

2025-26 First Interim Budget

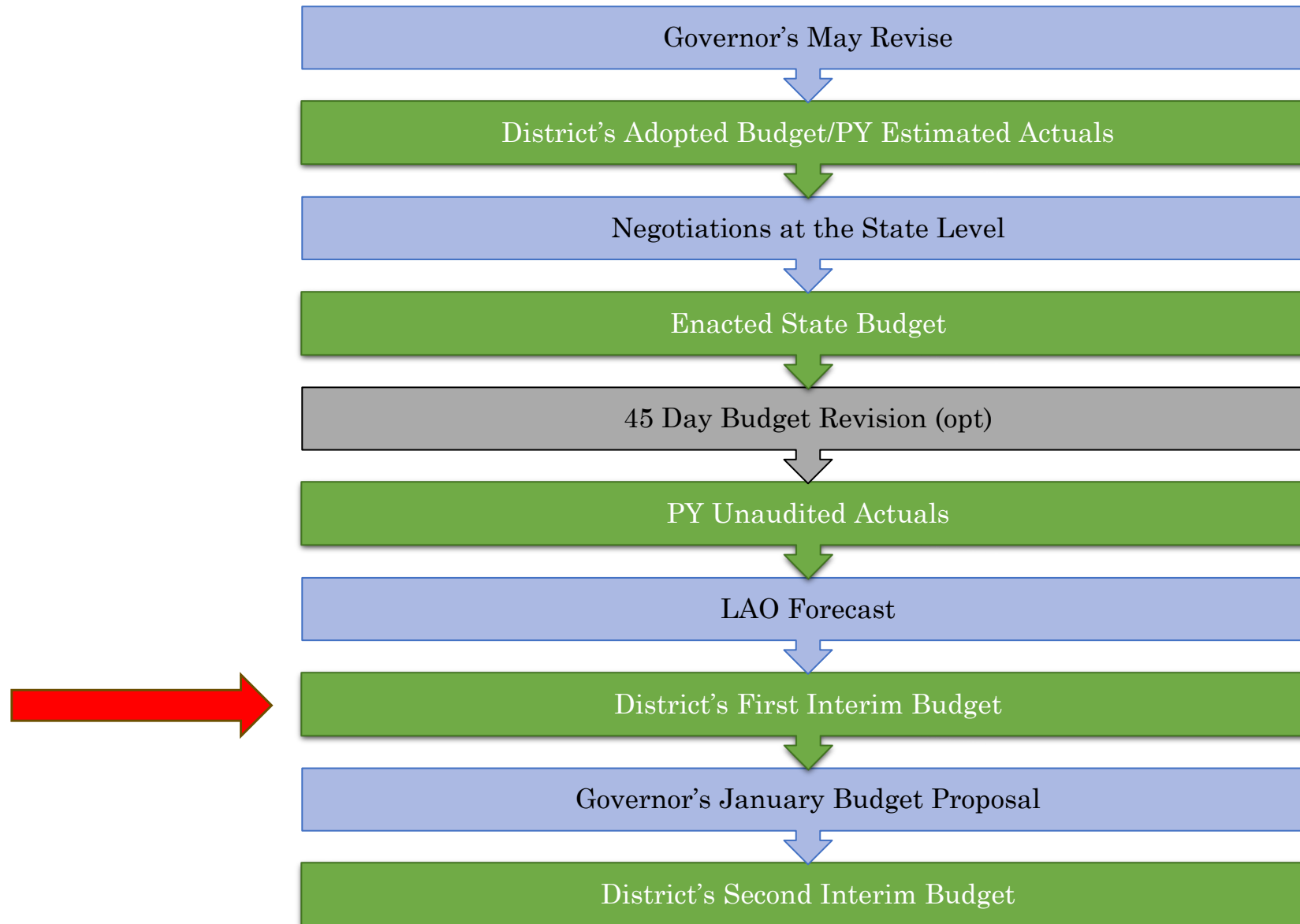
James L. Whittington, CPA, CFE

Chief Financial Officer



MURRIETA VALLEY
UNIFIED SCHOOL DISTRICT

Budget Timeline in California



Significant Snapshot Data Points for this Reporting Period



Updated Financial Projections from Adopted Budget, including the LAOs forecast



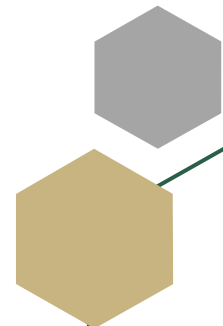
Actual Expenditures and Revenues are reported through October 31st



Preliminary CALPADS enrollment and updated attendance projections

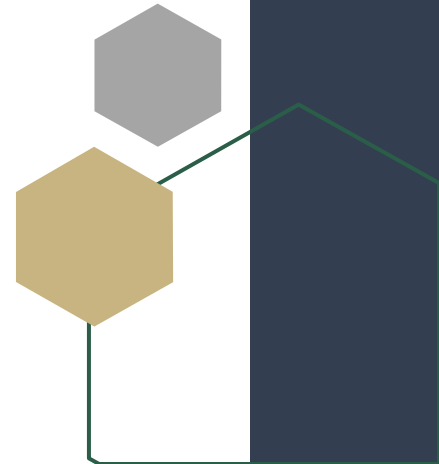
Key Points from the LAOs Forecast (Nov. '25)

- State's 2025-26 revenues are running ahead of the broader economy
 - Concentrated in personal income tax collections, possibly due to the AI Bubble.
 - Corporate and sales tax revenues are lagging
- The state's 2026-27 and 2027-28 budget years reflect deficits that have grown since the enacted budget.
- On the Prop 98 front (education), the state projects an overall year over year decline in total TK-12 and Community College funding for the 2026-27 year. Offset by one-time increases from upward revisions to 2024-25 and 2025-26.
- Bottom line: state uncertainty has led to a recurring theme of large one-time allocations, making multi-year planning more difficult for local educational agencies.



How School District Funding Works

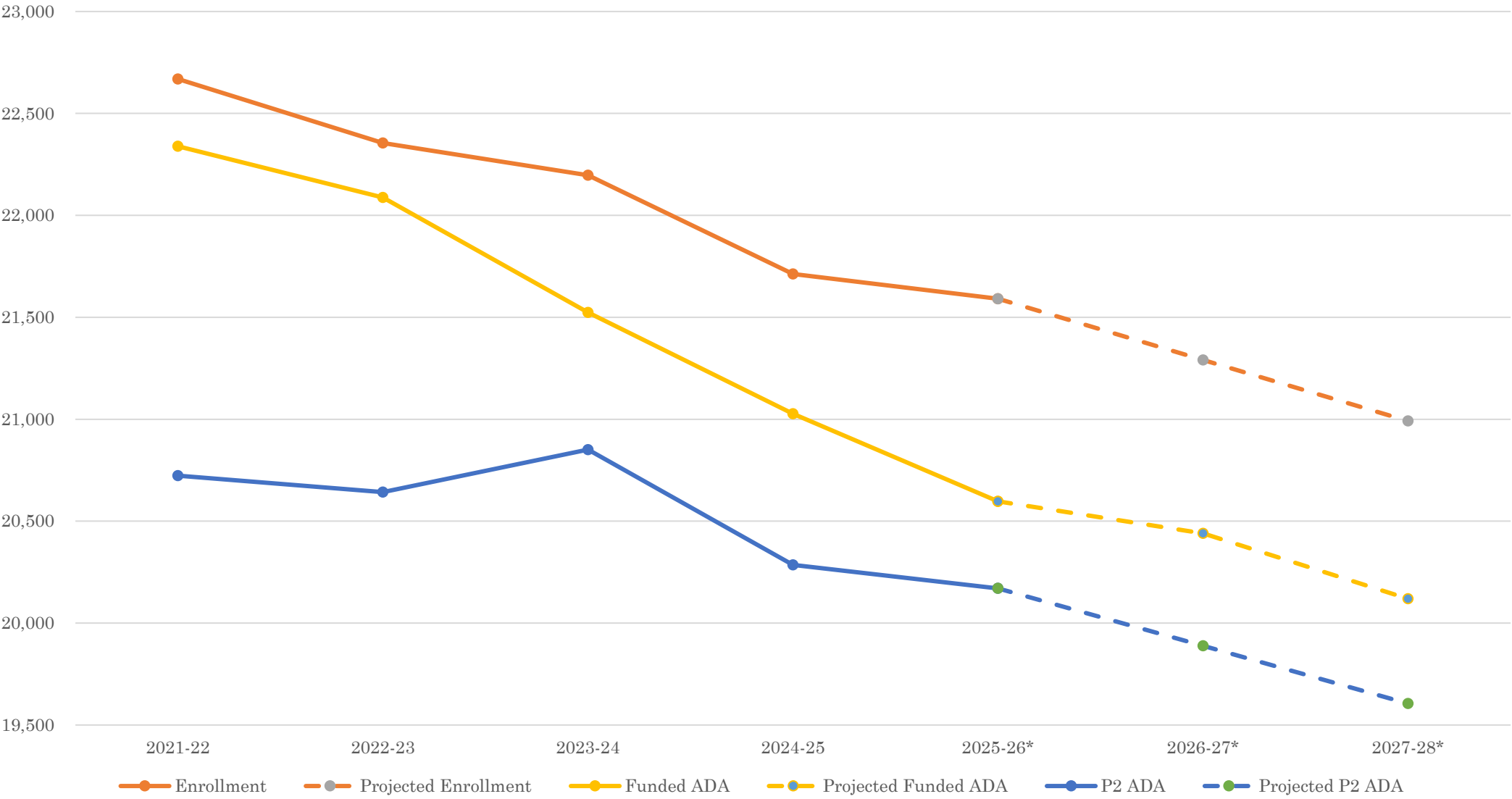
- **Primary Funding Source – Local Control Funding Formula (LCFF)**
 - ~75% of the district's funding
 - LCFF is a formula based on ADA, grade span rate and demographics (base, supplemental and concentration)
 - The formula is then funded through property taxes (29%), state's Education Protection Account – Prop 30 in 2012 and Prop 55 in 2016 [expires 2030] (15%), and State Aid (56%)
 - Base grants are completely unrestricted, while Supplemental and Concentration grant funds must be used to support the students who generate the funds (LCAP dollars)
- **Other revenue sources – typically restricted or categorical in nature**
 - Meaning they can only be spent based on specific restrictions from the grantor
 - Examples include Title funds, Proposition 28 VAPA, CTE, etc.
- **Local funds**
 - Not typically restrictive
 - Examples include site level donations, interest earnings, civic center usage of facilities, etc.



Attendance Projections

- Attendance projections are driven based on an analysis of the capture rate, and enrollment projections compiled by the district's demographers.
- Districts in CA are funded based on the highest of the following:
 1. Prior Year ADA
 2. Current Year ADA
 3. Average of prior three year's ADA
- Funded ADA will decline over the projection period due to funding mechanism. Based on trend data we are currently projecting the following:
 - 2025-26: funded based on average of prior three year's ADA
 - 2026-27: funded based on average of prior three year's ADA
 - 2027-28: funded based on average of prior three year's ADA
- ***Revenue impact: headline COLA is negated by declining enrollment/funded ADA***

2025-26 First Interim Projected Enrollment and Funded ADA



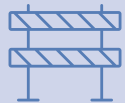
Structural Deficit vs. Strategic Spending



Structural deficit – ongoing expenditures out pace ongoing revenues



Strategic spending – deployment of one-time resources against revenues received in a prior period



One-time savings extend runway, but don't solve the structural deficit

2025-26 First Interim Unrestricted General Fund

Major Changes Include:

- Increased TK add-on grant
- Increase in interest earnings estimate and civic center usage
- Position changes offset by vacancy savings
- Carryover activity
- Increased assessment related to AB218
- Reduced transfer to Fund 12 based on program maximization

	2025-26 Adopted Budget	Changes	2025-26 First Interim
REVENUES			
LCFF Sources	\$ 266,133,977	\$ 1,738,138	\$ 267,872,115
Federal Revenue	17,586	3,066	20,652
Other State Revenue	9,705,822	(143,582)	9,562,240
Local Revenues	9,575,572	1,688,493	11,264,065
Transfers from Other Funds	-	65,710	65,710
Total Revenues	285,432,957	3,351,825	288,784,782
EXPENDITURES			
Personnel Expenditures	196,927,708	(1,444,655)	195,483,053
Books and Supplies	5,664,634	530,557	6,195,191
Other Operating Services	25,244,149	796,976	26,041,125
Capital Outlay and Other Outgo	560,910	80,010	640,920
Transfers of Indirect Costs	(3,419,556)	(99,484)	(3,519,040)
Transfers to Other Funds	5,035,625	(942,797)	4,092,828
Total Expenditures	230,013,470	(1,079,393)	228,934,077
OTHER			
Contributions	(57,895,482)	3,316,253	(54,579,229)
Total Other	(57,895,482)	3,316,253	(54,579,229)
INCREASE (DECREASE)	(2,475,995)	7,747,471	5,271,476
BEGINNING FUND BALANCE	75,277,099	7,332,663	82,609,762
ENDING FUND BALANCE	\$ 72,801,104	\$ 15,080,134	\$ 87,881,238

2025-26 First Interim Restricted General Fund

Major Changes Include:

- SSPDDBG (\$6.3M), P28 increase (\$0.7M), reallocation of LREBG (\$0.9M) and Dual Enrollment Opportunities Grant (\$0.25M)
- Increase in LEA Medi-Cal (\$0.3M) and Redevelopment Revenue (\$0.18M)
- Shifts between expenditure categories in restricted programs (LREBG and ELOP)
- Vacancy savings, reductions based on lower program participation and changes to P28 plans
- Carryover activity

REVENUES

LCFF Sources

Federal Revenue

Other State Revenue

Local Revenues

Total Revenues

EXPENDITURES

Personnel Expenditures

Books and Supplies

Other Operating Services

Capital Outlay and Other Outgo

Transfers of Indirect Costs

Transfers to Other Funds

Total Expenditures

OTHER

Contributions

Total Other

INCREASE (DECREASE)

BEGINNING FUND BALANCE

ENDING FUND BALANCE

2025-26 Adopted Budget		Changes	2025-26 First Interim
\$	-	\$	-
	10,034,864	172,137	10,207,001
	23,611,323	8,228,352	31,839,675
	22,685,292	486,769	23,172,061
	56,331,479	8,887,258	65,218,737
	108,790,538	(2,657,033)	106,133,505
	3,929,930	316,609	4,246,539
	10,344,872	101,773	10,446,645
	223,000	294,915	517,915
	1,803,506	10,003	1,813,509
	-	-	-
	125,091,846	(1,933,733)	123,158,113
	57,895,482	(3,316,253)	54,579,229
	57,895,482	(3,316,253)	54,579,229
	(10,864,885)	7,504,738	(3,360,147)
	40,964,865	562,415	41,527,280
\$	30,099,980	\$ 8,067,153	\$ 38,167,133

2025-26 First Interim Combined General Fund

	2025-26		2025-26
	Adopted Budget	Changes	First Interim
REVENUES			
LCFF Sources	\$ 266,133,977	\$ 1,738,138	\$ 267,872,115
Federal Revenue	10,052,450	175,203	10,227,653
Other State Revenue	33,317,145	8,084,770	41,401,915
Local Revenues	32,260,864	2,175,262	34,436,126
Transfers from Other Funds	-	65,710	65,710
Total Revenues	341,764,436	12,239,083	354,003,519
EXPENDITURES			
Personnel Expenditures	305,718,246	(4,101,688)	301,616,558
Books and Supplies	9,594,564	847,166	10,441,730
Other Operating Services	35,589,021	898,749	36,487,770
Capital Outlay and Other Outgo	783,910	374,925	1,158,835
Transfers of Indirect Costs	(1,616,050)	(89,481)	(1,705,531)
Transfers to Other Funds	5,035,625	(942,797)	4,092,828
Total Expenditures	355,105,316	(3,013,126)	352,092,190
INCREASE (DECREASE)	(13,340,880)	15,252,209	1,911,329
BEGINNING FUND BALANCE	116,241,964	7,895,078	124,137,042
ENDING FUND BALANCE	\$ 102,901,084	\$ 23,147,287	\$ 126,048,371

General Fund Summarized Multi-Year Projection (in millions)

	2025-26	2026-27	2027-28
UNRESTRICTED			
Revenues and other sources	\$ 234.21	\$ 229.93	\$ 229.33
Expenditures and uses	228.94	244.43	256.71
<i>Increase/(Decrease) in Fund Balance</i>	5.27	(14.50)	(27.38)
Beginning Fund Balance	82.61	87.88	73.38
Ending Fund Balance	\$ 87.88	\$ 73.38	\$ 46.00
RESTRICTED			
Revenues and other sources	\$ 119.80	\$ 115.65	\$ 117.84
Expenditures and uses	123.16	123.41	120.97
<i>Increase/(Decrease) in Fund Balance</i>	(3.36)	(7.76)	(3.13)
Beginning Fund Balance	41.53	38.17	30.41
Ending Fund Balance	\$ 38.17	\$ 30.41	\$ 27.28
COMBINED			
Revenues and other sources	\$ 354.01	\$ 345.58	\$ 347.17
Expenditures and uses	352.10	367.84	377.68
<i>Increase/(Decrease) in Fund Balance</i>	1.91	(22.26)	(30.51)
Beginning Fund Balance	124.14	126.05	103.79
Ending Fund Balance	\$ 126.05	\$ 103.79	\$ 73.28

Projected Ending Fund Balance & Reserves

(in millions)

	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
COMPONENTS OF ENDING FUND BALANCE			
Required Reserve (3%)	\$ 10.56	\$ 11.04	\$ 11.33
Restricted Funds	38.17	30.41	27.28
Assigned for Specified Purpose	13.49	8.33	3.53
Unassigned/Committed	63.83	54.01	31.14
Total Projected Ending Fund Balance	<u>\$ 126.05</u>	<u>\$ 103.79</u>	<u>\$ 73.28</u>

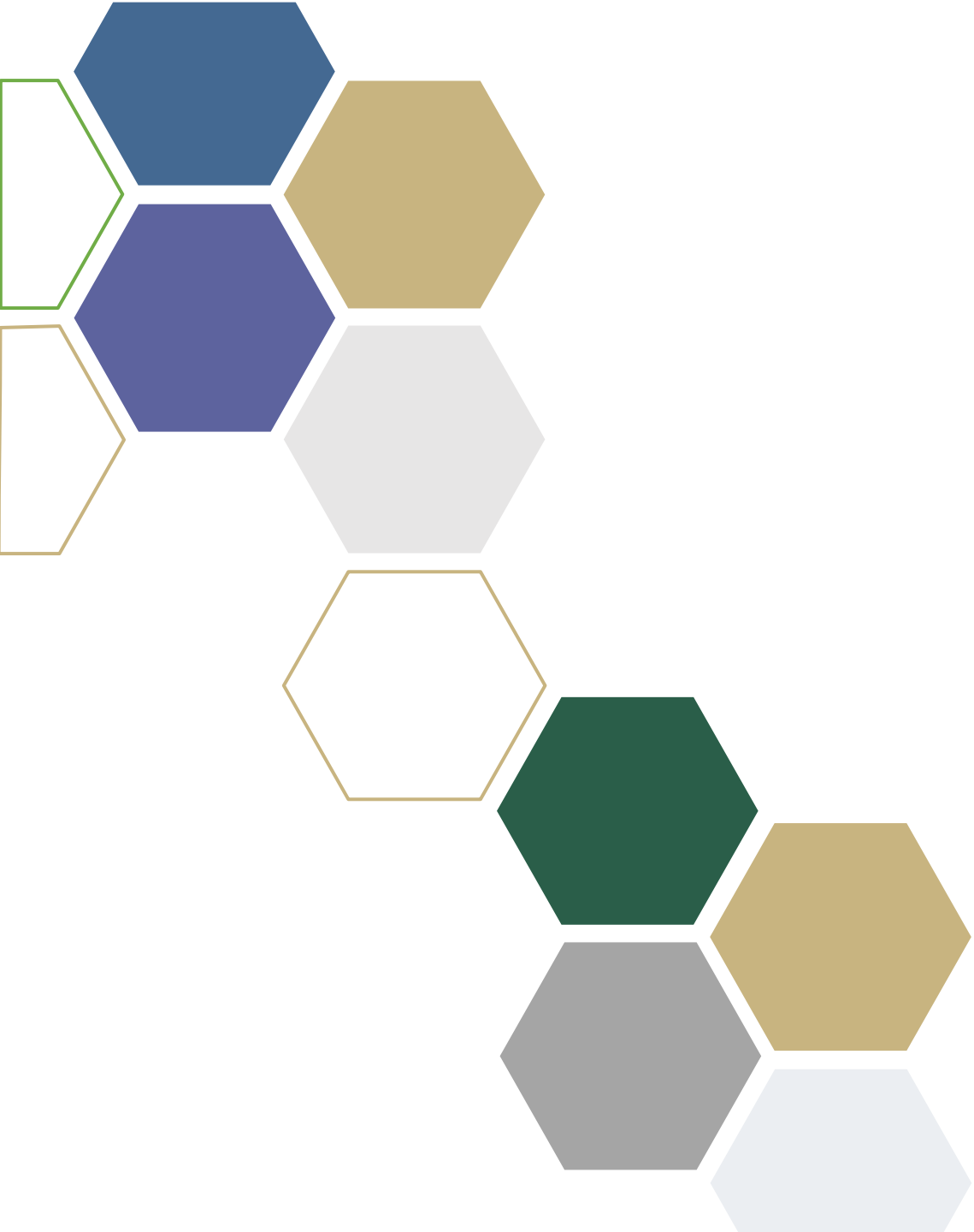
Future Considerations and Next Steps

- Governor will propose a framework for the 2026-27 State Budget in January
 - Key look fors: how additional Prop 98 one-time dollars are used (pay down deferrals vs new programs vs one-time allocations) and how does the state a growing problem on the non-Prop 98 (non-education) side of the state budget.
- That framework and updated economic projection data will drive the development of the district's Second Interim Budget Update (March 10, 2026)
- Monitoring student enrollment changes and other impacts of redistricting
- Future legislative changes at both the state and federal level

Certification

Although there is projected to be a significant structural deficit that will need to be addressed in the coming years, the district has sufficient reserves to present a positive certification.

Positive Certification: The 2025-26 First Interim Budget and Multi-Year Projections indicate that the Murrieta Valley Unified School District will be able to meet its financial obligations for the current budget year and two successive fiscal years.



Thank you

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