

Irvine Unified School District First Interim Report



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December 12, 2023

Financial Reporting Cycle



- ✓ **State Budget Adoption** **July**
- ✓ **2022-23 Unaudited Actuals** **September**
- ✓ **First Interim Report 2023-24** **December**
- Governor's 2024-25 Budget Proposal **January**
- Second Interim Report 2023-24 **March**
- 2024-25 Budget LCAP Study Session **April**
- IUSD 2024-25 Budget Adoption. **June**

First Interim Report



Interim Report Purpose:

- ❑ The First Interim Report represents the District's first official revision to the District's 2023-24 Adopted Budget.
- ❑ The First Interim Report includes actual financial information through October 31, 2023 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

December 2023 Fiscal Outlook



- ❑ In a typical year, the Legislative Analysts Office (LAO) issues their Annual Fiscal Five Year Outlook in mid-November.
- ❑ Due to the postponement of the 2022 federal and state income tax filing deadline to November 16, 2023, the LAO delayed their outlook to December.
- ❑ 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 2023-24 through 2027-28
 - ❑ **The Outlook does not constitute a formal budget proposal....**
 - ❑ Used to assist the Legislature and Administration in budget development

Legislative Analysts Office

2022 Revised Revenue Estimates



- ❑ The Final 2023-24 State Budget included an estimated \$42 billion in tax collections in November due to postponement of personal income tax (PIT) and corporation tax returns.
- ❑ **Assumptions were off....way off:**
 - ❑ **Actual 2022 tax collections came in \$26 billion lower than projections**
- ❑ In addition, the LAO is now forecasting that the decline in actual revenues from 2022-23 will continue in 2023-24 and begin to recover in 2024-25, projecting a three year revenue decline of approximately \$58 billion with an overall budget deficit of \$68 billion.

Legislative Analysts Office

2022 Revised Revenue Estimates



- ❑ Why did this occur.....
 - ❑ Actions taken by the Federal Reserve to cool economy have resulted in higher borrowing costs and reduced investment
 - ❑ Home sales are down by about half.....monthly mortgages for typical California home have gone from \$3,500 to \$5,400
 - ❑ Unemployment rate increased from 3.8% to 4.8% from summer of 2022 to 2023 impacting 200,000 workers
 - ❑ 2022 Financial markets decline....S&P down 19.4%
 - ❑ While weakness was suspected, full extent was not known due to the postponement of the 2022 income tax collections

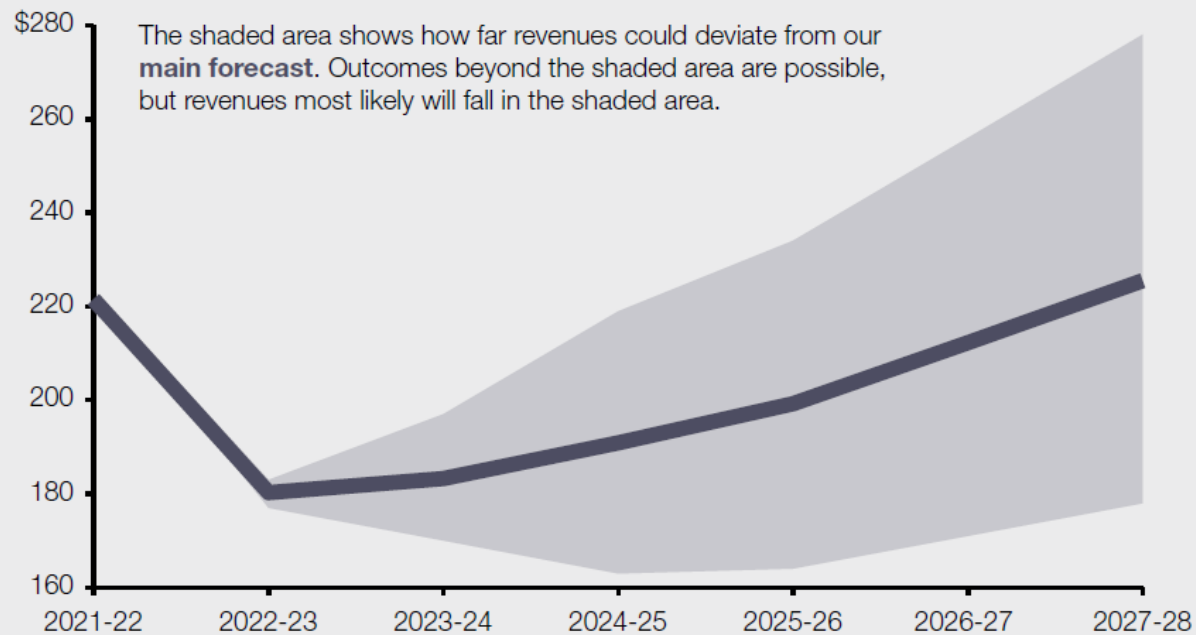
Legislative Analysts Office Five Year Revenue Outlook



Figure 2

LAO Revenue Outlook

Total Revenue Excluding Federal Cost Recovery (In Billions)



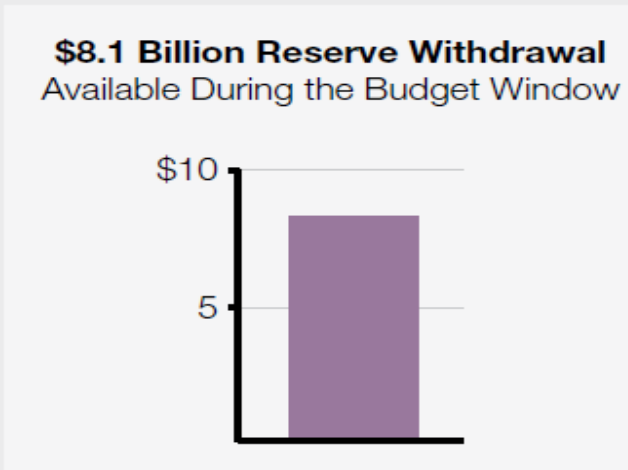
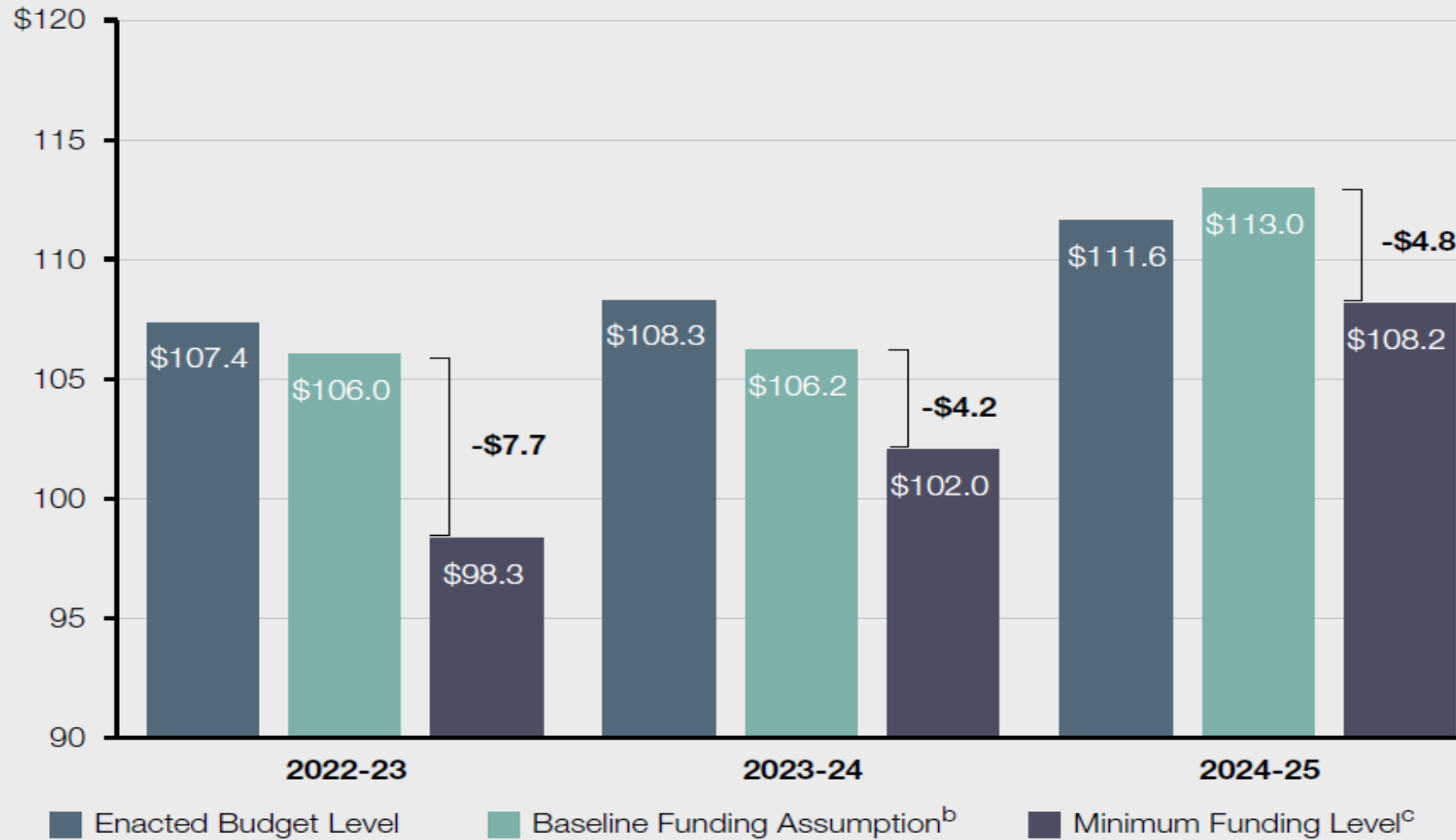
Proposition 98



- ❑ **The impact on Proposition 98.....**
 - ❑ Proposition 98 is currently forecast to remain in a Test 1 status whereby K-14 Education funding is tied directly to State revenues.
 - ❑ Under Test 1 Proposition 98 will receive approximately 40% of State revenues.
 - ❑ The impact of the \$58 billion reduction in revenue translates to approximately \$21 billion reduction in Proposition 98 funding over the three year span 2022-23, 2023-24 and 2024-25.
 - ❑ \$4.3 billion in previously mandated Proposition 98 Reserves are no longer required for 2022-23 and 2023-24 leaving the impact on Proposition 98 at \$16.7 billion.
 - ❑ There is currently \$8.1 billion available in the Proposition 98 Reserves leaving a balance to solve of approximately \$8.6 billion.
 - ❑ LAO is also projecting a 1.27% COLA for 2024-25.....if funded challenging for schools to maintain ongoing costs.....
 - ❑ **More to come with release of Governor's 2024-25 State Budget Proposal in January....**

Comparing Proposition 98 Funding Levels in the Budget Window^a

(In Billions)



^a Reflects total General Fund and local property tax revenue for schools and community colleges.

^b For 2022-23 and 2023-24, reflects June funding level with automatic adjustments, including elimination of required reserve deposits and baseline adjustments to Local Control Funding Formula. For 2024-25, reflects estimate of the Proposition 98 minimum requirement building upon the baseline spending assumptions in 2022-23 and 2023-24.

^c Reflects funding level if state funds at the Proposition 98 minimum requirement each year of the period.

Ongoing Challenges

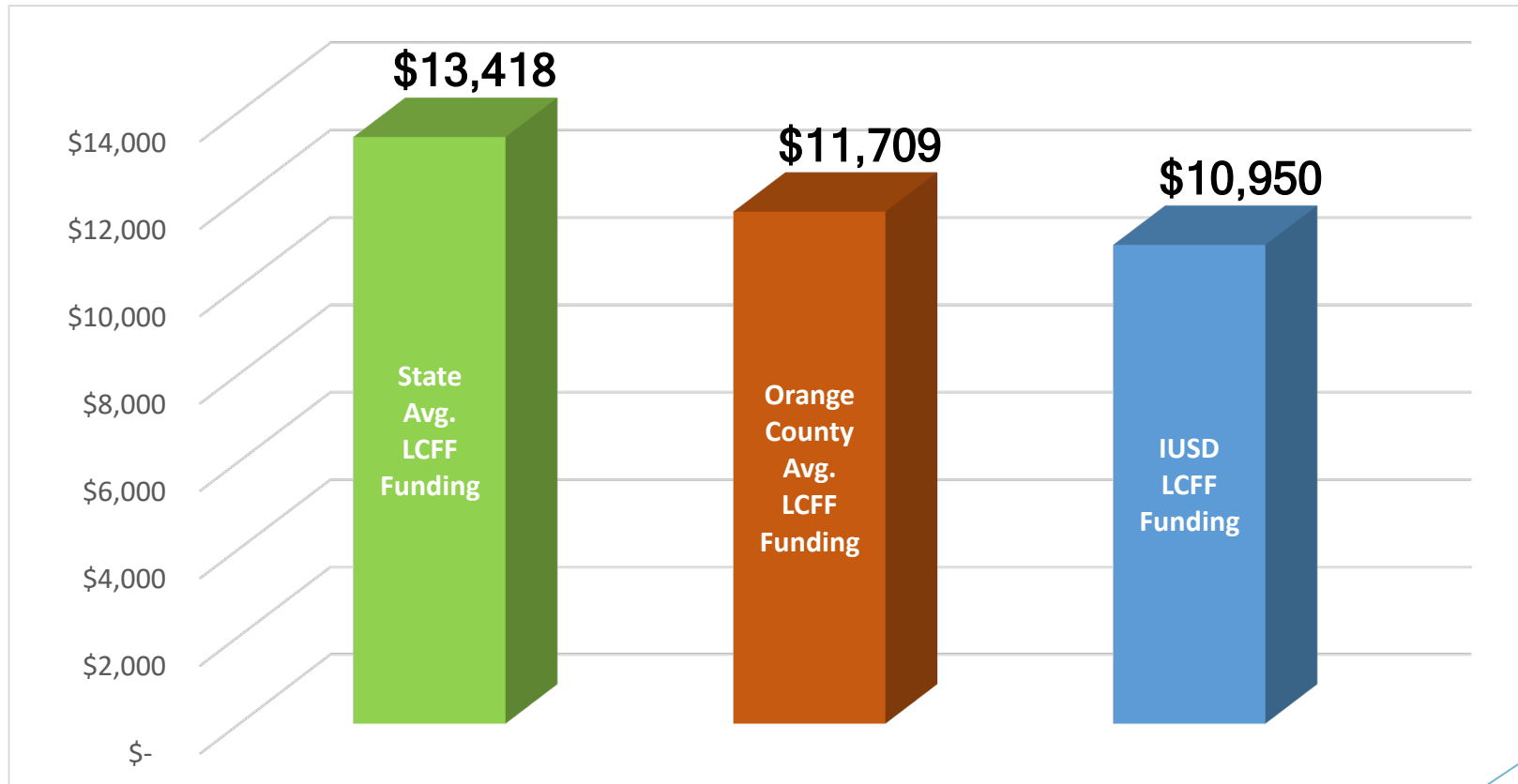


- ❑ The Local Control Funding Formula represents well over 90% of Unrestricted Revenue (for IUSD 95%), yet funding disproportionately benefits districts with high concentrations of disadvantaged students.
- ❑ Large influx of State one-time funding
 - ❑ Manageability difficult
- ❑ State revenues very volatile
 - ❑ Heavily dependent on high income earners driven largely by capital gains from the stock market
 - ❑ Inflation remains at least a temporary concern – may cause stock market volatility and negatively impact 2023-24 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.

2022-23 LCFF Funding Comparison Unified School Districts



Note: IUSD funded \$2,468 ADA below statewide average for Unified School Districts statewide. Impact \$89 million.....

Utilization of New 2022-23 Additional One-time Funding (Approximately \$51.3M)

Learning Recovery Emergency Block Grant
Estimated Funding: 22.1M

Allowable Uses:

- Increase instructional learning time
- Implement or expand learning supports to close learning gaps
- Integrate pupil supports and staff support/training to address other barriers to learning
- Provide access to instruction for credit-deficient pupils to graduate or improve college eligibility
- Provide additional academic services to pupils such as diagnostic, progress monitoring, and benchmark assessments for pupil learning

Arts, Music and Instructional Materials
Discretionary Block Grant
Estimated Funding: \$21.7M

Allowable Uses:

- 100% Discretionary - can be used on any operational costs

Suggested additional uses:

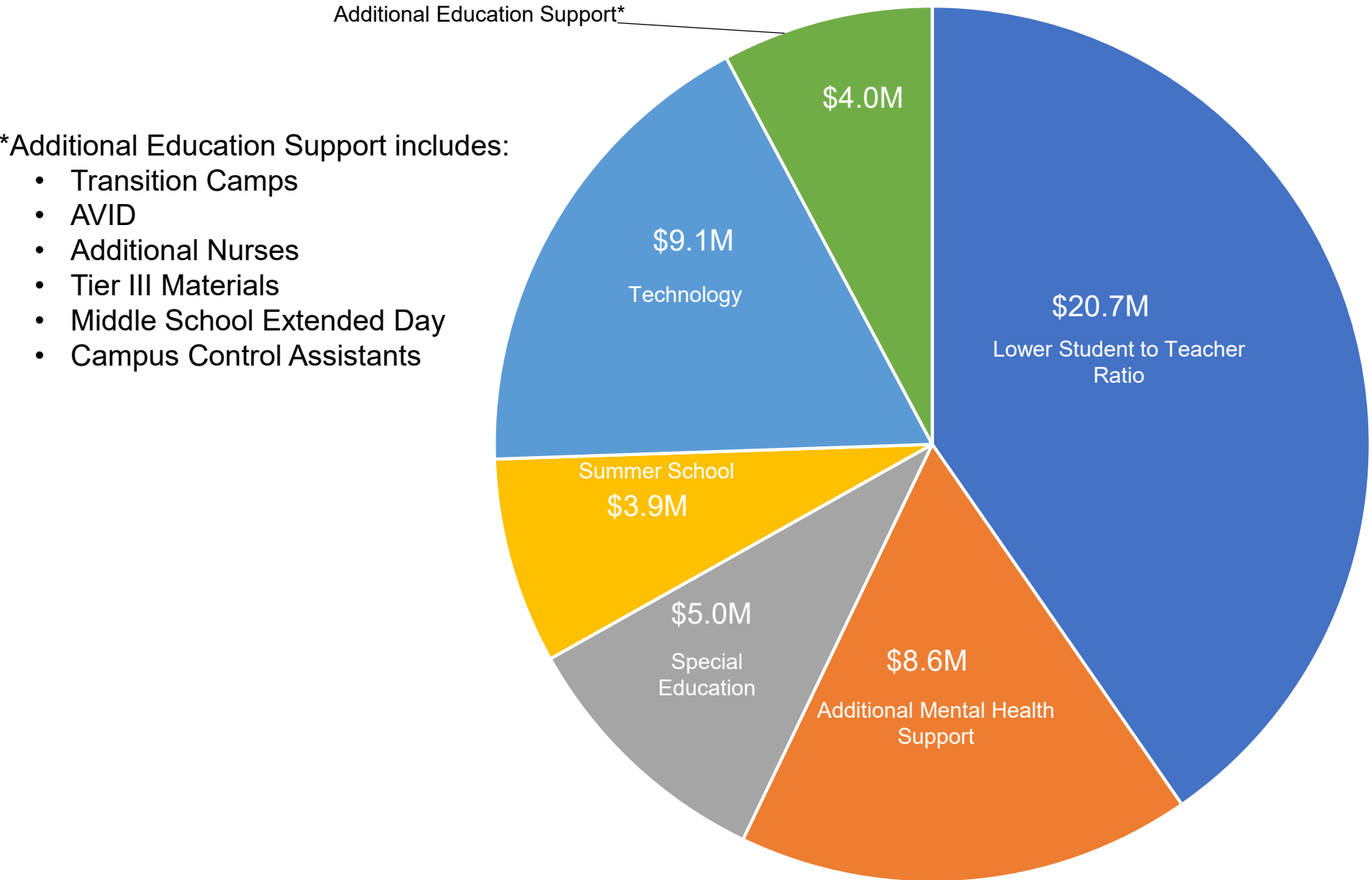
- Diverse and culturally relevant book collections for school and classroom libraries
- Standards-aligned professional development and instructional materials
- Instructional materials and professional development on improving school culture
- COVID-19 related materials, supplies, and equipment

Other Available One-time Funds: \$7.5M

Allowable Uses:

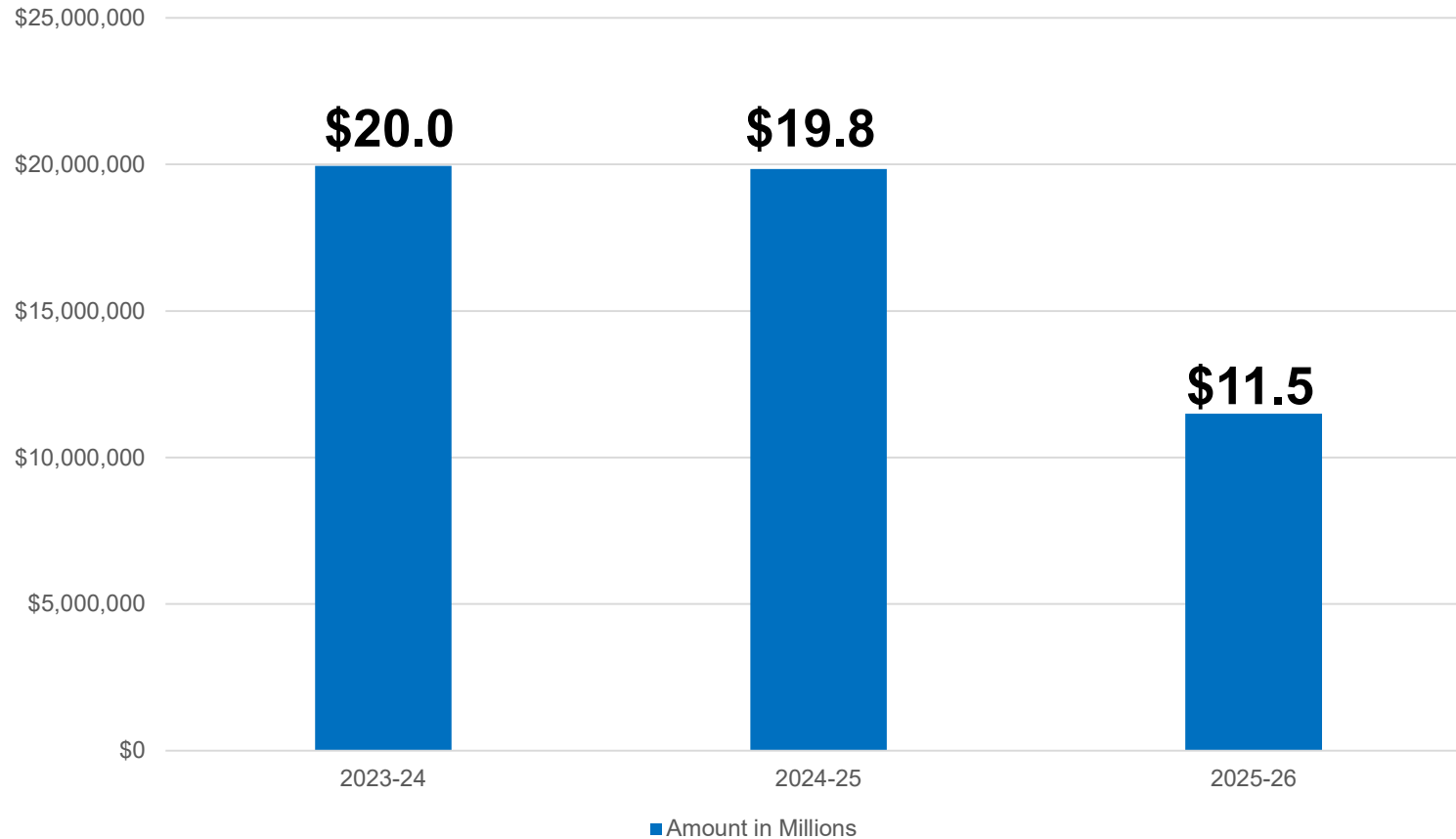
- 100% Discretionary - can be used on any operational costs
- Funds are from department and district carryover from current and prior years

Distribution of \$51.3 Million in One-Time Funds



Planned One-Time Expenditures By Year

(in millions)



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...

2023-24 First Interim Assumptions



	2023-24 Projected	2024-25 Projected	2025-26 Projected
ADA	36,153	36,384	36,727
LCFF Funding per student	\$11,854	\$12,321	\$12,760
Property Tax Increases	5%	5%	5%
Salary Increases (Ongoing)	TBD	TBD	TBD
Salary Increases (One-time)*	TBD	TBD	TBD
Step & Column Increases	2%	2%	2%
Health Insurance Contributions	\$12,400	\$12,400	\$12,400
Utility Increases	5%	5%	5%
District Reserve Level	2%	2%	2%

2023-24 Budget & Multiyear Projections

Unrestricted General Fund



Unrestricted	2023-24 Projected	2024-25 Projected	2025-26 Projected
Total Revenues	\$454,528,815	\$475,295,674	\$495,813,202
Total Expenditures	(\$347,464,237)	(\$342,411,661)	(\$349,100,725)
EXCESS (DEFICIENCY)	\$107,064,578	\$132,884,013	\$146,712,477
Other Sources/(Uses)	(\$97,333,957)	(\$90,075,512)	(\$94,729,106)
Net Increase/(Decrease)	\$9,730,621	\$42,808,501	\$51,983,371
Beginning Balance, July 1	\$49,593,467	\$59,324,088	\$102,132,589
Ending Balance, June 30	<u>\$59,324,088</u>	<u>\$102,132,589</u>	<u>\$154,115,960</u>

2023-24 Budget & Multiyear Projections

Components of Ending Fund Balance



Description	2023-24 Projected	2024-25 Projected	2025-26 Projected
Estimated Ending Fund Balance	<u>\$59,324,088</u>	<u>\$102,132,589</u>	<u>\$154,115,960</u>
<i><u>Components of Ending Fund Balance:</u></i>			
Revolving Cash/Stores	\$350,000	\$350,000	\$350,000
State Required Reserve	\$11,945,000	\$11,421,935	\$11,355,210
Contingency Reserve	\$5,000,000	\$5,000,000	\$5,000,000
Reserve for 2024-25 LCAP	\$5,485,500	\$5,485,500	\$5,485,500
Other Unassigned - Ongoing	\$32,200,000	\$32,200,000	\$32,200,000
Other Unassigned - One-time	\$4,343,588	\$47,675,154	\$99,725,250

2023-24 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!**

