



2024-25

First Interim Report

Irvine Unified School District

Presented by John Fogarty

December 17, 2024

Financial Reporting Cycle



- ✓ **State Budget Adoption** **July**
- ✓ **2023-24 Unaudited Actuals** **September**
- ✓ **First Interim Report 2024-25** **December**
- Governor’s 2025-26 Budget Proposal** **January**
- Second Interim Report 2024-25** **March**
- 2025-26 Budget LCAP Study Session** **April**
- IUSD 2025-26 Budget Adoption.** **June**



First Interim Report

Interim Report Purpose:

- The First Interim Report represents the District's first official revision to the District's 2024-25 Adopted Budget.
- The First Interim Report includes actual financial information through October 31, 2024 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 2024 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 2024-25 through 2028-29
 - **The Outlook does not constitute a formal budget proposal....**
 - The Outlook provides the Legislature independent estimates and analysis of the state's budget condition for the 2025-26 budget process
- LAO's projections based on current law and policy at both the state and federal level
 - Assessments of state's spending and revenue assumes no new laws or policies are enacted



Legislative Analysts Office

November 2024 Fiscal Outlook

LAO State Outlook

- Overall outlook is neither overly positive or negative
- LAO gives credit to the Administration and the Legislature for 2024-25 State Budget actions that provided a balanced budget in 2024-25 and ensures stability entering into 2025-26
- With no new added programs, 2025-26 State Budget currently forecasting a very manageable \$2 billion deficit – no capacity for new commitments
- Revenues for the budget cycle are outpacing projections by approximately \$7 billion
 - Almost solely driven by stock compensation tied to AI technology sector
 - Top 1% predominately responsible
 - Positive for Proposition 98
- While revenues are strong, projected expenditures over the outlook period are projecting to exceed revenues
- No recession forecast

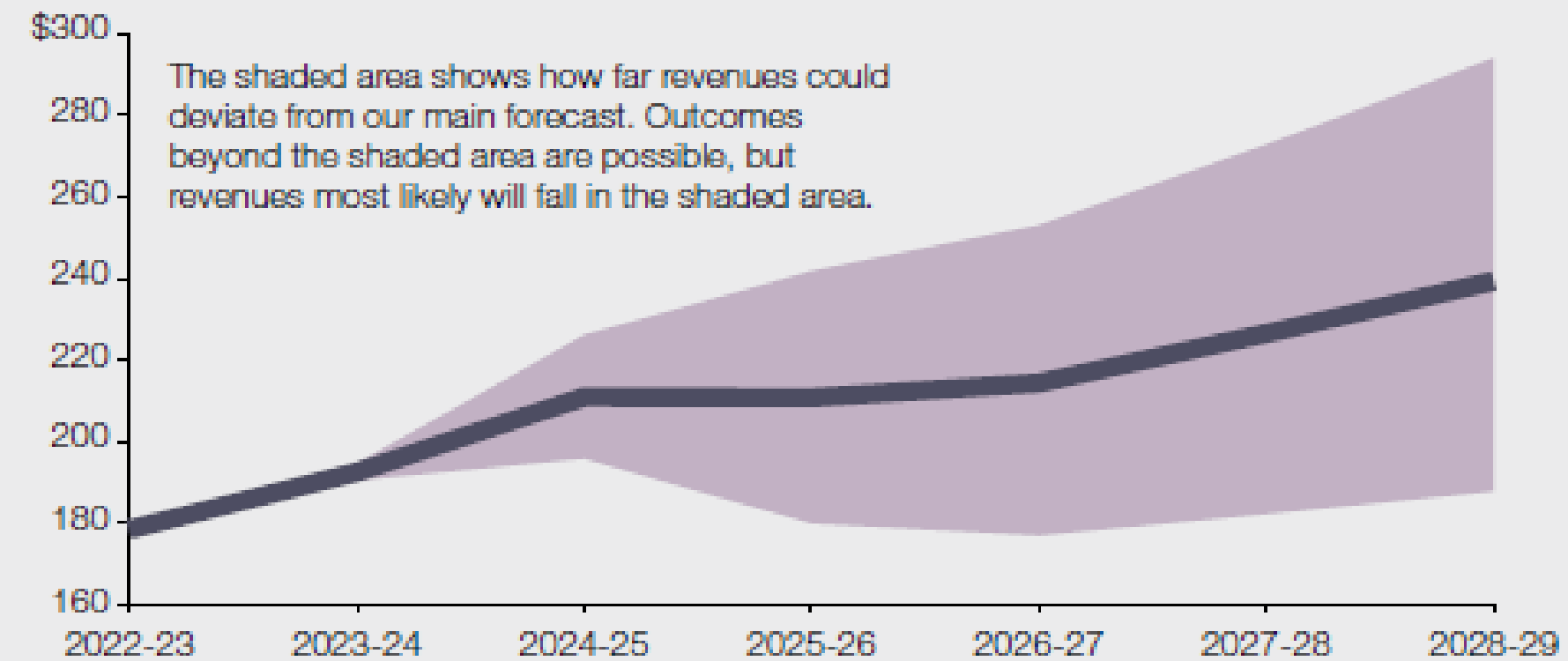


Legislative Analysts Office Five Year Revenue Outlook

Figure 4

Revenues Are Highly Uncertain

Total General Fund Revenue (In Billions)



LAOA

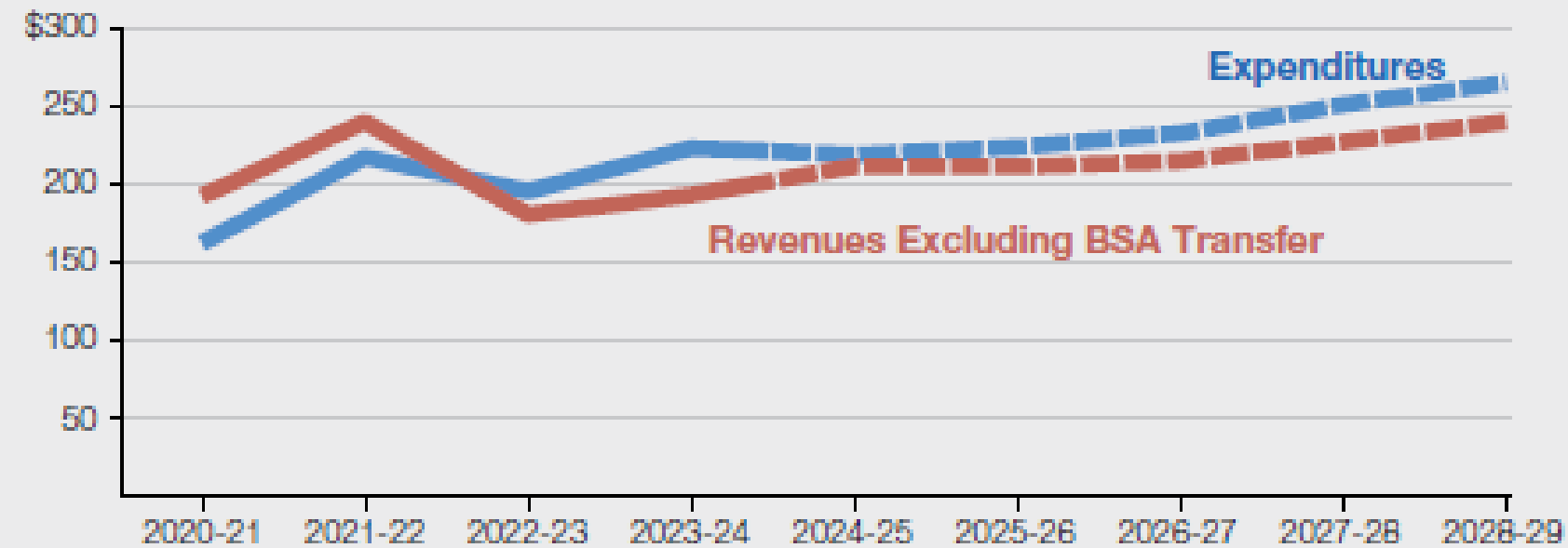


Legislative Analysts Office

Five Year Revenue vs. Expenditure Outlook

Figure 7

Revenues Not on Track to Grow Fast Enough to Catch Up to Ongoing Spending
(In Billions)



BSA = Budget Stabilization Account.

LAOA

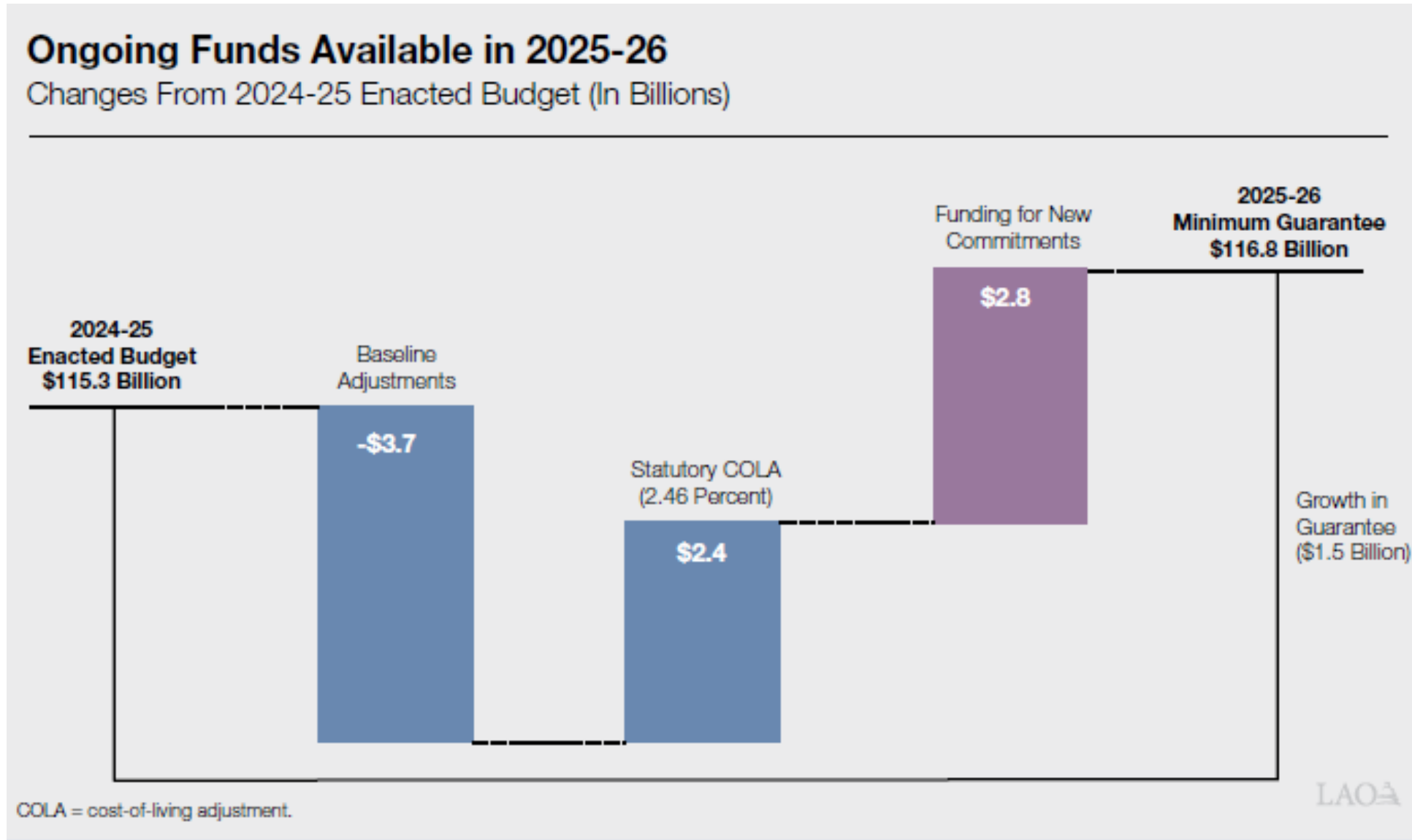
Proposition 98



- **The impact on Proposition 98...**
 - Additional state revenues in 2024-25 increase the Proposition 98 guarantee by approximately \$3 billion
 - However, Constitutional formulas require the state to deposit nearly all of this additional funding into the Proposition 98 reserve – Capital Gains exceed 8% of state revenues
 - In the current year, the Proposition 98 reserve was completely depleted
 - Consequently no additional “spending” authority in the current year
 - The Guarantee is forecast to increase by a modest \$1.5 billion in 2025-26
 - However, due to the expiration of one-time costs, the State is estimated to have \$2.8 billion available in funding for new commitments in 2025-26 after funding an estimated COLA of 2.46% at \$2.4 billion
 - **More to come with release of Governor’s 2025-26 State Budget Proposal in January...**



2025-26 Projected Available Resources Under Proposition 98





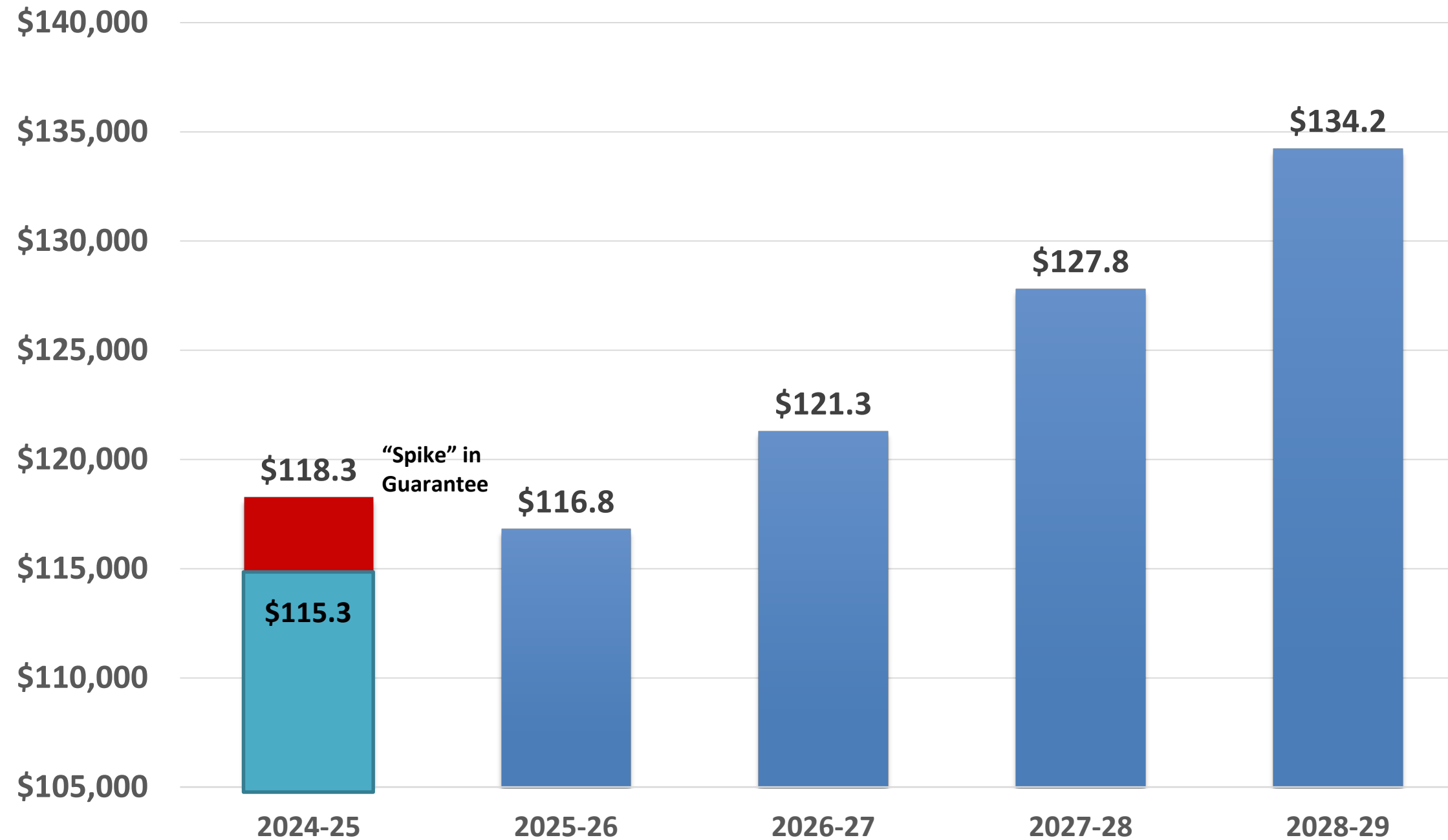
Proposition 98

- **The impact on Proposition 98...**
 - Although the 2025-26 Guarantee is \$1.5 billion above the 2024-25 enacted budget level, it is currently \$1.5 billion below the revised estimate of the Proposition 98 Guarantee in 2024-25
 - The year over-year decrease in the Guarantee is due to “spike” protection formulas built into Proposition 98 that maintain levels when there are unsustainable spikes in state revenues tied to the stock market
 - **More to come with release of Governor’s 2025-26 State Budget Proposal in January...**



Proposition 98 Outlook

Minimum Guarantee
(\$ in billions)





Ongoing Challenges

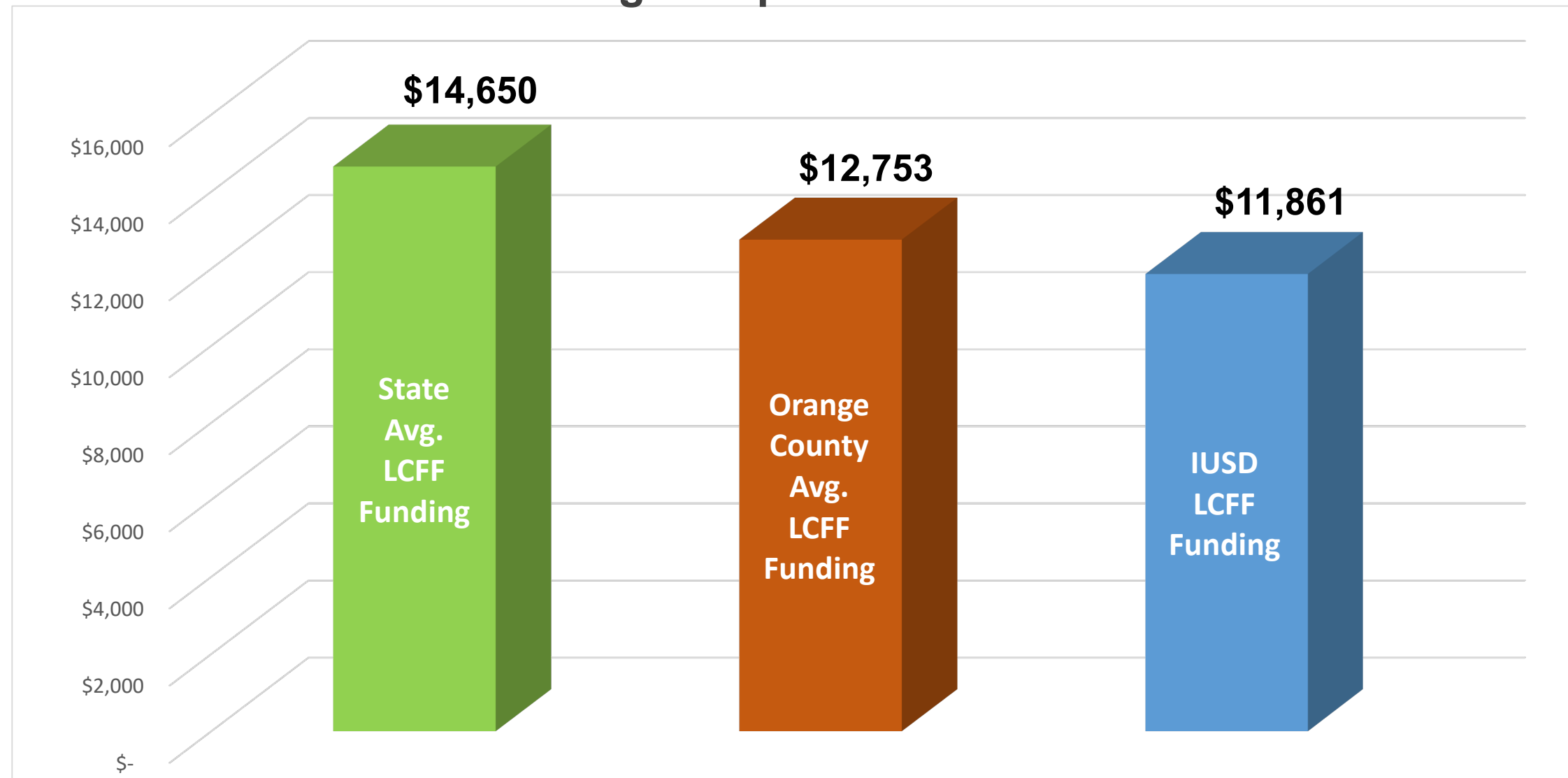
- The Local Control Funding Formula represents well over 90% of Unrestricted Revenue (for IUSD 93%), yet funding disproportionately benefits districts with high concentrations of disadvantaged students.
- Large influx of State one-time funding
 - Manageability difficult
- State revenues very volatile
 - Heavily dependent on high income earners driven largely by capital gains from the stock market
- Impact of ongoing pension increases
- National elections and potential impact on federal programs impacting education



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.

2023-24 LCFF Funding Comparison Unified School Districts



Note: IUSD funded \$2,789 ADA below statewide average for Unified School Districts statewide. Impact \$102 million...



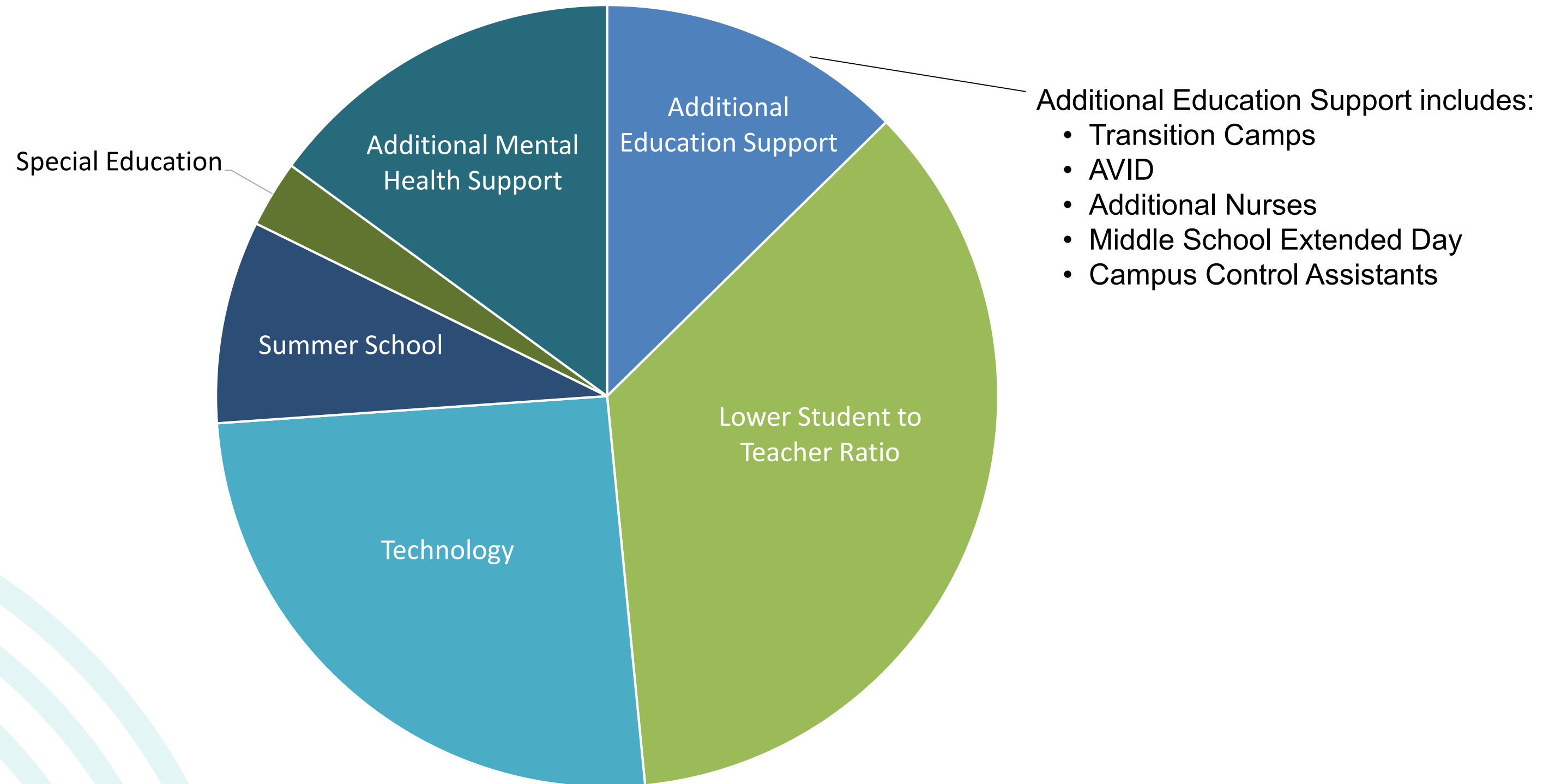
Utilization of One-time Funding

(Approximately \$62.6M) – Approximately \$44.8M Remaining

Utilizing ongoing resources to convert one-time programs and available one time resources from prior year and current year, able to extend 9.8 million one-time programs to 2026-27

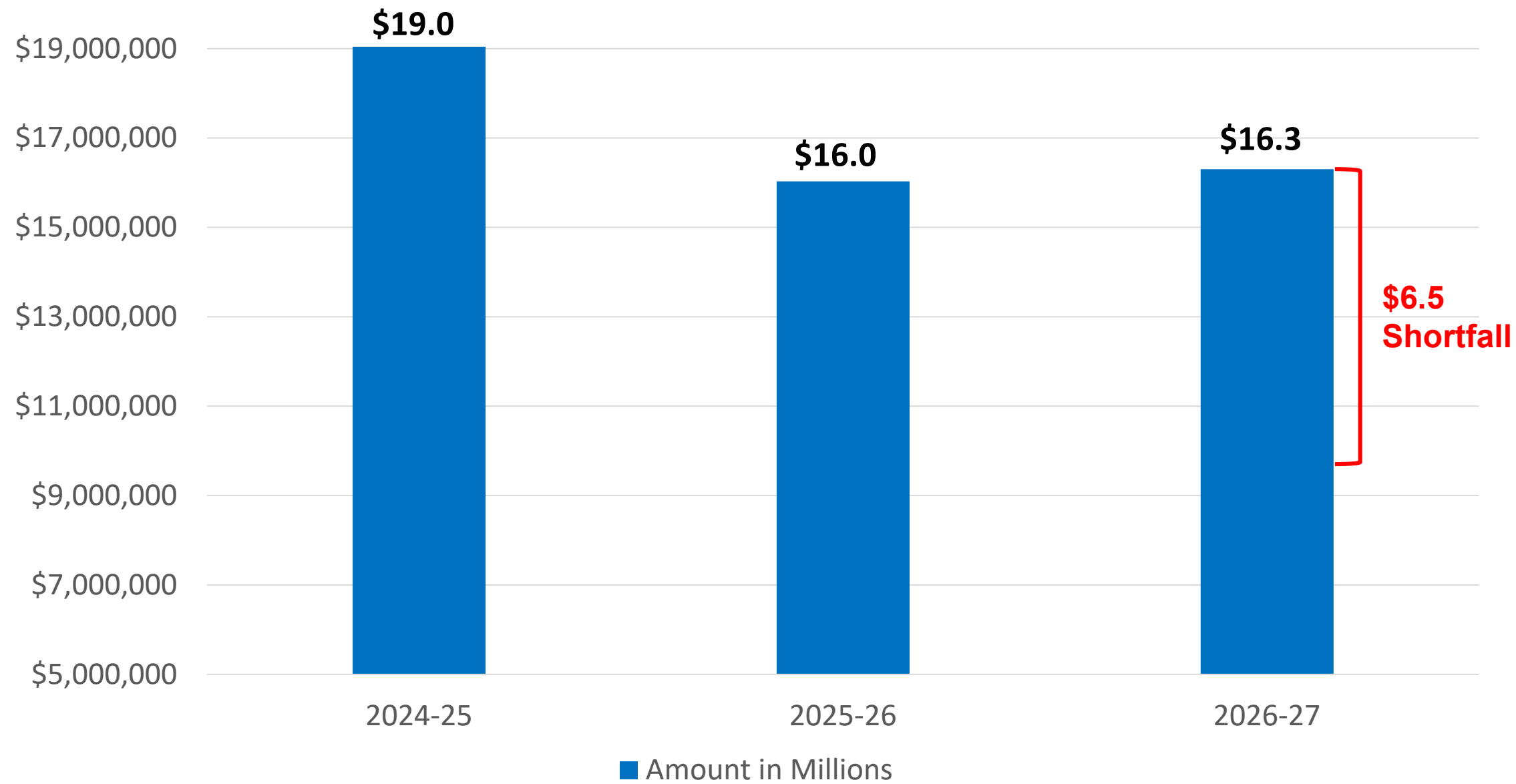
Learning Recovery Emergency Block Grant Estimated Funding: \$22.1M	Arts, Music and Instructional Materials Discretionary Block Grant Estimated Funding: \$22.2M	Other Available One-time Funds:\$18.3M
<p><u>Allowable Uses:</u></p> <ul style="list-style-type: none"> • Increase instructional learning time • 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 	<p><u>Allowable Uses:</u></p> <ul style="list-style-type: none"> • 100% Discretionary – can be used on any operational costs <p><u>Suggested additional uses:</u></p> <ul style="list-style-type: none"> • 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 	<p><u>Allowable Uses:</u></p> <ul style="list-style-type: none"> • 100% Discretionary – can be used on any operational costs • Funds are from department and district carryover from current and prior years • Includes \$1.2 million of Educator Effectiveness Grant funded through 2025-26 • Allocated \$6.4 million in available funding from 2023-24 to cover projected costs through 2025-26 • Will allocate \$3.2 million of 2023-24 unspent settlement

Distribution of 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...

2024-25 First Interim Assumptions



	2024-25 Projected	2025-26 Projected	2026-27 Projected
ADA	36,630	36,846	37,037
LCFF Funding per student	\$11,996	\$12,387	\$12,776
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	\$13,245	\$13,245	\$13,245
Utility Increases	4%	4%	4%
District Reserve Level	2%	2%	2%

2024-25 Budget & Multiyear Projections

Unrestricted General Fund



Unrestricted	2024-25 Projected	2025-26 Projected	2026-27 Projected
Total Revenues	\$470,625,199	\$488,054,578	\$505,246,307
Total Expenditures	(\$372,018,808)	(\$367,779,541)	(\$374,217,653)
EXCESS (DEFICIENCY)	\$98,606,391	\$120,275,037	\$131,028,654
Other Sources/(Uses)	(\$105,753,378)	(\$106,961,381)	(\$110,592,730)
Net Increase/(Decrease)	(\$7,146,987)	\$13,313,656	\$20,435,924
Beginning Balance, July 1	\$47,701,362	\$40,554,375	\$53,868,031
Ending Balance, June 30	<u>\$40,554,375</u>	<u>\$53,868,031</u>	<u>\$74,303,955</u>

2024-25 Budget & Multiyear Projections

Components of Ending Fund Balance



Description	2024-25 Projected	2025-26 Projected	2026-27 Projected
Estimated Ending Fund Balance	<u>\$40,554,375</u>	<u>\$53,868,031</u>	<u>\$74,303,955</u>
<i><u>Components of Ending Fund Balance:</u></i>			
Revolving Cash/Stores	\$350,000	\$350,000	\$350,000
State Required Reserve	\$12,853,200	\$12,217,164	\$12,366,312
Contingency Reserve	\$5,000,000	\$5,000,000	\$5,000,000
Reserve for future LCAPs	\$5,347,390	\$5,347,390	\$5,347,390
Reserve for On-Going Unspent in 2023-24	\$3,228,752	\$3,228,752	\$3,228,752
Other Unassigned – One-time	\$13,775,033	\$27,724,725	\$48,011,501



2024-25 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!

