



2025-26

Second Interim Report

Irvine Unified School District

Presented by John Fogarty

March 10, 2026





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, 2026, 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

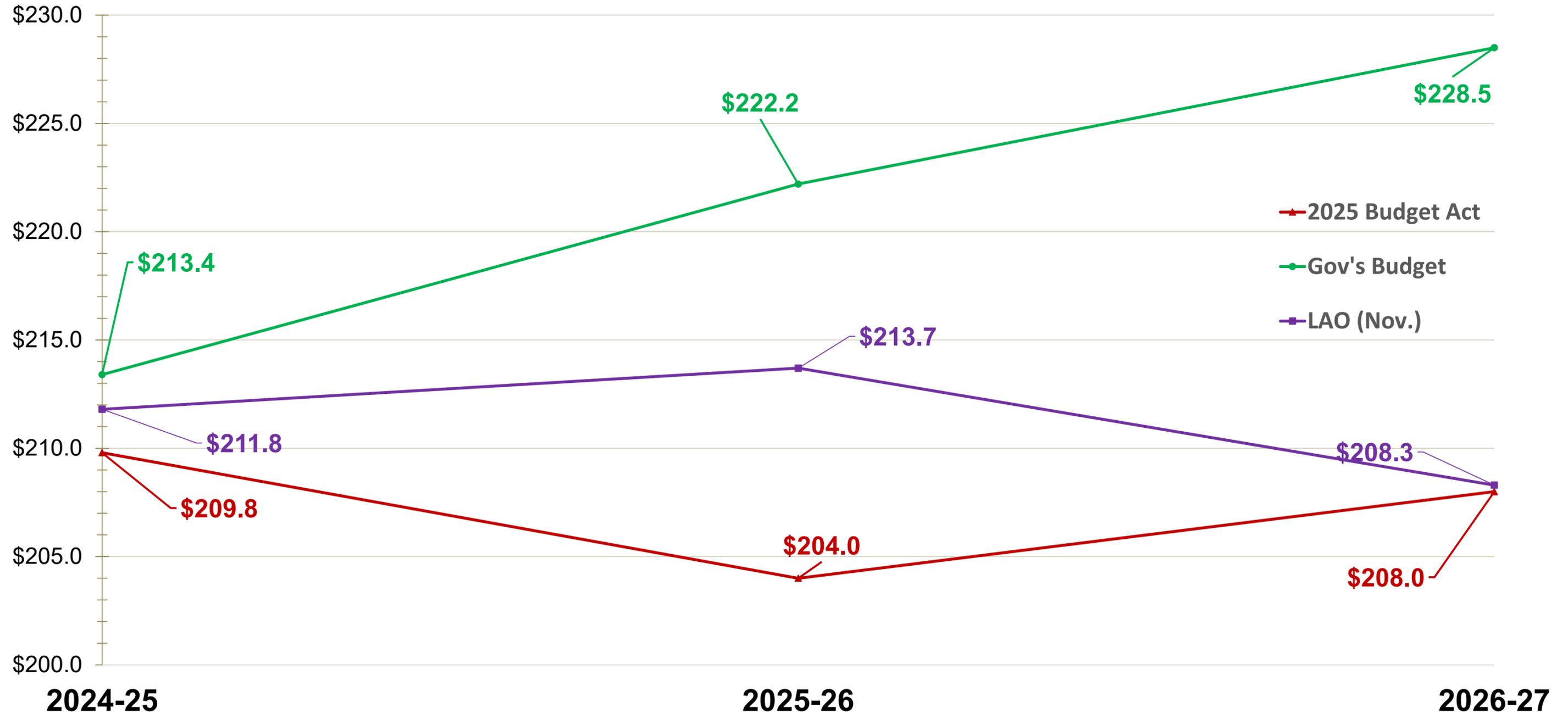


- ▶ State revenues for the current and prior fiscal year have exceeded projections by over \$11 billion.
- ▶ Governor's revenue projections for the three year budget window that includes 2024-25, 2025-26 and 2026-27 have increased by \$42.3 billion since adoption of the State's 2025-26 Budget.
 - ▶ Upgrade in revenue forecast based on strong tax receipts in prior and current year.
 - ▶ Primarily driven by Personal Income Tax and Corporate Income Tax collections.
- ▶ Increase in State Revenues very positive for Proposition 98.
- ▶ Even with strong revenues, State is projecting a shortfall of \$2.9 billion in 2026-27.



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, 2025-26, by approximately **\$6.8 billion**.
 - ▶ **Unfortunately the Governor is proposing underfunding Proposition 98 in the current year and providing the funding in future years if revenues are maintained.....**
 - ▶ Major change from previous practice.
- ▶ Proposition 98 remains in a very good position relative to the overall state budget.



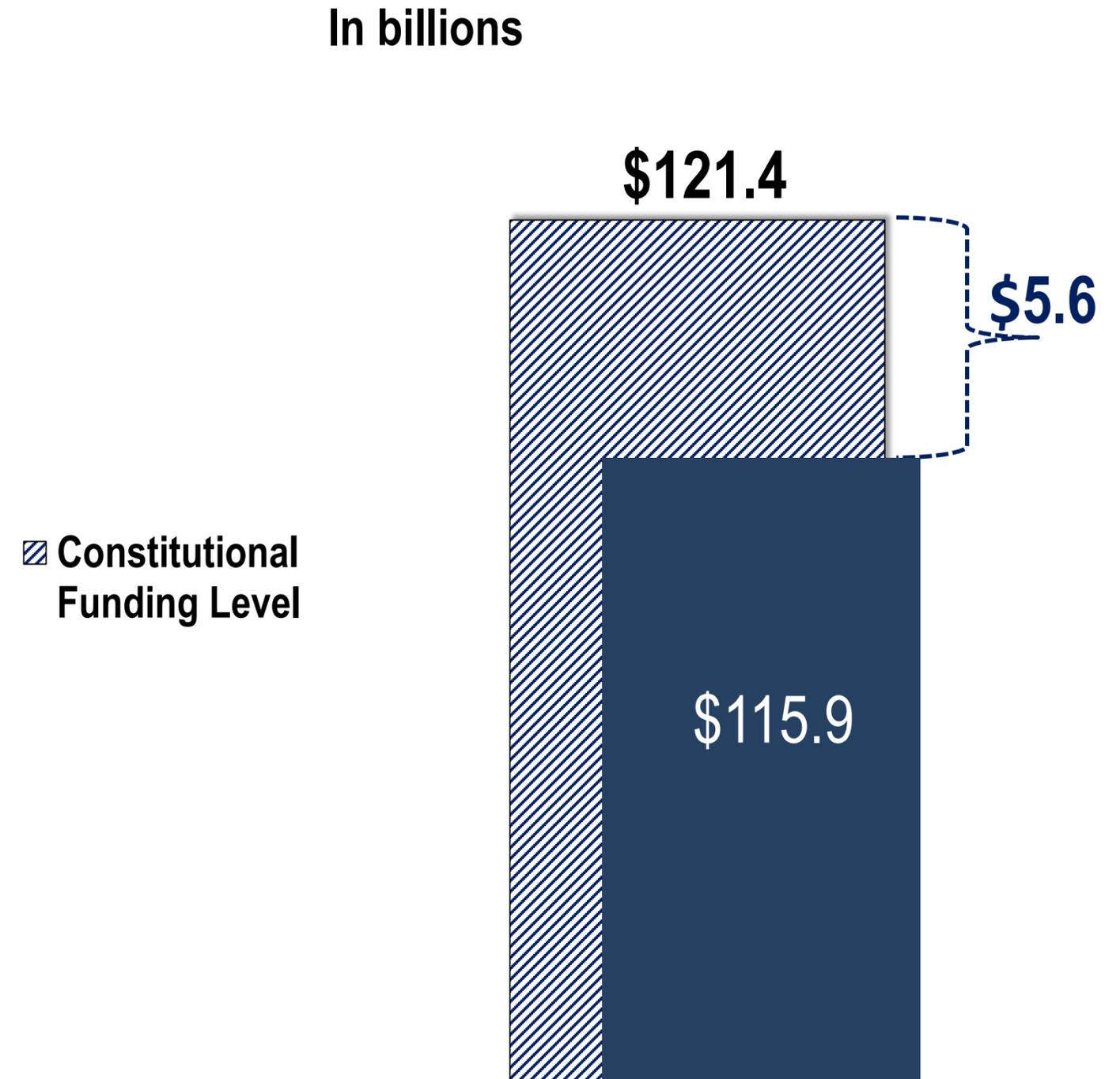


2025-26 Settle-Up Proposal

- ▶ The Governor's Budget proposes the same withholding strategy used last year, but at a much higher amount
- ▶ If the 2025-26 minimum guarantee is fully appropriated and allocated to TK-12 agencies on an equal per-ADA basis, LEAs would receive approximately



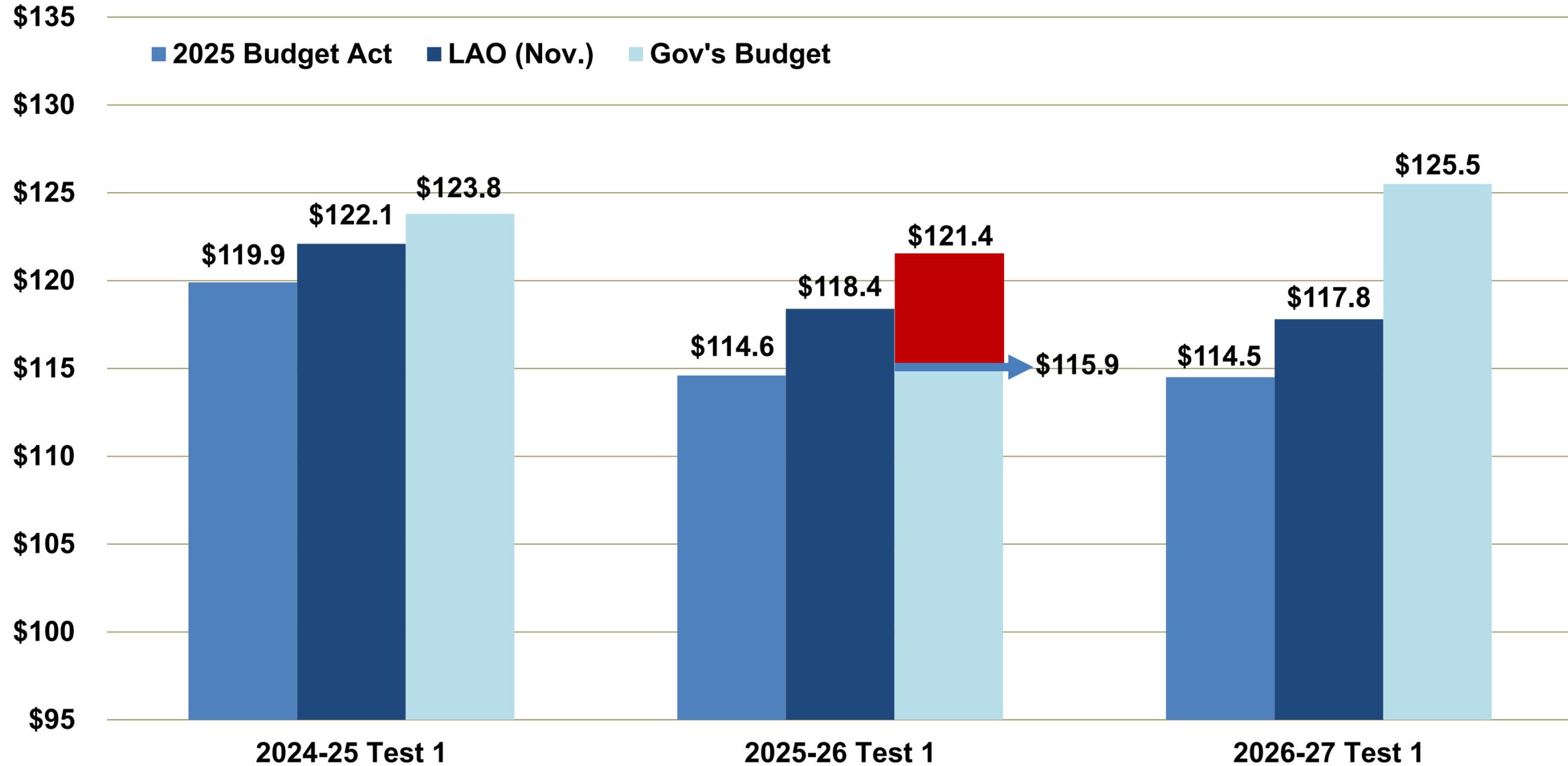
- ▶ The Governor and Legislature determine how Proposition 98 funds are allocated to LEAs





Proposition 98

(Dollars in Billions)





2026-27 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 **2.41%** 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.
 - ▶ District experienced a decline in student enrollment in 2025-26 of **(273)** students and is projecting a decline of approximately **(436)** in 2026-27.
 - ▶ Districts in declining enrollment receive the greater of the current year, prior year or three year average in projected ADA in LCFF Funding.
 - ▶ For IUSD the 2.41% COLA and decline in enrollment represents a year-over-year ongoing increase of approximately \$9.7 million.
- ▶ The Governor's proposal also includes an augmentation to the Special Education base funding level projected to generate approximately \$2 million in ongoing funding for IUSD.
- ▶ These funds will be used to offset annual increases in expenditures related to step and column, pension costs, and special education.
- ▶ More will be known when the May Revise is published.



2026-27 Governor's January Proposal

Other Notable Highlights

Student Support
and Professional Development
Block Grant

\$2.8 billion – one time funds
Estimated at approximately \$500 per ADA
For IUSD projected to yield \$18 - \$18.5 million

Learning Recovery Emergency
Block Grant

\$757.3 million to restore the remaining funds deferred from
the 2023 Budget Act
For IUSD projected to yield approximately \$2.5 million

Home-to-School Transportation
Augmentation

\$322 million in one-time funding
\$239.2 million in ongoing funding
For IUSD actual allocation is undetermined at this time



Ongoing Challenges

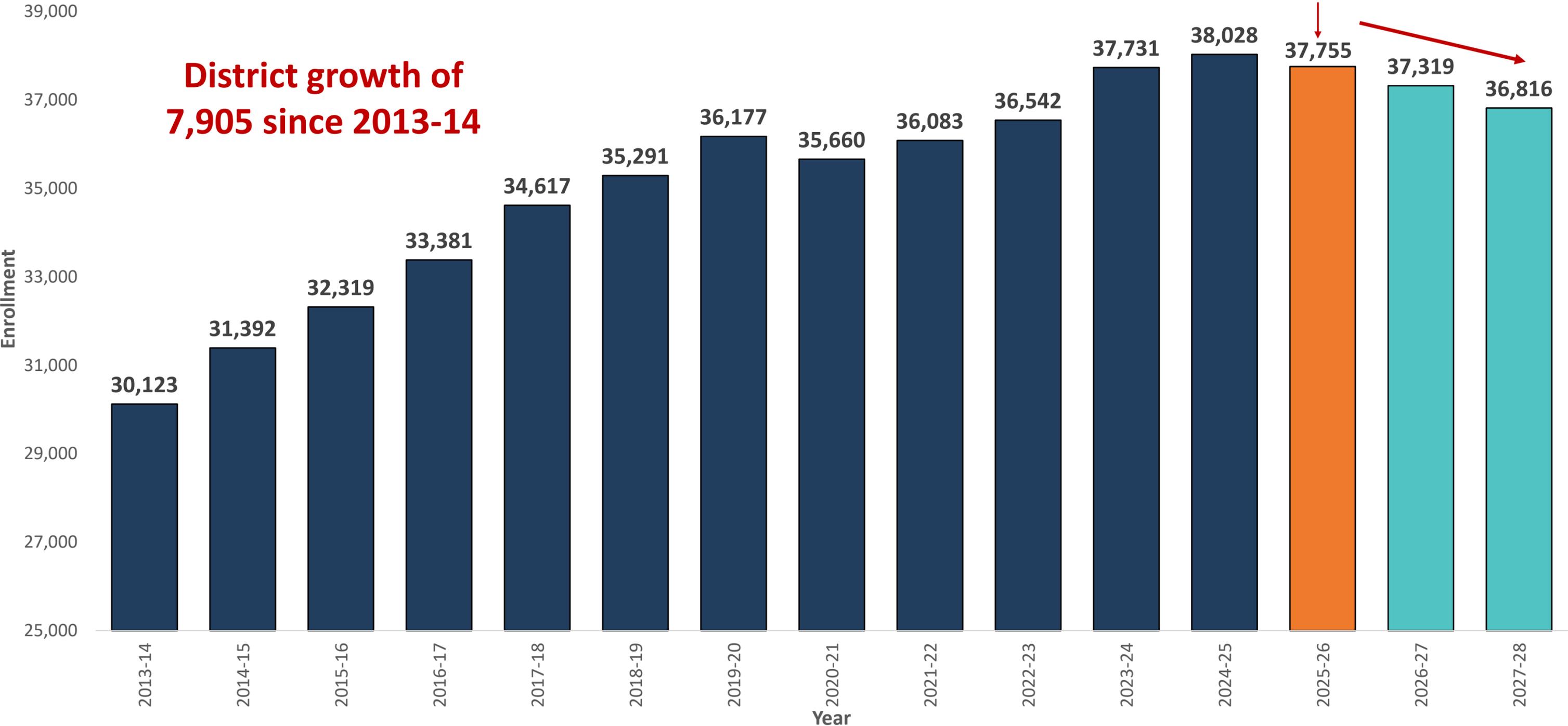
- ▶ The Local Control Funding Formula represents well over 90% of Unrestricted Revenue (for IUSD 95%), yet funding disproportionately benefits districts with high concentrations of disadvantaged students
- ▶ **Manipulation/ Pressure on Proposition 98**
- ▶ Enrollment growth is now in downward trend
- ▶ 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





District Enrollment

IUSD Enrollment
Past, Present, Projected



**District growth of
7,905 since 2013-14**

**Decline of
273 students**



Utilization of One-Time Funding

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

Learning Recovery Emergency Block Grant

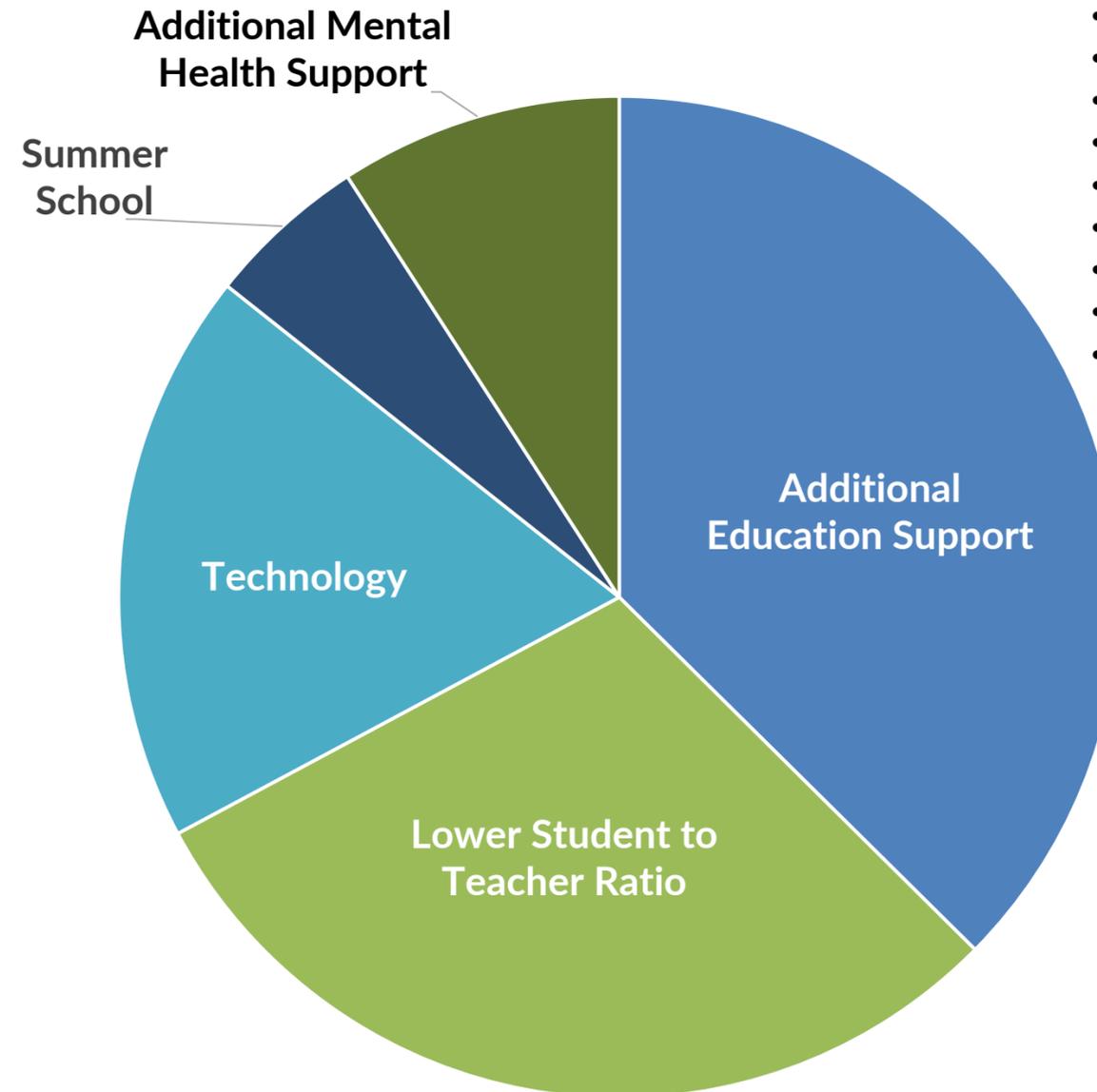
Arts, Music and Instructional Materials
Discretionary Block Grant

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

Discretionary Block Grant and LRE funds
included in 2026-27 Budget



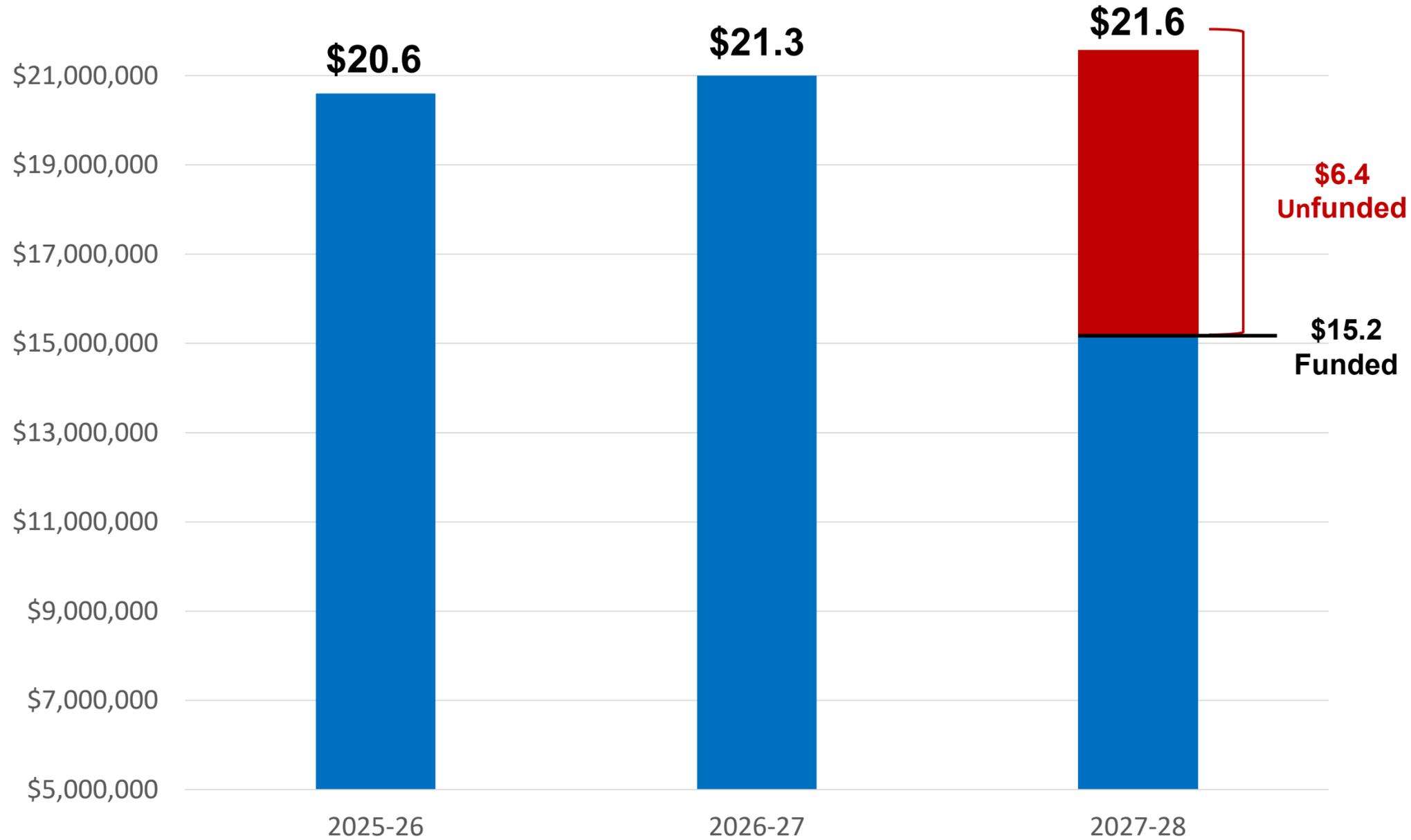
*Additional Education Support includes:

- 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)



The 2026-27 Proposed Discretionary Block Grant nor the additional LRE funding are included in the one-time runways at this time.



2025-26 Second Interim Assumptions

	2025-26 Projected	2026-27 Projected	2027-28 Projected
ADA (funded)	36,557	36,475	36,363
LCFF Funding per student	\$12,375	\$12,669	\$13,054
Property Tax Increases	5%	5%	5%
Salary Increases (On-going)	*	*	*
Salary Increases (One-time)	*	*	*
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

* Board Approved Salary settlements will be reflected in Estimated Actuals.



2025-26 Second Interim Assumptions

- ▶ Cost of Board approved salary settlements will be reflected in the 2025-26 Estimated Actuals presented during 2026-27 Budget Adoption
- ▶ Settlements approved at February 17, 2026 Board meeting for:
 - ▶ Irvine Teachers Association (ITA)
 - ▶ Irvine Supervisory Association (ISA)
 - ▶ Irvine Administrative Assistants to the Principals (IAAP)
 - ▶ Irvine Administrators Association (IAA)
 - ▶ Settlement details:
 - ▶ 1.26% ongoing salary increase retroactive to July 1, 2025
 - ▶ 0.52% ongoing increase to district contribution for health and welfare benefits, increasing annual contribution from \$13,245 to \$13,890 per eligible employee retroactive to July 1, 2025
 - ▶ 1.0% one-time off schedule based on new 2025-26 Salary Schedule
- ▶ Total Cost in current year is \$8,187,626



2025-26 Second Interim Financial Comparison

General Fund Unrestricted Balance

Description	2025-26 1 st Interim	2025-26 2 nd Interim	Variance
Total Revenues	\$488,464,355	\$489,948,401	\$1,484,046
Total Expenditures	(\$387,300,842)	(\$387,732,529)	(\$431,687)
EXCESS (DEFICIENCY)	\$101,163,513	\$102,215,872	\$1,052,359
Total Other Sources/Uses	(\$107,309,603)	(\$107,983,016)	(\$673,413)
NET INCREASE (DECREASE)	(\$6,146,090)	(\$5,767,144)	\$378,946
Beginning Balance, July 1	\$43,012,431	\$43,012,431	-----
Ending Balance, June 30	<u>\$36,866,341</u>	<u>\$37,245,287</u>	<u>\$378,946</u>



2025-26 Second Interim Financial Comparison

Components of Unrestricted Ending Fund Balance

Description	2025-26 1 st Interim	2025-26 2 nd Interim	Variance
Estimated Ending Fund Balance	<u>\$36,866,341</u>	<u>\$37,245,287</u>	<u>\$378,946</u>
<u>Components of Ending Fund Balance:</u>			
Revolving Cash/Stores	\$350,000	\$350,000	-----
State Required Reserve	\$13,108,000	\$13,191,700	\$83,700
Contingency Reserve	\$5,000,000	\$5,000,000	-----
Reserve for 2026-27 LCAP	\$5,134,780	\$5,134,780	-----
Board Approved Compensation Settlements		\$8,187,626	\$8,187,626
Other Unassigned – One Time	\$13,273,561	\$5,381,181	(\$7,892,380)

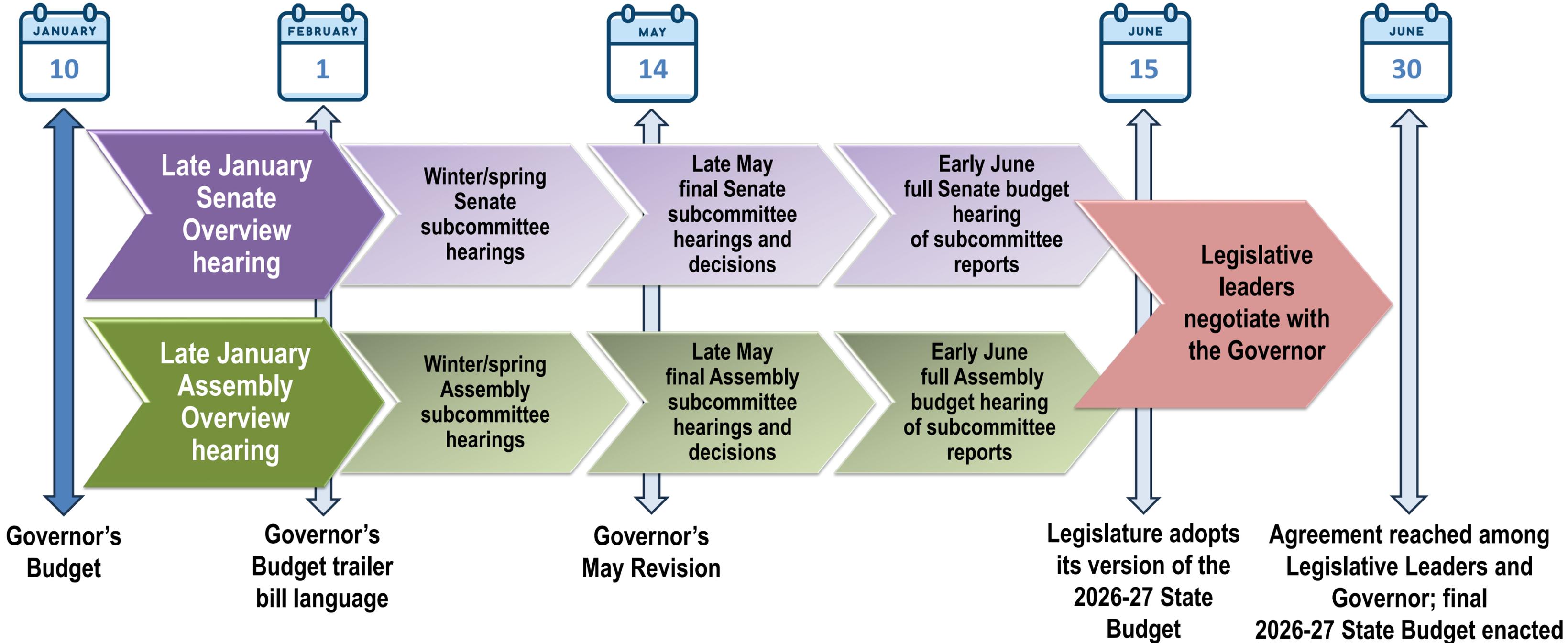


Unrestricted General Fund Financial Outlook

Description	2025-26 Projected	2026-27 Projected	2027-28 Projected
Total Revenues	\$489,948,401	\$499,814,159	\$515,417,169
Total Expenditures	(\$387,732,529)	(\$381,530,890)	(\$385,745,670)
EXCESS (DEFICIENCY)	\$102,215,872	\$118,283,269	\$129,671,499
Total Other Sources/Uses	(\$107,983,016)	(\$106,747,261)	(\$111,692,239)
NET INCREASE (DECREASE)	(\$5,767,144)	\$11,536,008	\$17,979,260
Beginning Balance, July 1	\$43,012,431	\$37,245,287	\$48,781,295
Ending Balance, June 30	<u>\$37,245,287</u>	<u>\$48,781,295</u>	<u>\$66,760,555</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

