

# Budget Notebook



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

## Faced with a shortfall of nearly \$15 million, IUSD begins budget discussions for 2010-11

BY SUPERINTENDENT GWEN E. GROSS, Ph.D.

Amid this busy holiday season, the subject of school finance is likely to be low on your list of immediate priorities.

Yet a number of statutory deadlines require the Irvine Unified School District to make some big decisions by no later than February, so it's important to share where we stand as an organization.

Based on projections from our Business Services staff, IUSD faces a shortfall of \$14.7 million for the 2010-11 fiscal year, which begins July 1, 2010. In addition, our state has identified a revenue gap of its own totaling more than \$20 billion over the next 18 months, and policymakers have not ruled out mid-year cuts.

Though our district continues to fare better than most of its counterparts throughout California, today's fiscal challenges are the greatest we've faced. And while we have survived the past two years with the help of onetime dollars, we have no choice but to further reduce spending to solve our structural deficit.

On Dec. 8, our Board of Education began the conversation by reviewing a very preliminary list of staff-recommended budget reductions for 2010-11. Among the considerations were class size in-

California's Budget Crisis

## Budget Timeline

A look at what's to come in 2010

<b>January 12</b>	The IUSD Board of Education will hold its first meeting of the new year, starting at 7 p.m. in the district Board Room.
<b>January 19</b>	The Board will convene for a special Budget Study Session from 4 to 6 p.m. in the Board Room.
<b>January 26</b>	The public is invited to attend a Community Forum to discuss the budget. The forum, which will be televised, will be held from 7 to 9 p.m. in the Board Room.
<b>March 15</b>	All certificated teachers must be notified if the possibility exists that they will not be employed the following year.
<b>May 15</b>	The Governor will release his "May Revise," which updates his spending plan based on the latest fiscal developments.
<b>June 30</b>	IUSD must finalize all budget adjustments and adopt its spending plan for 2010-11. 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.
<b>July 1</b>	The 2010-11 fiscal year begins

creases in grades one, two, three and nine; reduced instructional support for grades four through six; further reductions at the District Office; and savings garnered through a voluntary retirement plan.

Once again, we will be seeking

community input as we develop a more concrete list of budget adjustments that will likely be voted on by the Board in February. However, we also recognize that this deficit is too large to be solved by program cuts alone. The district

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will therefore work with its representative groups to seek employee contributions, such as furloughs or salary rollbacks, as part of the solution.

This is not a consideration we take lightly. IUSD's employees are its most valuable asset. They are the primary reason our schools are renowned throughout the world, drawing so many families to the City of Irvine. Yet the economics are unbending: When revenue has increased in the past, we have done our best to boost salaries to attract and retain the best. With the precipitous drop in funding, we must look at all ways to reduce our expenditure profile to weather this tempest.

Again, any employee contributions would have to be negotiated with our bargaining groups. That said, we have preliminarily determined that a staff-wide furlough could result in savings of nearly \$715,000 per furlough day, while a salary rollback of 1 percent would yield savings of \$1.46 million.

### **Other opportunities to save**

As these discussions proceed, IUSD continues to explore all opportunities for savings and added revenue.

This month, our Board of Education entered the district into a historic agreement with SunEdison and SPG Solar to establish energy-generating solar panels atop 21 sites. This move alone is expected to save us at least \$17 million over 20 years. The Board also voted to offer a supplementary retirement plan for eligible certificated teachers, resulting in a projected savings of more than \$200,000 per year over the next five years.

Many of you have personally

suggested other measures, such as a parcel tax to draw new revenue or taking advantage of a change in state law that permits districts to drop their emergency reserves from 3 percent to 1 percent.

While we will consider all recommendations, remember that a parcel tax requires a two-thirds vote, and four prior attempts have been defeated in far better economic times. A drop in our reserves might sound like a sensible stop-gap, but eventually districts will be required to restore these funds. More important, reducing our emergency reserves would leave us even more vulnerable to the whims of the state, meaning midyear cuts could threaten our very solvency.

### **Determining our future**

As I mentioned, our district faces some big decisions, but perhaps the biggest is what we want to look like in the months and years ahead. Despite our economic challenges, it is imperative that we do everything we can to align IUSD's resources to its overarching vision, rather than the other way around.

Recall that we are now essentially funded by our own property taxes as a Basic Aid district, but the state is temporarily skimming off any excess revenue we would have received under this model. Because property values are driven largely by the quality of the surrounding school system, we have the ability to influence our future funding. The more we can do to preserve excellence now – including some of our more recent intervention strategies – the more we will benefit as the state recovers and ends its practice of raiding our budget.

Along these lines, we will have modest opportunities to match

some resources to our district's goals as a result of a change in state law that allows for a limited amount of categorical flexibility. Dollars that were once earmarked for a handful of ultra-specific categorical programs – known as “Tier 3” programs – can now be spent without restrictions, though there are two major caveats: 1) Most of the existing programs are tied to people, and 2) Sacramento has reduced the overall funding for Tier 3 categoricals by nearly 20 percent.

### **Seeking public input**

There is much more to be discussed, of course, and we want to hear your ideas as we continue this process. Members of the public and staff are encouraged to fill out Budget Input Forms at [www.iusd.org/inputform](http://www.iusd.org/inputform). In addition, the Board will take part in a special Budget Study Session at the District Office on Jan. 19, and a Community Forum will be held at the same location on Jan. 26.

If there is a glimmer of hope, it is that experts are predicting the state will experience a modest rebound within three years. In the meantime, our schools will continue to be a safe haven where students can learn, grow, achieve and establish lifelong bonds.

These are extraordinary times with plenty of difficult challenges, yet it's important to remember that they are only temporary challenges. What remains permanent is our community's collective belief in the value of education and our resolve to do what's right for kids.

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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).**

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