhausted.



Buckets of the Projected Ending Balance

<u>Category</u>	<u>Amount</u>	<u>Description</u>
Ed Code Requirement	\$3.8M	3% reserve for economic uncertainty required by Ed Code
Non-Spendable	\$0.7M	Prepaid Health Insurance Expenditures
Committed	\$2.4M	Supplemental Employment Retirement Plan (SERP) Payments to be made
Assigned	\$1.8M	Additional 2% reserve based on board resolution 2011-25
Committed	\$0.0M	Mitigations measures [Fully Exhausted] – Was to offset future deficit spending; extend positions funded with expired one-time funds.



Buckets of the Projected Ending Balance

<u>Category</u>	<u>Amount</u>	<u>Description</u>
Restricted	\$3.9M	Expanded Learning Opportunities Program – Ongoing funding that 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	\$0.3M	Routine Repairs and Maintenance - For the purposes of ongoing and major maintenance. Per EC Section 17070.75(b)(2)(C), for FY's 2017-18 to 2019-20, LEAs are required to deposit three percent of the total general fund expenditures for that fiscal year.
Restricted	\$0.5M	California Community Schools Partnership Program (CCSPP) and Other Local Grants - CCSPP supports schools' efforts to partner with community agencies & local government to align resources to improve student outcomes. These partnerships provide an integrated focus on academics, health and social services, youth and community development, and community engagement. CCSPP funds can not supplant LCFF funds to pay for base ongoing operating expenditures.



Buckets of the Projected Ending Balance

<u>Category</u>	<u>Amount</u>	<u>Description</u>
Restricted	\$0.2M	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. Funds cover the compensation of 3 teachers (Spend by June 2026)
Restricted	\$0.6M	Lottery: Instructional Materials – Shall only be used for the purchase of instructional materials.
Restricted	\$0.4M	Prop 28 (Arts and Music In Schools) - Ongoing program supporting arts instruction in schools beginning in 2023–24. Funds will be used to either hire teachers and/or contractors to support the expansion of the Arts and Music program within FMSSD.
Restricted	\$0.3M	Special Ed / 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.

Budget Overview for Parents (B.O.P.)

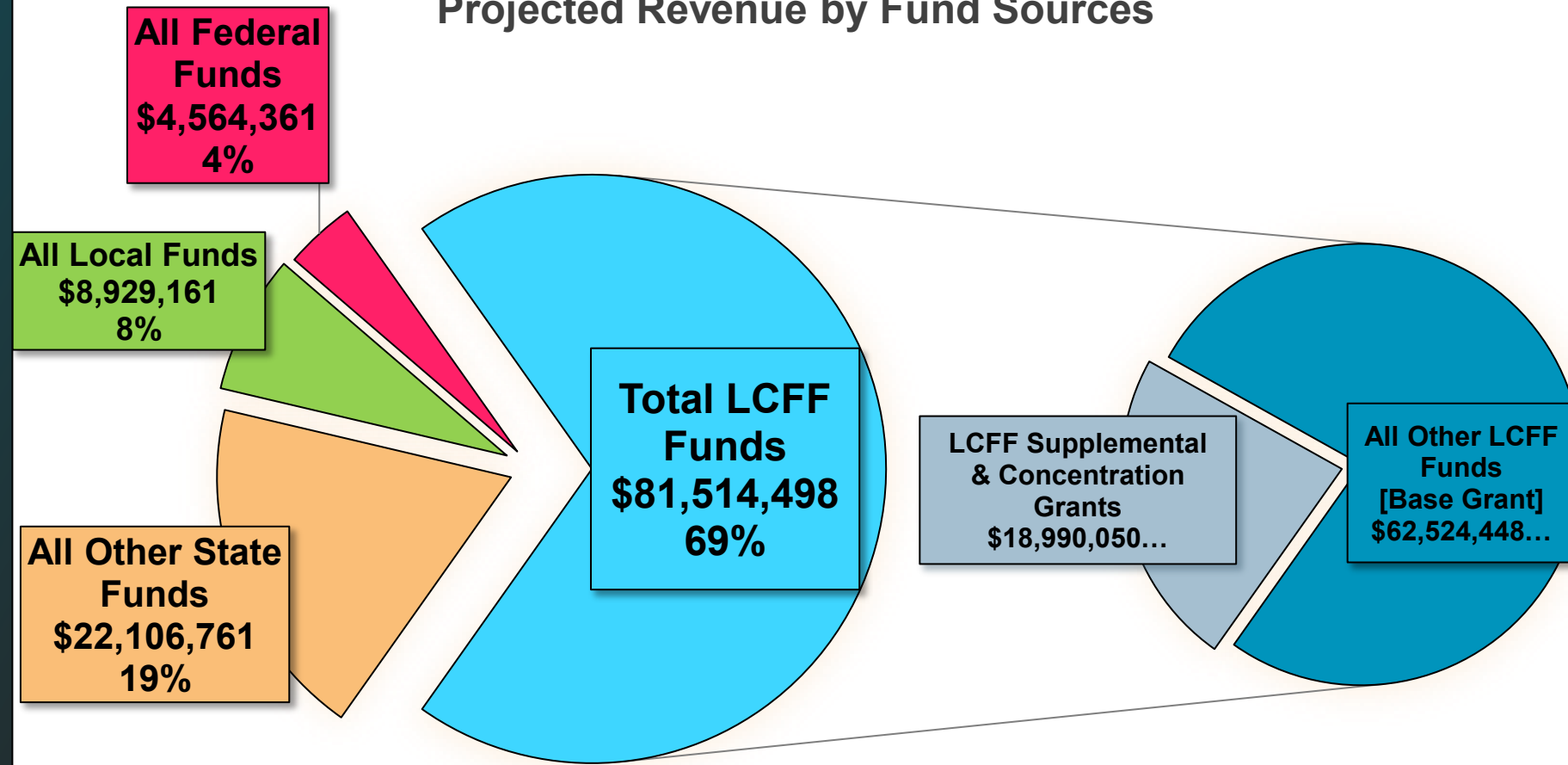
Budget Overview for Parents (2024-25)

Why the B.O.P.?

- Education Code Section 52064.1 requires school districts to develop the Local Control Funding Formula Budget Overview for Parents (BOP) in conjunction with the Local Control Accountability Plan (LCAP) by July 1 of each year.
- The statute requires the BOP to use language that is understandable and accessible to parents in order to provide transparency.

Budget Overview for Parents (2024-25)

Projected Revenue by Fund Sources

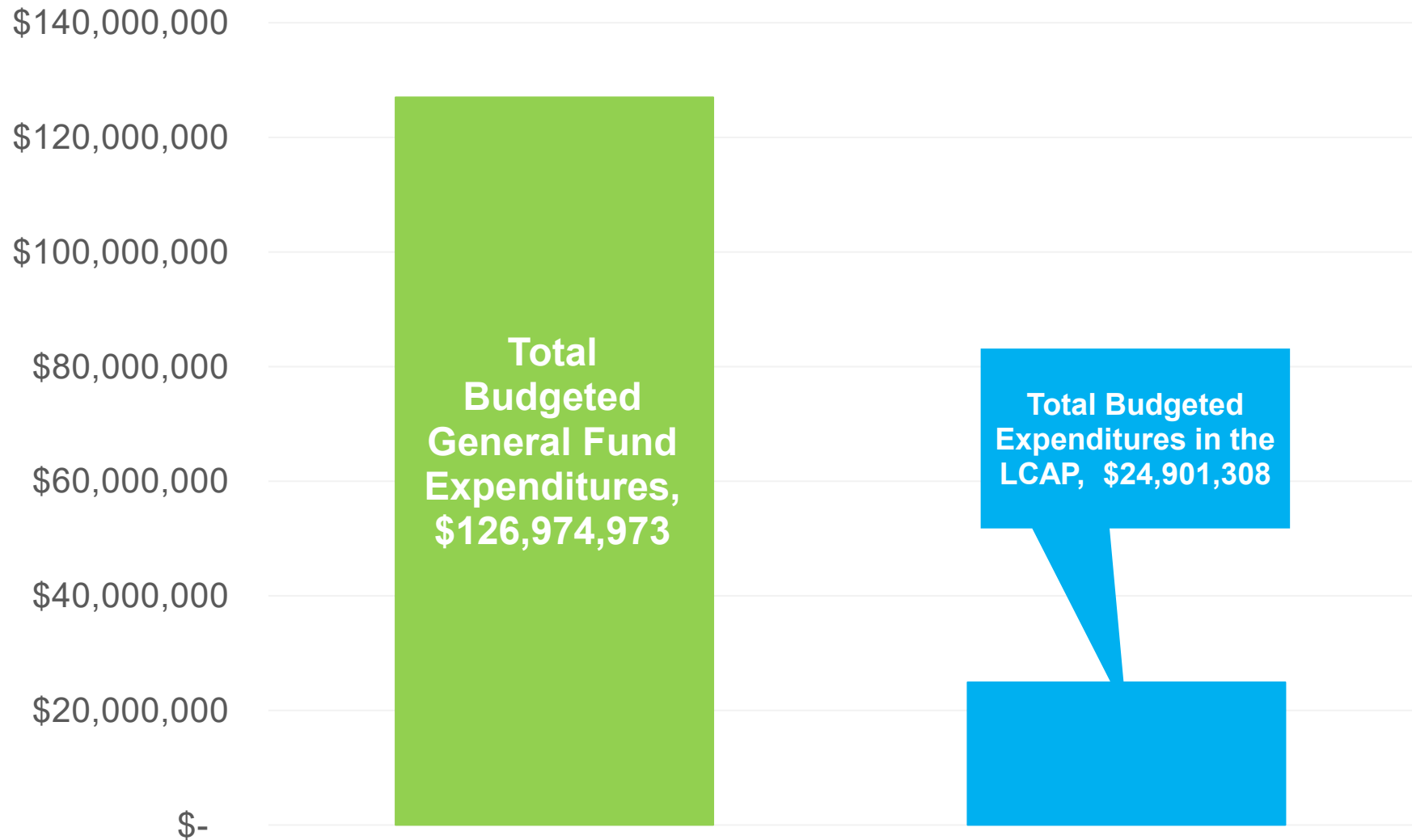


This chart shows the total general purpose revenue Franklin-McKinley Elementary School District expects to receive in the coming year from all sources.

Budget Overview for Parents (2024-25)

The LCFF gives school districts more flexibility in deciding how to use state funds. In exchange, school districts must work with parents, educators, students, and the community to develop a Local Control and Accountability Plan (LCAP) that shows how they will use these funds to serve students.

Budgeted Expenditures in the LCAP

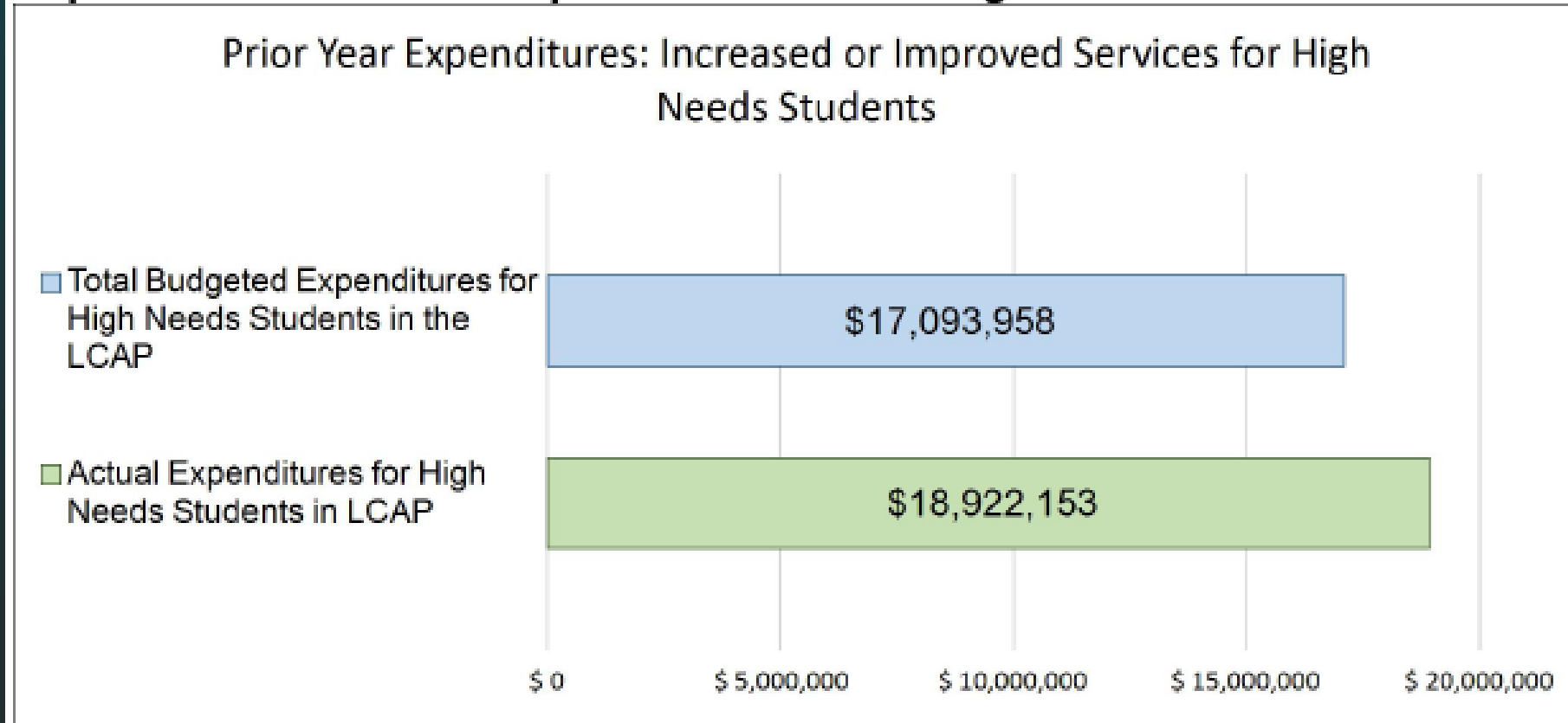


Budget Overview for Parents

(Focus on 23-24 Budget vs. Estimated Actuals)

LCFF Budget Overview for Parents

Update on Increased or Improved Services for High Needs Students in 2024-25



This chart compares what Franklin-McKinley Elementary School District budgeted last year in the LCAP for actions and services that contribute to increasing or improving services for high needs students with what Franklin-McKinley Elementary School District estimates it has spent on actions and services that contribute to increasing or improving services for high needs students in the current year.

Upcoming Actions

Next Budget Milestones & Board Actions

- **Mid June** – Legislature sends budget to the Governor; Governor approves and start line items vetoes
- **June 24** – District adopts proposed budget;
 - Including Committed Resolution & Reduction Plan
- **Early July** – Decipher State's budget & trailer bill language
- **August** – 45-day budget revision presented to Board
- **September/October** – County reviews FMSD's budget
- **Fall/Winter** – More discussion on budget cuts

Thank you!



Thank you



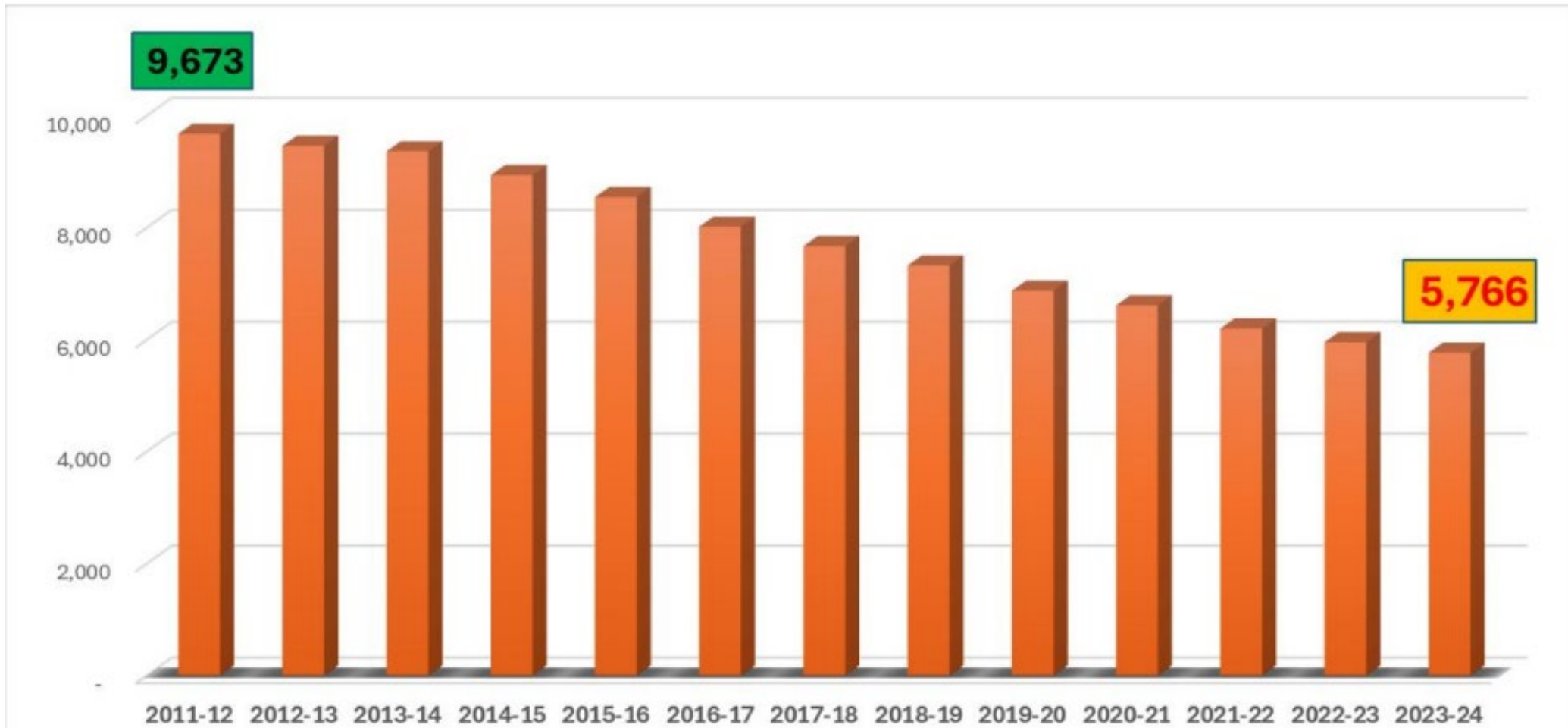
Appendix



Enrollment Trends



FMSD Enrollment Decline was **-40.34%** [From 2011-12 to 2023-24]



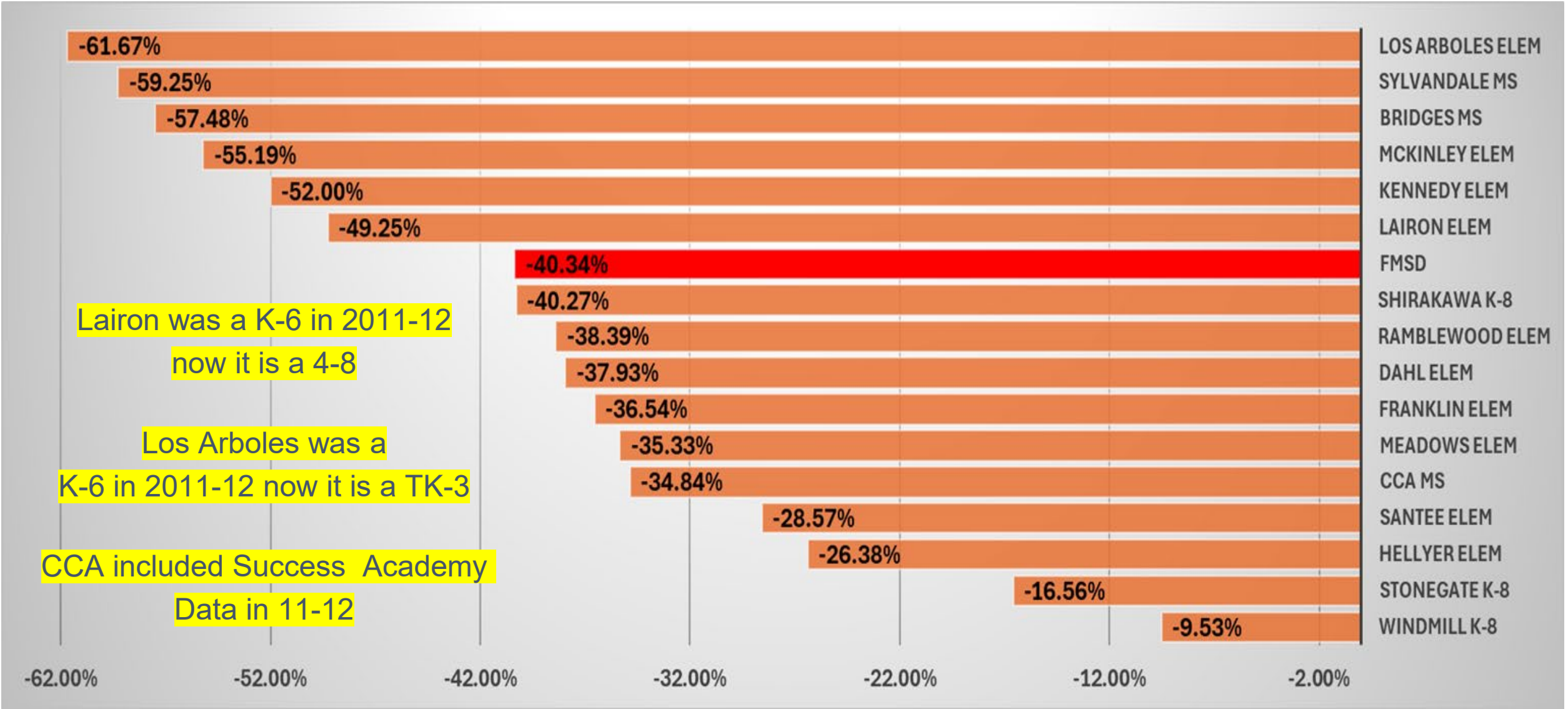
Source: Dataquest / CALPADS

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From School Consolidation Committee Presentation on October 17, 2024

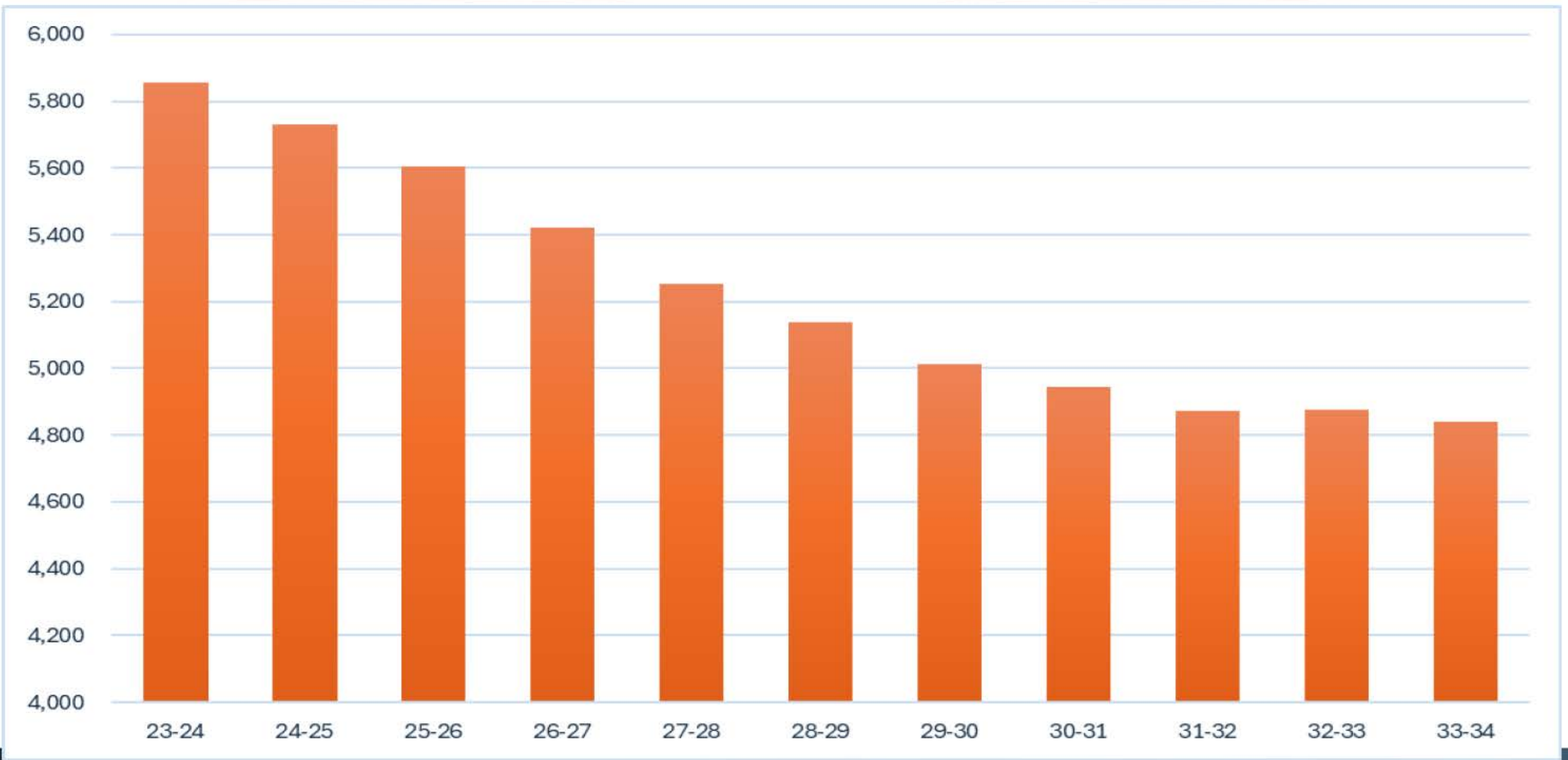
Last Enrollment Projection
(March 2022)

Enrollment Change By School Site [From 11-12 to 23-24]



Source: CALPADS / Dataquest

PowerSchool Proj. - **17.3%** Decline from 23-24 to 33-34



Enrollment By FMSD School Site Trend

	Enrollment Number by site								Increase (Decrease)
	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	
Bridges	452	378	345	297	331	315	287	282	-38%
Dahl	611	565	549	521	486	426	414	414	-32%
CCA	175	196	210	214	239	209	199	203	16%
Franklin	726	680	665	603	567	525	521	544	-25%
Hellyer	384	407	402	402	374	363	374	373	-3%
Meadows	533	521	501	481	491	459	432	436	-18%
Lairon	402	359	383	330	338	300	315	318	-21%
Los Arboles	399	370	353	310	247	225	188	195	-51%
McKinley	348	315	286	272	236	230	236	241	-31%
Ramblewood	368	371	351	346	312	275	259	260	-29%
Kennedy	441	420	390	388	363	306	308	309	-30%
Santee	443	425	423	413	388	363	359	345	-22%
Shirakawa	814	799	759	703	664	793	633	522	-36%
Stonegate	728	705	681	636	594	536	537	523	-28%
Sylvandale	713	716	574	465	462	401	371	328	-54%
Windmill	470	437	440	481	508	461	509	570	21%

Enrollment By Charter School Site Trend

	Enrollment Number - Charter Schools							Increase (Decrease)
	16-17	17-18	18-19	19-20	20-21	21-22	22-23	
ACE	278	304	288	250	244	222	221	-21%
Cornerstone	451	519	543	538	521	521	520	15%
KIPP	335	451	452	456	453	452	447	33%
Rocketship Mosaic	583	574	579	584	616	558	565	-3%
Rocketship Raising Star	465	561	631	630	616	608	593	28%
Rocketship Spark	591	601	608	618	625	571	558	-6%
Voice	483	478	481	457	431	403	364	-25%
Total	3186	3488	3582	3533	3506	3335	3268	3%

This is important! Even some charters are experiencing declining enrollment and seek students outside of FMSSD to reverse trends!



Other Funds

Other Restricted Funds *(in Millions)*

2025-26 Funds (In Millions)	Cafeteria	Building	Capital Facilities	Capital Outlay	Bond Interest & Redemption	Self Insurance
Beginning Balance	\$7.41	\$18.00	\$10.06	\$0.93	\$12.67	\$1.89
Revenue	\$7.86	\$0.00	\$0.64	\$0.00	\$15.33	\$1.39
Expenditures	<u>\$6.31</u>	<u>\$11.80</u>	<u>\$0.03</u>	<u>\$0.00</u>	<u>\$14.23</u>	<u>\$1.28</u>
<i>Change</i>	<u>\$1.55</u>	<u>-\$11.80</u>	<u>\$0.61</u>	<u>\$0.00</u>	<u>\$1.10</u>	<u>\$0.11</u>
Ending Balance	\$8.96	\$6.20	\$10.67	\$0.93	\$13.77	\$2.00

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). Transfers from the general fund to Fund 40 authorized 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).