

Tustin Unified

School District

2021-22 First Interim Report
December 13, 2021



Tustin 2021-22 First Interim Report

Theme – Complexity in Balancing TUSD Budget



Tustin 2021-22 First Interim Report

Agenda



1. State and National Economy
2. State and Education Budget
3. COVID-19 One-Time Funds Update
4. Tustin 2021-22 Budget Projections
 - Revenue Projection
 - Expenditure and Cash Flow Projections
 - Multi-Year Projections
5. Complex Fiscal/Budget Environment Ahead
 - The Good-The Bad-The Ugly
 - Impacts of Multi-Year of Declining Enrollment/Attendance
 - Enrollment Comparison (CALPADS)
6. Budget Planning in a Complex Environment
7. Budget Cycle Timeline
8. Budget Certification

Tustin 2021-22 First Interim Report

State and National Economy

1. Rising Housing Prices by County (Seller's Market)

- | | | | |
|--------------------------|----------------|-------------------------------|----------------|
| • Orange -> \$920,000 | 15.7% increase | • Los Angeles -> \$790,000 | 10.5% increase |
| • Riverside -> \$535,000 | 20.2% increase | • San Bernardino -> \$465,000 | 16.3% increase |
| • San Diego -> \$740,000 | 13.8% increase | • Ventura -> \$725,000 | 10.7% increase |

2. Inflation Pace/Cost-of-Living

- Nation's 6.8% vs 6% in OC and LA vs IE 7.9%
- Bay Area 4.5%
- Seattle 6.5%
- Phoenix 7.1%

3. New COVID Variant Surge – Impacting Economic Growth

- Unemployment 7% this year, 5.6% next year and 4.4% in 2023
- Businesses

4. Decline in U.S. Birth Rate

- Economic/Financial Uncertainty
- Pandemic
- Job Stability
- Change in the Environment

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State and National Economy Cont.



"Survey says" looks at various reports, rankings and scorecards gauging geographic locations, noting these grades are best seen as a mix of art and data.

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State and National Economy Cont.

Unemployment Rates

Statistics

From [Bureau of Labor Statistics, United States Department of Labor](#) via [Data Commons](#)

California United States

Unemployment rate

7.3%

Updated Oct 2021

Total unemployed people

1.4M

Updated Oct 2021

Unemployment insurance claims

382K

Updated Nov 27, 2021

Unemployment rate Total unemployed people Unemployment insurance claims



VS

Statistics

From [Bureau of Labor Statistics, United States Department of Labor](#) via [Data Commons](#)

California United States

Unemployment rate

4.2%

Updated Nov 2021

Total unemployed people

6.9M

Updated Nov 2021

Unemployment insurance claims

1.8M

Updated Nov 27, 2021

Unemployment rate Total unemployed people Unemployment insurance claims



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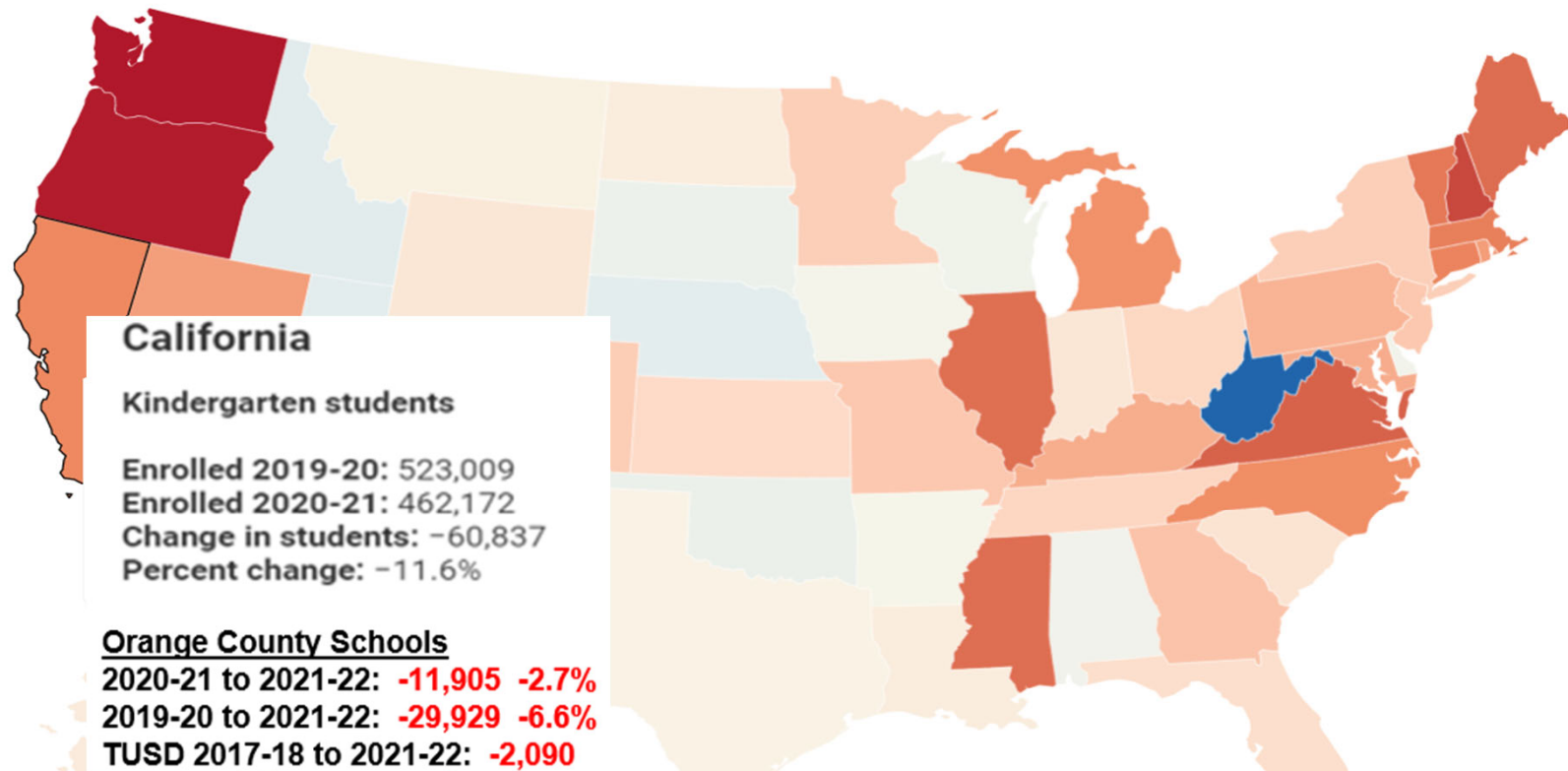
State and Education Budget



Kindergarten enrollment loss across the country

Percent change from 2019-20 to 2020-21 school year, visualized across the country. Hover over the state to view enrollment numbers.

-14.6% 3.6%



Map: Justin Allen, Daniel Willis, EdSource • Source: U.S. Department of Education; The Stanford School Enrollment Project at Big Local News with the New York Times, EdSource and the Colorado News Collaborative • Created with [Datawrapper](#)

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State and Education Budget Cont.

Tax Collection -> Revenues exceed projections (October \$2 billion, 22% higher than projection)

State Surplus Forecast for 2022-23

\$31 Billion -> Unanticipated increase in state revenues with strong sales and stock market.

Proposition 98 Test 1 Formula

K-12 and colleges to receive 40% state general fund revenues

- With economy performing well -> Proposition 98 increase
 - \$20 Billion: \$9.5B ongoing and \$10.2B one-time
 - Increasing Cost-of-Living “COLA” 2022-23 5.35% (TUSD = \$5.9 Million)
 - Maintain “Hold Harmless” provision for LCFF (Option)
 - Fund LCFF on 3-year Average (Option)
 - Fund LCFF on enrollment, instead of Average Daily Attendance (Option)
- Funding Universal Transitional Kindergarten Programs
- Funding additional one-time programs
- Increase Proposition 98 Reserve -> Triggers District Reserve cap of 10%
- Increase funding for Special Education
- School Meals
- Expanded Learning Opportunities Program

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State and Education Budget Cont.

Figure 7

Proposition 98 Estimates Become More Uncertain Over Time

Minimum Guarantee (In Billions)

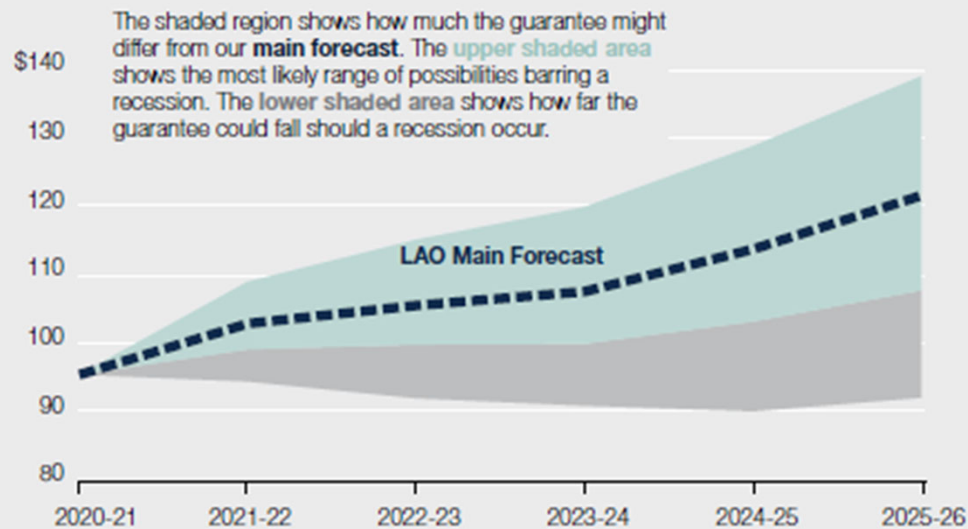
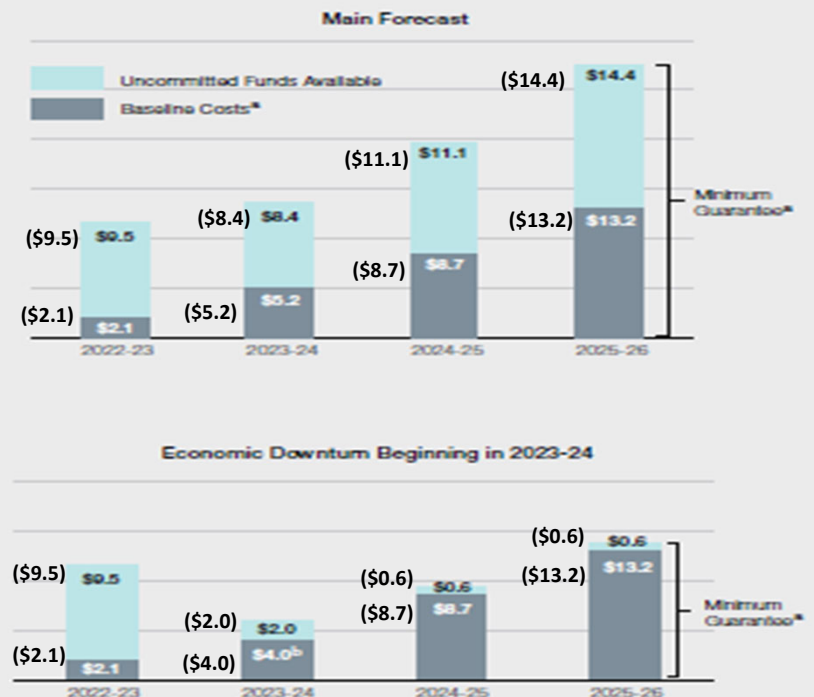


Figure 10

Proposition 98 Funding and Costs Under Main Forecast and Downturn Scenario

(In Billions)



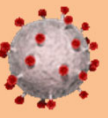
^a Increases in the minimum guarantee and baseline costs are relative to the 2021-22 enacted budget level. Baseline costs include statutory cost-of-living adjustments, costs of previously approved commitments, attendance changes, and required reserve deposits.

^b Decrease relative to main forecast is due to elimination of required reserve deposit.



Tustin 2021-22 First Interim Report

COVID-19 One-Time Funds Update



COVID Allocations	Deadline	Funding Amounts	2019-20 Exp.	2020-21 Exp.	2021-22 Exp.	2022-23 Exp.	2023-24 Exp.	2024-25 Exp.	TOTAL
<u>State SB 117</u>									
1) COVID-19 Fund		\$ 398,812	\$ 398,812	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 398,812
<u>State AB 86/SB86</u>									
1) Proposition 98 LCFF Fund – LLM Fund	6/30/2021	\$ 1,852,684	\$ 0	\$ 1,852,684	\$ 0	\$ 0	\$ 0	\$ 0	
2) In-Person Instruction Grants	9/30/2024	8,227,410	0	360,051	6,325,988	1,541,371	0	0	
3) Expanded Learning Opportunity Grant	8/31/2022	7,064,600	0	844,962	5,931,717	287,921	0	0	
4) Expanded learning Opport Grant – Para-professional	8/31/2022	1,488,314	0	0	1,016,960	471,354	0	0	
5) Expanded Learning Opport Grant (ESSER II)	9/30/2023	2,257,546	0	0	2,257,546	0	0	0	
6) Expanded Learning Opport Grant (GEER II)	9/30/2023	518,040	0	0	518,040	0	0	0	
7) Expanded Learning Opport Grant (ESSER III)	9/30/2024	1,470,571	0	0	1,470,571	0	0	0	
8) Expanded Learning Opport Grant (ESSER III)	9/30/2024	2,535,065	0	0	2,535,065	0	0	0	\$25,414,230
<u>Federal CARES Funds</u>									
1) ESSER Fund	9/30/2022	\$ 2,593,130	\$ 0	\$ 2,592,898	\$ 232	\$ 0	\$ 0	\$ 0	
2) Learning Loss Mitigation (CRF)	5/31/2021	10,456,005	2,231,083	8,224,922	0	0	0	0	
3) Learning Loss Mitigation (GEER)	9/30/2022	1,173,489	0	1,173,489	0	0	0	0	\$14,222,624
<u>Federal CRRSA Funds</u>									
1) ESSER II Funds	9/30/2023	\$ 10,277,905	\$ 0	\$ 0	\$3,213,252	\$6,614,653	\$ 450,000	\$ 0	\$10,277,905
<u>Federal ARP Funds</u>									
1) Learning Loss Mitigation 80% (ESSER III)	9/30/2024	\$ 18,415,607	\$ 0	\$ 0	\$ 872,528	\$ 6,734,084	\$ 8,877,265	\$ 1,931,731	
2) Learning Loss Mitigation 20% (ESSER III)	9/30/2024	4,603,902	0	0	0	2,025,000	2,090,000	488,902	\$23,019,510
TOTAL STATE/FEDERAL COVID-19 FUNDS		\$ 73,333,080	\$ 2,629,895	\$15,049,006	\$24,141,899	\$17,674,383	\$11,417,265	\$2,420,633	

Expenditure Increase/Decrease ->

12,419,111

9,092,893

(6,467,516)

(6,257,118)

(8,996,632)

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COVID-19 One-Time Funds Update Cont.

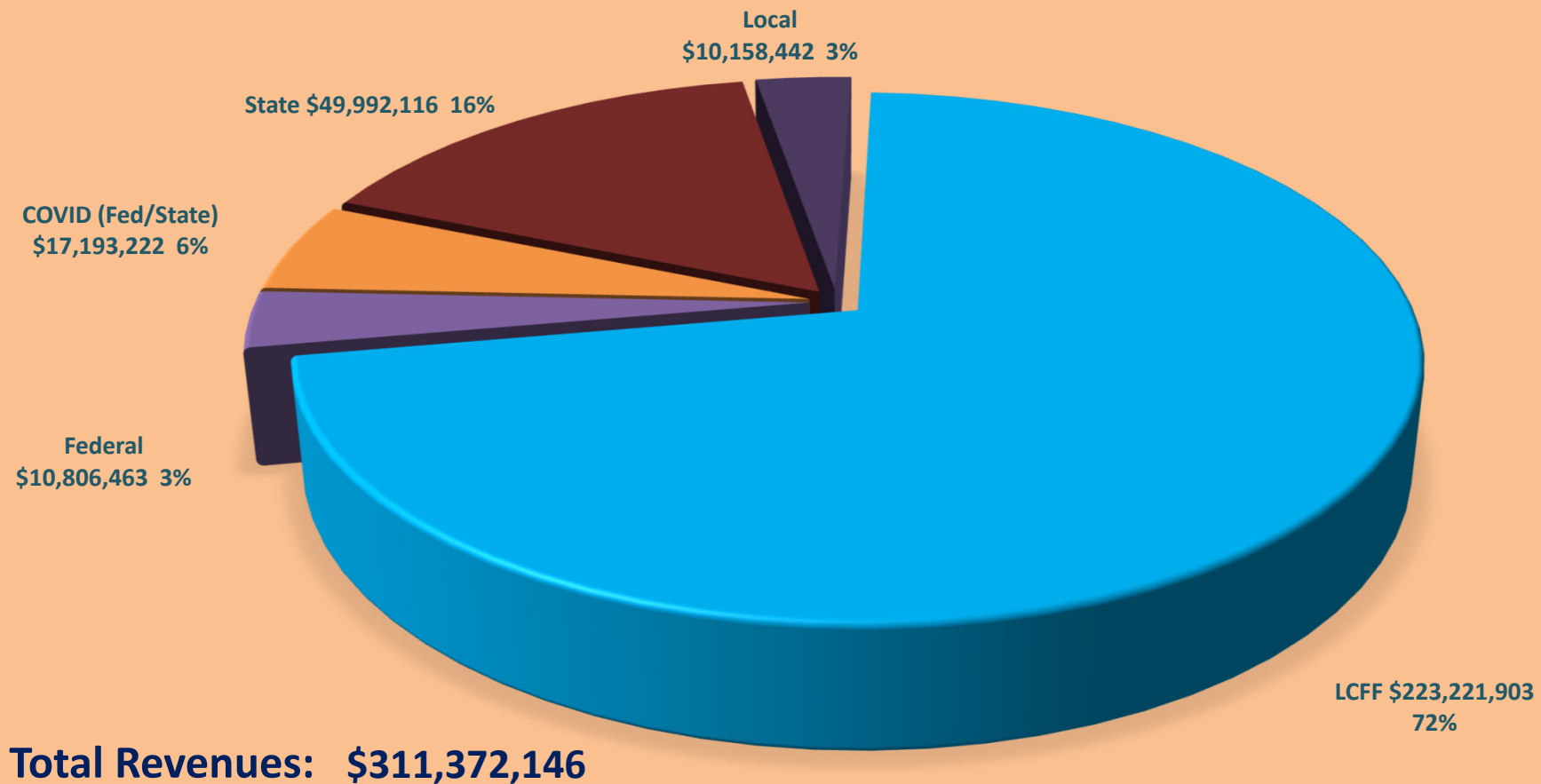


COVID Expenditures

- Additional School Counselors
- Additional Mental Health Specialists
- New Intervention Lead Teachers
- Additional Multi-tiered Systems of Support Teachers
- Additional Para-professionals
- Decrease Secondary Class Size
- Additional Itinerant Teachers – Supporting Elementary Students
- Additional Special Education Support Staff
- Additional Intervention Reading and Math Programs
- Additional Social Workers
- Improve Technology Access Points for At-home Internet
- Personal Protective Equipment (PPE)
- Additional After School and Extended Tutoring and Enrichment Support
- Additional Nurses
- Additional Psychologists

Tustin 2021-22 First Interim Report

2021-22 Revenue Projection





Tustin 2021-22 First Interim Report

2021-22 Expenditure and Cash Flow Projections



Salaries and Benefits	->	\$ 256,865,148	80.0%
Books and Supplies	->	\$ 24,546,631	7.6%
Services/Other Operating	->	\$ 32,279,394	10.1%
Capital Outlay	->	\$ 1,010,440	0.3%
Other Outgo	->	\$ 2,741,590	0.9%
Other Transfers	->	\$ 3,500,000	1.1%
Total Expenditures		\$ 320,943,203	

Cash Flow

Total Monthly
Average
\$25 Million

Salaries
\$16 Million
(64%)

Benefits
\$5.5 Million
(22%)

Other Expenses
\$3.5 Million
(14%)

Tustin 2021-22 First Interim Report

Combined Summary – General Fund Multi-Year Projections



	2021-22 June 28 Adoption	2021-22 Dec 13 First Interim	2021-22 Adopted and First Interim Differences	2022-23	2023-24
Projection Factor: LCFF COLA ->	5.07%	5.07%		2.48%	3.11%
REVENUES:					
LCFF Source	\$ 223,634,081	\$ 223,221,903	(\$ 412,178)	\$ 211,318,839	\$ 210,403,257
Federal	44,096,648	21,673,697	(22,422,951)	23,875,906	19,919,434
Other State	44,883,552	56,318,104	11,434,552	39,762,594	37,363,915
Other Local	9,342,445	10,158,442	815,997	8,110,765	7,814,916
TOTAL REVENUES	\$ 321,956,726	\$ 311,372,146	(\$ 10,584,580)	\$ 283,068,104	\$ 275,501,522
EXPENDITURES:					
Certificated Salaries	\$ 126,066,516	\$ 128,644,692	\$ 2,578,176	\$ 121,360,069	\$ 118,830,175
Classified Salaries	48,160,480	49,879,810	1,719,330	51,057,244	51,403,759
Employee Benefits	79,594,247	78,340,646	(1,253,601)	77,564,879	78,972,519
Books and Supplies	16,454,439	24,546,631	8,092,192	17,966,732	16,207,017
Services and Other Operating Expenditures	30,920,200	32,279,394	1,359,194	31,898,324	31,027,961
Capital Outlay	729,010	1,010,440	281,430	1,037,217	1,061,695
Other Outgo – Payments and Indirect	2,909,501	2,741,590	113,519	2,964,658	2,587,955
TOTAL EXPENDITURES	\$ 304,834,393	\$ 317,443,203	\$ 12,608,810	\$ 303,849,123	\$ 300,091,081
TOTAL TRANSFERS OUT	\$ 3,500,000	\$ 3,500,000	\$ 0	\$ 3,000,000	\$ 3,000,000
NET CHANGE IN FUND BALANCE	\$ 13,622,333	(\$ 9,571,057)	(\$ 23,193,390)	(\$ 23,781,019)	(\$ 27,589,559)
BEGINNING FUND BALANCE	\$ 113,512,201	\$ 117,382,097	\$ 3,869,896	\$ 107,811,040	\$ 84,030,021
ENDING FUND BALANCE	\$ 127,134,534	\$ 107,811,040	(\$ 19,323,494)	\$ 84,030,021	\$ 56,440,462
3% Requirement for Economic Uncertainty	\$ 9,250,032	\$ 9,628,297	\$ 378,265	\$ 9,205,474	\$ 9,092,733
Other Required Reserves	\$ 117,884,502	\$ 98,182,743	(\$ 19,701,759)	\$ 74,824,547	\$ 47,347,729

Tustin 2021-22 First Interim Report

Unrestricted Summary – General Fund Multi-Year Projections



	2021-22 June 28 Adoption	2021-22 Dec 13 First Interim	2021-22 Adopted and First Interim Differences	2022-23	2023-24
Projection Factor: LCFF COLA ->	5.07%	5.07%		2.48%	3.11%
REVENUES:					
LCFF Source	\$ 223,634,081	\$ 223,221,903	(\$ 412,178)	\$ 211,318,839	\$ 210,403,257
Federal	220,000	0	(220,000)	0	0
Other State	4,585,512	4,764,567	179,055	4,578,912	4,466,569
Other Local	7,958,655	7,967,779	9,124	7,033,619	7,033,619
TOTAL REVENUES	\$ 236,398,248	\$ 235,954,249	(\$ 443,999)	\$ 222,931,370	\$ 221,903,445
EXPENDITURES:					
Certificated Salaries	\$ 92,179,198	\$ 93,009,325	\$ 830,127	\$ 92,499,736	\$ 91,826,108
Classified Salaries	28,231,352	28,464,622	233,270	29,102,398	29,576,330
Employee Benefits	47,551,763	45,808,607	(1,743,156)	47,265,113	48,855,621
Books and Supplies	10,397,975	13,856,254	3,458,279	7,859,145	6,816,301
Services and Other Operating Expenditures	20,415,351	21,275,527	860,176	22,339,303	23,036,269
Capital Outlay	340,878	375,387	34,509	385,335	394,429
Other Outgo – Payments and Indirect	(1,639,814)	(1,727,687)	(87,873)	(1,773,471)	(1,815,325)
TOTAL EXPENDITURES	\$ 197,476,703	\$ 201,062,035	\$ 3,585,332	\$ 197,677,558	\$ 198,689,732
TRANSFERS OUT	\$ 3,500,000	\$ 3,500,000	\$ 0	\$ 3,000,000	\$ 3,000,000
CONTRIBUTIONS	(39,036,311)	(39,454,749)	(418,438)	(41,741,155)	(43,234,371)
NET CHANGE IN FUND BALANCE	(\$ 3,614,766)	(\$ 8,062,535)	(\$ 4,447,769)	(\$ 19,487,343)	(\$ 23,020,658)
BEGINNING FUND BALANCE	\$ 80,821,950	\$ 89,861,593	\$ 9,039,643	\$ 81,799,058	\$ 62,311,715
ENDING FUND BALANCE	\$ 77,207,184	\$ 81,799,058	\$ 4,591,874	\$ 62,311,715	\$ 39,291,057
3% Requirement for Economic Uncertainty	\$ 9,250,032	\$ 9,628,297	\$ 378,265	\$ 9,205,474	\$ 9,092,733
Other Required Reserves	\$ 67,957,152	\$ 72,170,761	\$ 4,213,609	\$ 53,106,241	\$ 30,198,324

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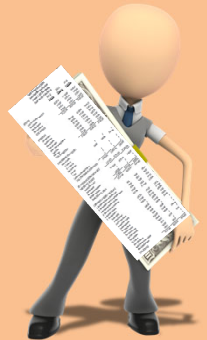
Combined Summary - General Fund Multi-Year Projections Cont.



Components of Ending Fund Balance	2021-22 June 28 Adoption	2021-22 Dec 13 First Interim	2021-22 Adoption/First Interim Differences	2022-23	2023-24
3% Requirement for Economic Uncertainties	\$ 9,250,032	\$ 9,628,297	\$ 378,265	\$ 9,205,474	\$ 9,092,733
Non-Spendable Reserves:					
• Revolving Cash	150,000	150,000	0	150,000	150,000
• Stores/Prepaid Expenses	309,297	309,297	0	309,297	309,297
• Benefits Bank Accounts	270,000	170,000	(100,000)	170,000	170,000
Restricted Fund Balance	49,927,350	26,011,982	(23,915,368)	21,718,305	17,149,405
<u>Committed Reserves:</u>					
• Vacation Liability	2,397,235	2,397,235	0	2,397,235	2,397,235
• Declining Enrollment	2,500,000	2,500,000	0	2,500,000	2,500,000
• Local Protection	22,942,522	22,942,522	0	22,942,522	6,586,683
• Facilities Maintenance	5,600,262	5,600,262	0	5,600,262	5,600,262
• Technology Refresh	6,000,000	6,000,000	0	6,000,000	6,000,000
• Classroom Furniture	100,000	100,000	0	0	0
• Future School Opening	100,000	100,000	0	100,000	0
• One-Time Discretionary	16,287,964	20,343,092	4,055,128	2,249,607	0
• School Programs	576,426	0	(576,426)	0	0
• Textbook Adoption	6,000,000	6,000,000	0	6,000,000	6,000,000
• ELL Carryover	0	2,484,070	2,484,070	0	0
• Anthem HRA Liability	147,916	147,916	0	147,916	147,916
• Health & Welfare Insurance Rebate	1,497,125	1,875,856	378,731	0	0
• MAA/Medi-Cal Program Carryover	802,230	1,050,511	248,281	609,337	0
• Pension Liability	2,276,175	0	(2,276,175)	4,030,067	436,932

Tustin 2021-22 First Interim Report

Complex Fiscal/Budget Environment Ahead



The Good

1. LCFF COLA Increase Proposal 5.35% (Tustin: \$5.9 Million)
2. Extension of LCFF Protection of “Hold Harmless” Provision
3. Tustin Potential Unspent Carryover Funds
4. Tustin Current Reserve – Softening State Revenue Reduction
5. Potential of Additional One-Time Funding

The Bad

1. Expiration of LCFF Protection of “Hold Harmless” Provision -> 2021-22
2. One-Time COVID Funds
3. Special Education MOE and Increasing Expenses
4. Continuing Decline in Enrollment/ADA

The Ugly

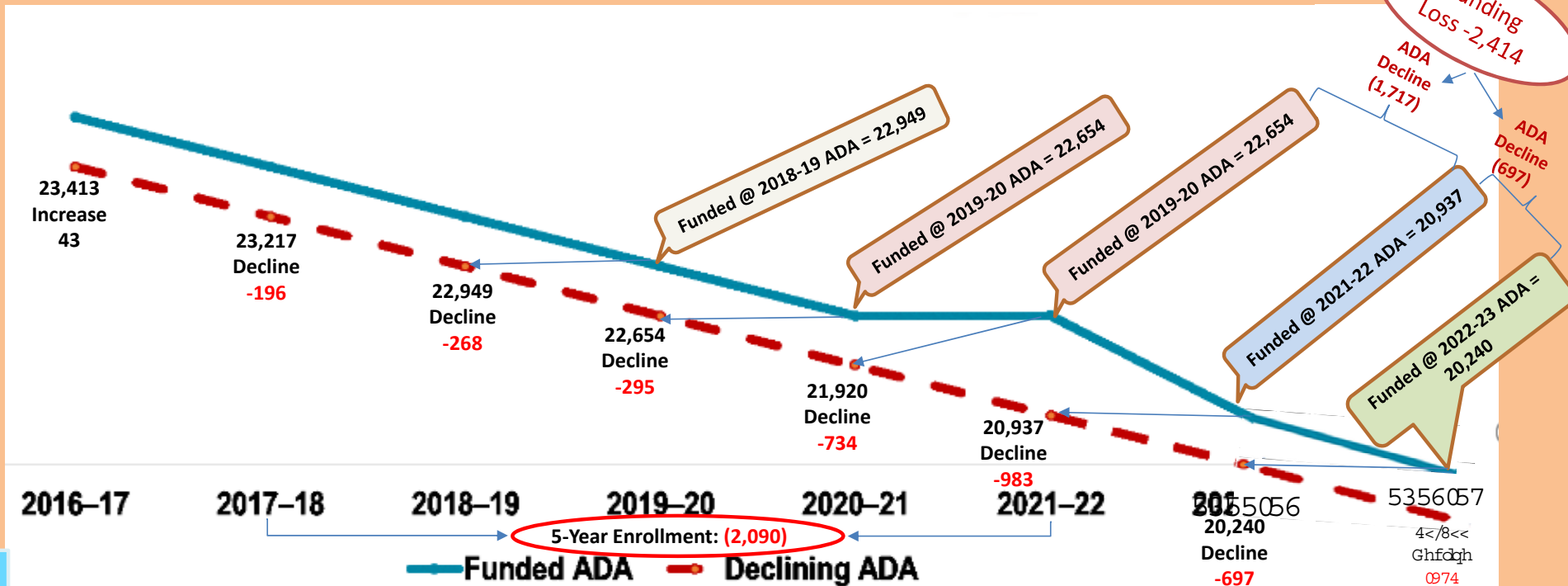
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Tustin 2021-22 First Interim Report

Complex Fiscal/Budget Environment Ahead Cont.

Impacts of Multi-Year Declining Enrollment/ADA Projections



Tustin Data:

Enrollment	24,128	24,015	23,767	23,409	22,651	22,038	21,305	20,631
ADA *	23,413	23,217	22,949	22,654	21,920	20,937	20,240	19,599
Unduplicated Pupil %	44.79%	44.86%	44.35%	44.53%	43.69%	42.64%	41.20%	40.43%

Source: School Services-Fiscal Report November 6, 2020

ADA Decline 2020-21 thru 2023-24 => (2,321)

Tustin 2021-22 First Interim Report

Complex Fiscal/Budget Environment Ahead Cont.



Enrollment Comparison 2020 CALPADS to 2021 CALPADS

	October 2020 CALPADS	8/12/2021 First Day Enrollment *	October 2020 CALPADS to 8/12/2021 Difference		October 2021 CALPADS 10/6/2021	8/12/2021 to Oct 2021 CALPADS 10/6/2021 Difference		October 2020 to October 2021 CALPADS 10/6/2021 Difference
TK	215	210	(5)		232	22		17
K	1,325	1,206	(119)		1,254	48		(71)
1-5	7,753	7,510	(243)		7,624	114		(129)
Subtotal	9,293	8,926	(367)		9,110	184		(183)
MS	5,302	4,973	(329)		5,045	72		(257)
HS	8,056	7,761	(295)		7,883	122		(173)
Total TK-HS	22,651	21,660	(991)		22,038	378		(613)
TK-5 Enrollment	TK-K	1	2	3	4	5	Total	
	1,540	1,542	1,482	1,561	1,581	1,587	9,293	Oct 2020 CALPADS
	1,486	1,423	1,562	1,489	1,573	1,577	9,110	Oct 2021 CALPADS
	-54	-119	80	-72	-8	-10	-183	Difference
6-8 Enrollment	6	7	8	Total			Summary	
	1,631	1,801	1,870	5,302	Oct 2020 CALPADS		Oct 2020 CALPADS	22,651
	1,596	1,620	1,829	5,045	Oct 2021 CALPADS		Oct 2021 CALPADS	22,038
	-35	-181	-41	-257	Difference		Change over PY	(613)
9-12 Enrollment	9	10	11	12	Total		2021 June Projection	22,455
	2,027	1,941	2,070	2,018	8,056	Oct 2020 CALPADS	Budget Shortfall	(417)
	1,909	1,992	1,924	2,058	7,883	Oct 2021 CALPADS		
	-118	51	-146	40	-173	Difference		

• Revised 10/11/2021

2020
CALPADS
to 2021
June
Projection
=
Decline
(196)

Tustin 2021-22 First Interim Report

Budget Planning in a Complex Environment

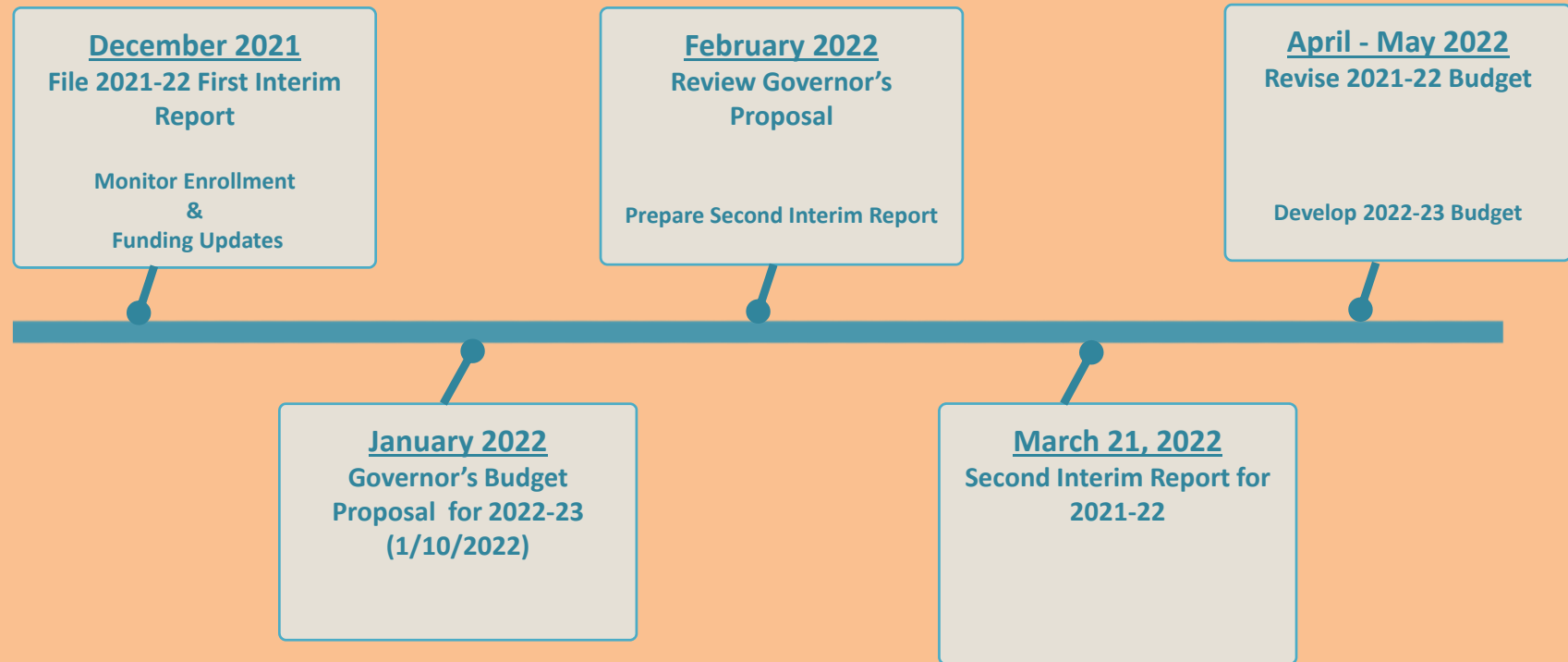


**Let's review Tustin's
Challenges in this
environment!!**

1. Enrollment Trifecta Effects
 - Declining Enrollment
 - Declining Average Daily Attendance (ADA)
 - Declining Unduplicated Pupil Percentages (UPP)
2. Ongoing/Rising Costs
 - Staffing Salaries/Benefits
 - Other Operational Costs (Supplies/Technology/Contracts/Etc.)
 - Aging Facilities
3. Revenues
 - Ongoing LCFF Funds
 - One-Time Funds (COVID and Restricted/Special Program Funds)
 - Core Programs vs Restricted/Special Programs
4. Accountability
 - LCAP
 - MOEffort vs COVID MOEquity
5. Local Reserves
6. Maintaining Fiscal Solvency
 - Necessary Budget Adjustment



Tustin 2021-22 First Interim Report Budget Cycle Timeline



Tustin 2021-22 First Interim Report Certification



In certifying the 2021-22 First Interim Report as positive, the Board understands its fiduciary responsibility to maintain the fiscal solvency for the current and subsequent two fiscal years. The District will implement the necessary budget adjustments to maintain a positive certification.