



2025-26

First Interim Report

Irvine Unified School District

Presented by John Fogarty

December 9, 2025

Financial Reporting Cycle



- ✓ **State Budget Adoption July**
- ✓ **2024-25 Unaudited Actuals September**
- ✓ **First Interim Report 2025-26 December**
- Governor's 2026-27 Budget Proposal January**
- Second Interim Report 2025-26 March**
- IUSD 2026-27 Budget Adoption. June**



First Interim Report

Interim Report Purpose:

- The First Interim Report represents the District's first official revision to the District's 2025-26 Adopted Budget.
- The First Interim Report includes actual financial information through October 31, 2025 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 2025 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 2025-26 through 2029-30
 - **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 2026-27 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 2025 Fiscal Outlook

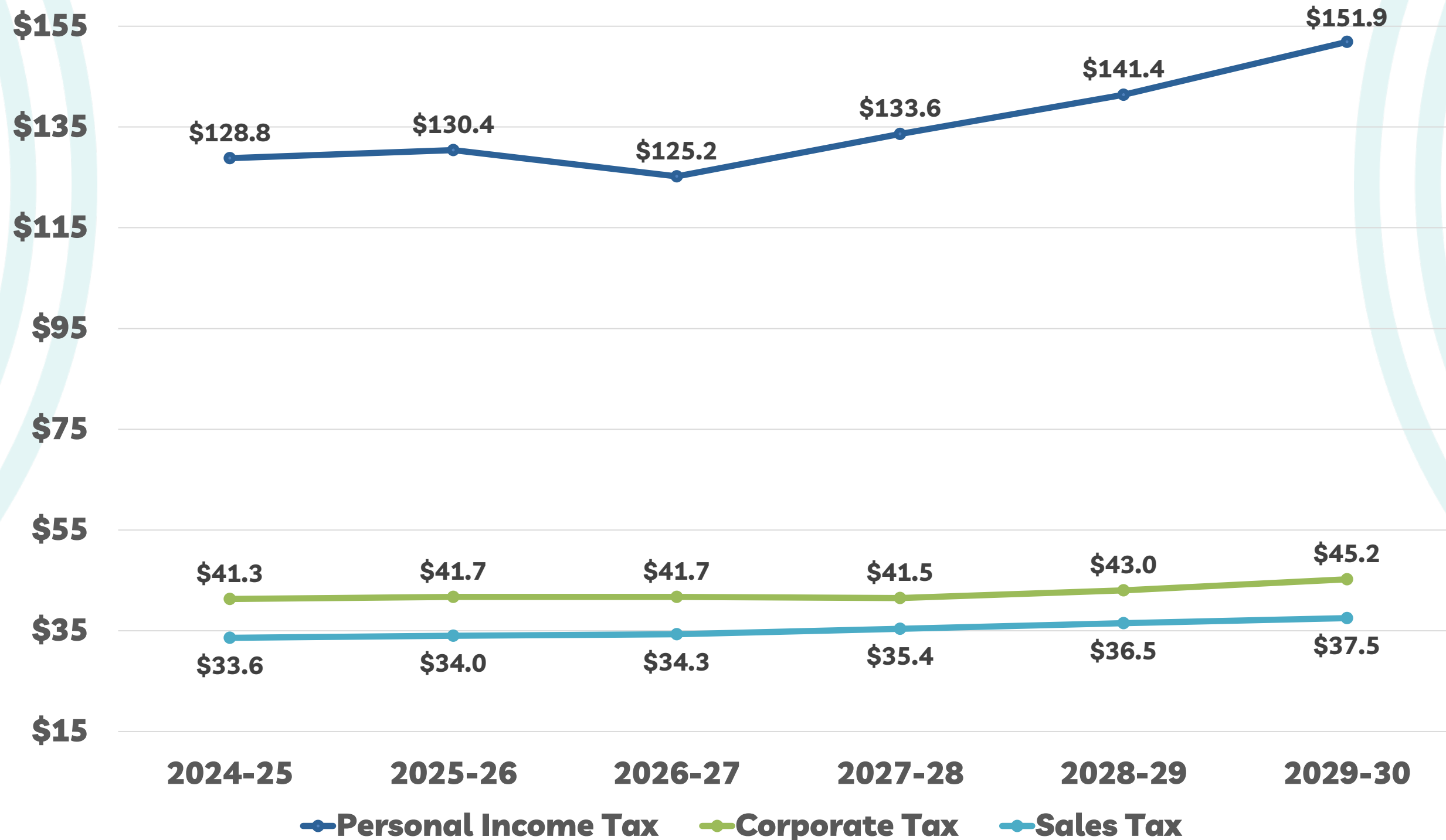


- The overall theme of the outlook is a recommendation to exercise caution moving forward
- While recognizing that state tax collections are significantly exceeding budget projections the LAO highlights the potential “bubble” from AI income and investments
- Virtually all of the growth in state tax collections in the current year have come from Personal Income Tax (PIT) collections
 - Corporate and Sales and Use taxes are relatively flat
- According to the LAO this is almost entirely driven by the AI Tech sector
 - AI investments have driven the stock market to record highs and significantly enhanced tech workers compensation
 - History indicates the stock market overreacts to major technological advances
 - LAO questions whether this level of growth is sustainable
- While not forecasting a significant stock market decline, the LAO’s analysis does lower expected PIT tax collections temporarily in 2026-27 and projects flat revenue collections for Corporate and Sales and Use taxes through 2029-30



Legislative Analysts Office

Five Year Revenue Outlook “Big Three”



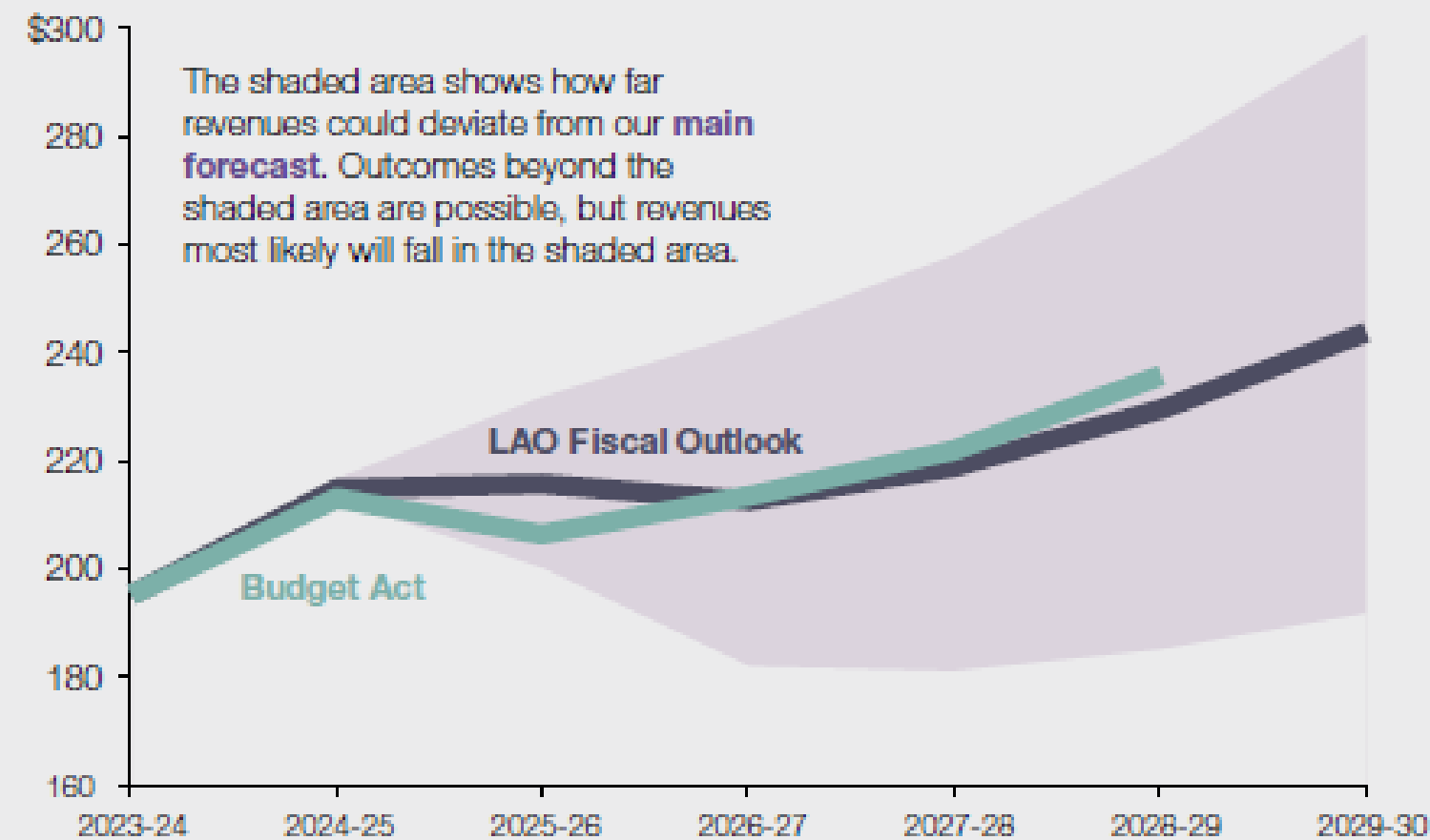


Legislative Analysts Office Five Year Revenue Outlook

Figure 2

LAO Revenue Outlook

Total Revenues (In Billions)



LAO



Legislative Analysts Office

November 2025 Fiscal Outlook

- On the expenditure side of the State's overall financial outlook, the LAO is projecting a 2026-27 structural deficit of approximately \$18 billion which is an increase of \$6 billion from what was forecast with the adoption of the 2025-26 Final State Budget
- In addition, structural deficits reaching \$35 billion are projected through 2028-29
- Major contributing factors to the increase in the State projected deficit include:
 - Current year statewide expenditures tied to retiree healthcare, pensions, and administrative costs increased by approximately \$2.4 billion
 - H.R. 1 (The Big Beautiful Bill) changes to Medi-Cal and the CalFresh program are anticipated to cost the state an additional \$1.3 billion over projections
 - Corrections Costs increased by approximately \$850 million
- **Due to Proposition 98 guarantee protections, these deficits are outside of education**



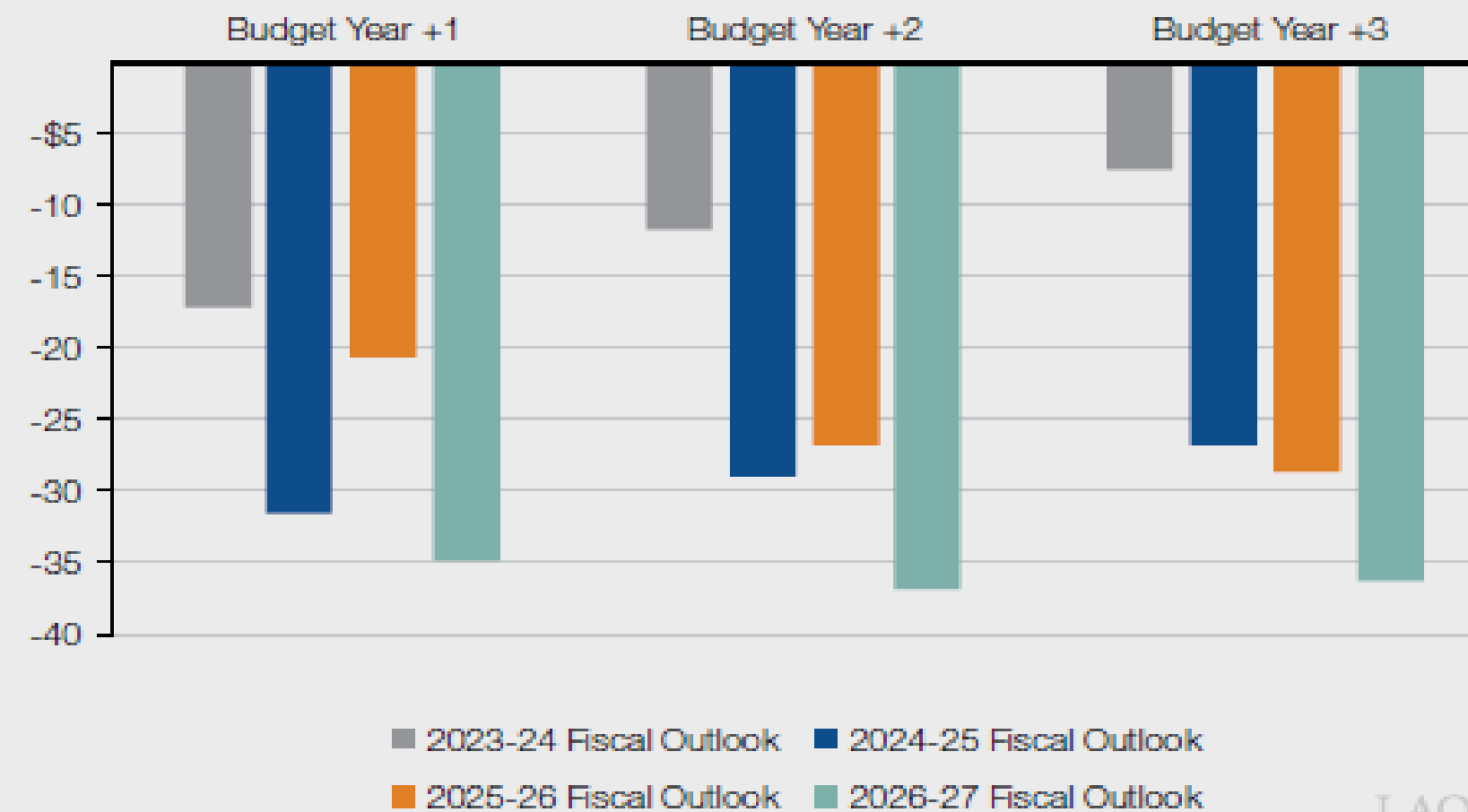
Legislative Analysts Office

Five Year Budget Deficits

Figure 6

Budget Problems Now Moving in the Wrong Direction

(Dollars in Billions)



LAOA

Proposition 98



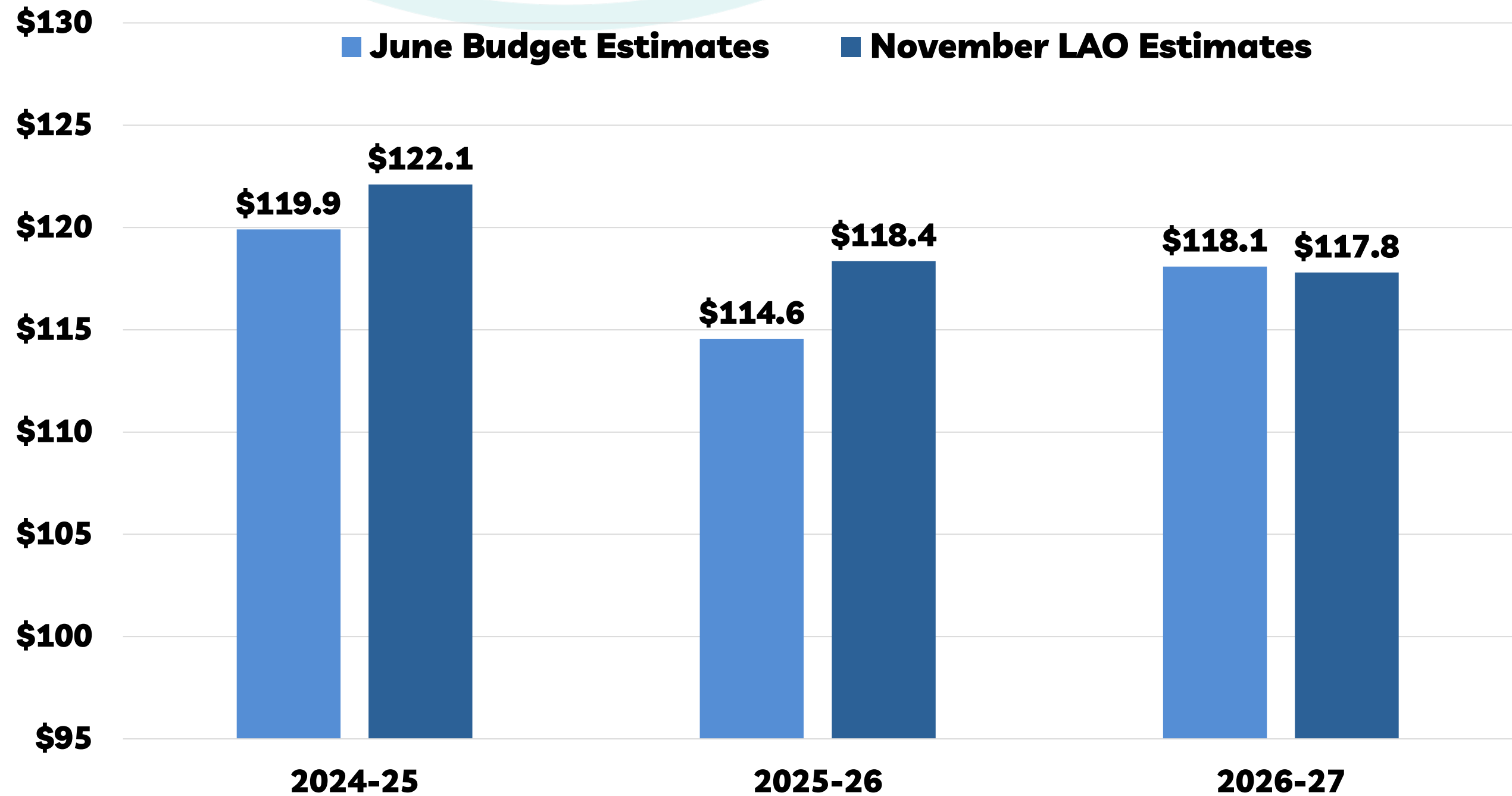
- Through October of the current year, tax collections are exceeding projections by approximately \$5.9 billion
- Tax collections from April to June after the adoption of the State Budget exceeded projections by approximately \$2.7 billion
- Overall collections for the budget period have exceeded projections by \$8.6 billion
- The LAO is projecting that for the current budget year, tax collections will exceed projections by \$11.7 billion
- This is all very positive for Proposition 98
- With the increase in revenues, Proposition 98 will benefit by approximately \$5.7 billion over the three year budget window, 2024-25, 2025-26 and 2026-27
- In addition, the State withheld approximately \$1.9 billion in funding for the current year due to concerns about the delayed tax filing which is now owed to Proposition 98
- With adjustments, Proposition 98 is owed approximately \$7.4 billion
 - It is currently anticipated that the current year deferral will be eliminated leaving approximately \$5 billion, which will likely be provided in one-time funding
- **More to come with release of Governor's 2026-27 State Budget Proposal in January...**



Proposition 98

(dollars in millions)

After accounting for funds withheld in the final 2025-26 State Budget, the State will owe Proposition 98 approximately \$7.4 billion. This will likely come in the form of one-time funding.





Ongoing Challenges

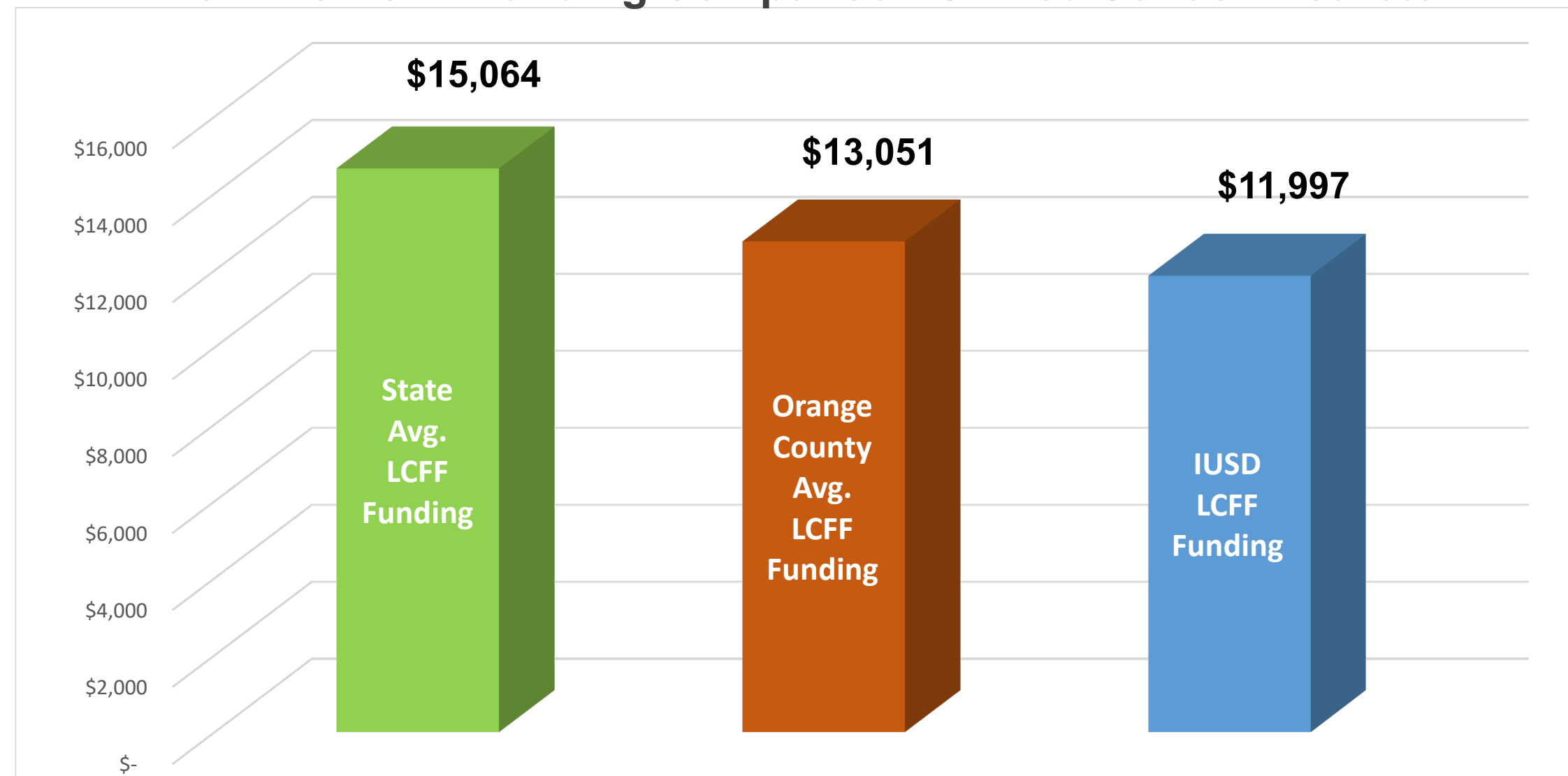
- The Local Control Funding Formula represents well over 90% of Unrestricted Revenue (for IUSD 95%), yet funding disproportionately benefits districts with high concentrations of disadvantaged students
- Manipulation/ Pressure on Proposition 98
- **Enrollment growth is slowing....potentially now in downward trend**
- Cost-of-Living Adjustments (COLA) sufficient to cover ongoing cost increases with minimal remaining for augmentations
- Large influx of State one-time funding
- Health and Welfare Increases
- State revenues very volatile
 - Stock Market Volatility - heavily dependent on high income earners driven largely by capital gains from the stock market
- Federal policy uncertainty



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.

2024-25 LCFF Funding Comparison Unified School Districts

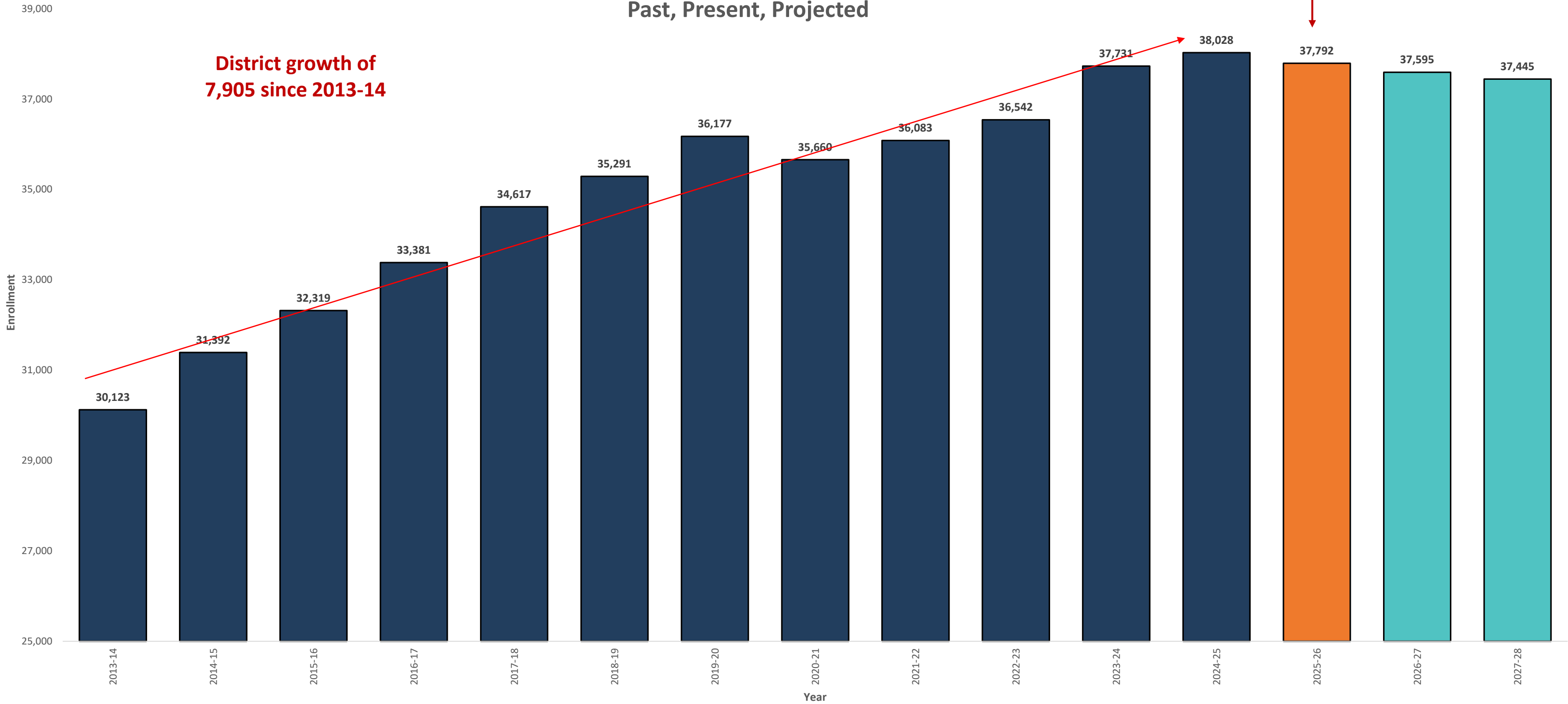


Note: IUSD funded \$3,067 ADA below statewide average for Unified School Districts statewide. Impact \$112 million...



District Enrollment

IUSD Enrollment
Past, Present, Projected



Source: California Department of Education: Irvine Unified School District 2013-2024 Multi Year Enrollment Summary for Non-Charter Schools
2025/26 Conservative Enrollment Projections (Recent Development) with Adult Transition and NPS Students Added updated with 2025/26 actual data and commensurate declines 26-27 and 27-28



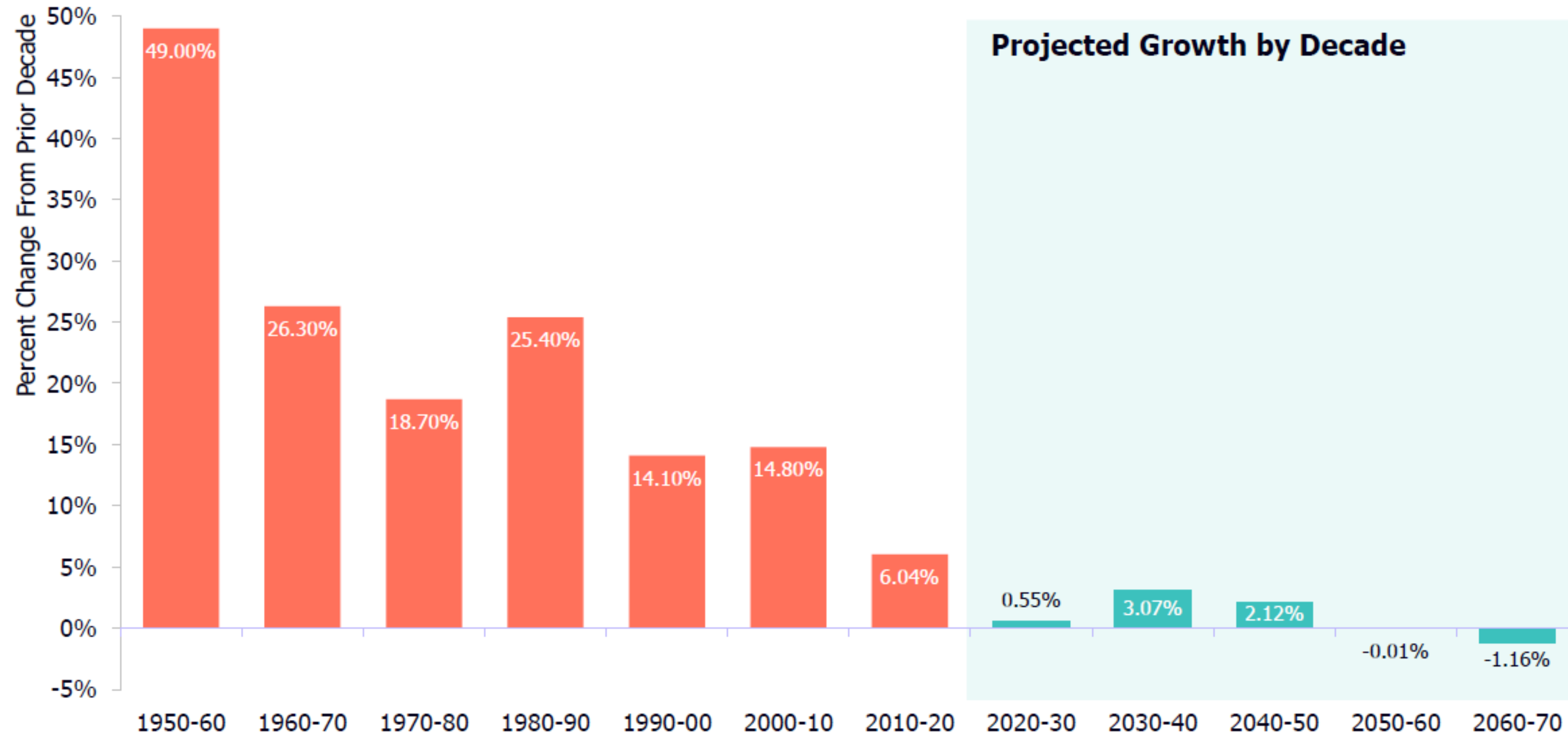
Key Factors Impacting Enrollment

- Progressively declining birthrates (nationally and locally)
- Slower new home market absorption compared to prior years
 - Fewer new homes for sale, and those that are being sold are not being sold directly to families compared to prior years
 - Delays in housing project completions
- Two growing charter schools that enroll approximately 940 District students
- Decline in the number of non-native English speakers from prior years....coming from different countries





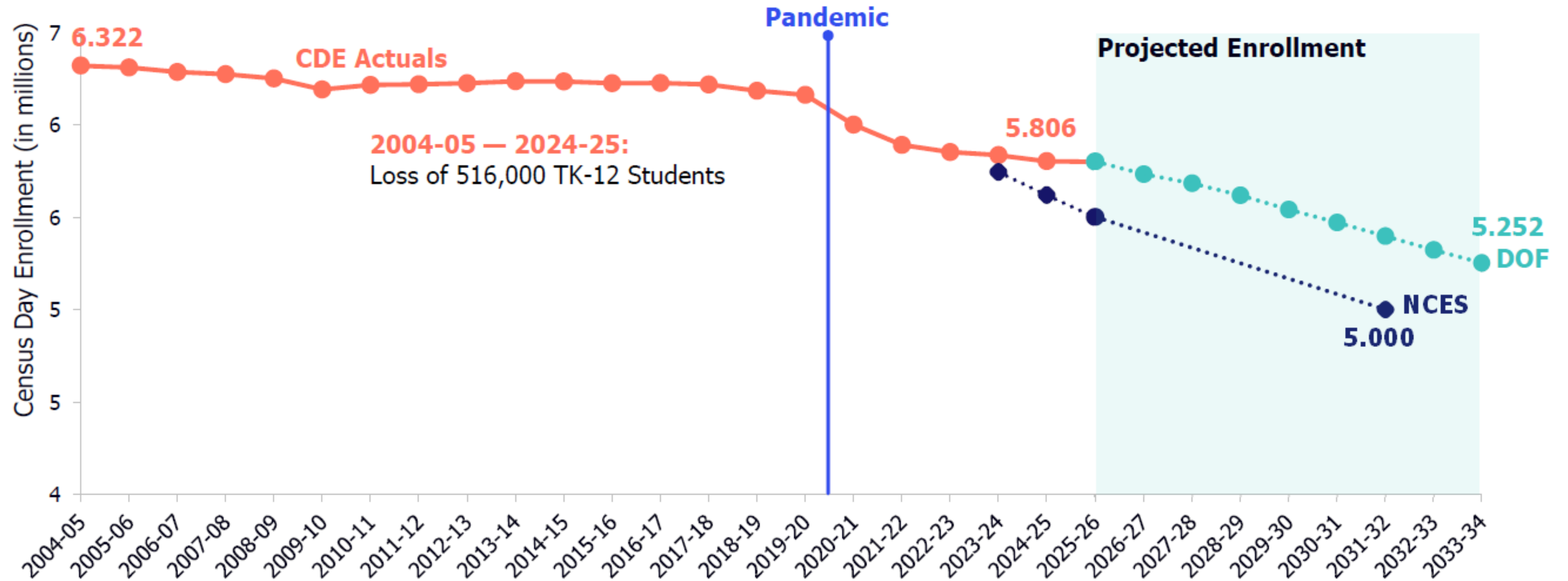
California Population Growth by Decade



Source: Adapted from [California DOF](#).



Ongoing Decline in TK-12 Enrollment Since 2004 Statewide



Sources: CA Department of Education, CA Department of Finance and National Center for Education Statistics



Utilization of One-Time Funding

The District has used these funds to augment programs in critical categories

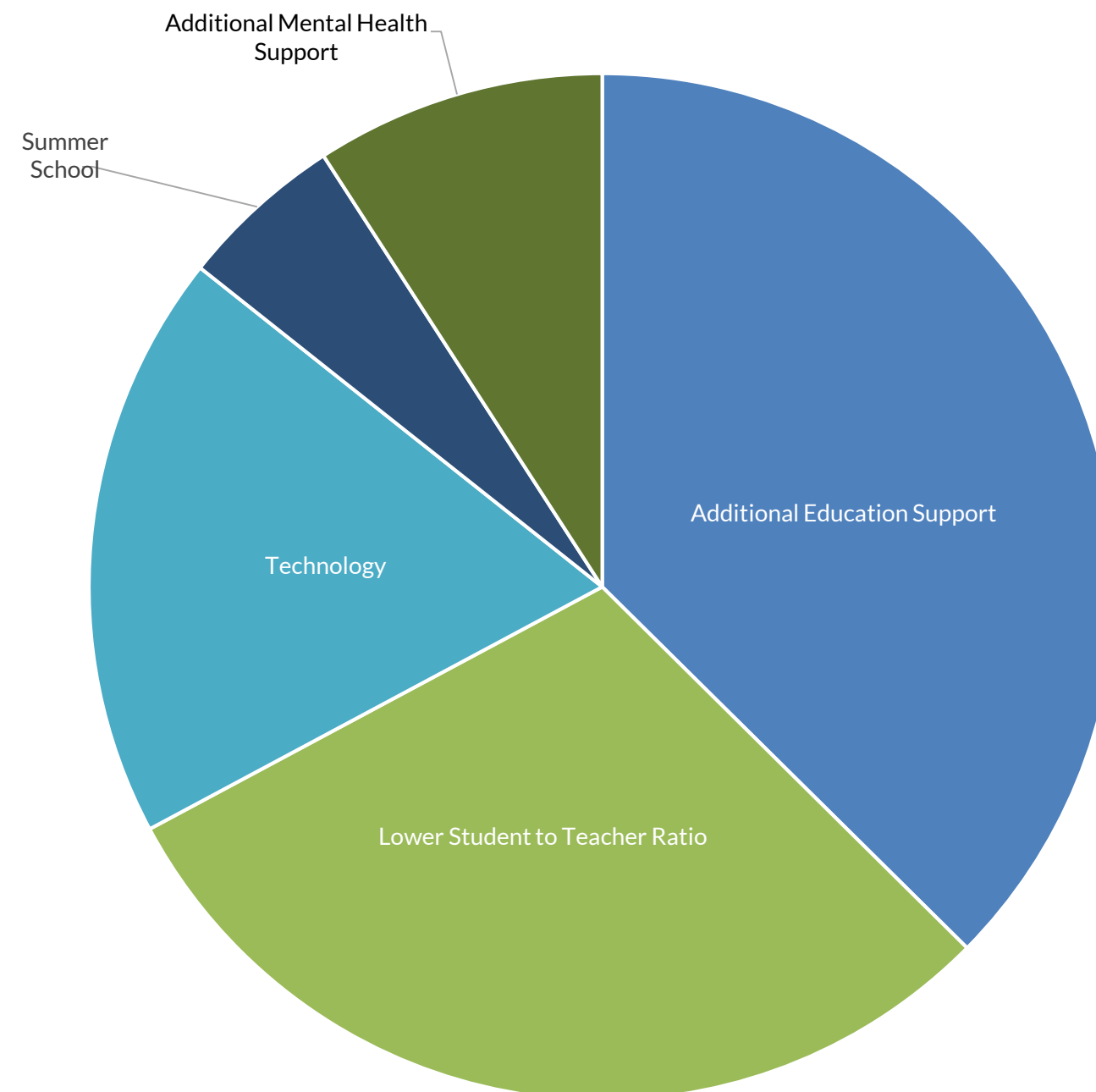
Learning Recovery Emergency Block Grant

Arts, Music and Instructional Materials
Discretionary Block Grant

Other Available One-time

District set aside one-time funds from prior
years to support LCAP

Discretionary Block Grant and LRE funds
included in 2025-26 Budget



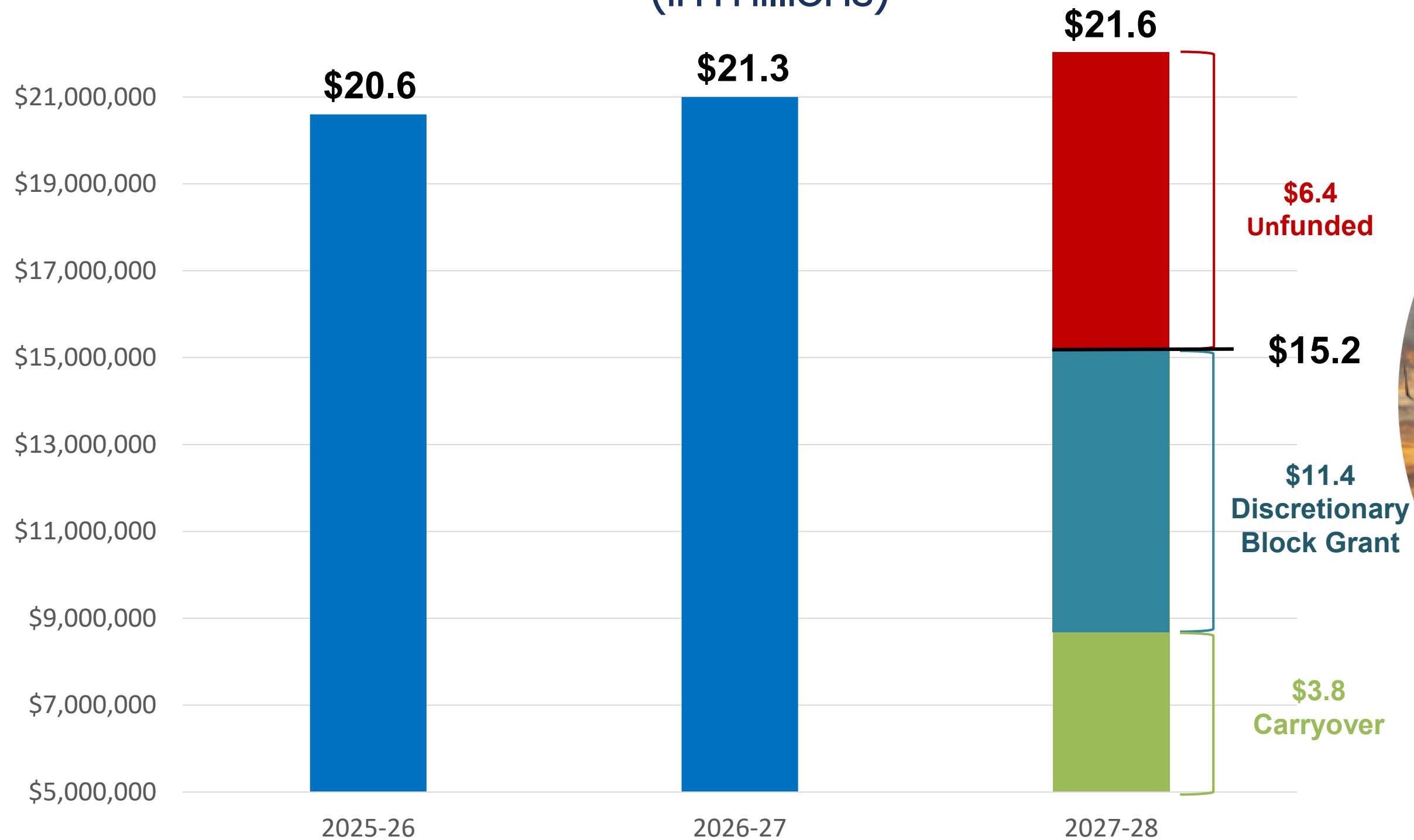
*Additional Education Support includes:

- Transition Camps
- AVID
- Additional Nurses
- Middle School Extended Day
- Campus Control Assistants
- Counselor Support
- PE Support
- CTE/ROP
- Curriculum TOSAs
- Graduation Support



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...

2025-26 First Interim Assumptions



	2025-26 Projected	2026-27 Projected	2027-28 Projected
ADA	36,347	36,347	36,202
LCFF Funding per student	\$12,366	\$12,741	\$13,179
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%

2025-26 Budget & Multiyear Projections

Unrestricted General Fund



Unrestricted	2025-26 Projected	2026-27 Projected	2027-28 Projected
Total Revenues	\$488,464,355	\$500,957,237	\$517,313,177
Total Expenditures	(\$387,300,842)	(\$380,970,886)	(\$386,067,595)
EXCESS (DEFICIENCY)	\$101,163,513	\$119,986,351	\$131,245,582
Other Sources/(Uses)	(\$107,309,603)	(\$110,473,438)	(\$114,603,264)
Net Increase/(Decrease)	(\$6,146,090)	\$9,512,913	\$16,642,318
Beginning Balance, July 1	\$43,012,431	\$36,866,341	\$46,379,254
Ending Balance, June 30	<u>\$36,866,341</u>	<u>\$46,379,254</u>	<u>\$63,021,572</u>

2025-26 Budget & Multiyear Projections

Components of Ending Fund Balance



Description	2025-26 Projected	2026-27 Projected	2027-28 Projected
Estimated Ending Fund Balance	<u>\$36,866,341</u>	<u>\$46,379,254</u>	<u>\$63,021,572</u>
<u>Components of Ending Fund Balance:</u>			
Revolving Cash/Stores	\$350,000	\$350,000	\$350,000
State Required Reserve	\$13,108,000	\$12,266,761	\$12,251,775
Contingency Reserve	\$5,000,000	\$5,000,000	\$5,000,000
Reserve for 2026-27 LCAP	\$5,134,780	\$5,134,780	\$5,134,780
Other Unassigned	\$13,273,561	\$23,627,713	\$40,285,017



2025-26 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!

