

# Budget Notebook



*Following California's budget crisis and its impact on Irvine's schools*

## Q&A: IUSD facing significant challenges as Governor's plan pushes deficit to \$23 million

In January 2008, the Irvine Unified School District began issuing these "Budget Notebook" updates in response to California's fiscal crisis. Back then, it would have been difficult to imagine that the crisis would not only persist this long, but significantly worsen with time.

Which brings us to our current reality.

Though Governor Schwarzenegger recently vowed to protect education from further reductions, his initial budget proposal for 2010-11 poses enormous challenges for school districts, most of which have already been decimated by cuts.

Locally, the governor's spending plan increases Irvine Unified's operational shortfall for 2010-11 to more than \$22 million, representing a dramatic increase from the \$14.7 million gap identified in December.

With less than six weeks to go before the Board of Education is expected to vote on budget adjustments for the fiscal year that begins July 1, we sat down with Superintendent Gwen Gross to discuss the state crisis and its impact on our schools.

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**Q: In December, IUSD's shortfall for 2010-11 was pegged at \$14.7 million. Now it's up to \$22.5 million. What happened to cause the increase?**

A: In short, the Governor released his spending plan for the next fiscal year.



### Budget Timeline

A look at the next six weeks in IUSD

<b>January 26</b>	The public is invited to attend a Community Forum to discuss the budget.
<b>February 2</b>	The Board of Education convenes for a regular meeting.
<b>February 9</b>	The Board holds a special Budget Study Session from 4-6 p.m.
<b>February 16</b>	The Board convenes for a regular meeting.
<b>March 2</b>	The Board is expected to vote on budget reductions and adjustments for 2010-11
<b>March 15</b>	All certificated teachers must be notified if the possibility exists that they will not be employed the following year.
<b>March 16</b>	The Board convenes for a regular meeting and will vote to certify the district's Second Interim Report, indicating IUSD's ability to meet its financial obligations. Districts that fail to show a balanced budget face possible sanctions and/or intervention by the county.

Based on these figures, school districts are going to take an additional hit of more than \$200 per student, which for us is equivalent to losing \$5.3 million. In addition, our district is projecting an increase in our health benefits costs to the tune of about \$1.7 million.

**Q: The governor said publicly that he would not cut further into education this year. Was he being less than truthful?**

A: That's one way of putting it. The governor would tell you he's keeping education funding at the levels required by Proposition 98, which mandates that

roughly 40 percent of the state budget be spent on education. But the governor is essentially manipulating Proposition 98 through accounting tricks that move some revenue out of the state's general fund, thereby lowering the minimum amount for schools.

**Q: What can we expect in terms of budget adjustments for 2010?**

A: Our Board has yet to make any final decisions, and keep in mind that any employee contributions must be negotiated with our bargaining groups.

In economic downturns of the past,

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districts may have discussed “making tough choices” in terms of weighing program cuts, class-size increases and perhaps even salary rollbacks or furloughs. But given the magnitude of this year’s shortfall, the choices are few; we will likely have to pursue all of these abysmal options.

I know that many are concerned about the potential impact on programs for students, as well as the livelihoods of so many dedicated employees. I wake up at night with the same concerns, wishing our circumstances were different. But I must be completely candid: Given the size and scope of the state’s troubles, there are no options remaining that won’t impact our students, parents and staff on some level.

We are an organization of people, with more than 93 percent of our operational budget spent on staff. So when you talk about stripping \$22 million from a district with a budget of a little more than \$200 million, you are impacting individuals as well as programs.

**Q: Last year, the Board of Education voted on a number of measures to close a budget gap of \$18.3 million. How can the state expect us to take an additional hit of \$22 million?**

A: It’s a good question. While the Board did vote on \$18.3 million worth of adjustments last spring, most of that deficit – all but about \$4.6 million – was filled by capturing one-time dollars, as opposed to making ongoing reductions.

This is akin to draining your savings account to make your monthly expenses – it’s not a long-term solution to a structural deficit. Yet we felt it was the right decision to protect people and programs for another year, knowing full well that our challenges would resurface for 2010-11.

**Q: Are there more onetime dollars that can help cushion the blow this year?**

A: Yes, but not to the extent that these funds were available in years past. We

have implemented a budget freeze, which we’re hoping will save nearly \$2 million in onetime money, and there is an additional \$1.8 million left in an insurance reserve fund that was originally reserved for the retiree benefit liability. While these dollars won’t solve our problem, they are available, and they may prove critical if the news out of Sacramento worsens.

**Q: Could it worsen?**

A: Unfortunately, yes. It is important to remember that the Governor’s proposal represents a starting point for negotiations that will ultimately result in a state budget. That means IUSD’s bottom line could worsen or improve before the deliberations are over.

Due to a number of statutory deadlines, however, school districts must take critical steps to balance their budgets by mid-March. We certainly hope the problem is not larger than \$23 million.

**Q: What about floating a parcel tax to raise revenue? I know that IUSD has been unsuccessful with similar efforts in the past, but is it worth looking into in this economic environment?**

A: Everything is on the table. That said, a parcel tax would be viewed as a longer-term strategy that would not resolve our deficit by itself.

If the Board opted to pursue this strategy, the earliest we could get it on the ballot – realistically – would be November, which is well into the 2010-11 fiscal year. And there are some major costs associated with such an initiative. Meanwhile, we’ve got some big decisions to make by March.

**Q: You mentioned the budget freeze. How does this work and are there additional measures being taken to save money?**

A: Yes. As you said, our district has implemented a freeze on spending, effective immediately. Only mandatory expenses, such as those critical to our

operations and the health and safety of children, will be approved.

In addition, we offered a retirement incentive this year, and about 75 veteran educators signed up. As much as we are sad to lose their experience and passion, this move will save approximately \$260,000 a year for five years, and it will lessen the need for layoffs.

You may also recall that we recently struck a deal to install solar panels on 21 district sites, which will generate savings of more than \$17 million over the next two decades.

**Q: Will the Irvine Public Schools Foundation be able to provide additional revenue?**

A: The work of IPSF has never been so critical as it is at this moment in our history. While \$22 million may be an unattainable goal, IPSF is working tirelessly to raise money for our schools, and we are urging all who support education in Irvine to learn more about the foundation and to make a donation. IPSF has a [new website](#), a new CEO in Neda Zaengle, and a number of fresh strategies, yet its core mission remains the same – to preserve the quality of our schools through fundraising and the facilitation of dynamic programs.

**Q: Finally, how can members of the public and staff share their thoughts and suggestions?**

A: We know there are some innovative ideas and strategies out there, so we’re encouraging the community to share their suggestions through IUSD’s online Budget Input Form at [www.iusd.org/inputform](http://www.iusd.org/inputform). In addition, the Board of Education will hold a special Community Forum from 7 to 9 p.m. on Tuesday, Jan. 26, at the District Office. We expect a great turnout at that meeting, which will air live in Irvine on Cox Cable channel 39.

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For more information, please visit IUSD’s Budget Watch page at [www.iusd.org/budget\\_watch](http://www.iusd.org/budget_watch).