

Budget Notebook



Chronicling California's developing budget and its impact on IUSD

IUSD prepares for another round of cuts as uncertainties abound in state budget crisis

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With the state continuing to deliberate over how to resolve its budget crisis, I want to share with you a few fiscal developments closer to home.

Since California identified its multibillion dollar shortfall, our Business Services staff has been monitoring discussions out of Sacramento and analyzing the local impact, which has continued to change as the crisis worsened.

The Governor and the Legislature have still yet to agree on a concrete spending plan moving forward, and plenty of uncertainties abound. However, based on the Governor's most recent proposal, as well as current local property tax projections, it now appears IUSD has the potential to move into a "local funding" model, in which local property taxes support our schools in lieu of state dollars.

Local funding, which is often referred to as "Basic Aid," involves a morass of complicated formulas. But it essentially occurs when the local property tax revenue in a district exceeds the amount of unrestricted, per-student dollars that the state pays. This doesn't have any impact on taxpayers or specific programs, but it does change the way that dollars are routed – and it can impact the amount.

In our case, the potential for local funding exists only because the Governor and the Legislature are considering slashing per-student spending to such an extent that levels would fall below the income currently generated by our district's own property taxes. For that reason, this new funding model would not make us immune to the economic challenges faced by our state, nor would it negate the need to identify cuts this year. In fact, the "locally funded" designation is a fragile status that brings its own set of challenges. Districts that are

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- The Governor and the Legislature have yet to agree on a solution to the state's shortfall, expected to surpass \$42 billion next year.
- As a result of the state crisis and the Governor's most recent proposal, IUSD must prepare for \$10 million in ongoing cuts.
- Based on current projections, IUSD could move into a new funding model where local property tax revenues fund our schools in lieu of state dollars. This would not eliminate the need for reductions.
- A proposed federal stimulus package could assist IUSD and other districts. Negotiations are now underway to reconcile bills passed by the U.S. Senate and the House of Representatives, which submitted a package that would offer more support for local schools.

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locally funded must carry larger budgetary reserves than their traditionally funded counterparts, and those that are barely eligible – as we would be – are at even greater risk of suddenly losing their status, particularly in the first few years of being locally funded. (Indeed, current projections indicate IUSD would likely fall out of Basic Aid in 2009-10.)

Nevertheless, this model has the potential to significantly alter the way we are funded in the future, and we are continuing to analyze the implications as we press the state for answers to the following questions:

- When will Sacramento issue a spending plan for the rest of this year and next, and what will it look like?
- Will the Governor and the Legislature opt to cut the unrestricted funding that schools get, or will they instead slash categorical earmarks?
- Will per-student revenue fall below the amount generated through our local property taxes this year, making us locally funded?
- Will class-size reduction limits that cap student-to-teacher ratios at 20-to-1 in grades K-3 be subject to greater flexibility?

Stimulus package proposed

As we wait for these answers, we're also looking into what impact a federal stimulus package might have on our district.

The Obama Administration has advocated injecting roughly \$900 billion into our economy in an effort to jumpstart growth, or at least halt the recession. One version of this plan, passed by the House of Representatives, would translate into approximately \$7.3 million for IUSD

over two years, including about \$1.4 million earmarked for construction. However, a second version that recently passed out of the U.S. Senate stripped out the construction component and trimmed additional aid to the states, meaning our district would see far fewer dollars.

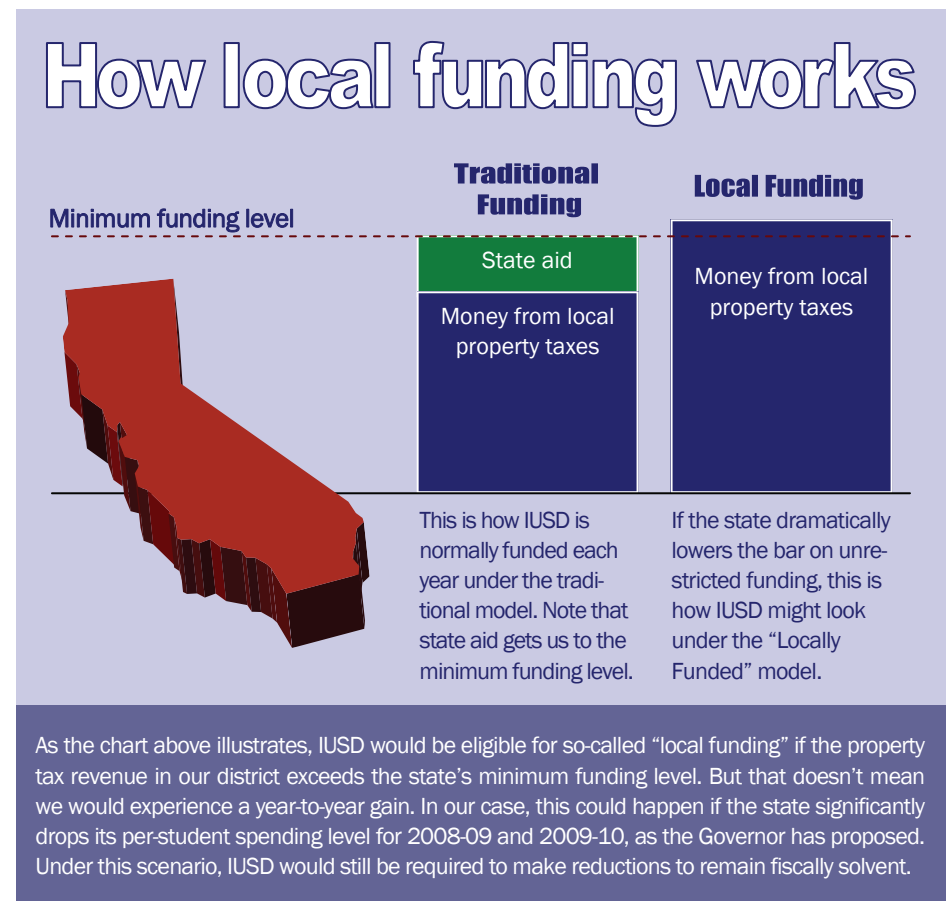
Negotiations will continue as both houses attempt to reconcile their stimulus proposals before a final bill is forwarded to President Obama.

IUSD forced to make cuts

At this point, with so much fluidity at the federal and state levels, the scenarios are virtually countless. Yet even as we ponder the possibilities, we must remember that it remains our legal obligation to plan based on the Governor's most recent budget proposal, which neces-

sitates \$10 million in ongoing cuts for our district. That means our Budget Crisis Committee will continue its important work of identifying potential budget reductions and revenue enhancements for the fiscal year that begins July 1. Moreover, we must reluctantly proceed with the process of notifying teachers and administrators if the possibility exists that they may not be back next year. This is a difficult task, but it is the only way our district will have the flexibility needed to guarantee our fiscal solvency, regardless of what the state throws our way.

Wherever the possibility exists to maintain opportunities for students and jobs for our employees, it is our duty and practice to leave no stone unturned. As always, we will continue to share the latest news and information as it becomes available.



For more information, please visit IUSD's Budget Watch page at www.iusd.org/budget_watch.