

# Second Interim Report



Irvine Unified School District

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**PRESENTED BY JOHN FOGARTY**

**MARCH 15, 2016**





# 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, 2016, 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 2016-17 State Budget Proposal Highlights

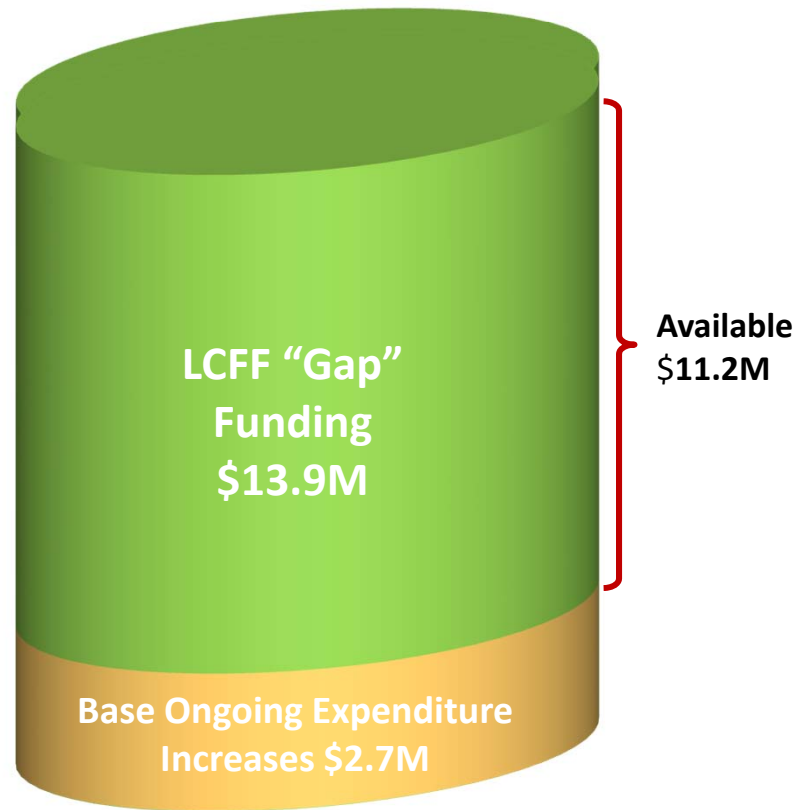
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- ▶ Another Strong Budget Proposed for K-12!
- ▶ Positive economic growth provides additional funding for Proposition 98
- ▶ Governor's priorities remain focused on fully funding the Local Control Funding Formula (LCFF)
  - ▶ \$2.8 billion allocated to further eliminate LCFF Gap
  - ▶ For IUSD - \$13.9 million
  - ▶ 95% fully funded
- ▶ \$1.1 billion in one-time discretionary funds to offset prior years unpaid mandates
  - ▶ \$207/ADA, for IUSD - \$6.5 million
- ▶ \$1 billion is allocated to eliminate remaining K-14 deferrals



# Utilization of Ongoing Funding

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**2016-17**



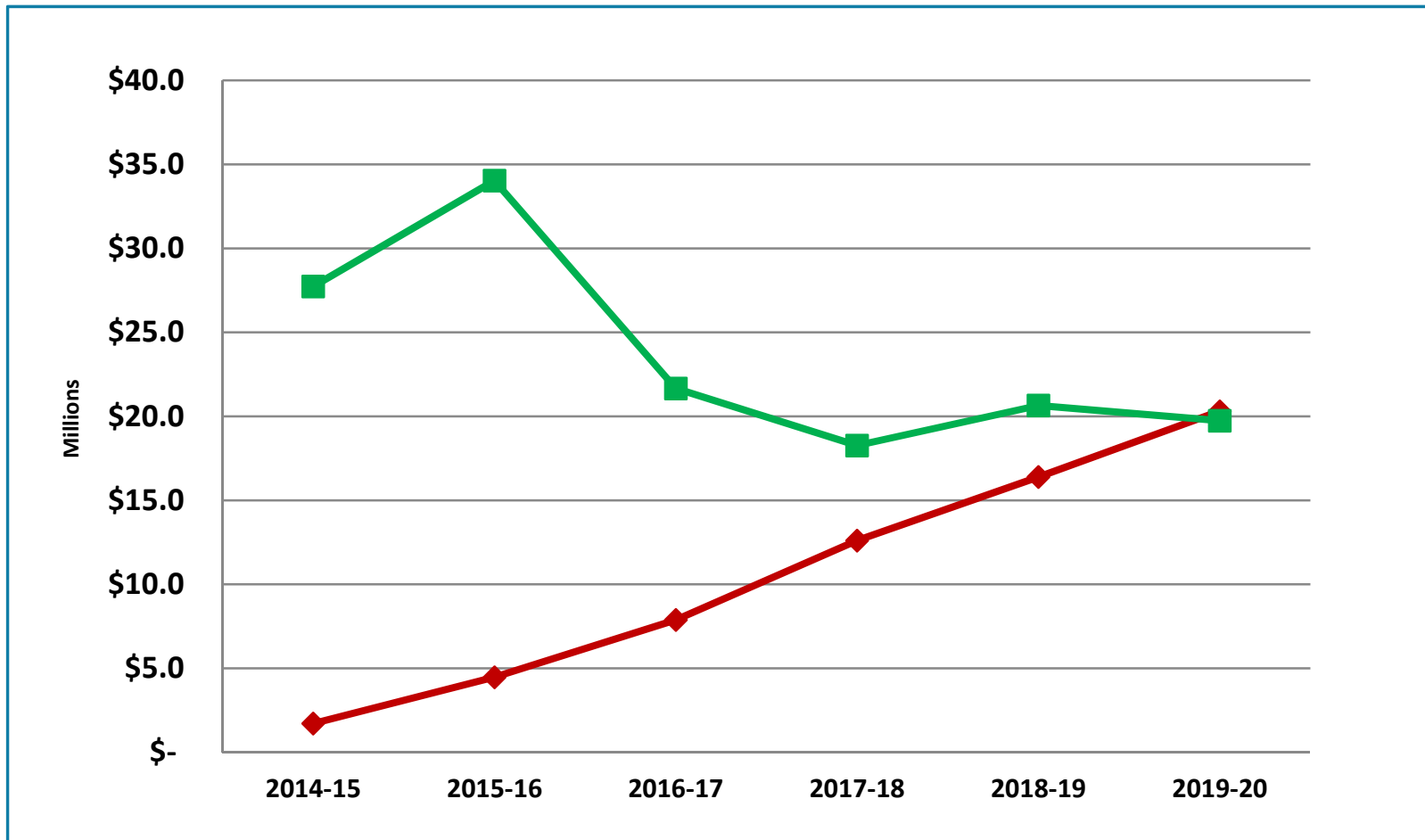
# Ongoing Challenges

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- ▶ Proposition 30 temporary tax increases
  - ▶ Generate approximately \$8 billion annually with approximately 45% or \$3.6 billion going to Proposition 98
- ▶ 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 20.4% in 2021
- ▶ Public Perception – Disparity in district funding statewide will increase dramatically
- ▶ Facilities – Governor remains opposed to a State facility bond leaving entire burden at the local level
- ▶ Volatility in Economy



# Relationship between STRS and PERS Employer Contributions and LCFF



- STRS & PERS Increases

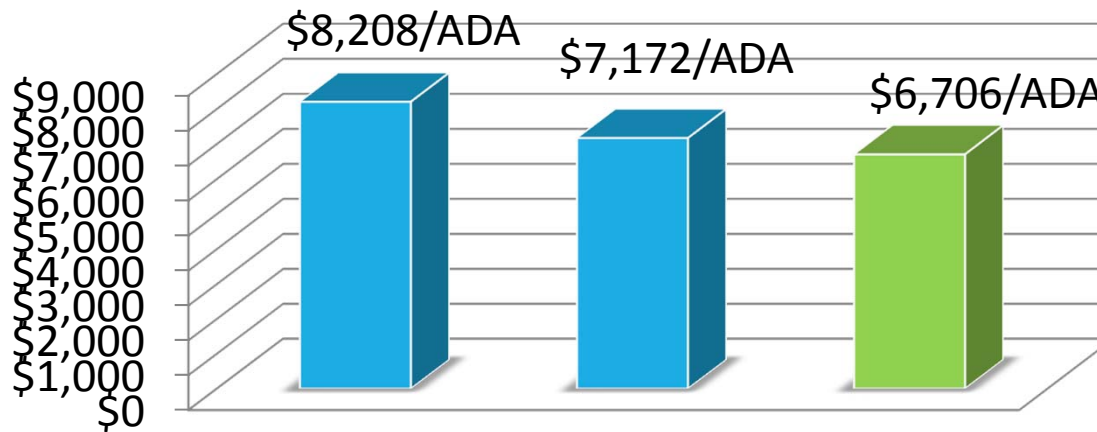
- LCFF Funding Increases



# LCFF Disparity in Statewide Funding

Because LCFF is heavily weighted to favor districts with high populations of disadvantaged students, the LCFF as proposed, negatively impacts IUSD

## 2014-15 LCFF Funding Comparison



### State, County, District LCFF Funding Comparison

*Note: IUSD funded \$1,502/ADA below statewide average for Unified School Districts statewide. Impact \$46.5 million.....*



## 2015-16 Second Interim Assumptions

	2015-16 Projected	2016-17 Projected	2017-18 Projected
ADA Growth	931	712	1158
LCFF Funding per student	\$7,590	\$8,011	\$8,176
Fair Share State Reductions	\$0	\$0	\$0
Salary Increases (On-going)	4%	0%	0%
Salary Increases (One-time)*	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%





## IUSD Projected LCFF Funding

IUSD LCFF	2015-16 Projection	2016-17 Projection	2017-18 Projection
<b>LCFF Target</b> (Actual Target to be Reached in 2020-21)	\$265,737,891	\$273,040,877	\$289,030,195
<b>LCFF Floor</b> (2013-14 Actual Funding Adjusted for ADA Growth & Any LCFF Funding rec'd)	\$211,317,776	\$244,712,004	\$267,426,725
<b>LCFF Gap =</b> (Difference Between Target & Floor)	\$54,420,115	\$28,328,873	\$21,603,470
<b>Gap Funding Rate =</b> (% of Gap to be Funded, set by Governor)	51.97%	49.08%	27.56%
<b>Gap Funding Amount =</b> (Anticipated Additional Funds)	\$28,282,134	\$13,903,811	\$5,953,916
<b>Total LCFF Funding =</b>	\$239,599,910	\$258,615,815	\$273,380,641



## 2015-16 Second Interim Financial Comparison General Fund Unrestricted Balance

Description	2015-16 1 <sup>st</sup> Interim	2015-16 2 <sup>nd</sup> Interim	Variance
Total Revenues	\$269,162,636	\$270,646,815	\$1,484,179
Total Expenditures	\$227,829,524	\$229,700,980	(\$1,871,456)
EXCESS (DEFICIENCY)	\$41,333,112	\$40,945,835	(\$387,277)
Total Other Sources/Uses	(\$43,780,460)	(\$43,555,536)	\$224,924
<b>NET INCREASE (DECREASE)</b>	<b>(\$2,447,348)</b>	<b>(\$2,609,701)</b>	<b>(\$162,353)</b>
Beginning Balance, July 1	\$37,984,702	\$37,984,702	\$0
Ending Balance, June 30	<u>\$35,537,354</u>	<u>\$35,375,001</u>	<u>(\$162,353)</u>



## 2015-16 Second Interim Financial Comparison

### Components of Unrestricted Ending Fund Balance

Description	2015-16 1 <sup>st</sup> Interim	2015-16 2 <sup>nd</sup> Interim	Variance
Ending Fund Balance	<u>\$35,537,354</u>	<u>\$35,375,001</u>	<u>(\$162,353)</u>
Revolving Cash	\$150,000	\$150,000	\$0
Stores	\$375,000	\$375,000	\$0
Economic Uncertainties	\$6,303,000	\$6,391,000	(\$88,000)
Contingency Reserve	\$5,000,000	\$5,000,000	\$0
Deferred Allocations	\$14,348,608	\$14,348,608	\$0
Board Assigned	\$9,360,746	\$9,110,393	(\$250,353)



# Unrestricted General Fund Financial Outlook

Description	2015-16 2 <sup>nd</sup> Interim	2016-17 Projected	2017-18 Projected
Total Revenues	\$270,646,815	\$279,997,397	\$288,355,246
Total Expenditures	\$229,700,980	\$228,548,197	\$240,587,518
EXCESS (DEFICIENCY)	\$40,945,835	\$51,449,199	\$47,797,727
Total Other Sources/Uses	(\$43,555,536)	(\$40,580,853)	(\$44,826,947)
<b>NET INCREASE (DECREASE)</b>	<b>(\$2,609,701)</b>	<b>\$10,868,347</b>	<b>\$2,940,781</b>
Beginning Balance, July 1	\$37,984,702	\$35,375,001	\$46,243,348
Ending Balance, June 30	<u>\$35,375,001</u>	<u>\$46,243,348</u>	<u>\$49,184,129</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**



# Questions

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