

# Irvine Unified School District First Interim Report



**Presented by John Fogarty**

**December 14, 2021**

# Financial Reporting Cycle



- ✓ State Budget Adoption . . . . . **July**
- ✓ 2020-21 Unaudited Actuals . . . . . **September**
- ✓ First Interim Report . . . . . **December**
- Governor’s 2022-23 Budget Proposal . . . . . **January**
- Second Interim Report . . . . . **March**
- 2022-23 Budget LCAP Study Session . . . . . **April**
- IUSD 2022-23 Budget Adoption. . . . . **June**

# First Interim Report



## Interim Report Purpose:

- ❑ The First Interim Report represents the District's first official revision to the District's 2021-22 Adopted Budget
- ❑ The First Interim Report includes actual financial information through October 31, 2021 with revised projections for the remainder of the fiscal year
- ❑ School Districts are required to certify their financial condition twice during the fiscal year. This certification addresses the District's ability to meet its financial obligations for the current year and two subsequent years

# Legislative Analysts Office

## November 2021 Fiscal Outlook



- LAO nonpartisan fiscal advisor to the Legislature
- Based on consensus economic forecasts from major U.S. institutions and professional economists
- Annual Fiscal Five Year Outlook provides assessment of economy and considers current year and four subsequent years
  - Outlook covers 2021-22 through 2025-26
  - Provided to assist in development of 2022-23 State Budget
- In recognition of the volatility surrounding economic projections due to the COVID – 19 pandemic, the LAO provided one “main” projection with several caveats

# Legislative Analysts Office

## November 2021 Fiscal Outlook



### Observations of Main Outlook

- ❑ Covers 2021-22 through 2025-26
- ❑ There remains significant uncertainty impacting forecasts
- ❑ LAO estimating that revenues will increase by over \$28 billion from budget projections across 2020-21 and 2021-22
- ❑ LAO projecting an operating surplus of \$31 billion in 2022-23 and no state operating deficits through 2025-26
- ❑ Underlying this growth are dramatic increases in several measures of economic activity
  - ❑ Retail sales have posted double digit growth during 2021
  - ❑ Stock prices have doubled from the pre-pandemic low of last spring
  - ❑ Several major corporations have reported record earnings driving increased Corporate Income Tax collections

# Legislative Analysts Office

## November 2021 Fiscal Outlook



### Observations of Main Outlook

- ❑ Cautions there remains significant uncertainty impacting forecasts
  - ❑ California has recovered approximately 67% of the jobs lost in March and April of 2020
  - ❑ Significant sectors of the economy such as Leisure and Hospitality have not yet recovered
- ❑ Inflation at least a temporary concern – may cause stock market volatility and negatively impact 2022-23 State Capital Gains

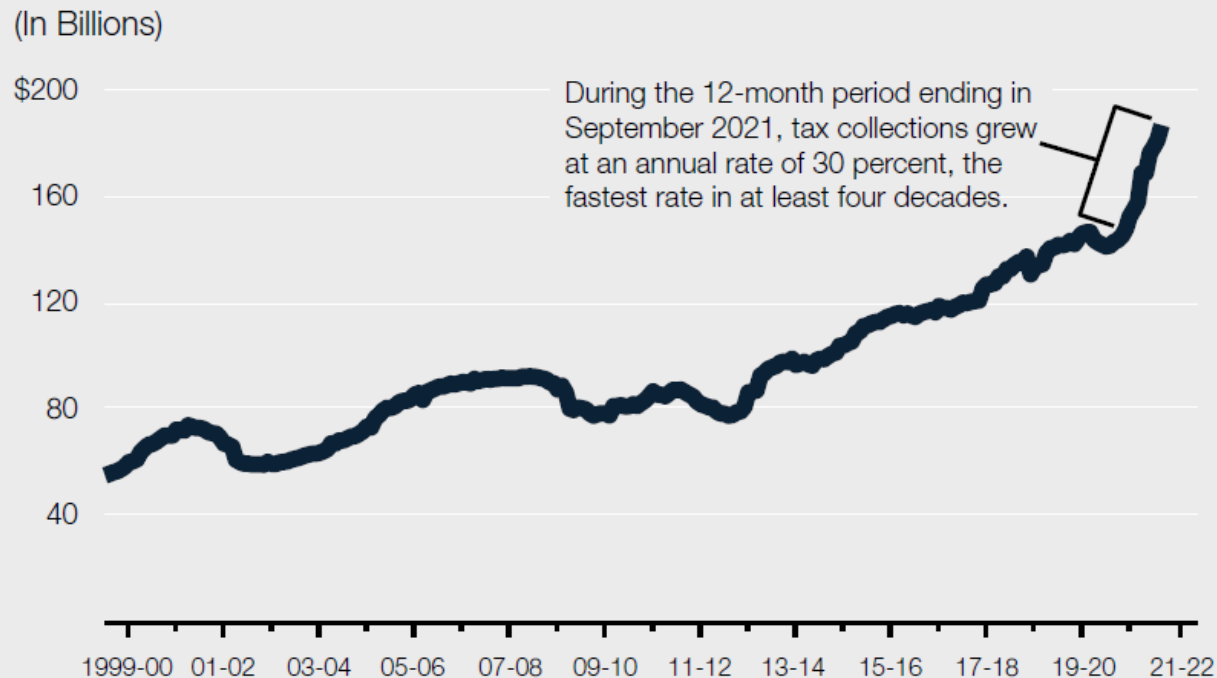
# State Revenues Higher Than Expected



Figure 2

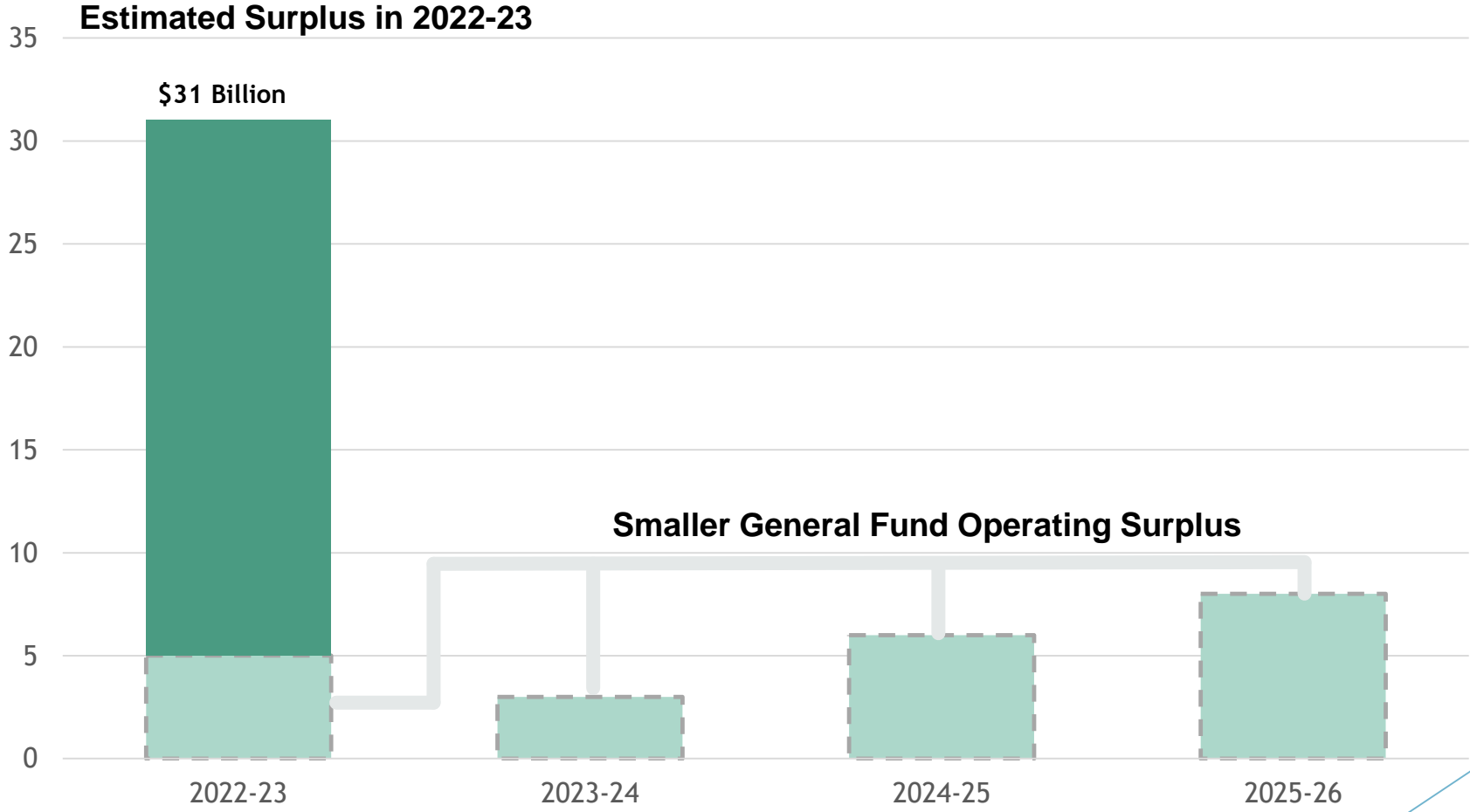
## Rapid Rise in Revenue Collections in Recent Months

Rolling 12-Month Total Collections From Income, Sales, and Corporation Taxes



Source: LAO The 2022-23 Budget: California's Fiscal Outlook

# Significant Estimated Surplus in 2022-23, but Smaller Share Is Ongoing...



Source: LAO The 2022-23 Budget: California's Fiscal Outlook



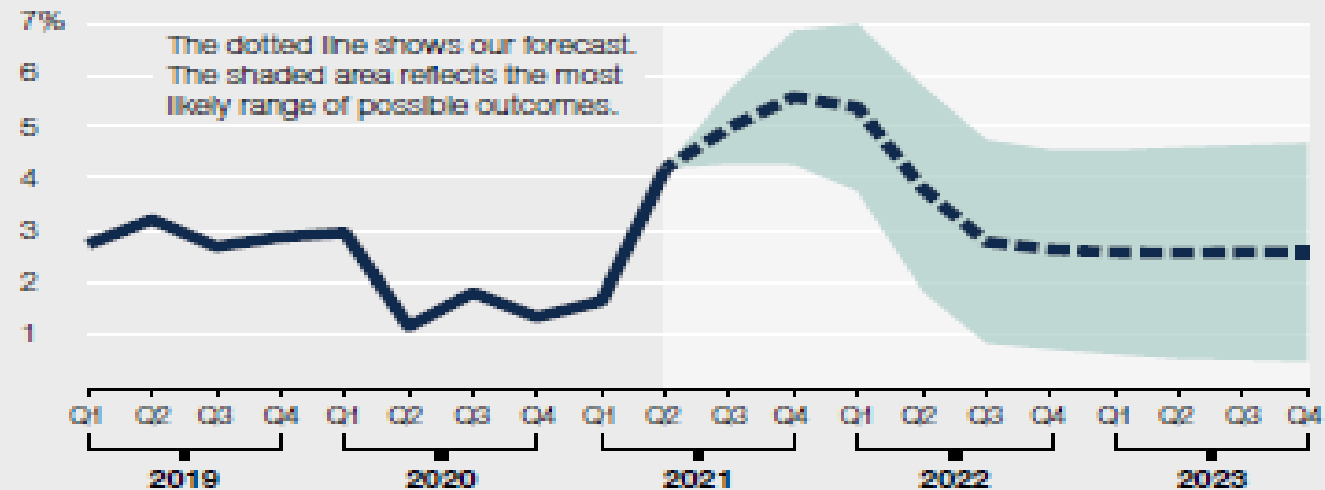
# Projected Inflation



Figure 8

## Inflation Elevated Recently

Annual Growth in California Consumer Price Index



Source: LAO The 2022-23 Budget: California's Fiscal Outlook

# Legislative Analysts Office

## November 2021 Fiscal Outlook

### Proposition 98



#### Main Outlook Scenario – Education Funding

- ❑ Due to stronger than anticipated revenues for 2020-21 and 2021-22 the Proposition 98 guarantee is expected to yield additional one-time funding of \$8.2 billion in the current year and \$2 billion for the 2020-21 fiscal year
  - ❑ These will provide the Legislature with a projected \$10.2 billion in discretionary one-time Proposition 98 funding in the 2022-23 Budget
- ❑ In addition, Proposition 98 is expected to grow by \$11.6 billion in 2022-23
- ❑ In line with inflation, the LAO is also projecting a statutory COLA of 5.35%
  - ❑ After factoring the cost of the COLA and other adjustments, the LAO is projecting the Legislature will have approximately \$9.5 billion in discretionary ongoing Proposition 98 funding in 2022-23.

# Legislative Analysts Office

## November 2021 Fiscal Outlook

### Proposition 98

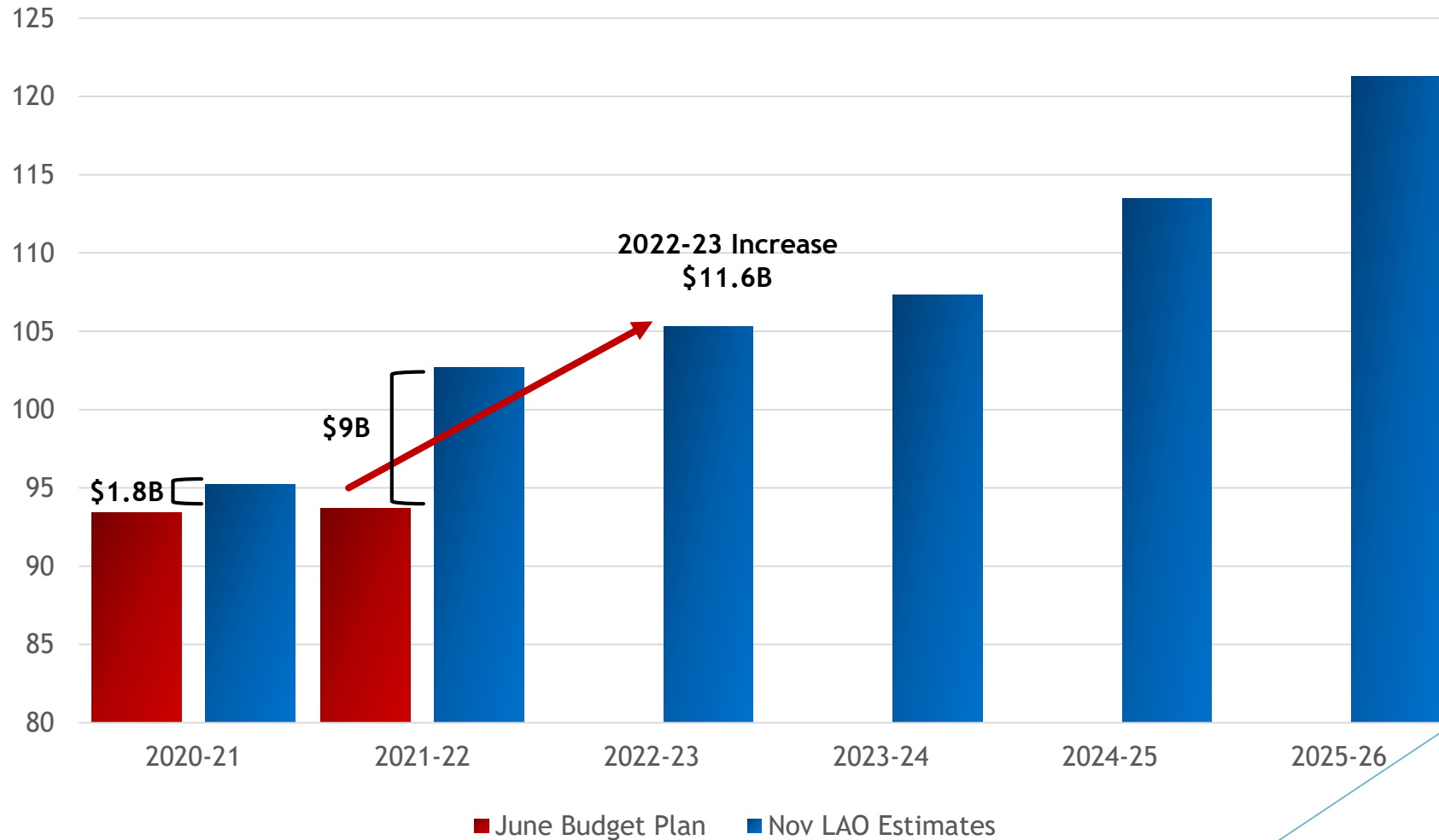


#### **Main Outlook Scenario – Education Funding**

- While we would advocate that the additional ongoing money be used to:
  - Increase the Local Control Funding Formula (LCFF) Base
  - Increase ongoing support for Special Education
  - Increase ongoing support to relieve pension costs
- Legislature ultimately decides how to allocate Proposition 98 funding

# Prop 98 Funding

LAO Forecast (In Billions)



Source: LAO The 2022-23 Budget: California's Fiscal Outlook



# Ongoing Challenges

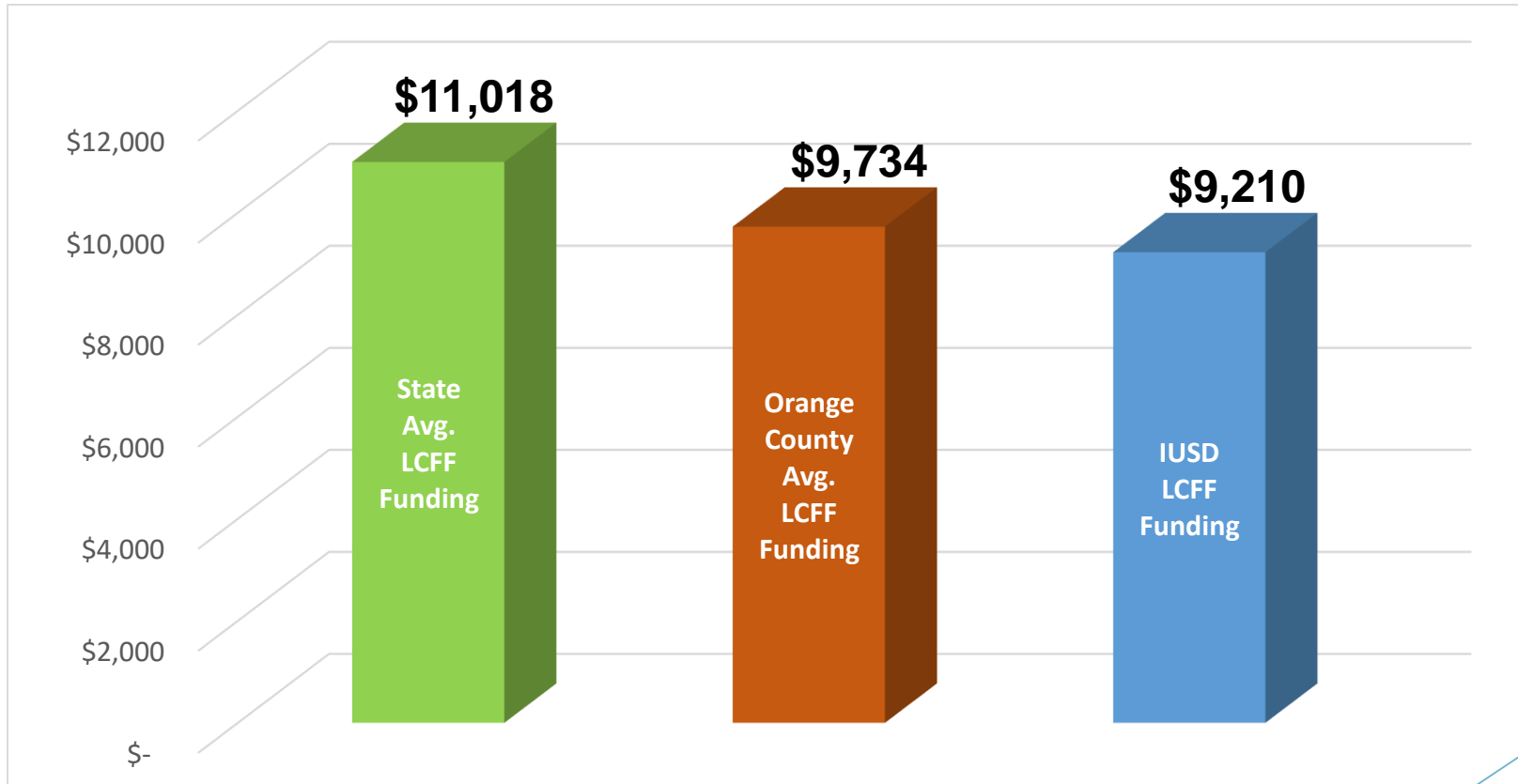


- ▶ The Local Control Funding Formula represents well over 90% of Unrestricted Revenue (for IUSD 95%), yet funding disproportionately benefits districts with high concentrations of disadvantaged students
- ▶ Large influx of State and Federal one-time funding
- ▶ Districtwide Enrollment
- ▶ State revenues very volatile
  - ▶ Heavily dependent on high income earners driven largely by capital gains from the stock market
  - ▶ Inflation at least a temporary concern – may cause stock market volatility and negatively impact 2022-23 State Capital Gains
- ▶ Impact of ongoing pension increases

# LCFF Long-Term Potential Impact to IUSD

The LCFF is weighted to favor districts with high populations of disadvantaged students, as such, IUSD receives substantially lower per pupil funding annually.

2020-21 LCFF Funding Comparison Unified School Districts



**Note: IUSD funded \$1,808/ADA below statewide average for Unified School Districts statewide. Impact \$63.4 million.....**



# 2021-22 Budget Anomalies



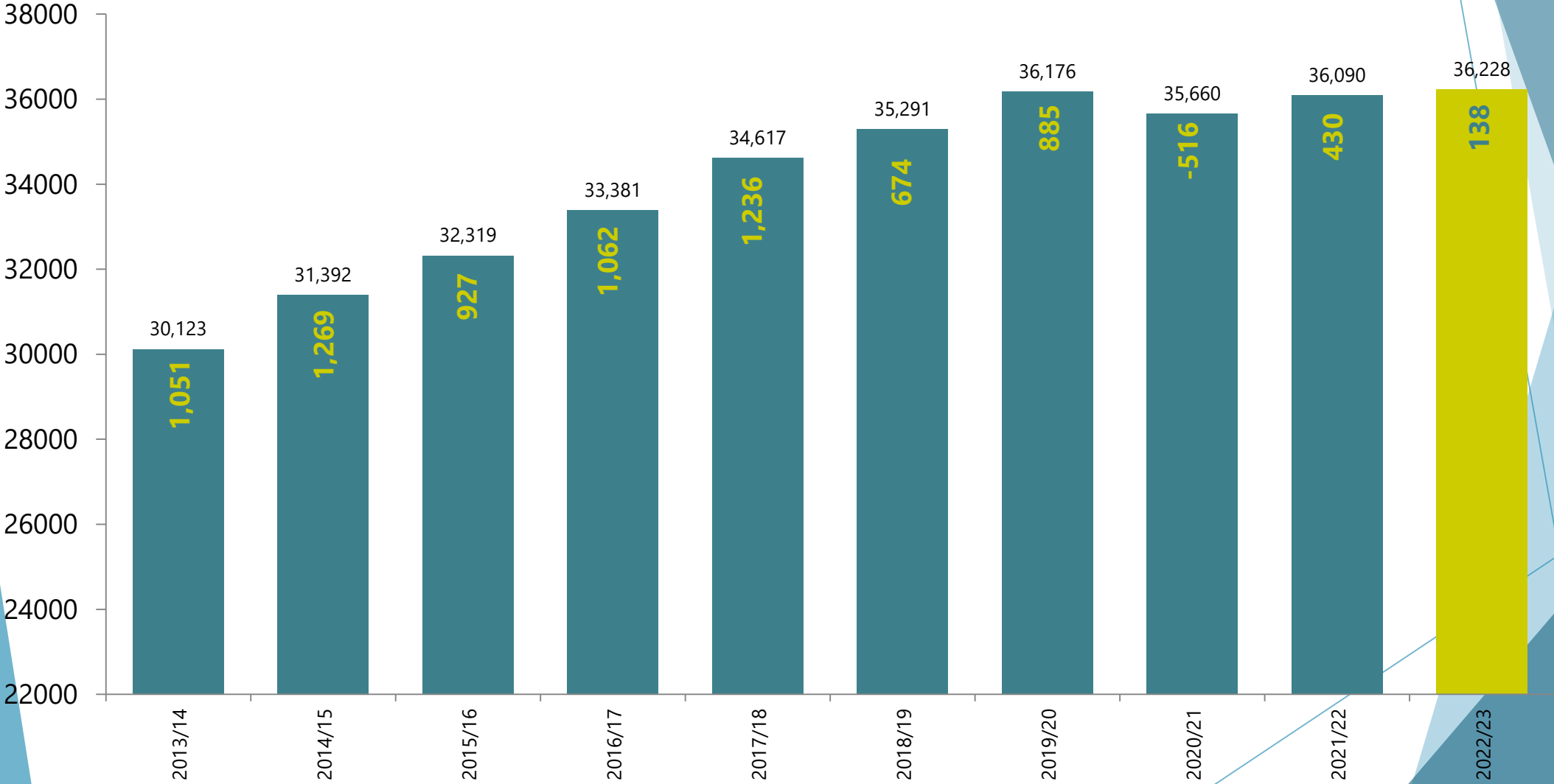
## Summary of New One-time funding:

Expanded Learning Opportunities	\$22,438,520
In-Person Instruction	\$12,383,580
ESSER II	\$ 8,171,292
ESSER III	<u>\$18,364,727</u>
<b>Total:</b>	<b>\$61,358,119</b>



**Given the significance of the one-time funding, districts will need to ensure an exit strategy as one-time funds cannot be used to fund ongoing programs and/or costs...**

# Enrollment Trends (TK-12)



Sources: DataQuest, California Department of Education CBEDS Enrollment and IUSD Weekly Enrollment Reports for First Week of October



# 2021-22 First Interim Assumptions



	2021-22 Projected	2022-23 Projected	2023-24 Projected
ADA	35,087	35,129	35,187
LCFF Funding per student	9,665	9,904	10,224
Property Tax Increases	4%	4%	4%
Salary Increases (Ongoing)	TBD	TBD	TBD
Salary Increases (One-time)*	TBD	TBD	TBD
Step & Column Increases	2%	2%	2%
Health Insurance Contributions	11,015	11,015	11,015
Utility Increases	4%	4%	4%
District Reserve Level	2%	2%	2%

# 2021-22 Budget & Multiyear Projections

## Unrestricted General Fund



Unrestricted	2021-22 Projected	2022-23 Projected	2023-24 Projected
Total Revenues	\$357,501,787	\$366,956,785	\$379,195,553
Total Expenditures	(\$291,353,712)	(\$287,979,415)	(\$292,721,708)
EXCESS (DEFICIENCY)	\$66,148,075	\$78,977,370	\$86,473,845
Other Sources/(Uses)	(\$69,552,313)	(\$67,296,637)	(\$69,273,773)
<b>Net Increase/(Decrease)</b>	<b>(\$3,404,238)</b>	<b>\$11,680,733</b>	<b>\$17,200,072</b>
Beginning Balance, July 1	\$48,534,125	\$45,129,887	\$56,810,620
Ending Balance, June 30	\$45,129,887	\$56,810,620	\$74,010,692

# 2021-22 Budget & Multiyear Projections

## Components of Ending Fund Balance



Description	2021-22 Projected	2022-23 Projected	2023-24 Projected
<b>Estimated Ending Fund Balance</b>	<b>\$45,129,887</b>	<b>\$56,810,620</b>	<b>\$74,010,692</b>
<b><i>Components of Ending Fund Balance:</i></b>			
Revolving Cash/Stores	\$350,000	\$350,000	\$350,000
State Required Reserve	\$10,524,000	\$8,772,763	\$8,921,775
Contingency Reserve	\$5,000,000	\$5,000,000	\$5,000,000
<b>Reserve for 2022-23 LCAP</b>	<b>\$8,000,000</b>	<b>\$8,000,000</b>	<b>\$8,000,000</b>
Reserve for Charter ADA Loss	\$2,068,000	\$2,068,000	\$2,068,000
Other Assigned	<b>\$19,187,887</b>	\$32,619,857	\$49,670,917

# 2021-22 First Interim Report Certification



- ❑ **Positive** = A school district that, based on current projections, will be able to meet its financial obligations for the current fiscal year and subsequent two fiscal years
- ❑ **Qualified** = A school district that, based on current projections, **may** not meet its financial obligations for the current fiscal year or subsequent fiscal year
- ❑ **Negative** = A school district that, based on current projections, will be unable to meet its financial obligations for the current fiscal year or for subsequent two fiscal years
- ❑ Staff recommends a **Positive Certification** of the First Interim Report



**Thank You!**