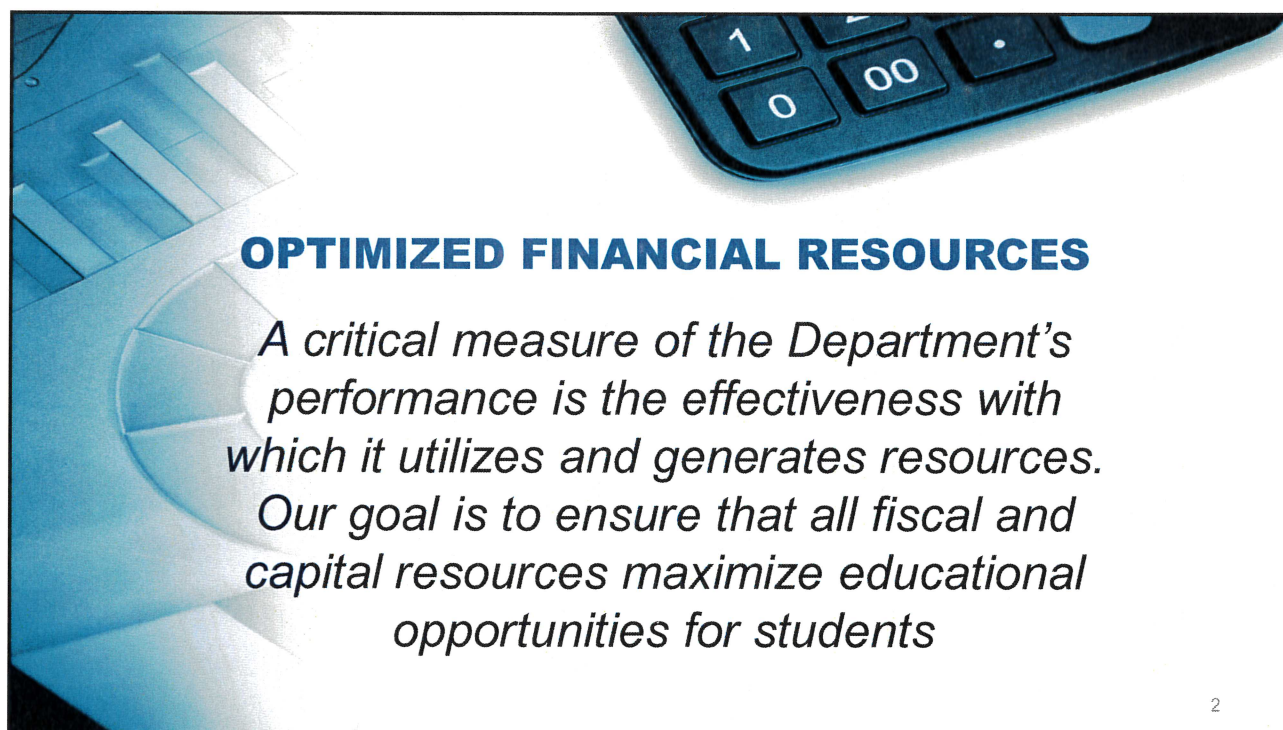


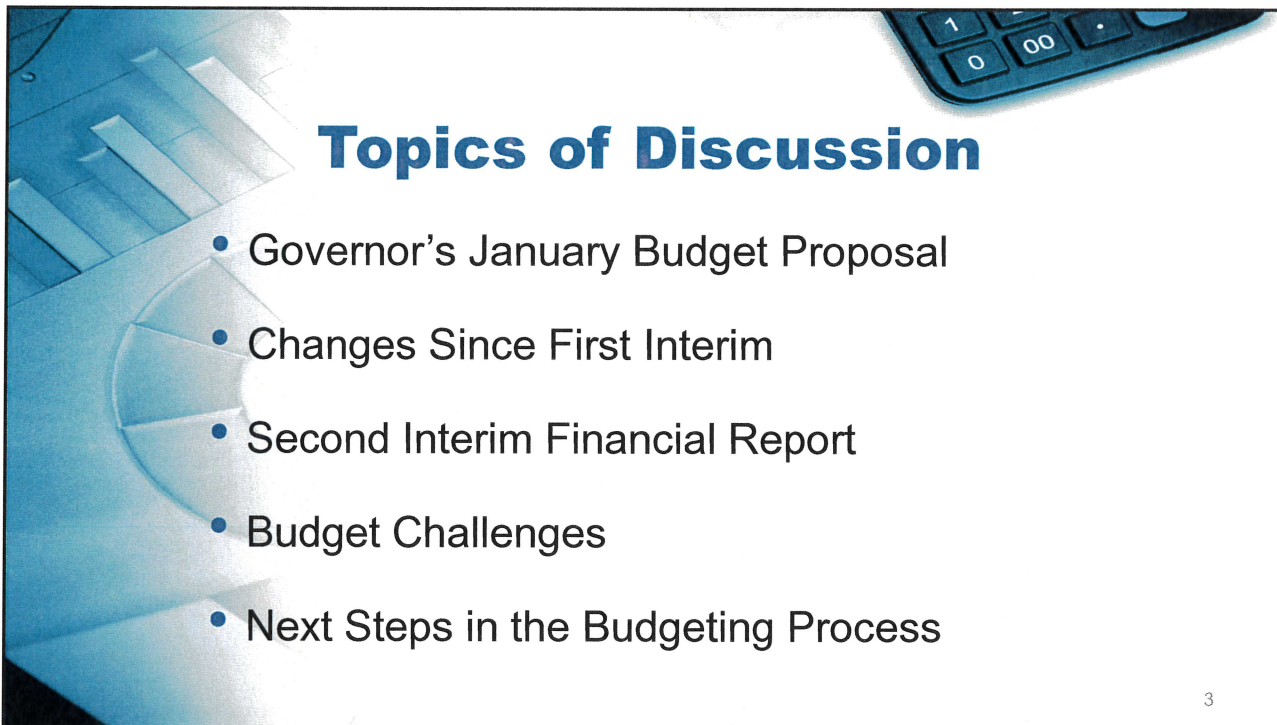


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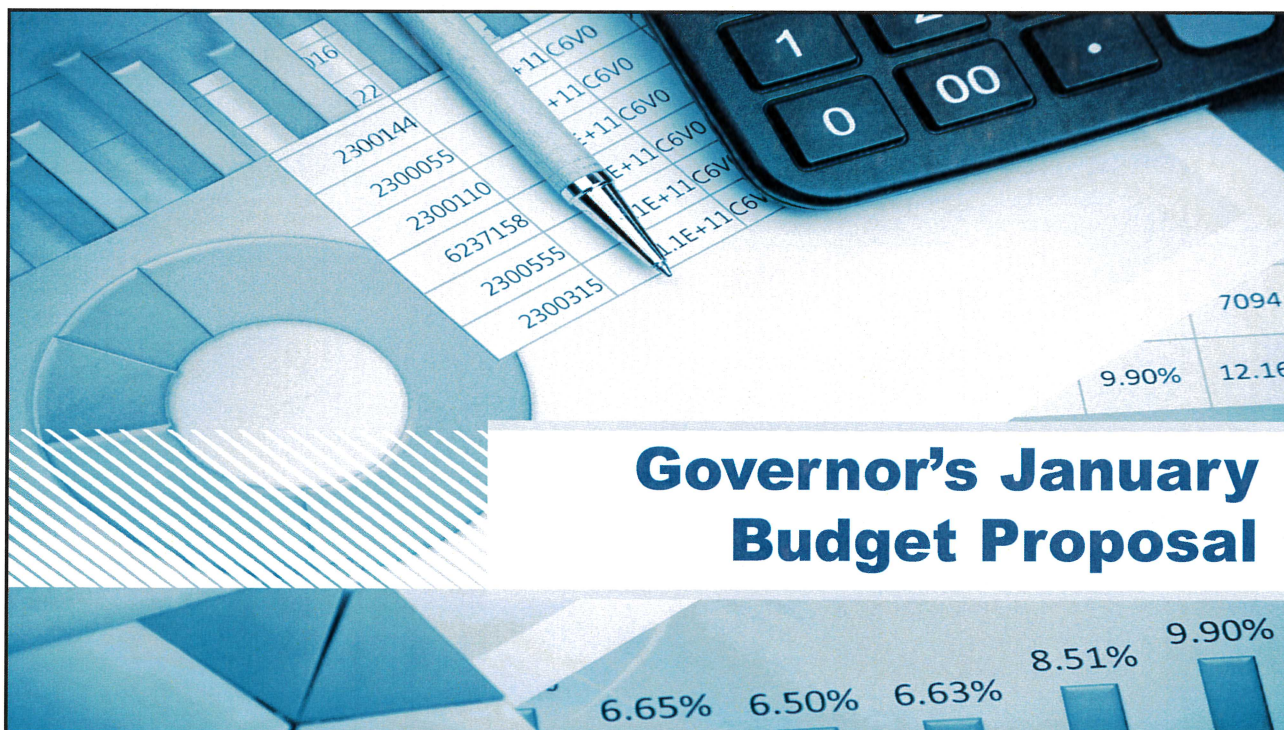


Topics of Discussion

- Governor's January Budget Proposal
- Changes Since First Interim
- Second Interim Financial Report
- Budget Challenges
- Next Steps in the Budgeting Process

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Governor's January Budget Proposal

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Governor's Budget Proposal

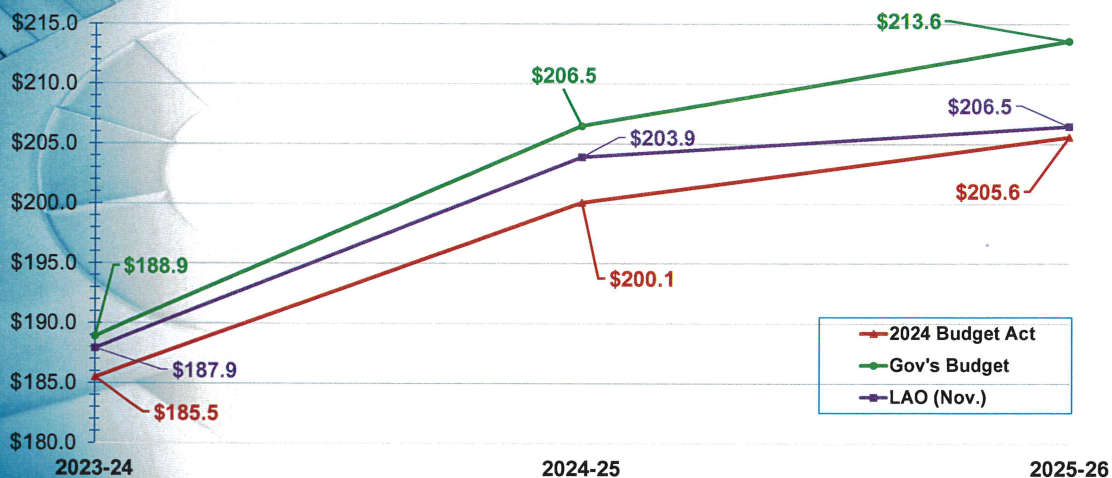
- Governor Newsom is estimating a \$17 billion budget surplus and healthy reserves for next fiscal year, 2025-26, due largely to an improved economic outlook and strong tax receipts since enactment of the 2024-25 State Budget
- The DOF now estimates GF revenue over the three-year budget window (2023-24 through 2025-26) to exceed levels contained in the 2024-25 State Budget by approximately \$17 billion
- The LAO's revenue projections are roughly \$10 billion lower than the Governor over the three-year budget window, but the LAO notes the DOF's projections are reasonable and find the State Budget roughly balanced
- Both the LAO and the DOF point to the value of the two-year plan to address one of the largest budget deficits in State history last year. The 2024-25 State Budget included about \$28 billion of solutions for the 2025-26 budget year

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State General Fund (GF) Revenues

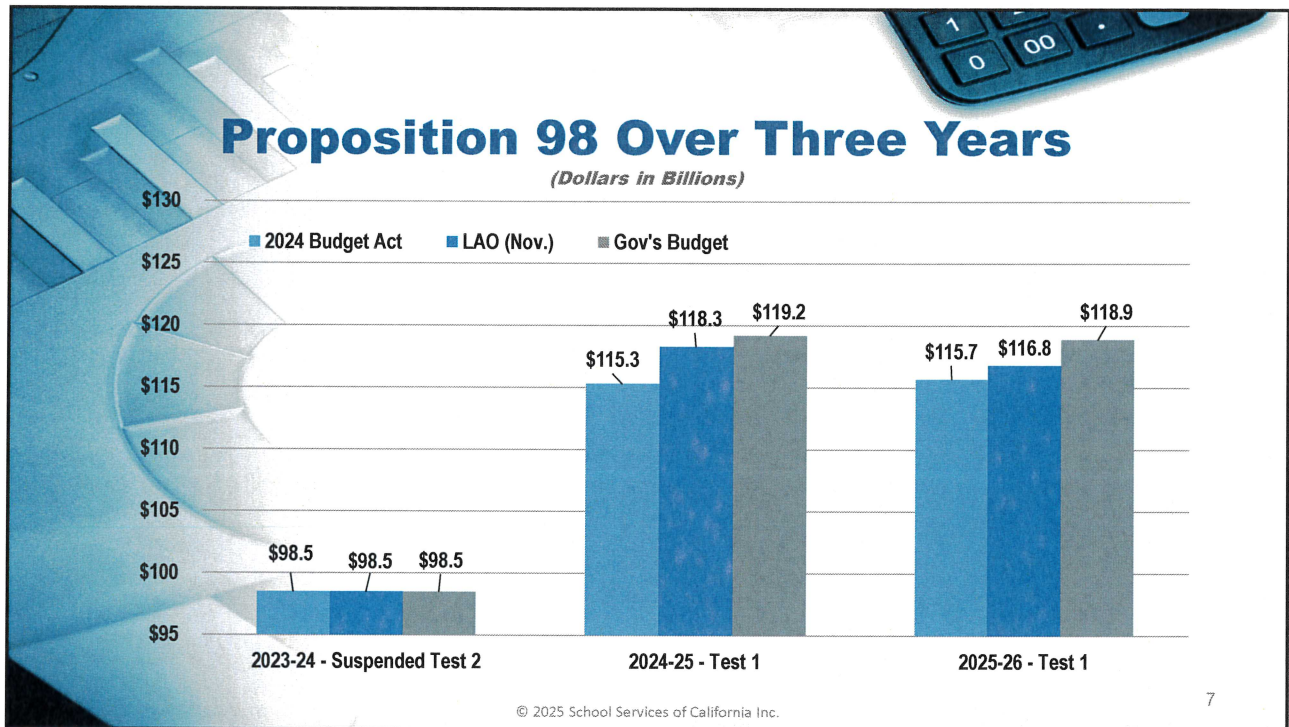
Includes only revenues that affect calculation of Prop 98 Guarantee
(Dollars in Billions)



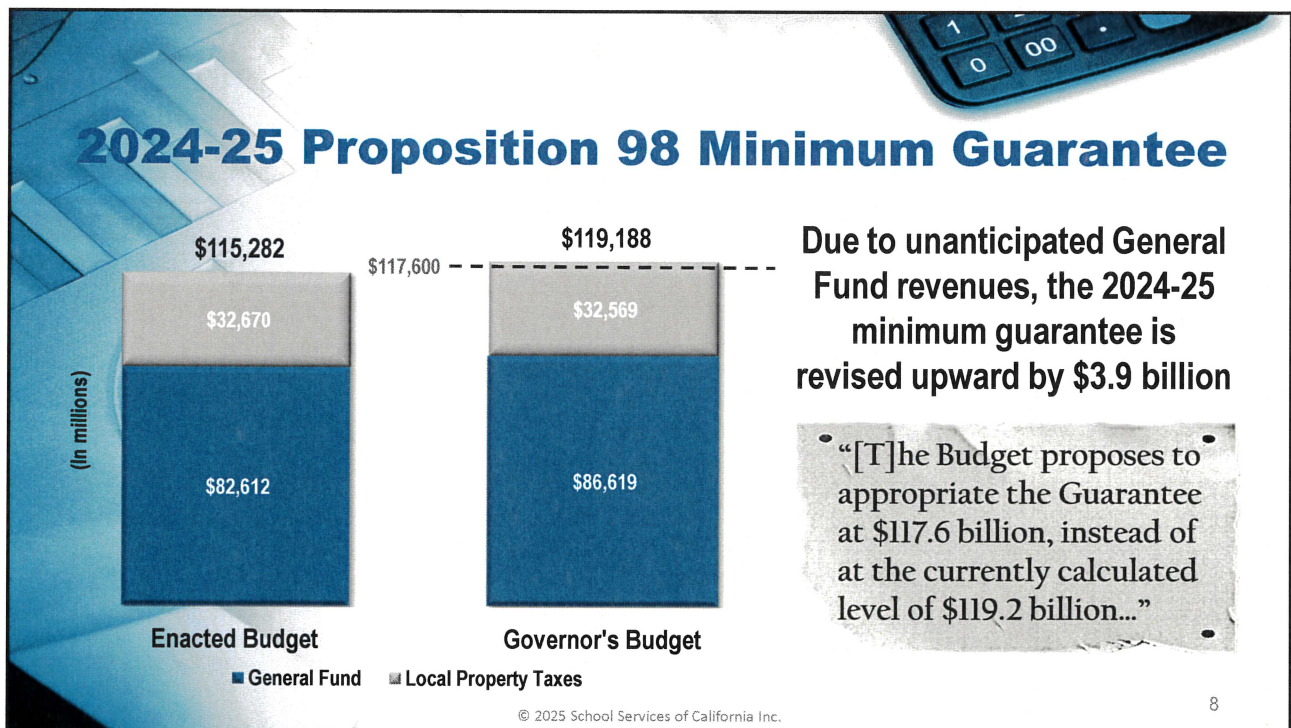
© 2025 School Services of California Inc.

6

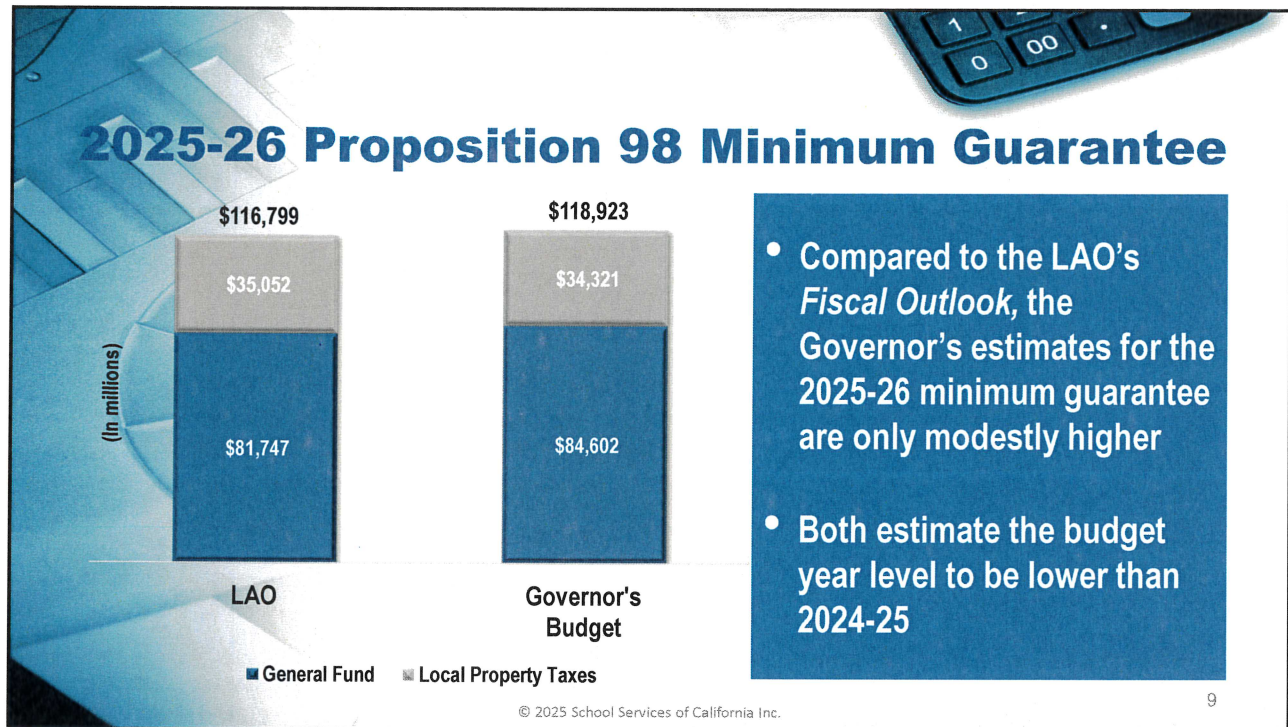
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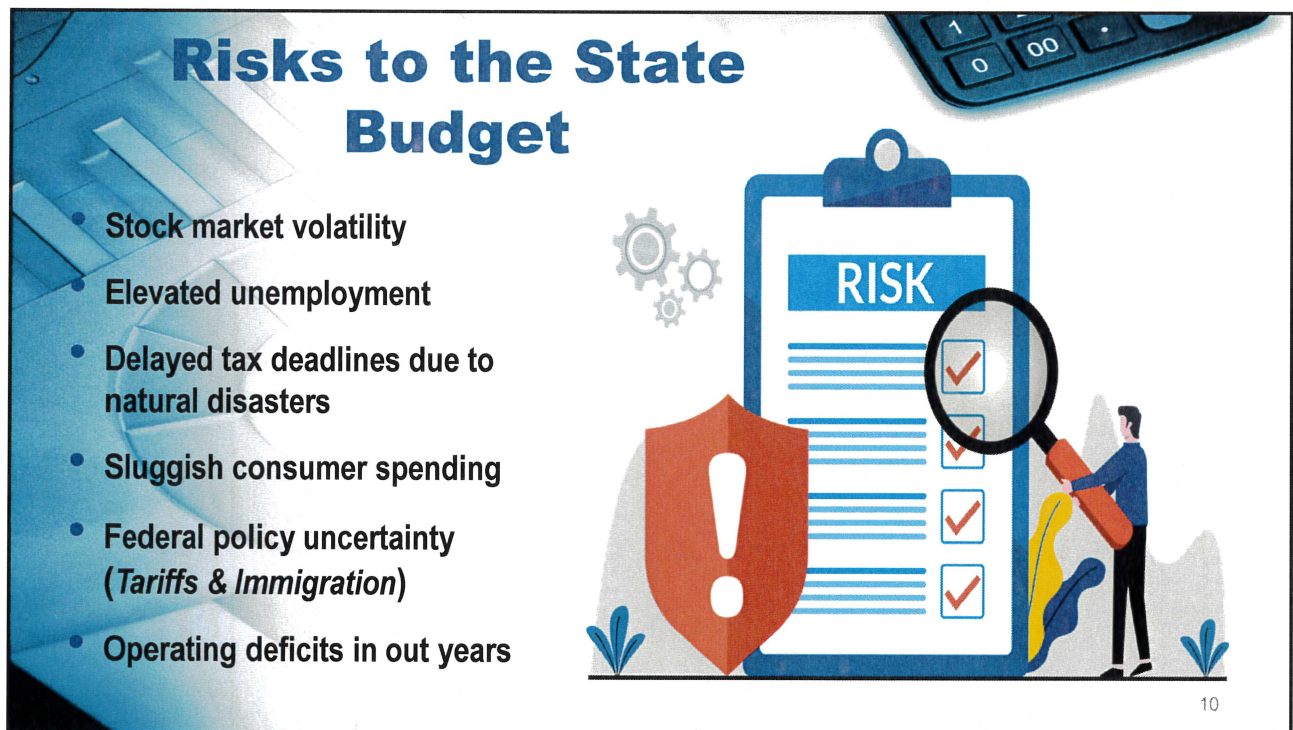
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11

Key Changes Since First Interim

COLA Percentages

	2024-25	2025-26	2026-27
First Interim – Statutory COLA	1.07%	2.93%	3.08%
Second Interim – Statutory COLA	1.07%	2.43%	3.52%

CalPERS Employer Rates

	2024-25	2025-26	2026-27
CalPERS - First Interim	27.05%	27.60%	28.00%
CalPERS - Second Interim	27.05%	27.40%	27.50%

Note, there are no changes to the CalSTRS Employer Contribution Rate Estimates, which are forecast to remain at 19.10% over the three-year forecast period

12

12

Key Changes Since First Interim *(cont.)*

Average Daily Attendance (ADA) Estimates

	2024-25	2025-26	2026-27
First Interim ADA	4,385	4,324	4,268
Second Interim ADA	4,309	4,243	4,182
Estimated ADA Decline	(76)	(81)	(86)

13

Second Interim Assumptions

14

Second Interim Report Purpose

- The Second Interim Report represents the second official revision to the Department's 2024-25 Adopted Budget
- The Second Interim Report includes actual financial information through January 31, 2025 and revised projections for the remainder of the fiscal year
- County offices of education are required to certify their financial condition twice during the fiscal year. This certification addresses the Department's ability to meet its financial obligations for the current year and two subsequent years

15

15

Second Interim Multi-Year Projection Assumptions

	2024-25	2025-26	2026-27
Salaries	Negotiations Completed (OCSEA & CSEA)	Pending Negotiations	Pending Negotiations
Statutory COLA	1.07%	2.43%	3.52%
Average Daily Attendance (ADA)	4,309	4,243	4,182
LCFF Revenue Projections	\$103,642,689	\$102,679,910	\$103,319,482
Tuition (ACCESS / Special Schools)	\$ 45,182,283	\$ 46,164,198	\$ 47,621,124

16

16



Second Interim Assumptions

17

Multi-Year Projections - Combined General Fund			
	2024-25 Second Interim	2025-26 Projected	2026-27 Projected
Revenues, and Other Financing Sources	\$384,162,683	\$360,372,246	\$368,749,957
Expenditures, and Other Financing Uses	\$402,755,576	\$360,527,981	\$354,498,786
Surplus/(Deficit) - Revenues Minus Expenditures	(\$18,592,893)	(\$155,735)	\$14,251,171
Beginning Balance	\$452,290,329	\$433,697,436	\$433,541,701
Ending Balance	\$433,697,436	\$433,541,701	\$447,792,872

18

2024-25 Second Interim Certification Options

- **Positive Certification** *

Based on current projections, a school district **will be able** to meet its Financial obligations for the current and two subsequent fiscal years

- **Qualified Certification**

Based on current projections, a school district **may not** be able to meet its financial obligations for the current or two subsequent fiscal years

- **Negative Certification**

Based on current projections, a school district **will be unable** to meet its financial obligations for the remainder of the current year, or subsequent year

* Staff recommends a **Positive Certification**

19

19

Budget Challenges

20

Challenges Ahead

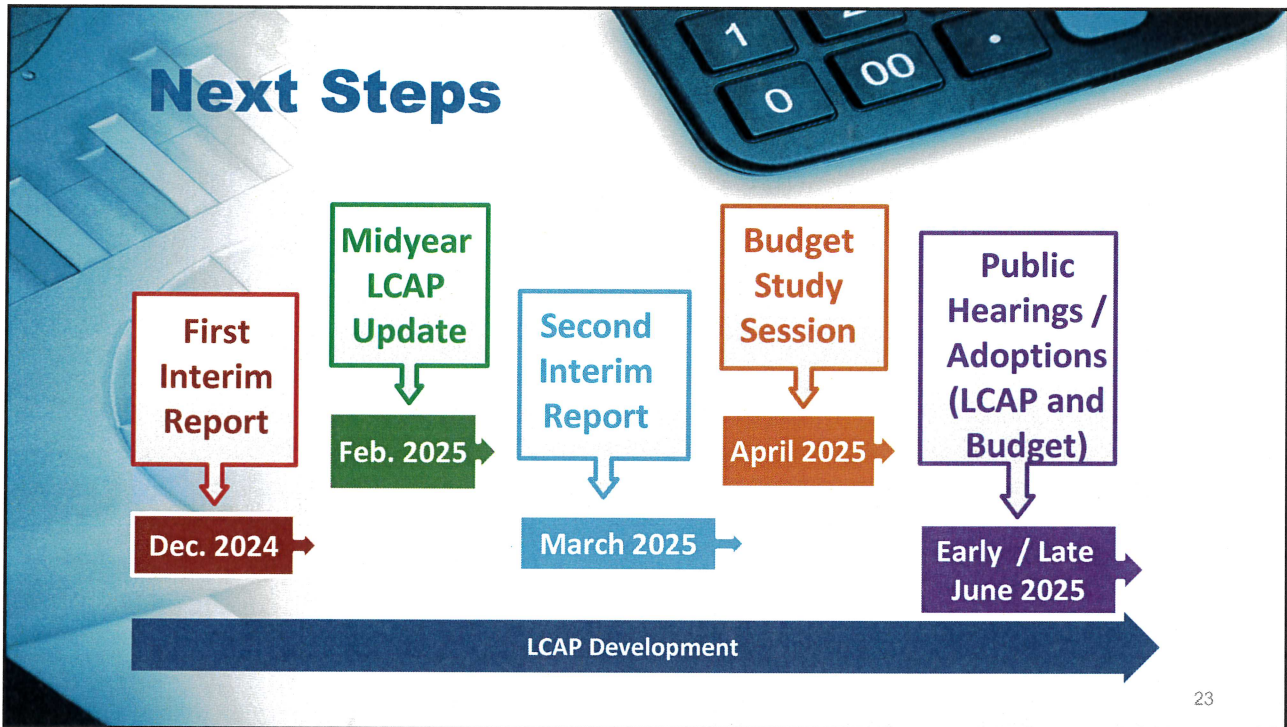
- Costs for Step and Column, CalPERS and CalSTRS Pensions, and Health and Welfare Benefits Premiums Continue to Rise
- Inflationary Cost Pressures for Other Items Such as Supplies, Services and Equipment Remain Persistent
- Expiration of One-time Federal and State COVID-19 Relief Funding
- Minimum State Aid / Excess Tax Status

21

21

Budget Timeline & Next Steps

22



23



24