

# **Tustin Unified School District**



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**2021-22 Second Interim Report**

March 7, 2022



## Theme - Pivoting The Budget Maze

# 2021-22 Second Interim Report Agenda

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- State Budget and Economy Updates
  - Tustin Budget Comparison and Governor's January Proposal
- Tustin Budget Projections
  - Multi-Year Projections (2021-22 thru 2023-24)
- Pivoting the Budget Maze Ahead
  - Tustin Enrollment and ADA
  - Anticipated Funding Changes and Budget Considerations
- Budget Cycle Timeline
- Budget Certification



# 2021-22 Second Interim Report State Budget and Economy Updates

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1. Strong State Revenues = \$45.7 Billion surplus
2. State Tax Collections are exceeding projections
3. Unemployment Decline
  - a. December 2020 = 9.3%
  - b. December 2021 = 6.5%↓

# 2021-22 Second Interim Report

## State Budget and Economy Updates

### Tustin's Budget Comparison and Governor's January Proposal

#### First Interim

	2021-22	2022-23	2023-24
▪ COLA	5.07%	2.48%	3.11%
▪ LCFF UPP	42.64%	41.20%	40.43%
▪ PERS Rate	22.91%	26.10%	27.10%
▪ STRS Rate	16.92%	19.10%	19.10%

#### Second Interim

	2021-22	2022-23	2023-24
▪ COLA	5.07%	5.33%	3.61%
		(2.85%↑)	(.50%↑)
▪ LCFF UPP	42.73%	41.29%	40.53%
▪ PERS Rate	22.91%	26.10%	27.10%
▪ STRS Rate	16.92%	19.10%	19.10%
▪ ADA Decline->	221 (20,937 FI – 20,716 SI)		
▪ Special Education AB602 ->	\$1.47 Million		
	(From \$650 to \$715 Increase per ADA)		

#### Governor's January Proposal

	2021-22	2022-23	2023-24
▪ COLA	5.07%	5.33%	3.61%
▪ LCFF - Amend Calculation (Greater of current year, prior year, or average of 3 prior years' ADA)			
▪ PERS Rate	22.91%	25.40%	25.20%
		(.7%↓)	(1.90%↓)
	(Pending CalPERS Board Approval in April)		
▪ STRS Rate	16.92%	19.10%	19.10%
▪ Special Education			
	✓ AB602 -> \$715 to \$820 Increase per ADA (Ongoing)		
	✓ LCAP Requirement		
	✓ Early Education Expansion Program (One-time)		
▪ Universal School Meals (Ongoing and One-time Programs)			
▪ Expanded Learning Opportunities Program "ELO-P" (Ongoing)			
▪ TK (Transitional Kindergarten) Expansion			
▪ College and Career Pathway (One-time)			
▪ Dual Enrollment (One-time)			
▪ School Transportation – Buses and Training (One-time)			
▪ School Facilities (One-time)			

# 2021-22 Second Interim Report Combined Summary – General Fund Multi-Year Projections

	2021-22 Dec 13 First Interim	2021-22 March 7 Second Interim	2021-22 First and Second Interim Differences	2022-23	2023-24
Projection Factor: LCFF COLA ->	5.07%	5.07%		5.33%	3.61%
<b>REVENUES:</b>					
LCFF Source	\$ 223,221,903	\$ 223,689,193	\$ 467,290	\$ 215,404,820	\$ 217,824,059
Federal	21,673,697	20,598,015	(\$ 1,075,682)	23,971,561	23,233,273
Other State	56,318,104	57,260,439	942,335	39,872,916	38,903,477
Other Local	10,158,442	11,903,654	1,745,212	8,162,078	7,866,229
<b>TOTAL REVENUES</b>	<b>\$ 311,372,146</b>	<b>\$ 313,451,301</b>	<b>\$ 2,079,155</b>	<b>\$ 287,411,375</b>	<b>\$ 287,827,038</b>
<b>EXPENDITURES:</b>					
Certificated Salaries	\$ 128,644,692	\$ 128,140,266	(\$ 504,426)	\$ 126,122,151	\$ 126,787,390
Classified Salaries	49,879,810	47,828,601	( 2,051,209)	48,807,836	49,557,435
Employee Benefits	78,340,646	76,502,619	( 1,838,027)	78,359,276	79,608,166
Books and Supplies	24,546,631	17,736,221	( 6,810,410)	14,034,258	9,590,042
Services and Other Operating Expenditures	32,279,394	32,144,183	( 135,211)	33,969,810	31,824,444
Capital Outlay	1,010,440	902,162	( 108,278)	998,374	964,405
Other Outgo – Payments and Indirect	2,741,590	2,594,927	( 146,663)	2,278,715	2,010,507
<b>TOTAL EXPENDITURES</b>	<b>\$ 317,443,203</b>	<b>\$ 305,848,979</b>	<b>(\$ 11,594,224)</b>	<b>\$ 304,570,420</b>	<b>\$ 300,342,389</b>
<b>TOTAL TRANSFERS OUT</b>	<b>\$ 3,500,000</b>	<b>\$ 4,725,639</b>	<b>\$ 1,225,639</b>	<b>\$ 3,500,000</b>	<b>\$ 3,500,000</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(\$ 9,571,057)</b>	<b>\$ 2,876,683</b>	<b>\$ 12,447,740</b>	<b>(\$ 20,659,045)</b>	<b>(\$ 16,015,351)</b>
<b>BEGINNING FUND BALANCE</b>	<b>\$ 117,382,097</b>	<b>\$ 117,378,352</b>	<b>(\$ 3,745)</b>	<b>\$ 120,255,035</b>	<b>\$ 99,595,990</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 107,811,040</b>	<b>\$ 120,255,035</b>	<b>\$ 12,443,995</b>	<b>\$ 99,595,990</b>	<b>\$ 83,580,639</b>
3% Requirement for Economic Uncertainty	\$ 9,628,297	\$ 9,317,239	(\$ 311,058)	\$ 9,242,113	\$ 9,115,272
Other Required Reserves	\$ 98,182,743	\$ 110,937,796	\$ 12,755,053	\$ 90,353,877	\$ 74,465,367



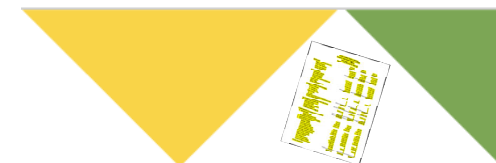
# 2021-22 Second Interim Report Unrestricted Summary – General Fund Multi-Year Projections



	2021-22 Dec 13 First Interim	2021-22 March 7 Second Interim	2021-22 First and Second Interim Differences	2022-23	2023-24
Projection Factor: LCFF COLA ->	5.07%	5.07%		5.33%	3.61%
<b>REVENUES:</b>					
LCFF Source	\$ 223,221,903	\$ 223,689,192	\$ 467,290	\$ 215,404,820	\$ 217,824,059
Federal	0	0	0	0	0
Other State	4,764,567	4,764,532	( 35)	4,541,287	4,466,569
Other Local	7,967,779	8,228,152	260,373	7,089,232	7,089,232
<b>TOTAL REVENUES</b>	<b>\$ 235,954,249</b>	<b>\$ 236,681,877</b>	<b>\$ 727,628</b>	<b>\$ 227,035,339</b>	<b>\$ 229,379,860</b>
<b>EXPENDITURES:</b>					
Certificated Salaries	\$ 93,009,325	\$ 93,125,884	\$ 116,559	\$ 92,923,584	\$ 92,562,624
Classified Salaries	28,464,622	27,923,867	( 540,755)	28,552,180	29,016,483
Employee Benefits	45,808,607	45,201,618	( 606,989)	46,603,085	48,130,927
Books and Supplies	13,856,254	10,866,300	( 2,989,954)	6,808,596	6,697,346
Services and Other Operating Expenditures	21,275,527	22,413,469	1,137,942	23,982,412	25,286,681
Capital Outlay	375,387	432,590	57,203	448,553	461,561
Other Outgo – Payments and Indirect	( 1,727,687)	( 2,047,885)	320,198	( 2,123,452)	( 2,185,032)
<b>TOTAL EXPENDITURES</b>	<b>\$ 201,062,035</b>	<b>\$ 197,915,843</b>	<b>( \$ 3,146,192)</b>	<b>\$ 197,194,958</b>	<b>\$ 199,970,590</b>
<b>TOTAL TRANSFERS OUT</b>	<b>\$ 3,500,000</b>	<b>\$ 3,500,000</b>	<b>\$ 0</b>	<b>\$ 3,500,000</b>	<b>\$ 3,500,000</b>
<b>CONTRIBUTIONS</b>	<b>( 39,454,749)</b>	<b>( 35,878,796)</b>	<b>3,575,953</b>	<b>( 38,042,354)</b>	<b>( 37,355,720)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>( \$ 8,062,535)</b>	<b>( \$ 612,762)</b>	<b>\$ 7,449,773</b>	<b>( \$ 11,701,973)</b>	<b>( \$ 11,446,450)</b>
<b>BEGINNING FUND BALANCE</b>	<b>\$ 89,861,593</b>	<b>\$ 89,861,593</b>	<b>\$ 0</b>	<b>\$ 89,248,831</b>	<b>\$ 77,546,858</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 81,799,058</b>	<b>\$ 89,248,831</b>	<b>\$ 7,449,773</b>	<b>\$ 77,546,858</b>	<b>\$ 66,100,408</b>
3% Requirement for Economic Uncertainty	\$ 9,628,297	\$ 9,317,239	( \$ 311,058)	\$ 9,242,113	\$ 9,115,272
Other Required Reserves	\$ 72,170,761	\$ 79,931,592	\$ 7,760,831	\$ 68,304,745	\$ 56,985,136



# 2021-22 Second Interim Report Combined Summary – General Fund Multi-Year Projections Fund Balance



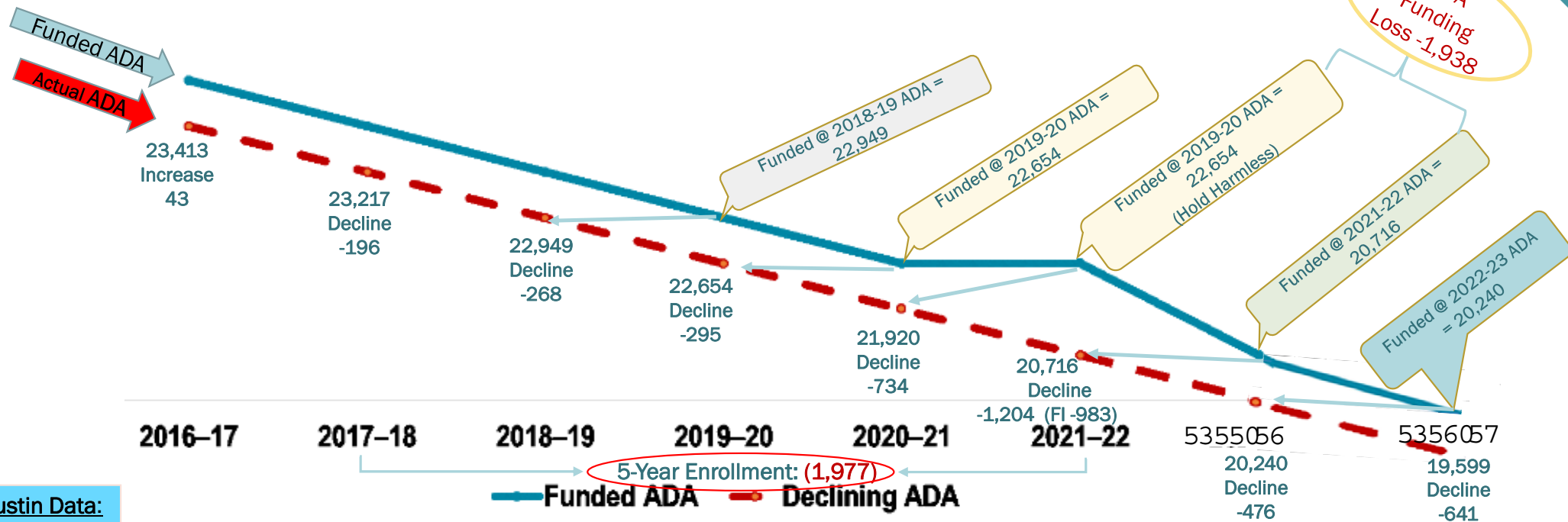
Components of Ending Fund Balance	2021-22 Dec 13 First Interim	2021-22 March 7 Second Interim	2021-22 First and Second Interim Differences	2022-23	2023-24
Projection Factor: LCFF COLA ->	5.07%	5.07%		5.33%	3.61%
3% Requirement for Economic Uncertainties	\$ 9,628,297	\$ 9,317,239	(\$ 311,058)	\$ 9,242,113	\$ 9,115,272
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	170,000	170,000	0	170,000	170,000
Restricted Fund Balance	\$ 26,011,982	\$ 31,006,204	\$ 4,994,222	\$ 22,049,132	\$ 17,480,232
Committed Reserves:					
▪ Vacation Liability	\$ 2,397,235	\$ 3,197,235	\$ 800,000	\$ 3,197,235	\$ 3,197,235
▪ Declining Enrollment	2,500,000	3,000,000	500,000	3,000,000	3,000,000
▪ Local Protection	22,972,522	25,915,952	2,973,430	22,942,522	18,862,097
▪ Increase Pension Liability	0	0	0	4,072,888	421,239
▪ 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	100,000	100,000
▪ Future School Opening	100,000	100,000	0	100,000	100,000
▪ One-Time Discretionary	20,343,092	23,343,092	3,000,000	11,267,073	7,679,538
▪ Textbook Adoption	6,000,000	6,000,000	0	6,000,000	6,000,000
▪ ELL Carryover	2,484,070	2,762,359	278,289	2,762,359	2,762,359
▪ Anthem Health Reimbursement Account (HRA)	147,916	147,916	0	147,916	147,916
▪ Health & Welfare Insurance Rebate	1,875,856	1,875,856	0	1,875,856	1,875,856
▪ MAA/LEA Medical Program	1,050,511	1,259,623	209,112	609,337	609,337





# 2021-22 Second Interim Report Pivoting the Budget Maze Ahead

## 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	20,716	20,240	19,599
Unduplicated Pupil %	44.79%	44.86%	44.35%	44.53%	43.69%	42.73%	41.29%	40.53%

Source: School Services-Fiscal Report November 6, 2020

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



# 2021-22 Second Interim Report Pivoting the Budget Maze Ahead..... Anticipated Funding Changes and Other Budget Considerations

## Anticipated Funding Changes

### State

- LCFF - Enrollment/ADA Decline
  - AB 1607 – Average of three prior years' ADA
  - AB 1609 – For 2022-23, use greater of 2019-20, 2021-22 or 2022-23 ADA
  - SB 830 – Apply for Supplemental Education Funding using “Average Daily Membership”(Use at least 50% for chronic Absenteeism and habitual truancy)
  - Extension of LCFF “Hold Harmless” Provision
- LCFF AB1614 – Increase LCFF base funding by \$4.2 billion above 2022-23 COLA
- COLA Increase = 6.17%
- Pension Rates - PERS and STRS
- TK Funding and Requirements
- May Revise

### Federal

- Build Back Better Act
  - Childcare and Universal Pre-K (3 and 4 years old)
  - Child Nutrition
  - Broadband Affordability and Accessibility
  - Higher Education

**CAUTION**



*K-12 budget  
maze direction  
can change  
negatively with  
persistent uncertainties in the  
environment (locally, nationally,  
and globally)...*



## Budget Considerations - Uncertainties

- Enrollment/ADA Decline Ongoing Impact (221 ADA Decline since First Interim)
- Global Crisis Impacting The Economy
- Supply Chain Impact on Goods and Services
- Escalating Inflation (Project 8%)
- LCAP Carryover Requirements Impacting Available Reserves
- Future Elections

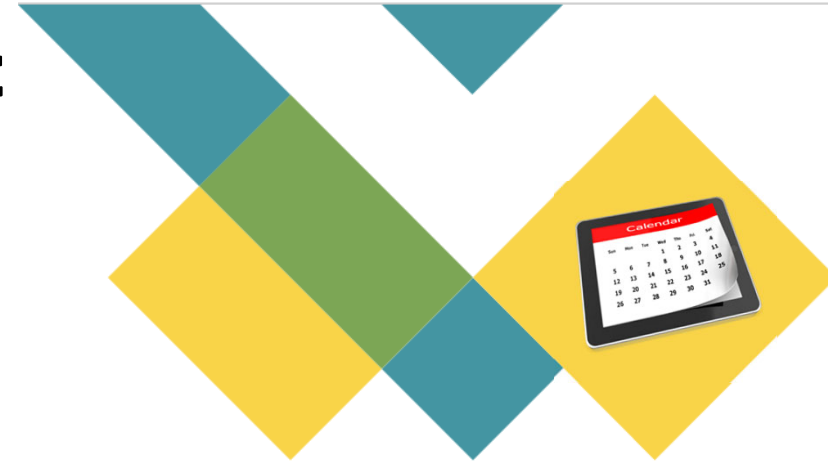
# 2021-22 Second Interim Report Budget Cycle Timeline

## March

- File Second Interim Report

## April - May

- Refine 2021-22 Budget
- Develop 2022-23 Budget
  - May Revision



## June - August

- Close Fiscal Year 2021-22

## June 13,2022

- Public Hearing
  - 2022-23 Budget
  - 2022-23 LCAP

## June 27,2022

- Adoption
  - 2022-23 Budget
  - 2022-23 LCAP



## 2021-22 Second Interim Report Certification



In certifying the 2021-22 Second 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.