

# **Second Interim Report**



Irvine Unified School District

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**PRESENTED BY JOHN FOGARTY**

**MARCH 7, 2017**



# Second Interim Budget Report

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- ▶ The Second Interim Report represents the District's second official revision to the Final Adopted Budget and includes actual financial data through January 31, 2017, 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; and a number of other sources.



# Governor's 2017-18 State Budget Proposal Highlights

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- ▶ Citing reductions in state revenues, Governor lowers revenue projections for current and budget year
- ▶ Education Funding:
  - ▶ Sufficient to cover the statutory Cost-of-Living-Adjustment of 1.48%
  - ▶ Maintains LCFF funding at 96% of target statewide
- ▶ Governor's proposal also includes \$48/ADA in one-time discretionary block grant funds for prior years unpaid mandates
  - ▶ For IUSD – approximately \$1.5 million



# Governor's 2017-18 State Budget Proposal Highlights

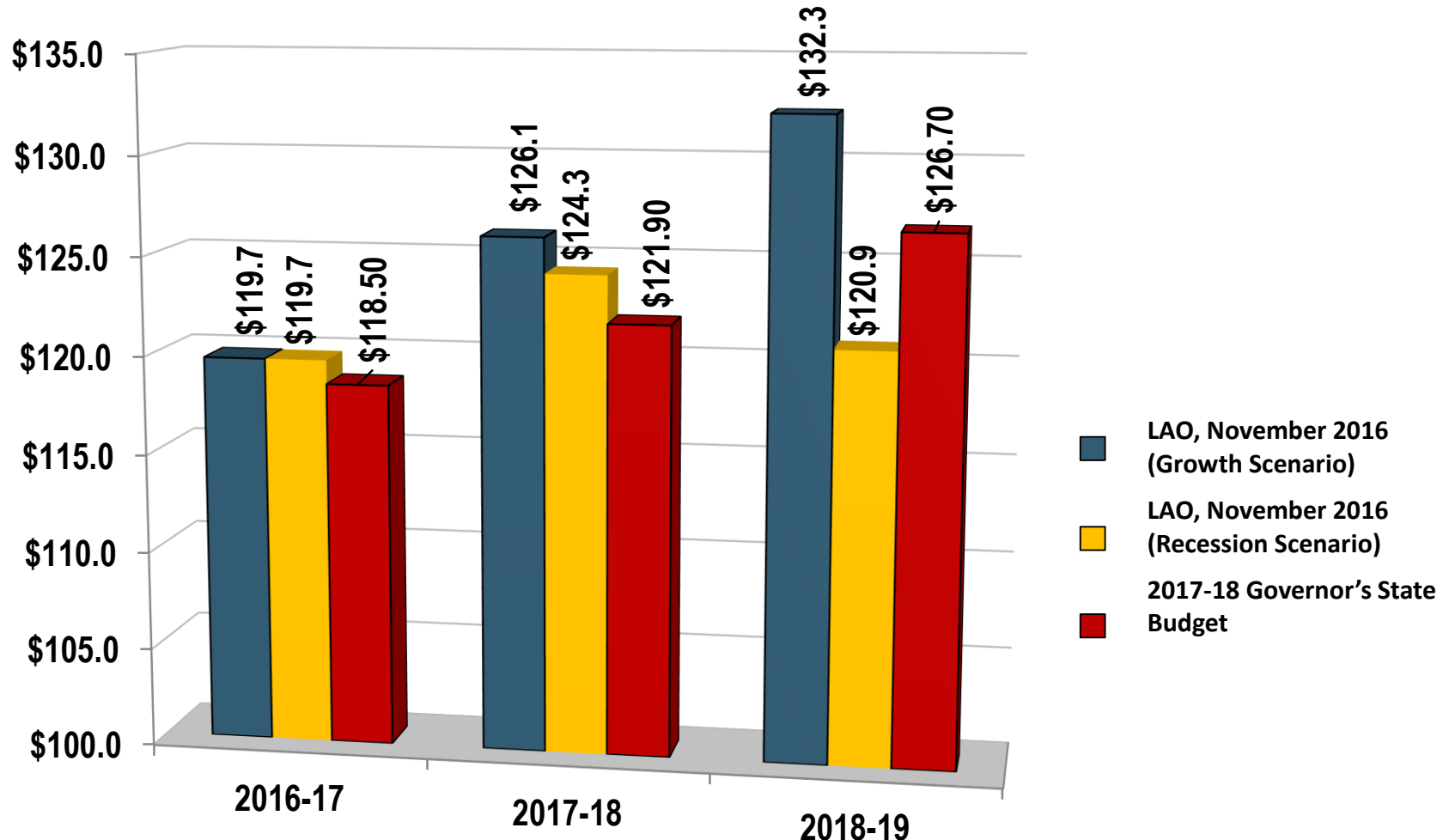
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- ▶ First time since inception of LCFF no funding provided for progress towards full funding
- ▶ Goal for full implementation in 2020-21
- ▶ Majority of funding provided for restoration of previous cuts
- ▶ Since the implementation of the Local Control Funding Formula (LCFF), Governor has prioritized making progress towards full funding.
- ▶ 2013-14 - \$1.9b
- ▶ 2014-15 - \$4.8b
- ▶ 2015-16 - \$6.1b
- ▶ 2016-17 - \$2.9b
- ▶ **2017-18 - \$744million**
- ▶ **Legislative Analyst's Office (LAO) believes Governor's projections very conservative**



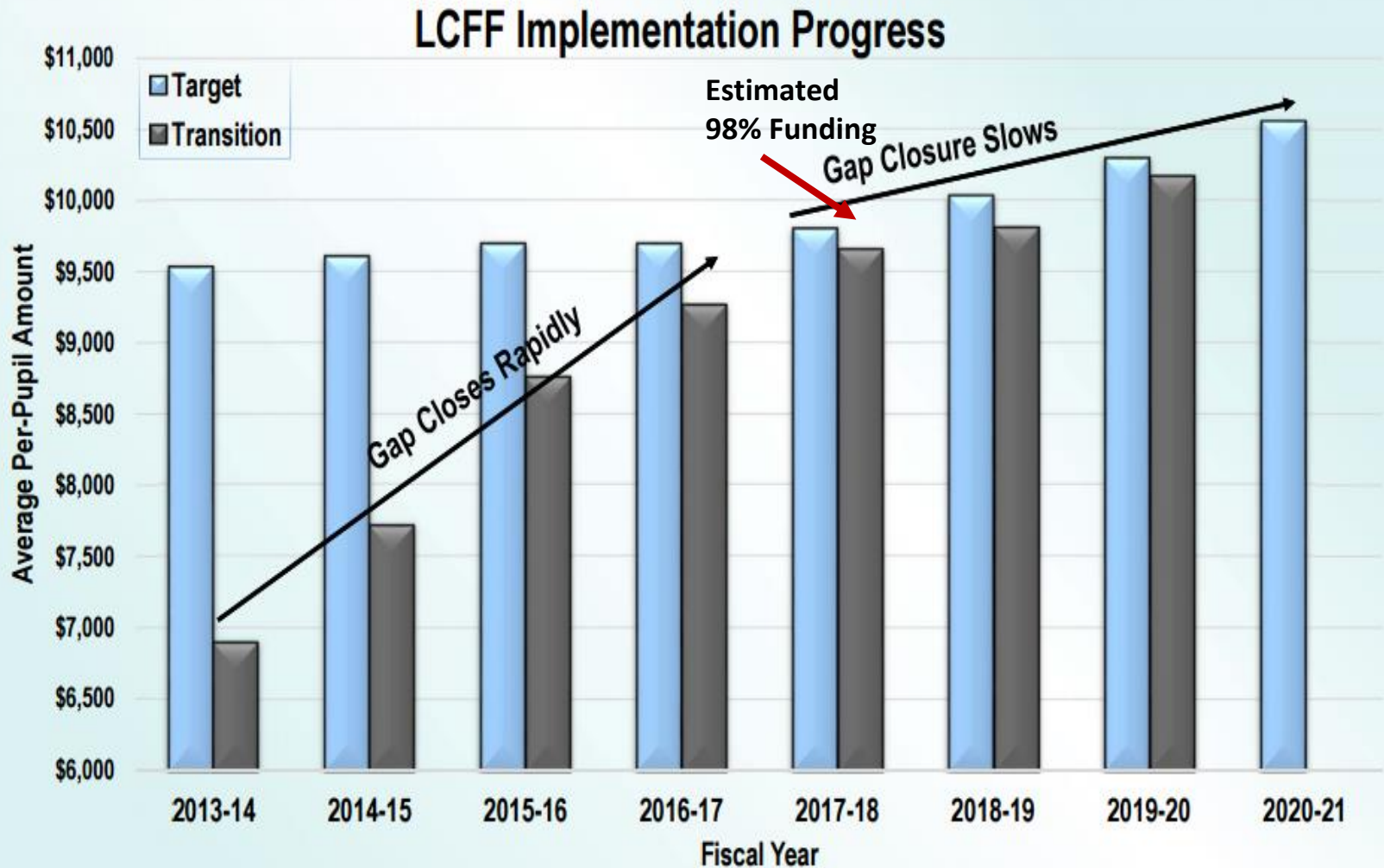
# Big Three Revenues – Personal Income Tax, Sales and Use Tax, and Corporation Tax

(in billions)





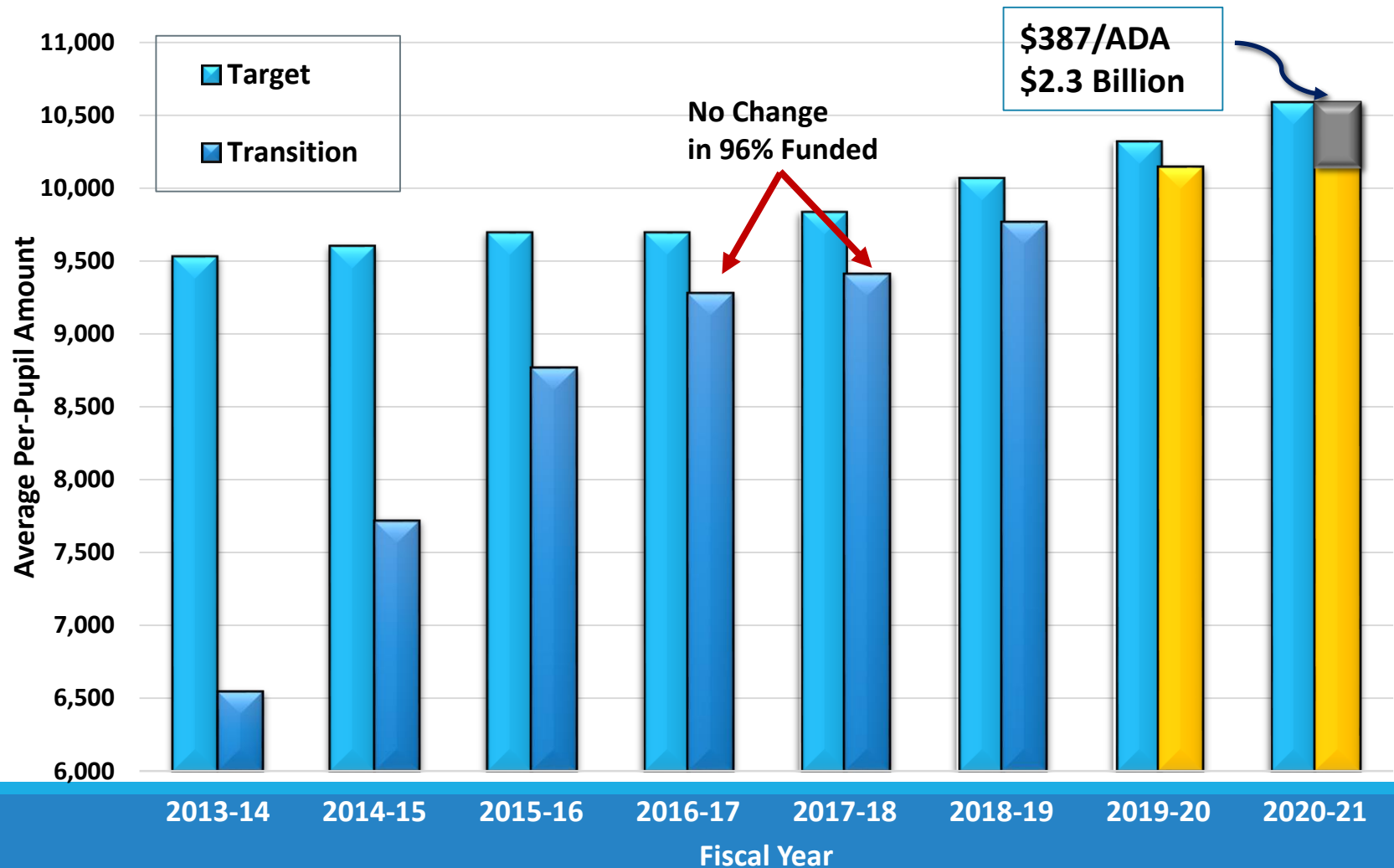
# LCFF Gap Funding – Final 2016-17 State Budget





# LCFF Gap Funding – Final 2017-18 State Budget

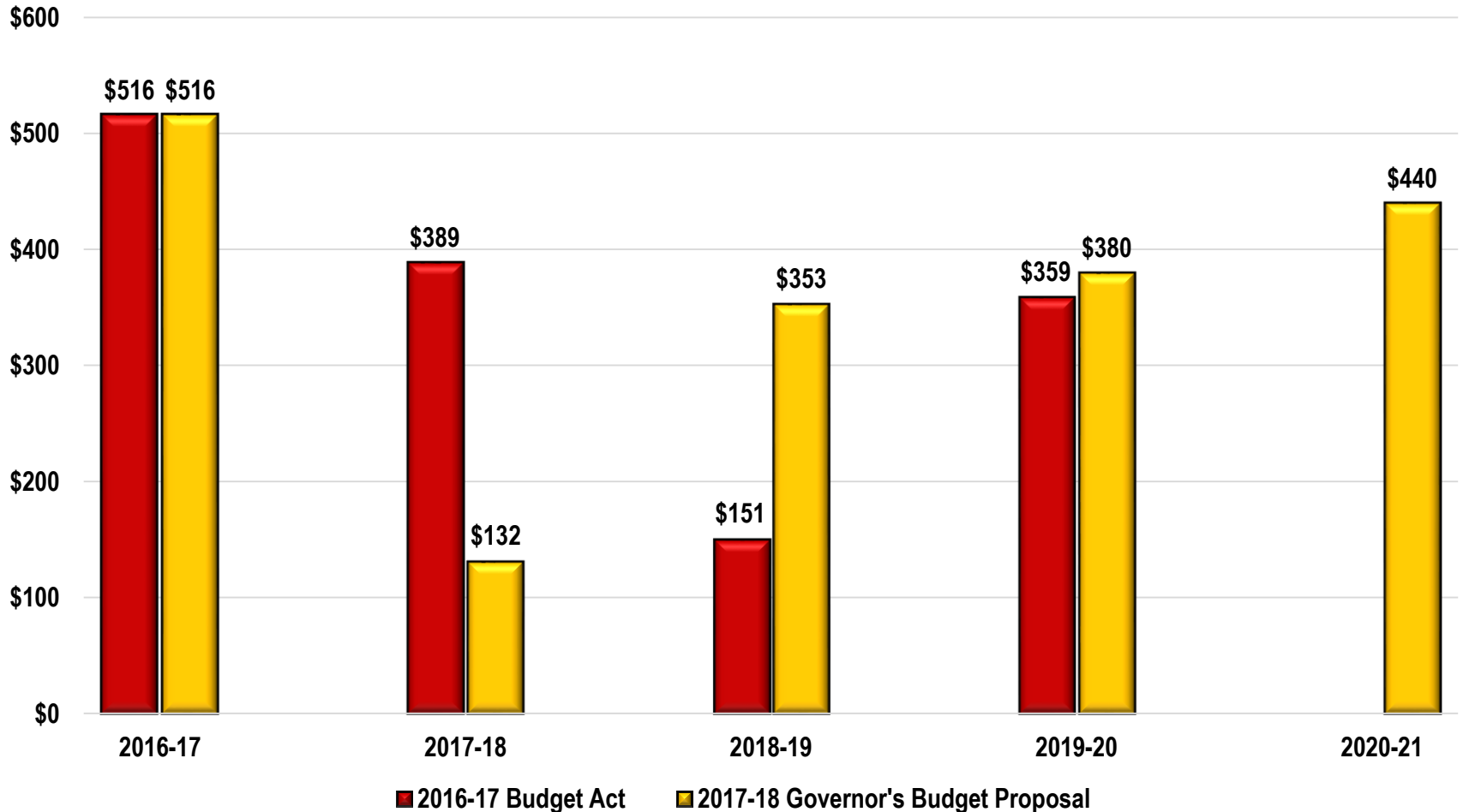
## LCFF Implementation Progress





# LCFF Gap Funding – Final 2017-18 State Budget

Average Gap Closure Funding Per Pupil







# IUSD Estimated LCFF Funding

IUSD LCFF	2016-17 Projection	2017-18 Original Projection	2017-18 Projection	2018-19 Projection
<b>LCFF Target</b> (Actual Target to be Reached in 2020-21)	\$272,853,161	\$283,759,574	\$285,481,399	\$302,693,965
<b>LCFF Floor</b> (2013-14 Actual Funding Adjusted for ADA Growth & Any LCFF Funding rec'd)	\$245,813,784	\$267,506,260	\$268,375,949	\$281,560,428
<b>LCFF Gap =</b> (Difference Between Target & Floor)	\$27,039,377	\$16,253,314	\$17,105,450	\$21,133,537
<b>Gap Funding Rate =</b> (% of Gap to be Funded, set by Governor)	55.28%	72.99%	23.67%	34.42%
<b>Gap Funding Amount =</b> (Anticipated Additional Funds)	\$14,947,368	\$11,863,294	\$4,048,860	\$7,274,163
<b>Total LCFF Funding =</b>	\$260,761,152	\$279,369,554	\$272,424,809	\$288,834,591

Total LCFF Funding Increase - \$12 million



# Ongoing Challenges

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- ▶ STRS & PERS employer contribution increases
  - ▶ CalSTRS – From 8.25% in 2013-14 to 19.1% in 2021
  - ▶ CalPERS – From 11.442% in 2013-14 to 24.9% in 2021
- ▶ Public Perception – Disparity in district funding statewide will increase dramatically
- ▶ Volatility in Economy



# IUSD 2017-18 Estimated Total LCFF Funding Distribution





## 2016-17 Second Interim Assumptions

	2016-17 Projected	2017-18 Projected	2018-19 Projected
ADA Growth	941	996	1,176
LCFF Funding per student	\$8,043	\$8,153	\$8,350
Property Tax Increases	5%	5%	5%
Salary Increases (On-going)	3.7%	0%	0%
Salary Increases (One-time)	1.2%	0%	0%
Step & Column Increases	2%	2%	2%
Health Insurance Contributions	\$10,143	\$10,143	\$10,143
Utility Increases	5%	5%	5%
District Reserve Level	2%	2%	2%
Contingency Reserve	\$5,000,000	\$5,000,000	\$5,000,000



# Allocation of One-Time Resources

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- Utilizing input from numerous stakeholders through the LCAP process, IUSD has leveraged use of one-time resources over multiple fiscal years.
- Over \$27.5 million in one-time funds allocated in 2016-17
- Over \$12.5 million in 2016-17 ending fund balance to be allocated in 2017-18.
- District is intentionally deficit spending – no structural deficit.





## 2016-17 Second Interim Financial Comparison General Fund Unrestricted Balance

Description	2016-17 1 <sup>st</sup> Interim	2016-17 2 <sup>nd</sup> Interim	Variance
Total Revenues	\$282,542,301	\$284,407,624	\$1,865,323
Total Expenditures	(\$250,109,202)	(\$249,894,004)	\$215,198
EXCESS (DEFICIENCY)	\$32,433,099	\$34,513,620	\$2,080,521
Total Other Sources/Uses	(\$49,022,216)	(\$49,620,955)	(\$598,739)
NET INCREASE (DECREASE)	(\$16,589,117)	(\$15,107,335)	\$1,481,782
Beginning Balance, July 1	\$49,258,496	\$49,258,496	-----
Ending Balance, June 30	<u>\$32,669,379</u>	<u>\$34,151,161</u>	<u>\$1,481,782</u>



# 2016-17 Second Interim Financial Comparison

## Components of Unrestricted Ending Fund Balance

Description	2016-17 1 <sup>st</sup> Interim	2016-17 2 <sup>nd</sup> Interim	Variance
Ending Fund Balance	<u>\$32,669,379</u>	<u>\$34,151,161</u>	<u>\$1,481,782</u>
Revolving Cash	\$150,000	\$150,000	-----
Stores	\$400,000	\$400,000	-----
Economic Uncertainties	\$7,275,000	\$7,326,000	(\$51,000)
Contingency Reserve	\$5,000,000	\$5,000,000	-----
Def. 15-16 LCAP Allocation	\$6,760,704	\$6,760,704	-----
Def. 16-17 LCAP Allocation	\$5,943,601	\$5,943,601	-----
Other Assigned	\$7,140,074	\$8,570,856	\$1,430,782



# Unrestricted General Fund Financial Outlook

Description	2016-17 Projected	2017-18 Projected	2018-19 Projected
Total Revenues	\$284,407,624	\$291,130,885	\$306,279,653
Total Expenditures	(\$249,894,004)	(\$248,332,290)	(\$254,933,839)
EXCESS (DEFICIENCY)	\$34,513,620	\$42,798,595	\$51,345,814
Total Other Sources/Uses	(\$49,620,955)	(\$53,128,545)	(\$50,861,067)
NET INCREASE (DECREASE)	(\$15,107,335)	(\$10,329,950)	\$484,747
Beginning Balance, July 1	\$49,258,496	\$34,151,161	\$23,821,211
Ending Balance, June 30	<u>\$34,151,161</u>	<u>\$23,821,211</u>	<u>\$24,305,958</u>





# Certification Definition

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**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**



# IUSD 2017-18 LCAP & Budget Development

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## Budget Development Process:

- ▶ Initial budget assumptions will be developed based on the Governor's January Budget proposal
- ▶ LCAP development will target \$8.5 million in one-time funds
  - ▶ Based on 2016-17 First Interim and Governor's Budget
- ▶ Will monitor state revenue collections and potential impact on Governor's 2017-18 May Revise proposal
- ▶ May Revise scheduled for release May 12 or 15.....



# Questions

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