

Budget Notebook



Chronicling California's developing budget and its impact on IUSD

School districts need to exercise caution after the state builds a budget on risky assumptions

BY SUPERINTENDENT GWEN E. GROSS, Ph.D.

One needs only to pick up a newspaper or turn on the television to know that times are getting tough – for everyone. From the unemployment rate to global markets, all national indicators of economic health appear to be headed in the wrong direction.

It is against this sour backdrop that I offer the latest budget developments from Sacramento. Unfortunately, the state outlook is also far from rosy.

In late September, California Legislators finally adopted a state spending plan, ending an impasse that continued 85 days after the budget was due. Demonstrating the level of dissatisfaction from both sides of the aisle, policymakers opted to forgo the usual celebratory budget-signing ceremony.

Now we know why.

The approved state budget for 2008-09 does little to resolve the multibillion dollar gap between revenues and expenditures, once again kicking the problem down the road by relying on risky revenue assumptions, one-time funding and some dollars that were secured in exchange for reducing future revenues. More on that in a moment.

If there is any upside to this budget, it's that Sacramento did not slash school categorical programs by 6.5 percent, as was initially proposed. And per-student dollars saw a nominal increase of 0.68 percent. The latter equates to approximately \$1 million

for the Irvine Unified School District, and while that amount will likely be absorbed by rising costs associated with energy, fuel and health care, we nevertheless appreciate the efforts of the Legislature to maintain funding levels for our schools.

How long they're able to do so may be another matter.

Remember the part about kicking the problem down the road? Well, it turns out that this state crisis could only be

kicked so far.

According to those who follow the machinations of the capital, the house of cards that is California's budget could lose a few floors when the unstable revenue assumptions are exposed, and there are signs this is already happening. As a result, school districts may have to brace for sudden reductions because our funding is tied by a mathematical formula to the over-



Amid a national financial crisis, state experts have likened California's newly adopted budget to a house of cards, one built on unstable revenue assumptions. This could result in midyear cuts for California's schools.

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all budget.

In short, midyear cuts from the state are a very real possibility, and they may even hit before the winter break. That is why it is so critical for districts to exercise extreme fiscal caution at this time.


For years, IUSD has earned a reputation for careful and meticulous planning, and we know that our vigilance is serving us well as we weather this latest storm.

Last year's budget freeze, for example, generated approximately \$5 million in savings, which was enough to stave off some deep cuts to programs and services. And by proactively utilizing a short-term borrowing mechanism this summer, our Business Services staff has ensured that IUSD will have enough cash on hand to meet all of its funding obligations, even if the state delays issuing some of its payments.

Of course, sometimes even the noblest of plans can be thwarted.

As you'll recall, this district launched an ambitious energy-savings campaign in the spring, hoping to save as much as \$500,000 in the face of this crisis. But our electricity provider recently announced it will raise rates by 25 percent, effectively neutralizing our projected savings. (It's worth noting we would have been in a hole had we not aggressively pursued conservation strategies, and I want to thank our staff for their great efforts.)

It seems like we've been talking about this fiscal storm forever, and it's quite possible we may still be talking about it two to three years from now. But we

 California's 2008-09 Budget (And how it will impact Irvine Unified)		
The Good	The Bad	The Ugly
<ul style="list-style-type: none"> • School categorical programs were not cut by 6.5 percent, as was initially proposed • The state's revenue limit, also known as per-student dollars, received a nominal increase of 0.68 percent • Separately, IUSD saw a slight increase in enrollment for 2008-09 	<ul style="list-style-type: none"> • California's spending plan is based on very risky revenue assumptions, including one-time money and dollars that reduce revenue in the future • The plan does nothing to resolve the state's annual gap between revenues and expenditures 	<ul style="list-style-type: none"> • Some say it's only a matter of time before the state's risky revenue assumptions fall through, bringing down the funding formulas for education; midyear cuts could result • The national economic crisis and the credit crunch will add to California's woes • 2009-10 looks even worse

know the dark clouds overhead will ultimately part, giving way to brighter days ahead.

In the meantime, your hard work is making a difference.

Bob Blattner, a consultant who follows the budgetary process on behalf of the Sacramento-based firm Blattner and Associates, recently told Irvine PTA members that their advocacy efforts – along with the efforts of our staff and some of our civic-minded students – played a major role in protecting education from deeper cuts this year. Indeed, our schools and our families carry weight in Sacramento because we know how to work together to provide a world-class education for Irvine's youngest residents, and we prove it each and every day.

Moving forward, IUSD will continue to use thoughtful planning to ensure our schools are prepared for any eventuality. And we will continue to collaborate with our great community partners, including our PTAs, the Irvine Public Schools Foundation and the City of Irvine, to help fill the void when state funding falls short.

While I cannot promise the state won't hit us with midyear cuts, I can assert that this district remains in a position of strength thanks in large part to foresight and diligent fiscal planning. In the challenging months ahead, we will continue to use the dollars we have in the most efficient and responsible manner, while advocating vigorously on behalf of IUSD's 26,000 students.