



2024-25

Second Interim Report

Irvine Unified School District

Presented by John Fogarty

March 11, 2025





Second Interim Budget Report

- ▶ The Second Interim Report represents the District's second official revision to the Final Adopted Budget and includes actual financial data through January 31, 2025, with revised projections for the remainder of the fiscal year
- ▶ Each school district is required to certify its financial condition twice during the fiscal year. This certification addresses the District's ability to meet its financial obligations for the current and two subsequent fiscal years
- ▶ The release of the Governor's Annual State Budget in January provides the basis for the initial budget development for the upcoming year and is used to update the Multiyear Projections
- ▶ Budget assumptions are developed with guidance from: the Orange County Department of Education; California Department of Education; School Services of California; California Association of School Business Officials; Capitol Advisors and a number of other sources

State Economy Budget Outlook for Education

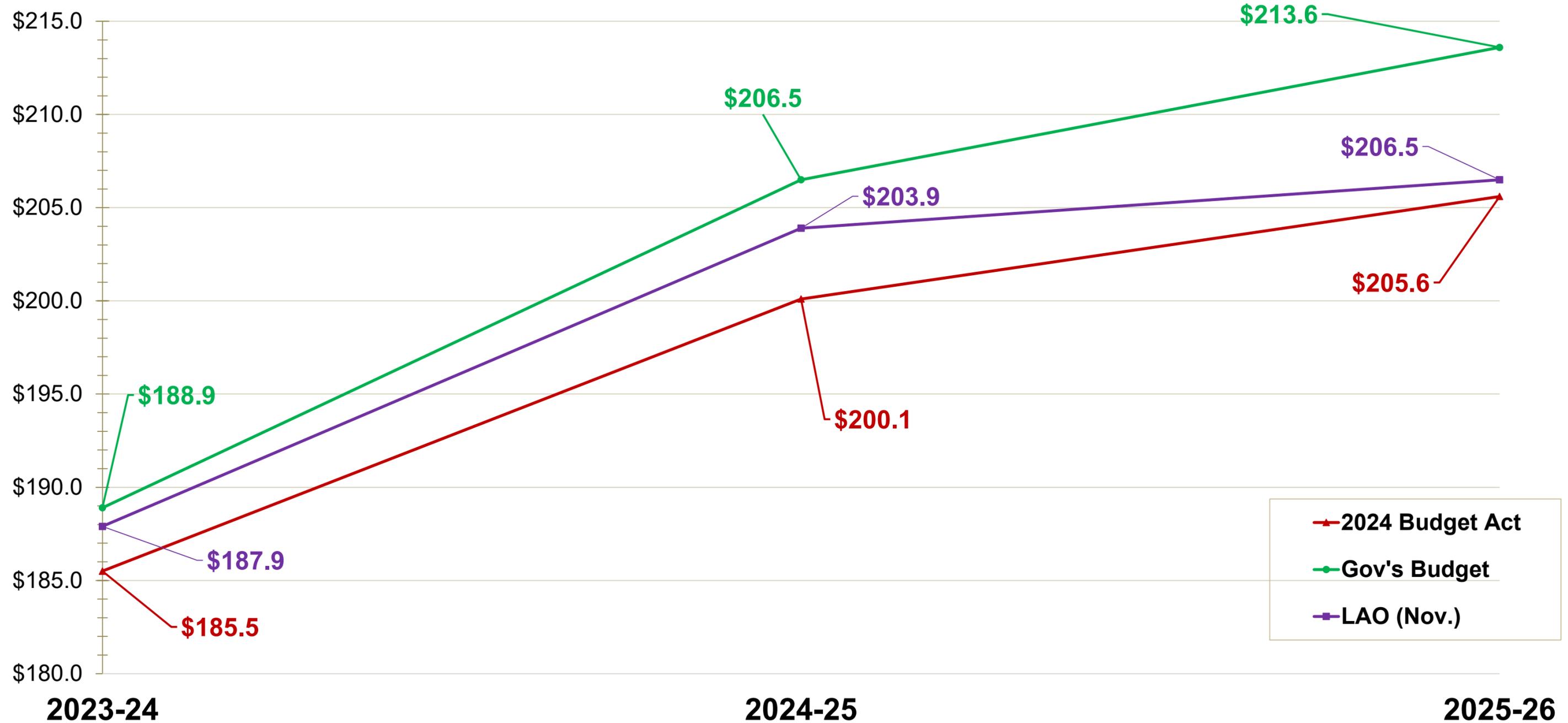


- ▶ Revenues continue to exceed projections in the current year and are forecast to exceed budgeted projections by approximately \$6.4 billion
- ▶ Governor's revenue projections for 2025-26 increased by approximately \$8 billion from estimates included in the 2024 Budget Act
- ▶ Current year revenue through January up approximately \$2 billion
 - ▶ Almost solely driven by stock compensation
 - ▶ Top 1% predominately responsible
 - ▶ Positive for Proposition 98
- ▶ Governor's 2025-26 Budget proposal is balanced and projects a \$17 billion surplus



State General Fund (GF) Revenues

Includes only revenues that affect calculation of Prop 98 minimum guarantee
(Dollars in Billions)





Education Funding

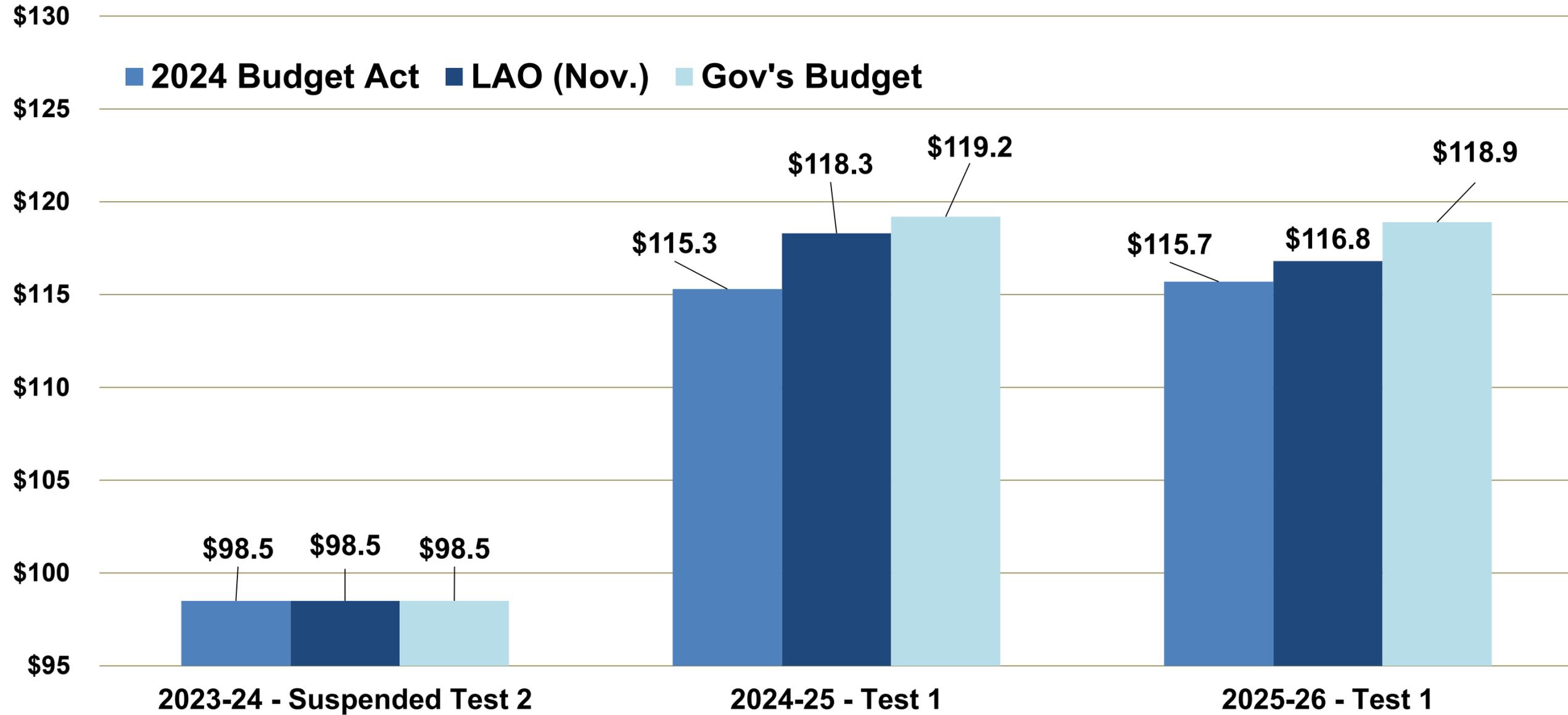
- ▶ Proposition 98 guarantee dictates funding for K-12 and Community Colleges
 - ▶ Receives protection from rest of State budget
 - ▶ Under Test 1 – directly impacted by state revenues, receive approximately 40% of State general fund revenues and property taxes
- ▶ At the time of the Governor's January Budget proposal development state revenues were up increasing the Proposition 98 minimum guarantee in the current year by approximately \$3.9 billion
- ▶ Proposition 98 remains in a very good position relative to the overall state budget





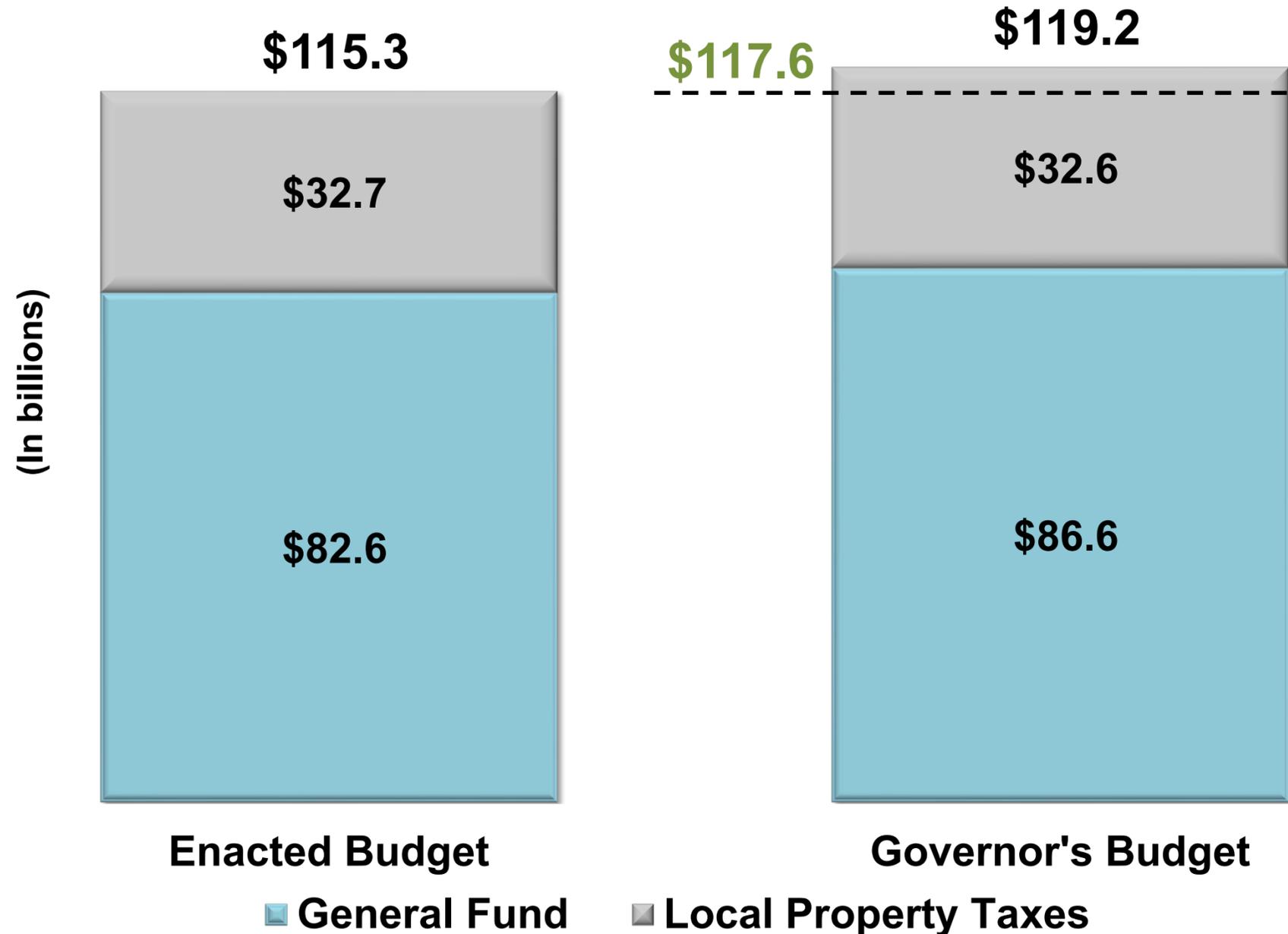
Proposition 98

(Dollars in Billions)





Proposed Funding of Proposition 98



Due to unanticipated General Fund revenues, the 2024-25 minimum guarantee is revised upward by \$3.9 billion

“[T]he Budget proposes to appropriate the Guarantee at \$117.6 billion, instead of at the currently calculated level of \$119.2 billion...”



State General Fund Revenues

- ▶ The Department of Finance recently reported that tax collections for through January 2025 and tax collections for the “Big Three” are down approximately \$700 million for January but overall are up approximately \$2 billion from what was included in the State Adopted 2024-25 Budget

2024-25 State Tax Collections (In Billions)

	January 2025		2024-25 Year-to-Date	
	Forecast	Actual	Forecast	Actual
Personal Income Tax	\$18.0	\$17.8	\$70.7	\$72.8
Corporate Tax	\$2.9	\$2.4	\$17.8	\$17.6
Sales and Use Tax	\$1.9	\$1.9	\$18.7	\$18.6
Totals:	\$22.8	\$22.1	\$107.2	\$109.0

- ▶ Due to the fires in LA County, IRS extended and California adopted a filing extension for LA county for the 2024 tax returns until October 15, 2024.
 - ▶ The population of Los Angeles County makes up 25% of total state population making May Revise revenue and final budget revenue picture uncertain



2024-25 Governor's January Proposal Highlights

- ▶ Governor's Budget proposal for Education largely a workload budget augmented with some one-time proposals
- ▶ Governor's proposal funds a statutory Cost-of-Living Adjustment (COLA) of **2.43%** for the Local Control Funding Formula (LCFF) and most categorical programs
- ▶ The Local Control Funding Formula (LCFF) – represents approximately 95% of IUSD's unrestricted funding
 - ▶ For IUSD the 2.43% COLA and growth represents a year-over-year ongoing increase of approximately \$ 15.8 million
- ▶ After accounting for annual increases in expenditures related to step and column, pension costs, and special education we currently estimate approximately \$5 million in ongoing funding will be available for allocation
- ▶ This level of funding may be increased due to funds available from growth in the current year



Volatility in State Negotiation – Recommendations for inclusion in 2025-26 Budget Development at this time

Program	State Funds Proposed	Include in 2025-26 Budget Development	Develop Tentative Internal Plan for Funding/Program Requirements
2.43% COLA (all applicable programs)	\$2.1B	✓	
LREBG Additional Funding	\$379M		✓
TK LCFF Add-On For Ratios	\$1.8B		✓
Discretionary Block Grant	\$1.8B		✓
TK-12 Literacy and Mathematics Coaches/Literacy Screenings	\$700M		✓
ELO-P 55% Threshold	\$435M		✓



Ongoing Challenges/Risks to Budget

- ▶ 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
 - ▶ Stock Market Volatility - heavily dependent on high income earners driven largely by capital gains from the stock market
 - ▶ Delayed tax deadlines due to natural disasters
 - ▶ Inflation remains at least a temporary concern – elevated interest rates may cause stock market volatility
- ▶ Federal policy uncertainty





Utilization of One-time Funding

(Approximately \$69.1M) – Approximately \$51.3M Remaining

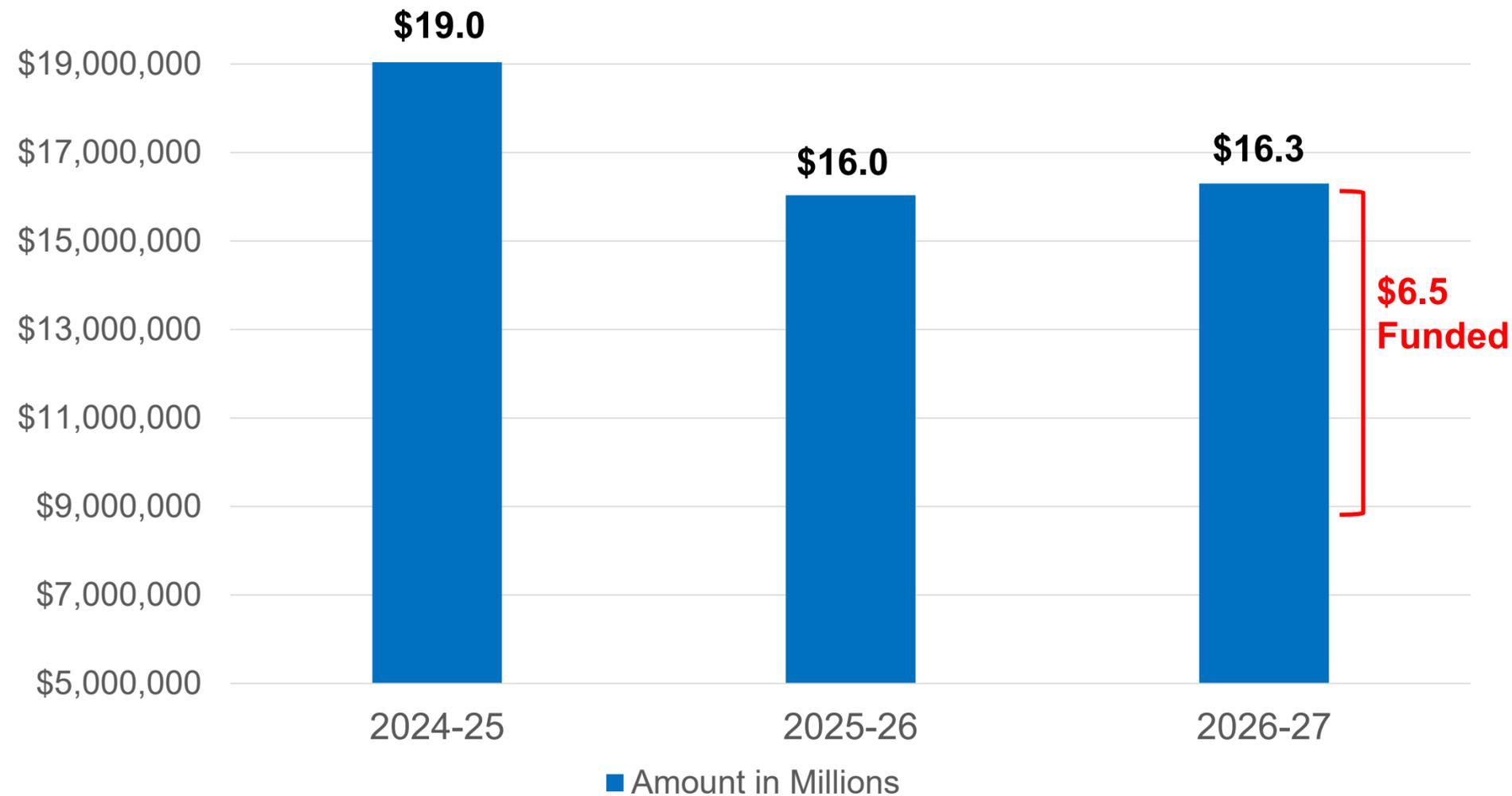
Utilizing ongoing resources to convert one-time programs and available one time resources from prior year and current year, able to fully fund one-time programs in 2026-27

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:\$24.8M
<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 \$7.5 million • 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 • Allocated \$3.2 million of 2023-24 unspent settlement • Allocated \$6.5 million in unspent 2023-24 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 Second Interim Assumptions

	2024-25 Projected	2025-26 Projected	2026-27 Projected
ADA (funded)	36,546	36,878	36,878
LCFF Funding per student	\$11,995	\$12,315	\$12,744
Property Tax Increases	5%	5%	5%
Salary Increases (On-going)	N/A	N/A	N/A
Salary Increases (One-time)	2%*	N/A	N/A
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%
Contingency Reserve	\$5,000,000	\$5,000,000	\$5,000,000

* Reflects Board approved salary increases.



2024-25 Second Interim Financial Comparison

General Fund Unrestricted Balance

Description	2024-25 1 st Interim	2024-25 2 nd Interim	Variance
Total Revenues	\$470,625,199	\$470,914,647	\$289,448
Total Expenditures	(\$372,018,808)	(\$375,517,004)	(\$3,498,196)
EXCESS (DEFICIENCY)	\$98,606,391	\$95,397,643	(\$3,208,748)
Total Other Sources/Uses	(\$105,753,378)	(\$117,293,603)	(\$11,540,225)
NET INCREASE (DECREASE)	(\$7,146,987)	(\$21,895,960)	(\$14,748,973)
Beginning Balance, July 1	\$47,701,362	\$47,701,362	-----
Ending Balance, June 30	<u>\$40,554,375</u>	<u>\$25,805,402</u>	<u>(\$14,748,973)</u>



2024-25 Second Interim Financial Comparison

Components of Unrestricted Ending Fund Balance

Description	2024-25 1 st Interim	2024-25 2 nd Interim	Variance
Estimated Ending Fund Balance	<u>\$40,554,375</u>	<u>\$25,805,402</u>	<u>(\$14,748.973)</u>
<u>Components of Ending Fund Balance:</u>			
Revolving Cash/Stores	\$350,000	\$350,000	-----
State Required Reserve	\$12,853,200	\$13,016,200	\$163,000
Contingency Reserve	\$5,000,000	\$5,000,000	-----
Reserve for future LCAPs	\$5,347,390	\$5,347,390	-----
Reserve for On-Going Unspent in 2023-24	\$3,228,752	\$0	(\$3,228,752)
Other Unassigned – One Time	\$13,775,033	\$2,091,812	(\$11,683,221)

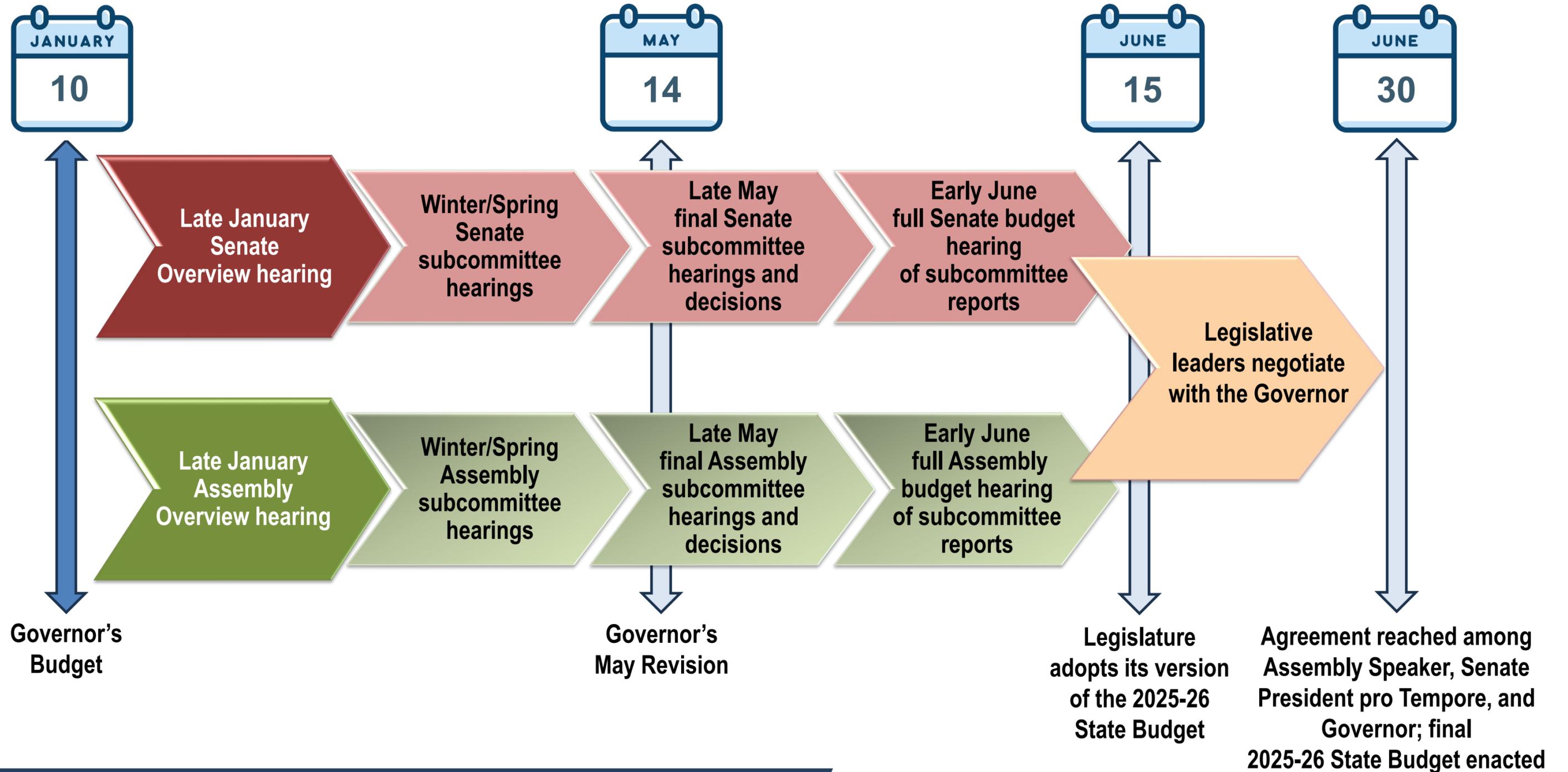


Unrestricted General Fund Financial Outlook

Description	2024-25 Projected	2025-26 Projected	2026-27 Projected
Total Revenues	\$470,914,647	\$487,011,173	\$503,313,091
Total Expenditures	(\$375,517,004)	(\$367,121,839)	(\$371,524,416)
EXCESS (DEFICIENCY)	\$95,397,643	\$119,889,334	\$131,788,675
Total Other Sources/Uses	(\$117,293,603)	(\$109,006,044)	(\$112,495,113)
NET INCREASE (DECREASE)	(\$21,895,960)	\$10,883,290	\$19,293,562
Beginning Balance, July 1	\$47,701,362	\$25,805,402	\$36,688,692
Ending Balance, June 30	<u>\$25,805,402</u>	<u>\$36,688,692</u>	<u>\$55,982,254</u>



State Budget Process – From January to June





Certification Definition

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.

Positive certification is recommended



Thank You

