

Budget Notebook



Chronicling California's budget crisis and its impact on Irvine's schools

State revenue picture remains grim, and that means more cuts are anticipated for 2010-11

BY SUPERINTENDENT GWEN E. GROSS, Ph.D.

This year, the Irvine Unified School District quietly set a new standard of excellence when our students collectively scored more than 900 on the state's Academic Performance Index, which measures achievement on a scale of 200 to 1,000.

I mention this not to overemphasize the importance of standardized test scores, but to illustrate how our students and staff continue to shatter expectations, even as we grapple with some of the biggest fiscal challenges we've ever faced.

If only Sacramento could exceed our expectations now and again.

Unfortunately, the state outlook remains as dismal as it was last spring, if not more so. Revenue collections are once again falling well short of projections while several judicial actions threaten to unravel billions of dollars worth of cuts approved in California's 2009-10 budget.

How bad is it?

A recent report published by the nonpartisan Legislative Analyst's Office indicates an overall state budget deficit of \$7.5 billion in 2010-11, with shortfalls of more than \$15 billion in each of the two following years.

The bottom line is that more cuts are coming to public education, and while we don't yet have exact numbers, our district will continue

to be impacted.

IUSD's First Interim Report will be presented to the Board of Education at its next regular meeting

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Budget Timeline

A look at what's to come in 2009-10

November	IUSD will present its First Interim Report at the Board of Education meeting on Nov. 17. This document represents a critical milestone as it indicates the district's ability to meet its financial obligations for the current year and two subsequent years. A similar report will be release in March.
December	Staff is scheduled to present a list of recommended budget options to the Board of Education at its Dec. 8 meeting.
January	The Governor is expected to issue his initial budget proposal for the 2010-11 fiscal year the week of Jan. 11-15. This is considered the annual starting point for legislative deliberations.
March	All certificated teachers must be notified by March 15 if the possibility exists that they will not be employed the following year.
May	The Governor will release his "May Revise," which updates his spending plan based on the latest fiscal developments.
June	IUSD must finalize all budget adjustments and adopt its spending plan no later than June 30. Though the state shares this deadline for California's budget, lawmakers rarely meet it. As a result, school districts are generally forced to file their spending plans with somewhat limited information.
July 1, 2010	The 2010-11 fiscal year begins

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on Tuesday, Nov. 17. This assessment, which comes out twice during the year – first in November and then again in March – represents a critical milestone for us as it indicates our district’s ability to meet all financial obligations for the current year and two subsequent years.

No doubt we’ll have some big decisions to make based on this information, and budget recommendations may come as soon as December.

The problem at hand

Solutions may not arrive easily, but our challenge is fairly simple to define. Essentially, with the overall state decline in revenue, IUSD is now being funded at levels last seen in 2005. Meanwhile, our enrollment has only ticked upward, as have costs associated with energy, health benefits, workers compensation and payroll.

As you’ll recall, our district had to close a fiscal gap that ballooned to more than \$16 million last spring, as the state continued to chip away at funding for public education. We were able to bridge that shortfall and present a balanced budget for 2009-10 by making a series of ongoing reductions and by utilizing some “onetime dollars” associated with past budget freezes and a special insurance reserve fund. In fact, roughly 70 percent of the deficit was addressed with onetime funding.

The problem with onetime dollars is that, just as the term implies, these funds can only be used once and they’re gone. Because the state has cut education to such an extent, our yearly revenue has

dropped below our expenses, creating a structural deficit that will continue until it is resolved for good. Onetime dollars helped cushion the blow of budget cuts, but they don’t represent a long-term solution.

Rating remains strong

If there is any good news on the budget front it’s that our

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bond rating has remained strong despite the state’s fiscal woes. Not only does this signal confidence in our district and, specifically, the handling of our finances, it also translates into millions of dollars worth of savings for the facilities projects that are funded with bond money. (Remember that, given the state’s complex finance rules, facilities dollars cannot be spent on operational costs; they can only be spent on facilities projects, including construction and

modernization work.)

What comes next

As I mentioned earlier, the First Interim Report will be discussed at the Board’s Nov. 17 meeting, kicking off the budgeting process for the fiscal year that begins July 1. Another edition of “Budget Notebook” will likely be released within days of that meeting, providing additional details that will set the stage for what’s to come. Because the scope of our challenges will largely be known, it is likely that the Board will begin looking at staff recommendations and setting a course for our district as early as December.

In the meantime, some of you have asked how you can help IUSD bridge the gap. I strongly encourage everyone to learn about the Irvine Public Schools Foundation, which provides funding for our schools and runs a number of innovative programs.

IPSF has been around since 1996, but this year the organization has a new chief executive – Neda Zaengle is a University High grad with two children of her own – as well as a new logo and a number of exciting initiatives. If there was ever a time to support this foundation and all that it does for our students, this is it. (For more information, go to www.ipsf.net.)

We’ll keep you posted on the latest budget developments through our website, Board meetings and future budget publications like this one. In the meantime, I thank you for your patience and your ongoing support of our schools.

For more information, please visit IUSD’s Budget Watch page at www.iusd.org/budget_watch.