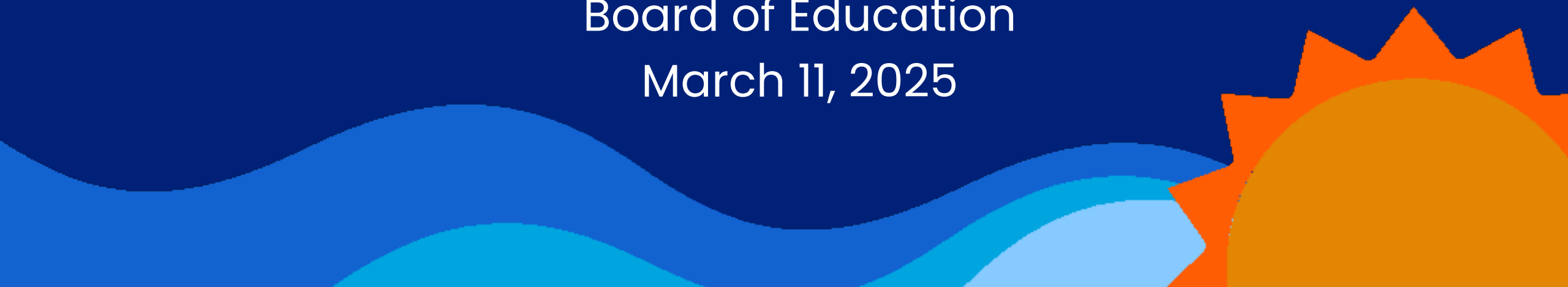


FY25 Second Interim Financial Report

Board of Education
March 11, 2025



Purpose of a Second Interim

- Midyear update to the current FY25 General Fund budget and a forecast of the next two fiscal years
- Required report on the status of the Local educational agencies (LEAs) financial health
- Due **March 15** for the period ended January 31
 - *Positive* certification: indicates District will meet financial obligations for the current fiscal year and two subsequent years (based on current projections)
 - *Qualified* certification: indicates District may not be able to meet financial obligations for the current or two subsequent fiscal years
 - *Negative* certification: indicates District will not be able to meet its financial obligations for the current or subsequent fiscal year

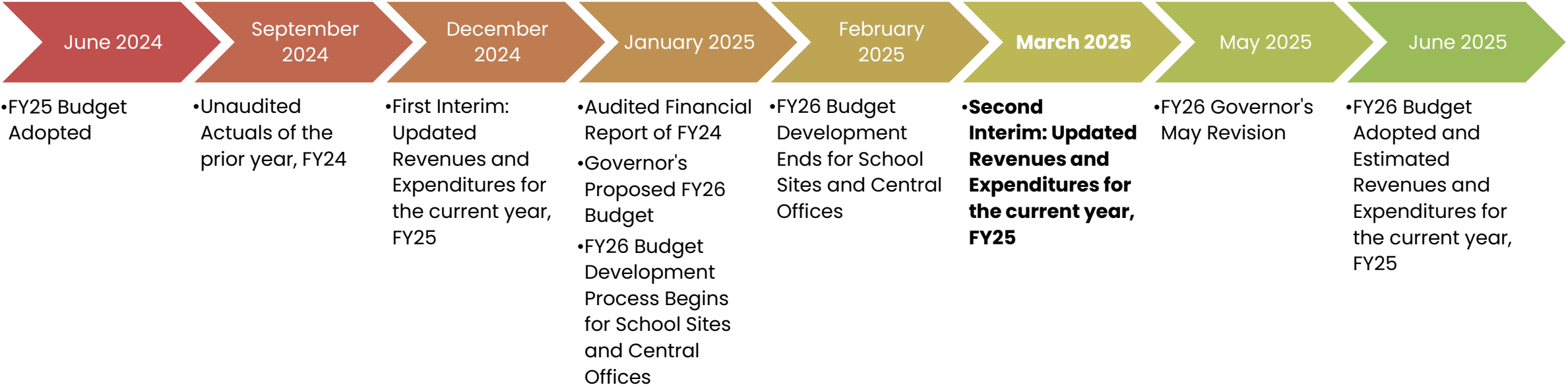
Based on current available information, staff recommends the Board
certify as **“Positive”**

Second Interim Highlights

- General Fund **FY27** Unrestricted (unassigned/unappropriated) ending balance projected to be **\$325M**
 - \$239M higher than reported at FY25 First Interim
- General Fund **FY25** Unrestricted (unassigned/unappropriated) ending balance projected to be **\$1.978M**
 - \$54M higher than reported at FY25 First Interim

Projections are a point in time reflection of what is currently known about actual and planned spending

Budget Timeline



Strategic Budgeting

Savings and efficiencies identified through Strategic Budgeting resulted in an increase to FY25 General Fund Unrestricted (unassigned/unappropriated) ending balance, includes:

- Closure of 321 central office positions vacant for more than 180 days
 - \$49.7M of Unrestricted General Fund realized
- Reduction of budget authority for underspent accounts
 - \$18M of Unrestricted General Fund reduction of budget authority
- Ongoing maximization of restricted funds
 - Additional \$27M per year benefiting the MYP

General Fund Unrestricted & Restricted

	FY25 Adopted Budget	FY25 First Interim	FY25 Second Interim	\$/% Change from First Interim to Second Interim	Reason for Change
Beginning Balance	\$6,357	\$6,414	\$6,422	\$8 / 0%	<ul style="list-style-type: none"> Audit Adjustment Alignment
Revenue	\$9,437	\$9,305	\$9,455	\$150 / 2%	<ul style="list-style-type: none"> Increase in the value of investments, increase in E-rate and CalSTRS Refund
Expenditure	\$11,214	\$11,644	\$11,689	\$45 / 0%	<ul style="list-style-type: none"> Increase in Liability Self-Insurance
Revenue less Expenditure	\$(1,777)	\$(2,339)	\$(2,234)	\$105 / 5%	
Ending Balance	\$4,581	\$4,075	\$4,188	\$113 / 3%	

General Fund Restricted

	FY25 Adopted Budget	FY25 First Interim	FY25 Second Interim	\$/% Change from First Interim to Second Interim	Reason for Change
Beginning Balance	\$1,881	\$1,797	\$1,795	\$(2) / 0%	<ul style="list-style-type: none">Audit Adjustment alignment
Revenue	\$4,166	\$3,892	\$3,921	\$29 / 1%	<ul style="list-style-type: none">Increase in Medi-CAL billing for prior year settlementsIncrease for a few grants including Literacy Coaches & California Community Schools Partnership Program
Expenditure	\$4,375	\$4,931	\$4,912	\$(19) / 0%	<ul style="list-style-type: none">Decrease in Expanded Learning Opportunities Program spending
Revenue less Expenditure	\$(209)	\$(1,040)	\$(991)	\$49 / 5%	
Ending Balance	\$1,673	\$757	\$804	\$47 / 6%	

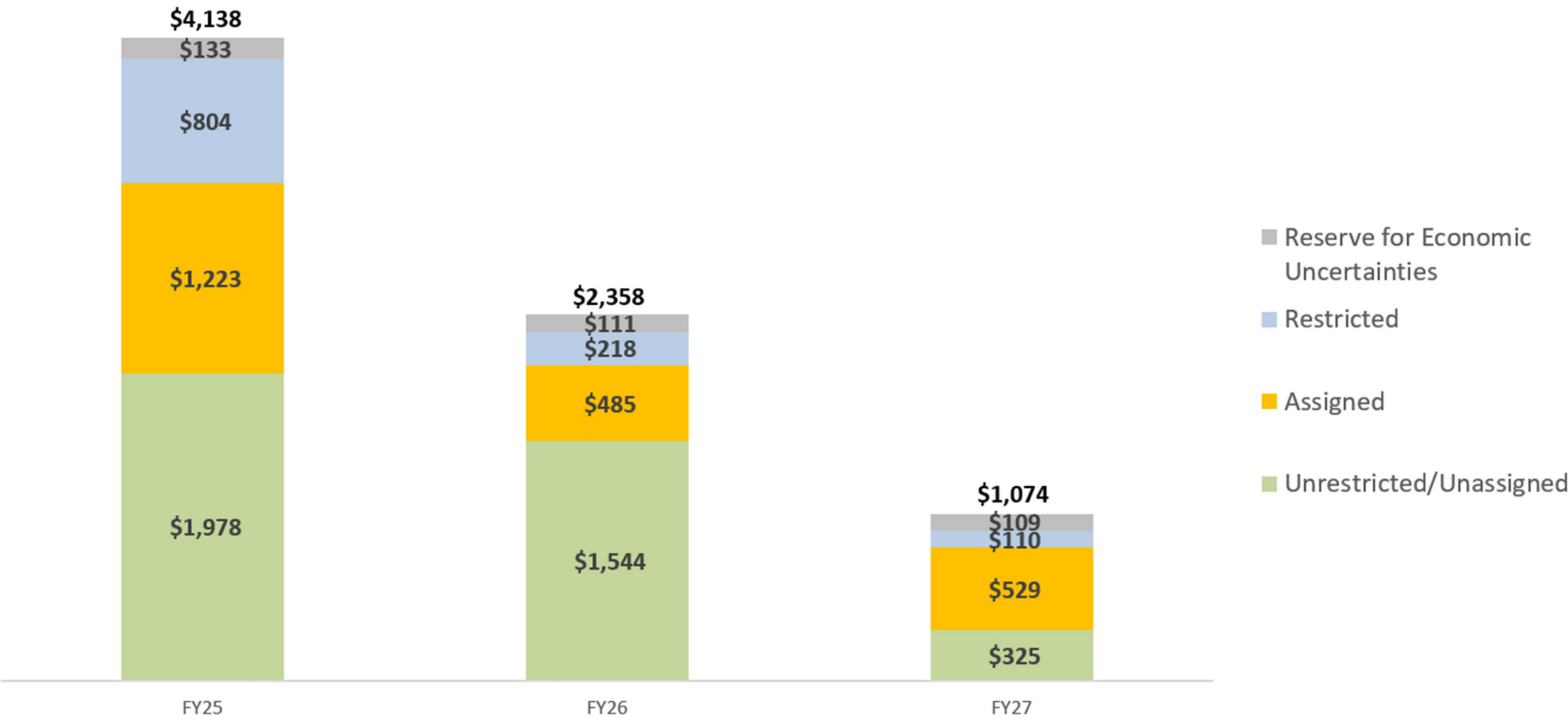
Amounts in millions

General Fund Unrestricted

	FY25 Adopted Budget	FY25 First Interim	FY25 Second Interim	\$/% Change from First Interim to Second Interim	Reason for Change
Beginning Balance	\$4,476	\$4,617	\$4,627	\$10 / 0%	<ul style="list-style-type: none"> Audit Adjustment alignment
Revenue	\$5,271	\$5,413	\$5,534	\$121 / 2%	<ul style="list-style-type: none"> Increase in the value of investments, increase in E-rate and CalSTRS Refund
Expenditure	\$6,839	\$6,713	\$6,777	\$64 / 1%	<ul style="list-style-type: none"> Increase in Liability Self-Insurance
Revenue less Expenditure	\$(1,568)	\$(1,300)	\$(1,243)	\$57 / 4%	
Ending Balance	\$2,908	\$3,317	\$3,384	\$67 / 2%	

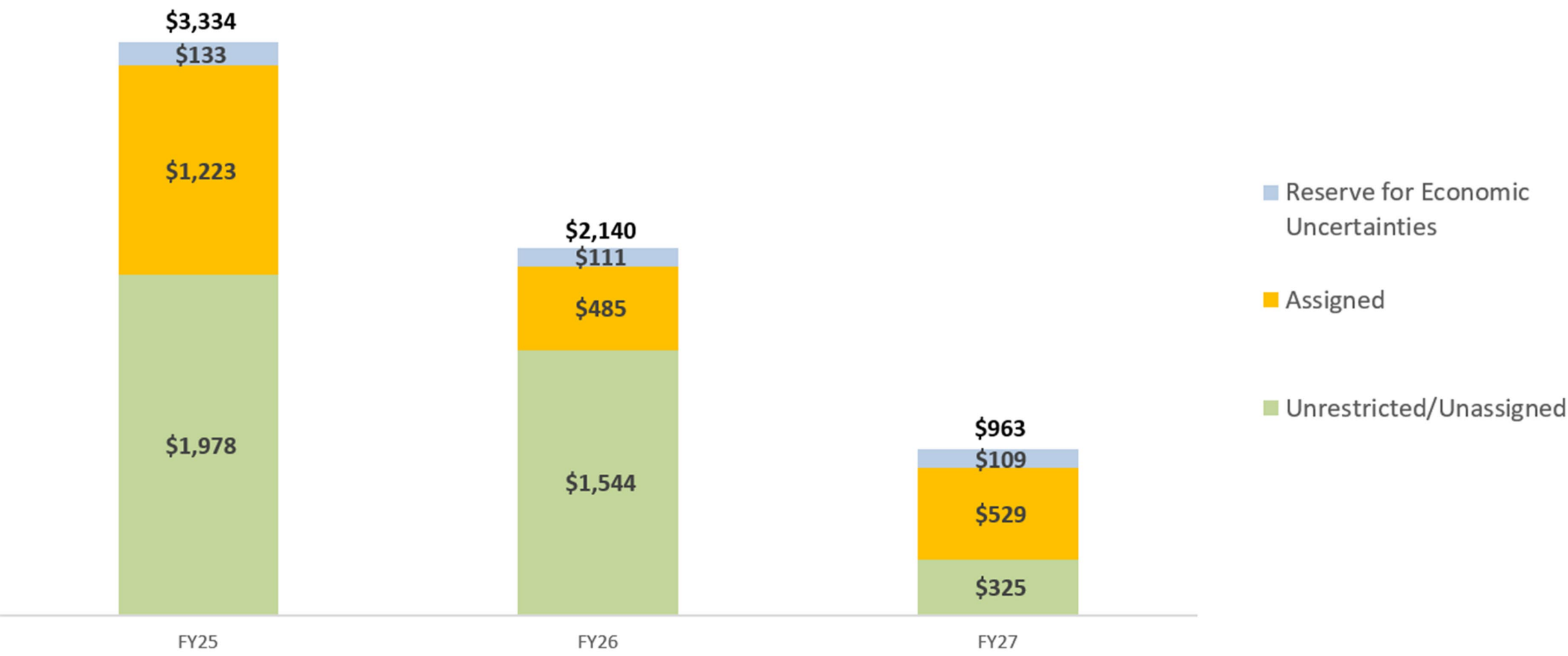
Multi-Year Projection: Ending Balances

General Fund Unrestricted and Restricted



Multi-Year Projection: Ending Balances

General Fund Unrestricted



Multi-Year Projection

General Fund Unrestricted (Unassigned/Unappropriated Balances)



(in millions)	First Interim	Second Interim	Change
FY25	\$1,924	\$1,978	\$54
FY26	\$1,370	\$1,544	\$174
FY27	\$86	\$325	\$239

- Factors Not Reflected in Multi-Year Projection**
- Future changes in compensation
 - Potential reductions in federal funding
 - Potential new major programmatic investments
 - Unrecognized claims
 - Various proposals in the Governor's January Proposed Budget including a new discretionary block grant

- New factors Reflected in the Multi-Year Projection since First Interim:**
- COLA in the Governor's Jan. Proposed Budget for FY26
 - Lower COLA in FY26
 - Higher COLA in FY27
 - Higher TK add-on funding for FY26 and FY27
 - Additional General Fund relief under ELO-P
 - Maximization of Title I
 - Lower projected textbook expenditures

Adult Education Fund

Funds	FY25 Adopted Budget	FY25 First Interim	FY25 Second Interim	\$/% Change from First Interim to Second Interim	Reason for Change
Beginning Balance	\$47	\$59	\$59	\$0 / 0%	• No change
Revenues	\$165	\$160	\$160	\$0 / 0%	• No change
Expenditures	\$172	\$177	\$177	\$0 / 0%	• No change
Revenue less Expenditure	\$(7)	\$(17)	\$(17)	\$0 / 0%	• No change
Ending Balance	\$40	\$42	\$42	\$0 / 0%	• No change

Amounts in millions

Cafeteria Fund

Funds	FY25 Adopted Budget	FY25 First Interim	FY25 Second Interim	\$/% Change from First Interim to Second Interim	Reason for Change
Beginning Balance	\$218	\$239	\$239	\$0 / 0%	• No change
Revenues	\$479	\$521	\$521	\$0 / 0%	• No change
Expenditures	\$503	\$506	\$506	\$0 / 0%	• No change
Revenue less Expenditure	\$(24)	\$15	\$15	\$0 / 0%	• No change
Ending Balance	\$194	\$254	\$254	\$0 / 0%	• No change

Amounts in millions

Child Development Fund

Funds	FY25 Adopted Budget	FY25 First Interim	FY25 Second Interim	\$/% Change from First Interim to Second Interim	Reason for Change
Beginning Balance	\$93	\$99	\$99	\$0	<ul style="list-style-type: none"> No change
Revenues	\$233	\$203	\$230	\$27 / 13%	<ul style="list-style-type: none"> Higher projected revenue for the California State Preschool Program and Child Care and Development Program
Expenditures	\$283	\$246	\$265	\$19 / 8%	<ul style="list-style-type: none"> Increase expenditures in Welcoming Environment Initiative
Revenue less Expenditure	\$(50)	\$(44)	\$(35)	\$9	
Ending Balance	\$43	\$55	\$64	\$9	

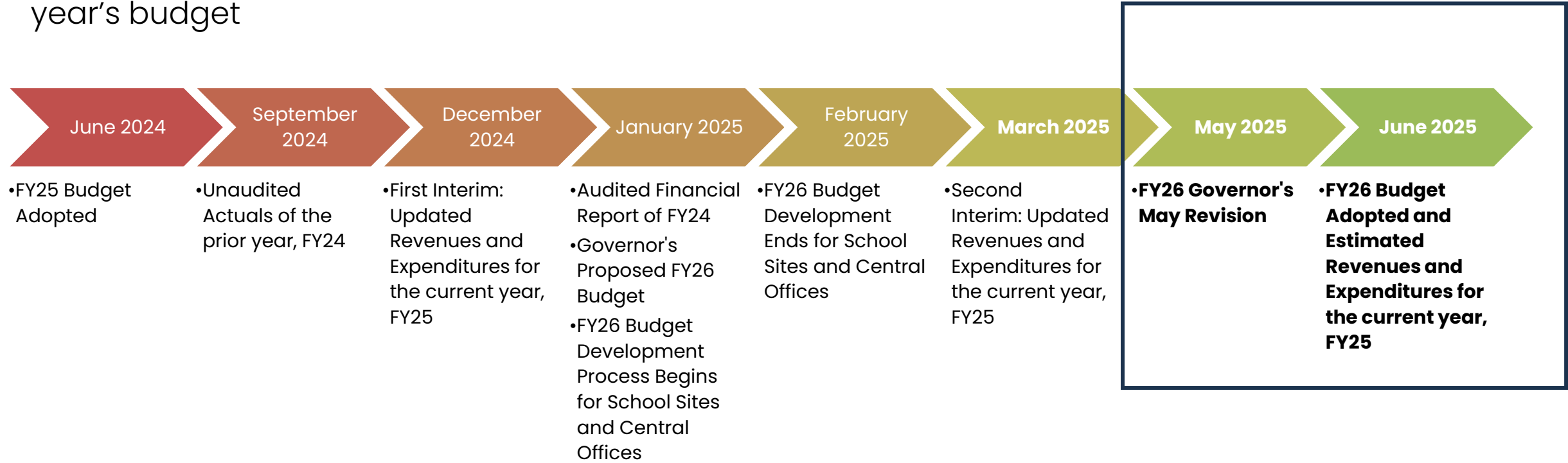
Amounts in millions

State Fiscal Outlook

- Legislative Analyst's Office (LAO) 2025–26 Budget
 - California's Fiscal Outlook November 2024 report estimates an approximately balanced budget in FY26
 - The State faces annual operating deficits beginning in FY27 growing from about \$20B to about \$30B
- 2025–26 State Budget released in January 2025
 - Balanced with a \$322B spending proposal in total state funds, \$229B is General Fund
 - Projects additional revenue of \$17B compared to estimates from last June
 - Includes withdrawal of \$7B from Budget Stabilization Account (BSA)
 - \$17B in reserves, of which Proposition 98 Reserve is \$2B
 - Proposition 98, minimum funding guarantee for TK–12 and community colleges, of \$119B
 - Projects COLA of 2.43%, which is lower than the previous projection of 2.93%
 - Risks to the State Budget:
 - Stock Market volatility
 - Delayed tax deadlines due to natural disasters
 - Federal policy uncertainty
 - Elevated interest rates
 - Extreme weather events

What's Next After Second Interim?

- Analyze Governor’s May Revision to the State’s budget assumptions and impact to TK-12 funding levels
- Continue identifying budget balancing solutions in preparation for June 2025 adoption of next year’s budget



Questions?