2025-26 Budget Adoption

June 25, 2025

Board of Trustees

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Acronym Table

AB	Assembly Bill
ADA	Average Daily Attendance
AMI	Art & Music Intructional
ASES	After School Education & Safety
CALPADS	California Longitudinal Pupil Achievement Data System
CCSPP	California Community Schools Partnership Program
CDE	California Department of Education
COLA	Cost-of Living Adjustment
CPI	Consumer Price Index
ELO-P	Expanded Learning Opportunity Program
FTE	Full-time Equipvalent
GDP	Gross Domestic Product
IDC	Indirect Costs
LAO	Legislative Analyst's Office
LCAP	Local Control Accountability Plan
LCFF	Local Control Funding Formula
LEA	Local Educational Agency
LREBG	Learning Recovery Emergency Block Grant
P-1, P-2, P-A	Period 1, 2 and Annual (to submit the students Attendance Reports
PERS	California Public Employees' Retirement System (CALPERS)
RIF	Reduction in force
SACS	Standardized Account Code Structure
SCCOE	Santa Clara County of Education
SELPA	Special Education Local Plan Areas
STRS	State Teacher Retirement System (CALSTRS)
UPK	Universal Pre-K

Executive Summary

The following narrative of all funds is in accordance with AB1200 and AB2756, which requires projections for the budget year and the two subsequent years. The two major criteria required for all three fiscal years:

Positive cash flow	Positive fund balances

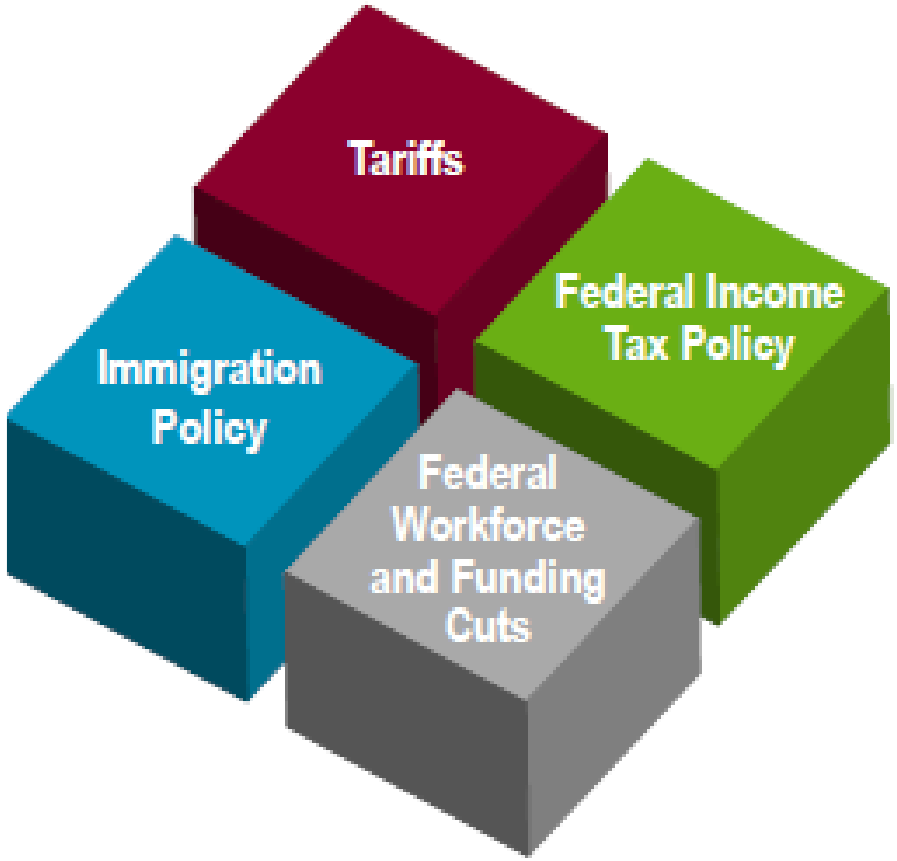
The Budget is assigned one of the following certifications:

Positive certification: when the district meets its financial obligations for the current and two subsequent fiscal years.	Qualified certification: when the district may not meet its financial obligations for the current or two subsequent fiscal years.	Negative certification: when a district is unable to meet its financial obligations for the remainder of the current year or for the two subsequent fiscal years.

Economic Overview

- State revenue remains strong in the current year and is projected to slow down in 2025-26
- California's unemployment rate is projected to increase in the budget year
- Stock market volatility in response to federal policy changes can impact projected state revenue
- State Budget assumptions may not fully account for the impact of unpredictable federal policy changes and need to backfill potential federal funding cuts to California
- The tax filing extensions for Los Angeles County due to the January 2025 wildfires have delayed revenue collections and complicate budget projections
- Consumer Price Index is projected to increase to 3% in 2026 and fall to 2.6% in 2027

Economic Impact of Federal Policies



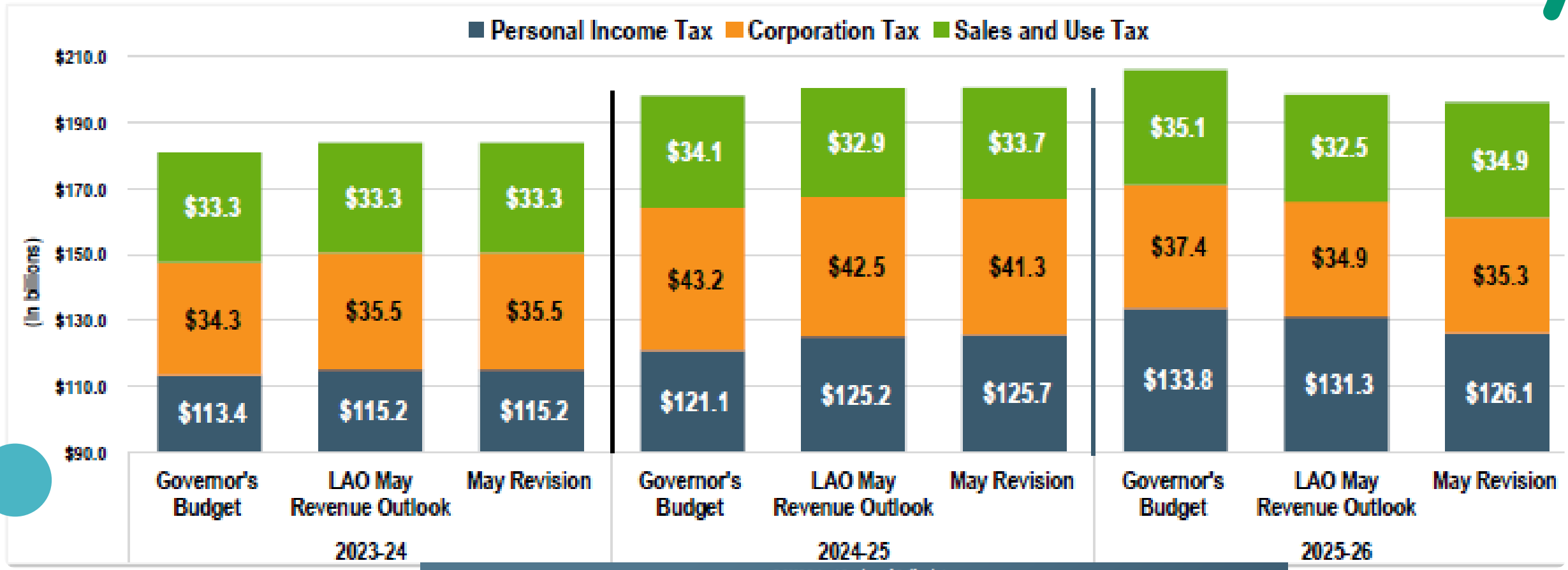
- Consumer sentiment, a key economic growth contributor, has reached notably low levels
- Tariffs have contributed to supply chain disruptions, higher production costs, stock market volatility, and reduced demand for U.S. goods
- The Fed is exercising caution towards benchmark rate cuts, citing the need for more data to assess the impact of tariffs
- Trade deals have been reached with Britain and China
- Over 275,000 federal civil service positions have been cut, representing 12% of the federal workforce
- More cuts to federal funding and programs are projected
- The extension of the 2017 Tax Cuts and Jobs Act is anticipated
- Increases in immigration activity are expected to continue, which will likely affect labor supply, tax revenue, and GDP

The Trump Administration's policies have already had an impact on the economy, but it is still too early to know the full impact

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“Big Three” Taxes

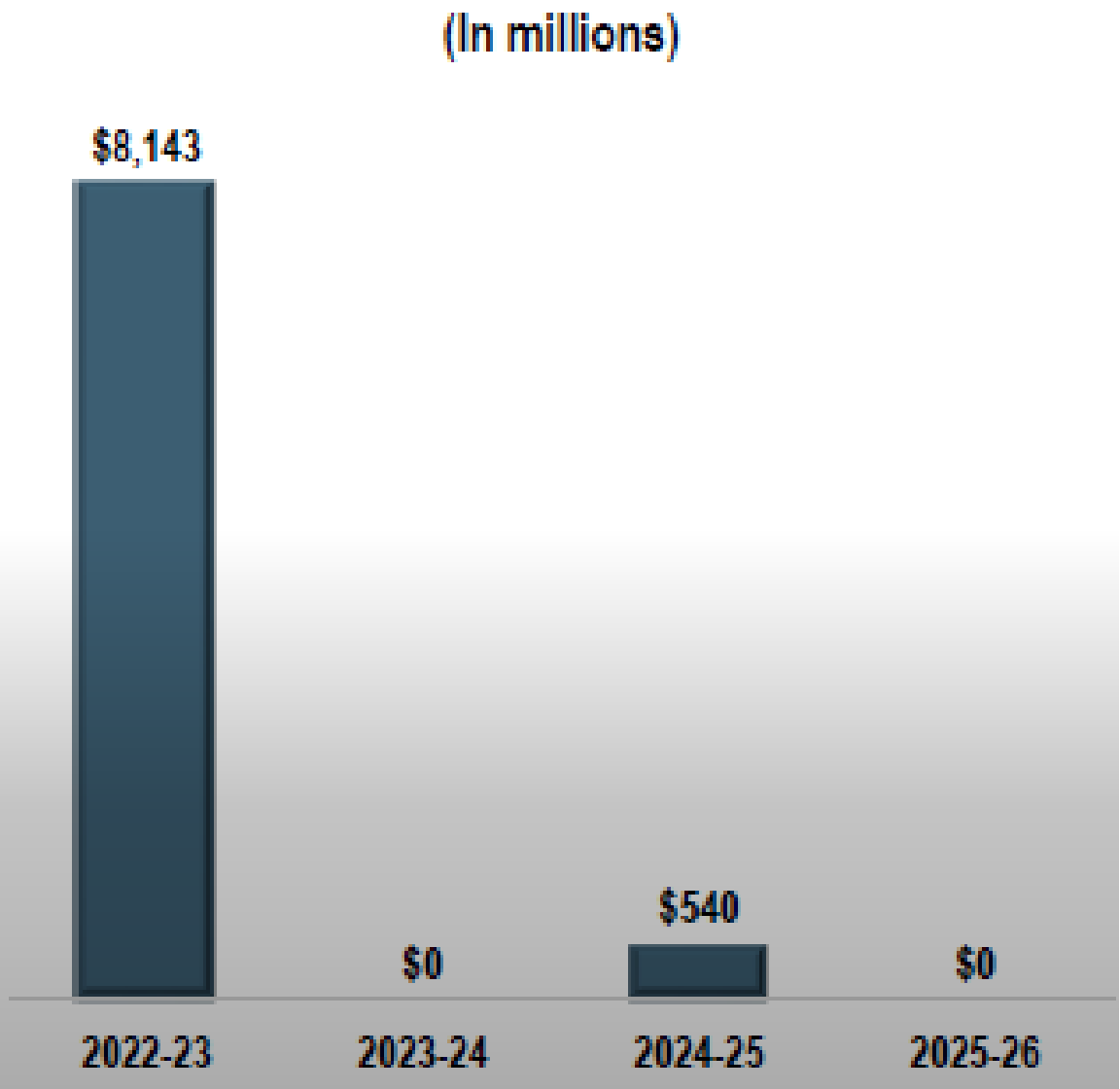
- The May Revision’s “Big Three” revenues are projected to be lower than the Governor’s Budget figures by $4.8 billion over the budget window
- The LAO May Revenue Outlook projections are higher than the Governor’s May Revision estimates by $2.4 billion



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Proposition 98 Rainy Day Fund

- Public School System Stabilization Account (PSSSA) requires deposits when capital gains revenue is above average and withdrawals when the minimum guarantee is below the prior-year funding level
- The May Revision:
  - Maintains the 2023-24 full withdrawal
  - Reduces the mandatory deposit in 2024-25 from $1.2 billion to $540 million
  - Rather than making a discretionary deposit in 2025-26, makes a mandatory $540 million withdrawal, depleting the fund



Next Steps for 2025-26 Budget Development

- The only proposal codified in Education Code is the statutory COLA—OK to include in local budget
  - The following are still subject to negotiations between the Governor and Legislature

Proposal	SSC Advice	Risk Level	Risk of Including in Your Adopted Budget
2.30% COLA	Yes	Very Little	Statutory COLA is a known number as of April 2025
LREBG Additional Funding	No	Lower	Lower than others, but still subject to negotiation
TK Ratio LCFF Add-On	No	High	Amount decreased from January
Discretionary Block Grant	No	High	Amount decreased and the allocation method, allowable uses, and amount may change again before the budget is enacted
Teacher Preparation and Professional Development	No	High	Amounts have been reduced and repurposed since January
Universal ELO-P 55% Threshold	No	Lower	Lower than others, but still subject to negotiation

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District Budget Planning

- The State Cost-of-Living Adjustment (COLA) is projected at 2.46% in the July 2024 Enacted Budget, 2.43% in the January 2025 Governor's Budget, and 2.30% in the May 2025 Revision.
- Based on the 2.30% COLA and an estimated 4% enrollment decline, the District's LCFF revenue for 2025–26 is projected to decrease by $475,195 compared to 2024–25—an effective reduction equivalent to a negative 2.12%.
- The District is approaching a fiscal cliff due to the expiration of one-time funds. Combined with ongoing economic uncertainty, these factors continue to make budget planning and development extremely challenging.
- Despite these pressures, the District has prepared a balanced budget that sustains a positive ending fund balance for 2025–26 and the following two fiscal years.
- The preliminary budget is aligned with the State's May Revision and reflects guidance from School Services of California, Capitol Advisors Group, and the Santa Clara County Office of Education (SCCOE) Common Message.

2025-26 MPESD Local COLA

LCFF Funding	Total
FY 2024-25	22,382,286
FY 2025-26	21,907,091
Change in Amount	(475,195)
Local COLA	-2.12%
State COLA	2.30%

Budget Planning Factor

Planning Factor	2025-26	2026-27	2027-28
Cost-of-Living Adjustment (COLA)			
Local Control Funding Formula (LCFF) COLA	2.30%	3.02%	3.42%
Special Education COLA	2.30%	3.02%	3.42%
Employer Benefit Rates			
CalSTRS	19.10%	19.10%	19.10%
CalPERS-Schools	26.81%	26.90%	27.80%
State Unemployment Insurance	0.05%	0.05%	0.05%
Lottery			
Unrestricted per ADA	$191.00	$191.00	$191.00
Proposition 20 per ADA	$82.00	$82.00	$82.00
Minimum Wage	$16.90[1]	$17.40[2]	$17.80[3]
Universal TK/ADA LCFF add-on	$3,148.00[4]	$3,243.00[4]	$3,354.00[4]
Mandate Block Grant			
School Districts			
Grades K-8 per ADA	$39.09	$40.27	$41.65
Grades 9-12 per ADA	$75.31	$77.58	$80.23
Charter Schools			
Grades K-8 per ADA	$20.52	$21.14	$21.86
Grades 9-12 per ADA	$57.04	$58.76	$60.77

[1]Effective January 1, 2026, [2]Effective January 1, 2027, [3]Effective January 1, 2028.
[4]The rates do not reflect the May Revise proposal to increase the rate to $5,545 in 2025-26, $5,712 in 2026-27, and $5,907 in 2027-28.

ADA and Enrollment

ADA District	2022-23	2023-24	2024-25	2025-26 Budget	2026-27 Projection	2027-28 Projection
P2	1,515.26	1,458.11	1,449.18	1,391.21	1,335.56	1,282.14
ADA Change-P2	(87.00)	(57.15)	(8.93)	(57.97)	(55.65)	(53.42)
% Change-P2	-5.43%	-3.77%	-0.61%	-4.00%	-4.00%	-4.00%

CALPADS Enrollment	2022-23	2023-24	2024-25 Estimated	2025-26 Budget	2026-27 Projection	2027-28 Projection
Total Enrollment	1,642	1,547	1,519	1,458	1,400	1,344
Change	(76)	(95)	(28)	(61)	(58)	(56)
% Change	-4.42%	-5.79%	-1.81%	-4.00%	-4.00%	-4.00%

- MPESD has continued to experience a significant decline in enrollment since the pandemic. However, enrollment has stabilized somewhat starting this year.
- To remain fiscally conservative, the District has used a 4% declining enrollment rate in its budget planning. Once actual student enrollment for the upcoming school year is confirmed, the projected decline rate will be reevaluated based on the updated trend.

General Fund Budget Summary

- The District projected deficit spending in the General Fund (Unrestricted) of $341,204 for fiscal year 2024–25, and $627,663 for fiscal year 2025–26.
- To balance the 2024–25 budget and maintain the required 3% reserve, the District made the following fund transfers totaling $1,950,000:
  - $1,850,000 borrowed from Fund 17
  - $100,000 transferred from the SELPA fund to maintain the 3% reserve of the related expenditures

General Funds Unrestricted and Restricted	2024-25 Estimated Actual	2025-26 Budget
Total Revenue	36,549,946	36,042,821
Total Expenditures	43,030,060	37,326,616
Transfer out	492,754	257,000
Change in Fund Balance	(6,972,868)	(1,540,795)
Beginning Fund Balance	10,519,057	3,546,189
Ending Fund Balance	3,546,189	2,005,394
Restricted Funds	3,887,393	2,633,057
Deficit Spending	**(341,204)**	**(627,663)**

3% reserve	1,290,902	1,119,798

Borrow from Fund 17	1,850,000
Transfer from SELPA	100,000
Total Transfer In	1,950,000

Multi-Year Projections
Unrestricted and Restricted Fund Balances

- The Multi-Year Projection (MYP) includes the $1.95 million transferred in fiscal year 2024–25 as part of the beginning balance.
- Of the $2.6 million in restricted funds, $1.1 million is designated for SELPA.
- LCFF revenue is projected based on a 4% enrollment decline across all three fiscal years.
- Step and column increases are estimated at 1.5% annually over the next two years. Employees who have not reached the top of the salary schedule will automatically advance to the next step each year.
- As part of district cost-saving efforts, all expenditures are projected to decrease by:
  - 4% in unrestricted funds
  - 1% in restricted funds
- The District estimates it will take three years to restore a balanced budget, with an ending balance of $1.5 million earmarked to repay Fund 17.

Descriptions	2025-26 Projection	2026-27 Projections	2027-28 Projections
Revenues & Transfer in	36,042,821	36,161,926	36,168,275
Expenditures & Transfer out	37,583,616	37,095,437	36,520,339
Surplus/Deficit	(1,540,795)	(933,511)	(352,064)
Beginning Balance	5,496,189	3,955,394	3,021,883
Estimated Ending Fund Balance	3,955,394	3,021,883	2,669,819
Restricted Funds	2,633,057	1,276,136	82,585
3% Reserved	1,200,000	1,112,863	1,095,610
Remaining of the borrowing	122,337	632,884	1,491,624

Next Steps

- On June 11, 2025, the Administration presents the Board for the first time public hearing of 2025-26:
  - LCAP Report
  - Budget Study Session
- On June 25, 2025: The administration presents the Board for the second time public hearing, and the Adoption of 2025-26:
  - LCAP Report
  - Budget Reports
- June 30, 2025: LCAP & District Budget due to Santa Clara County Office of Education
- September 10, 2025, District present to Board 2024-25 Unaudited Actuals Reports

QUESTIONS AND COMENTS