

# Budget Notebook



*Chronicling California's developing budget and its impact on IUSD*

## School districts brace for deep midyear cuts as the state's shortfall swells past \$40 billion

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When the state adopted its 2008-09 budget in September, experts agreed it was built on a foundation of flawed revenue assumptions that would surely crumble.

Four months later, those fears have been more than realized.

California's tax revenues are plummeting daily, and the state is now looking at an unprecedented shortfall of more than \$40 billion over the next 18 months. Legislative leaders are being urged to take swift action to stanch the bleeding of red ink, even as they simultaneously develop a spending plan for 2009-10.

So what does this mean for the Irvine Unified School District?

With California's credit rating so poor that it can no longer borrow money, a combination of tax hikes and mid-year cuts to schools and other public agencies are all but inevitable. Based on the state's most recent figures, our district could be shortchanged by at least \$1,036 per student over the next 18 months, amounting to a loss of nearly \$27 million.

It's worth noting that IUSD had already anticipated a drop in revenue and reacted accordingly. In fact, Bob Blattner, a consultant who closely follows the state budget and its impact on education, says IUSD is as well positioned as any district to cope with this fiscal crisis. But despite even our conservative approach, the most recent projections indicate IUSD will need to make approximately \$10 million in ongoing reductions this year in order to remain fiscally solvent.

That figure, while subject to change, is especially dis-

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Date	Action
Jan. 21, 2009	In response to a ballooning state shortfall and a call for midyear cuts, IUSD implements a spending freeze on all nonessential expenditures.
January/February	Legislators are expected to agree on a plan to fix the 2008-09 budget and establish the framework for 2009-10. Midyear cuts are considered inevitable.
March 15	Districts across the state must notify certificated staff members if their positions may be eliminated in 2009-10.
March/April	The Board of Education will likely take action on proposed cuts.
May 15	This date marks an important milestone for new fiscal information from the state, as the Governor is scheduled to release his "May Revise."
June	The Board of Education will review updated budget information and adopt its final budget for 2009-10.
June 30	IUSD's budget must be submitted to the Orange County Department of Education by this date.

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(Continued from page 1)

heartening when you consider our district made approximately \$12 million in one-time and ongoing reductions last spring.

### **IUSD implements freeze**

With the news out of Sacramento worsening, IUSD has already taken a number of proactive steps to blunt the impact as we plan for 2009-10.

Effective Jan. 21, our district implemented an immediate freeze on all expenditures that aren't considered essential to classroom instruction, safety, contract compliance or operational necessity. This is not a step we take lightly, as our sites already operate lean. But we know from experience that the proactive measures we take at this time will help ensure a softer landing later.

Last year's freeze, enacted under similar circumstances, generated nearly \$5 million worth of funds that remain in an emergency account. If we can hit a similar target this year, the combined savings of one-time dollars would at least cushion the blow moving forward.

In addition to the freeze, our district recently established a Budget Crisis Committee comprised of more than 20 individuals, representing all aspects of IUSD and its parent community. Though our Board of Education will set priorities and make all final decisions, this committee will be instrumental in developing strategies for both reducing costs and generating new revenue.

Finally, we want to hear from you. Just as we did last year, we've set up an online Budget Input Form at

[www.iusd.org/inputform](http://www.iusd.org/inputform). All of our stakeholders, from our staff and students to parents and community members, are encouraged to submit cost-saving tips and revenue enhancement strategies that will be shared with our administration and our Board of Education.

### **Democrats, Republicans divided**

At this time, it's simply too early to know what programs and positions might be impacted in IUSD. That's in large part because while the state's Democrats and Republicans generally agree on the need for cuts, each side of the aisle is advocating a different approach to bridge the gap. More on that in a moment.

Remember that our operational funding from the state – the money that pays for teachers, staff and supplies – comes in two forms. There's the "revenue limit," which is the term used to describe unrestricted per-student dollars; and there are categorical funds, which provide money for specific programs, such as class-size reduction. (Funding for facilities is yet another "pot" of money that cannot be intermingled with operational funds.)

One political camp that includes many of the State Assembly's Democrats would like to reduce categorical funding, thereby scaling back those programs accordingly. Another group that includes Gov. Arnold Schwarzenegger would rather reduce the revenue limit and cut the strings on many categorical programs, essentially giving school districts the flexibility to prioritize how best to spend the dollars they receive. Other options under discussion include allowing districts to reduce the school year by five days,

though this is less likely.

### **Shortened timeline**

No matter how the current crisis is resolved, negotiations in the Legislature will hopefully produce an agreement no later than mid-February. Meanwhile, IUSD and other districts are legally required to plan for worst-case scenarios, and a number of statutory deadlines significantly compress our timeline. We therefore must immediately begin the challenging process of identifying potential reductions for the fiscal year that begins July 1.

Again, Irvine Unified and other districts must adopt their yearly budgets by June 30. Though the state shares this deadline, the Governor and the Legislature rarely meet it. That only hinders the work of school districts, which are required to notify teachers by March 15 if the possibility exists that they may not be needed the following year. (This early deadline often forces school districts to distribute more notices than are necessary.)

### **Looking ahead**

Our community did not cause California's latest budget crisis. Nevertheless, we will be impacted by it.

If there is an upside, however, it is that we are positioned well relative to other districts in California, and for that we must thank our dedicated staff, our thoughtful Board of Education, the diligence of our Business Services team and the unrivaled support of this incredible community.

Now more than ever, it is critical that all of these groups work seamlessly together to ensure the best opportunities for each of our 26,000 students.

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