

tustin

Unified School District

A Legacy of Excellence in Education

2022-23 July 1 Budget

Adoption

June 27, 2022

Tustin Unified School District 2022-23 Budget Theme Turbulent and Unpredictable Environment



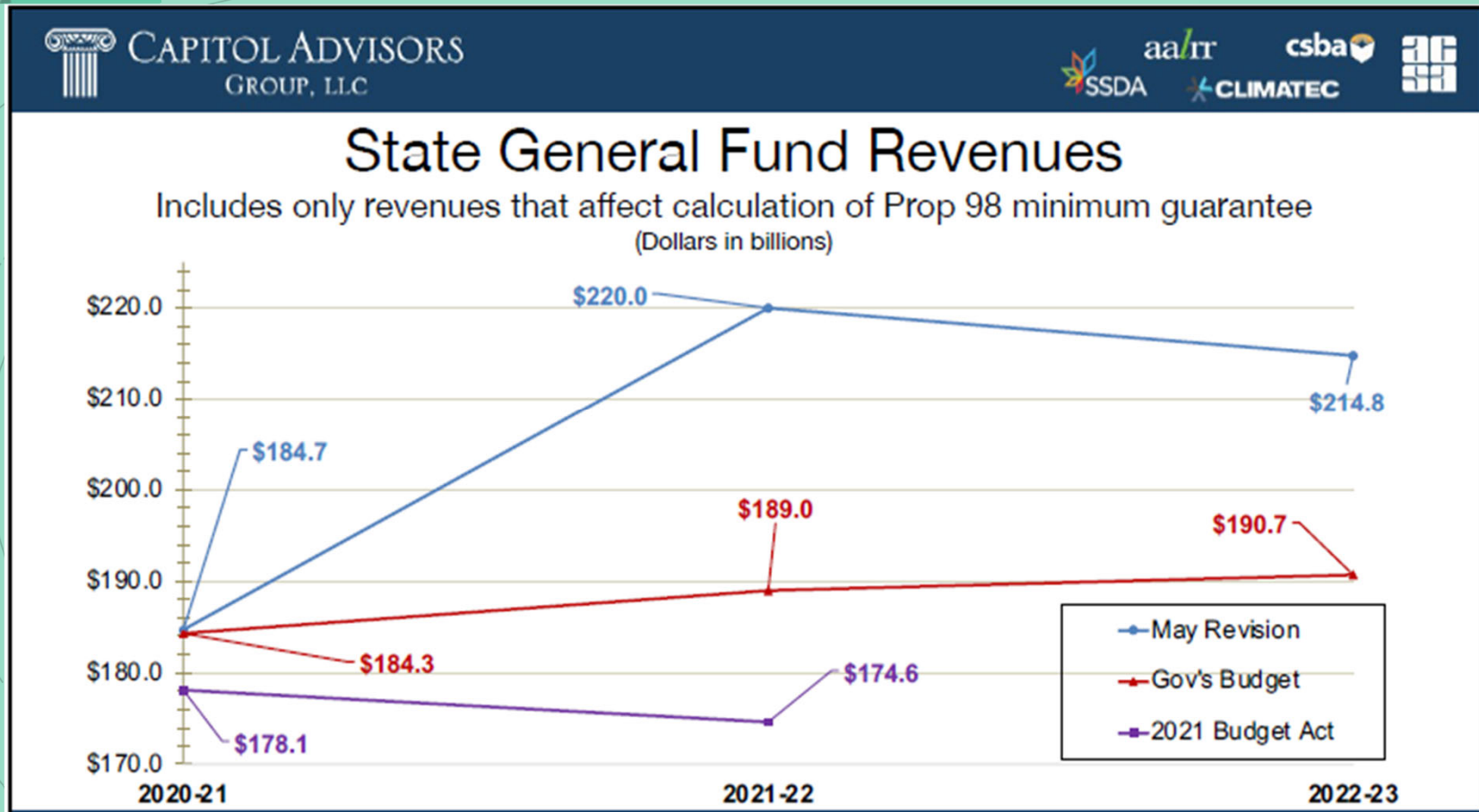
2022-23
Budget

Tustin Unified School District Agenda

1. State and Education Budget Updates
2. 2022-23 Projections - Revenue, Expenditure, and Cash Flow
3. Multi-Year Projections
4. Tustin Future Risks and Challenges
5. Budget Cycle Timeline
6. Board Certification



Tustin Unified School District State and Education Budget Updates State Revenues

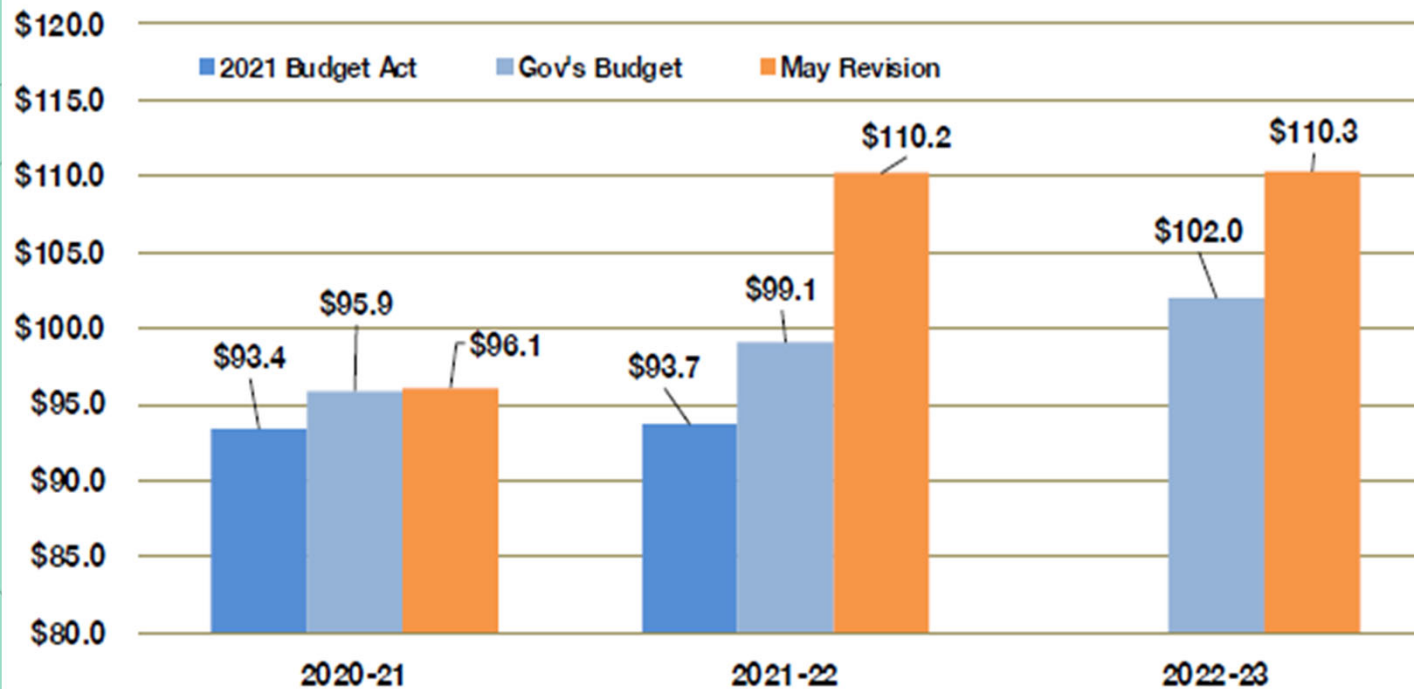


Tustin Unified School District State and Education Budget Updates Cont. Proposition 98



Proposition 98 Guarantee

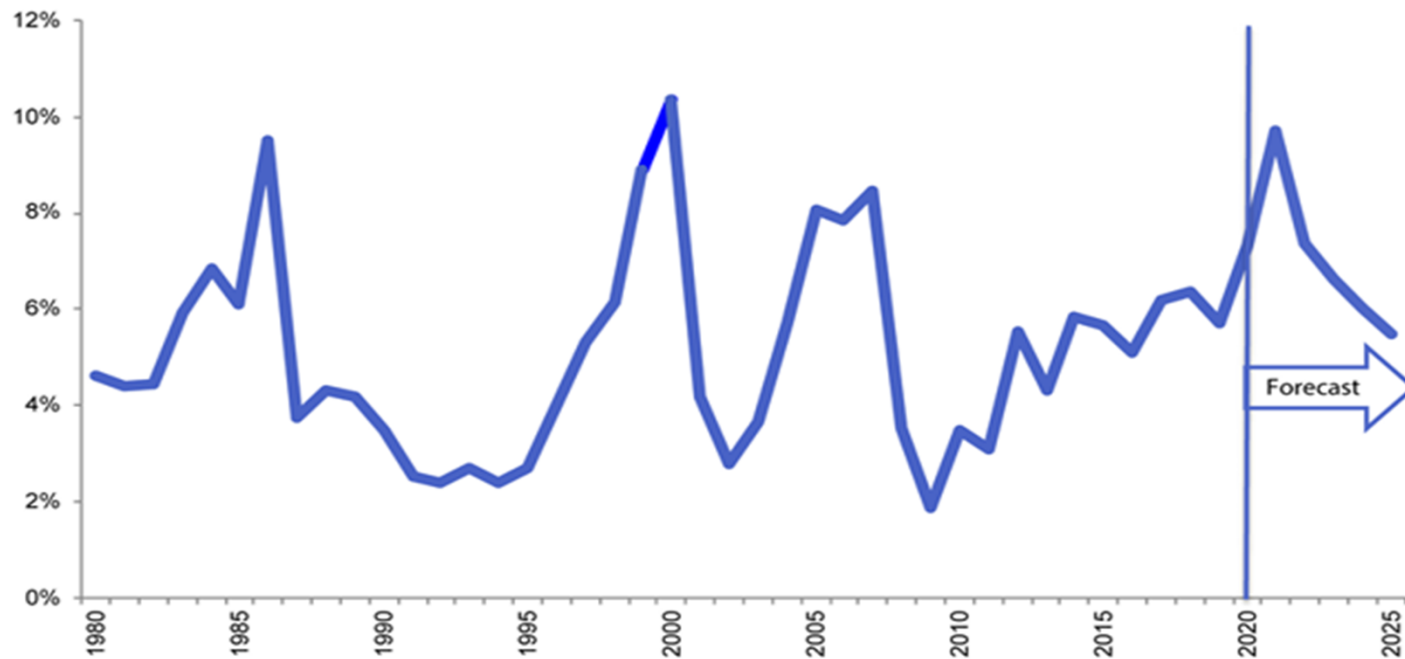
(Dollars in billions)



Tustin Unified School District State and Education Budget Updates Cont. Capital Gains



Capital Gains as a Share of Personal Income



Source: Page 164 of the 2022-23 May Revision Budget Summary

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Tustin Unified School District

State and Education Budget Updates Cont.

May Revision Budget Proposal



Local Control Funding Formula (LCFF) - Ongoing



Increase to LCFF Base Funding 3.3%
(Statutory COLA 6.56% + 3.3% = 9.86%)



Declining Enrollment Mitigation
Greater of current year, prior year, or *the average of the most three prior years' ADA*



Declining ADA Mitigation
2021-22 enrollment times 2019-20 attendance rate



Universal Transition Kindergarten (TK)
\$2,813/ADA



Tustin Unified School District

State and Education Budget Updates Cont.

May Revision Budget Proposal Cont.



Ongoing Funds

1. Expanded Learning Opportunities (ELO-P) -> \$2,500/prior year P-2 ADA
2. Universal Meals
3. Increase in Special Education Base Rate -> \$715 to \$820 per ADA
4. COLA for Selected Categorical Programs
 - Special Education
 - Child Nutrition
 - Adult Education
 - Mandate Block Grant

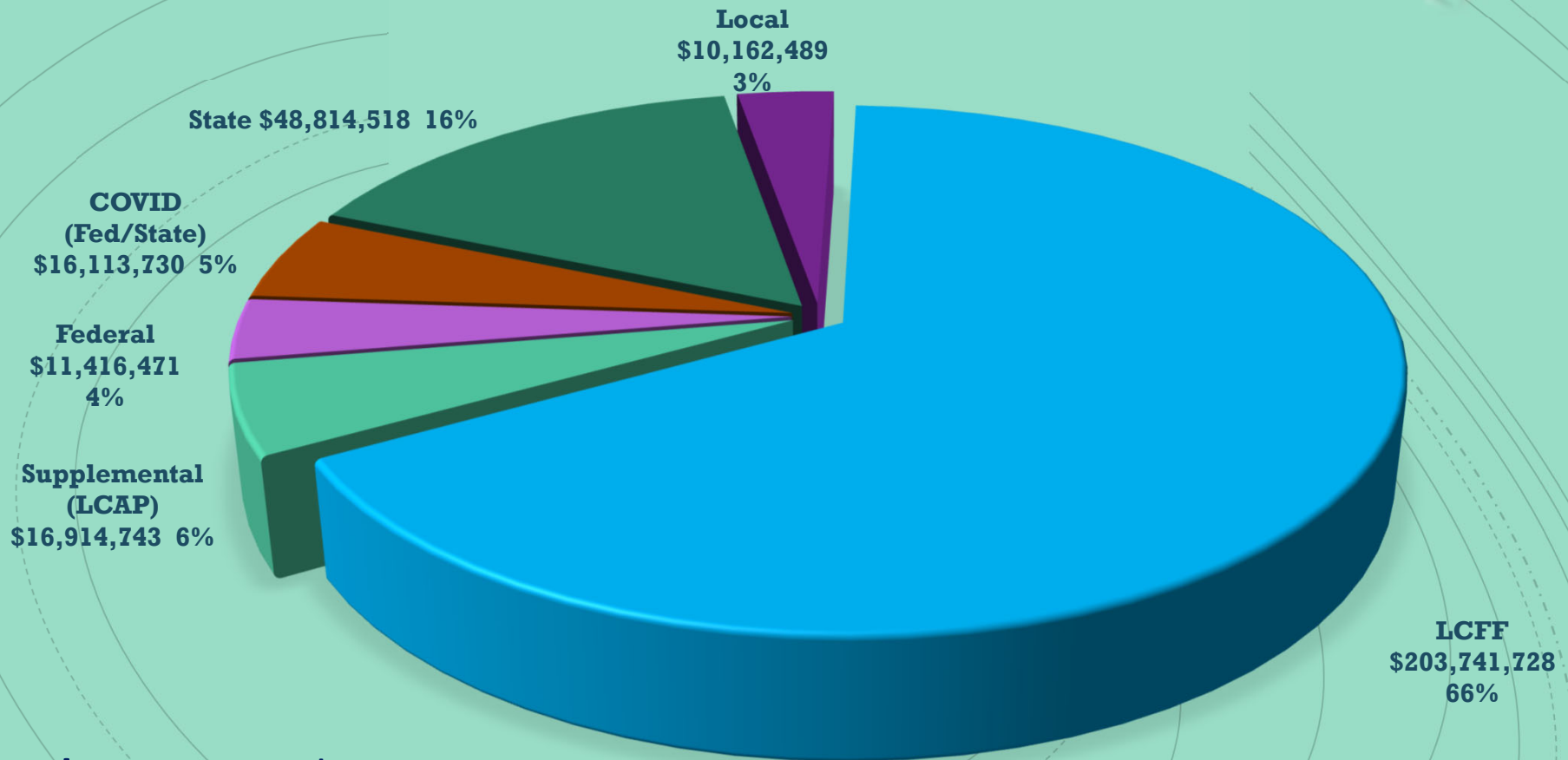
One-Time Funds

1. Discretionary Block Grant -> \$1,500 per 2021-22 P-2 ADA
2. School Facility Program
3. Deferred Maintenance
4. Career Pathways Development
5. Green School Bus Grants
6. ELO-P Infrastructure

Unfunded Costs

1. CalSTRS and CalPERS Pension Cost Increases
2. Transition Kindergarten (TK) Implementation Costs
3. Transportation Costs

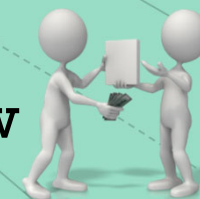
Tustin Unified School District 2022-23 Projections – Revenues



Total Revenues: \$307,163,679



Tustin Unified School District 2022-23 Projections – Expenditures and Cash Flow



<u>Expenditures</u>	<u>Amounts</u>	<u>Percentage</u>
Salaries and Benefits	\$ 257,663,490	81.4%
Books and Supplies	18,190,676	5.8%
Services/Other Operating	32,733,672	10.3%
Capital Outlay	817,615	.3%
Other Outgo	3,551,666	1.1%
Other Transfers	3,500,000	1.1%
Total Expenditures	\$ 316,457,119	

**Monthly Cash
Flow
Average
\$25.9 Million**

**Salaries \$16.1
Million
(62%)**

**Benefits \$6.5
Million
(25%)**

**Other Expenses
\$3.3 Million
(13%)**

Tustin Unified School District

Multi-Year Projections – Combined General Fund

Summary



	2021-22 Estimated Actuals	2022-23 July 1 Budget	2023-24	2024-25
Projection Factor: LCFF COLA ->	5.07%	6.56%	5.38%	4.02%
REVENUES:				
LCFF Source	\$ 224,594,895	\$ 220,656,471	\$ 225,136,417	\$ 226,615,368
Federal	21,168,993	26,688,880	23,206,693	8,810,970
Other State	60,290,595	49,655,839	49,263,763	47,724,171
Other Local	12,525,455	10,162,489	7,588,253	7,255,616
TOTAL REVENUES	\$ 318,579,938	\$ 307,163,679	\$ 305,195,126	\$ 290,406,125
EXPENDITURES:				
Certificated Salaries	\$ 126,297,293	\$ 125,711,453	\$ 125,817,496	\$ 118,335,622
Classified Salaries	47,217,275	49,450,024	51,226,199	49,715,371
Employee Benefits	75,537,589	82,502,013	85,089,494	83,344,909
Books and Supplies	15,271,717	18,190,676	13,521,540	12,630,153
Services and Other Operating Expenditures	31,021,740	32,733,672	33,170,269	33,595,419
Capital Outlay	628,094	817,615	843,288	859,901
Other Outgo – Payments and Indirect	3,411,844	3,551,666	2,993,393	2,947,186
TOTAL EXPENDITURES	\$ 299,385,552	\$ 312,957,119	\$ 312,661,679	\$ 301,428,561
TOTAL TRANSFERS OUT	\$ 4,725,639	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000
NET CHANGE IN FUND BALANCE	\$ 14,468,747	(\$ 9,293,440)	(\$ 10,966,553)	(\$ 14,522,436)
BEGINNING FUND BALANCE	\$ 117,378,352	\$ 131,847,099	\$ 122,553,659	\$ 111,587,106
ENDING FUND BALANCE	\$ 131,847,099	\$ 122,553,659	\$ 111,587,106	\$ 97,064,670
3% Requirement for Economic Uncertainty	\$ 9,123,336	\$ 9,493,714	\$ 9,484,850	\$ 9,147,857
Restricted Program Reserves	\$ 33,239,729	\$ 33,887,810	\$ 27,135,250	\$ 21,305,227
Other Required Reserves	\$ 89,484,034	\$ 79,172,135	\$ 74,967,006	\$ 66,611,586



Tustin Unified School District

Multi-Year Projections – Combined General Fund

Fund Balance



Components of Ending Fund Balance	2021-22 Estimated Actuals	2022-23 July 1 Budget	2023-24	2024-25
Projection Factor: LCFF COLA ->	5.07%	6.56%	5.38%	4.02%
3% Requirement for Economic Uncertainties	\$ 9,123,336	\$ 9,493,714	\$ 9,484,850	\$ 9,147,857
Non-Spendable Reserves:				
▪ Revolving Cash	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
▪ Stores/Prepaid Expenses	309,297	309,297	309,297	309,297
▪ Benefits Bank Accounts	170,000	170,000	170,000	170,000
Restricted Fund Balance	\$ 33,239,729	\$ 33,887,810	\$ 27,135,250	\$ 21,305,227
Committed Reserves:				
▪ Vacation Liability	\$ 2,935,686	\$ 2,935,686	\$ 2,935,686	\$ 2,935,686
▪ Declining Enrollment	3,000,000	3,000,000	3,000,000	3,000,000
▪ Local Protection	25,915,952	25,915,952	25,915,952	20,958,247
▪ Increase Pension Liability	0	3,774,510	0	0
▪ Facilities Maintenance	6,000,262	6,000,262	6,000,262	6,000,262
▪ Technology Refresh	6,500,000	6,500,000	6,500,000	6,500,000
▪ Classroom Furniture	100,000	100,000	100,000	100,000
▪ Future School Opening	100,000	100,000	100,000	100,000
▪ One-Time Discretionary	30,241,539	19,346,884	20,144,197	16,746,482
▪ Textbook Adoption	6,000,000	6,000,000	6,000,000	6,000,000
▪ LCAP Programs - Carryover	3,444,492	0	0	0
▪ School Programs - Carryover	889,726	889,726	0	0
▪ Anthem Health Reimbursement Account (HRA)	147,916	147,916	147,916	147,916
▪ Health & Welfare Insurance Rebate	1,875,856	1,875,856	1,875,856	1,875,856
▪ MAA/LEA Medical Program - Carryover	1,259,623	1,512,361	1,512,361	1,512,361
▪ Health & Welfare Wellness Program – Carryover	105,479	105,479	105,479	105,479
▪ Other Instructional Programs - Carryover	338,206	338,206	0	0

Tustin Unified School District

Tustin Future Risks and Challenges

Long-Term Budget Consideration and Planning



State/National Level

- **Inflation**
- **Economy (stock market)**
- **Volatility of School Finances**
- **Coronavirus Impact**
- **Future State Deficit**
- Unemployment Rate
- Climate Change (Wildfire, Drought, and Earthquake)
- Homeless Crisis
- Housing Affordability
- Equity
- Policy Changes (Immigrations, Trades, etc.)
- Minimum Wage



Local Level

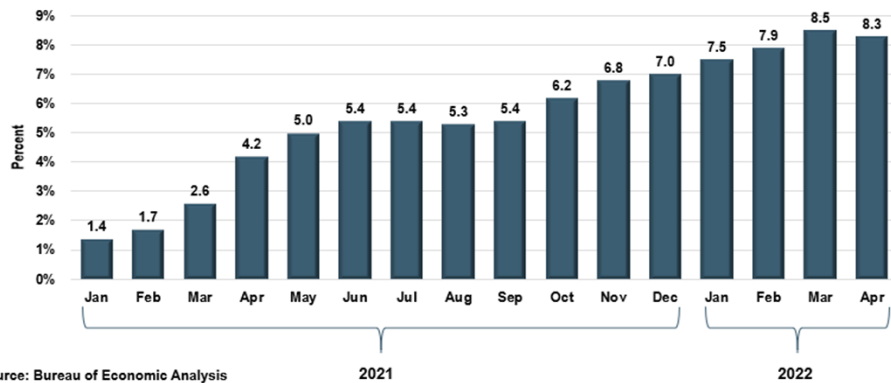
- **Impact of Declining Enrollment/ADA**
- **Structural Deficit –Maintaining Fiscal Solvency**
- **Pension Cost Increase (CalPERS/CalSTRS)**
- **Special Education Costs**
- **Escalating Technology Costs**
- **Managing One-Time Funds**
- **Coronavirus Impact**
- Maintaining Commitments
- LCFF Funding COLA
- Legal Requirements
- Cash Flow – Payment Deferrals
- Collective Bargaining
- Ongoing Cost Increases (Step & Column/H&W/Utility/Water/Legal/Contracts/Others)
- Other Local Expectations

Tustin Unified School District

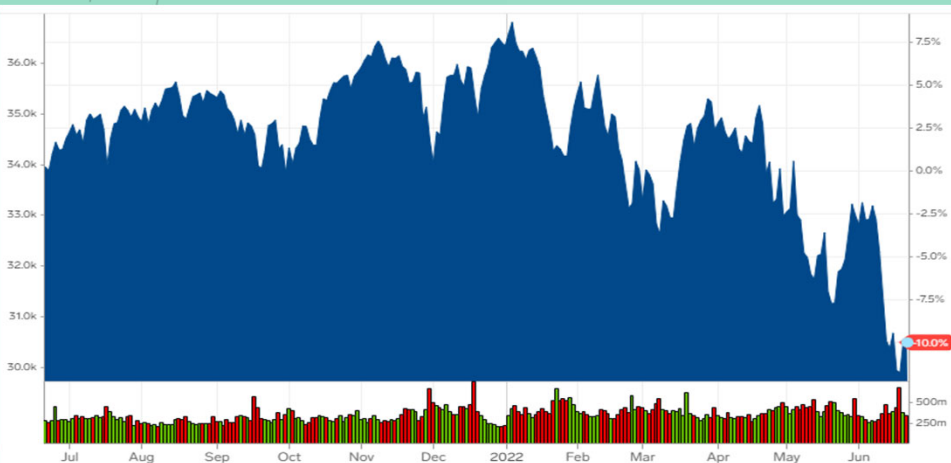
Tustin Future Risks and Challenges

Inflation

Inflation



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United States Fed Funds Rate - 2022 Data - Trading Economics



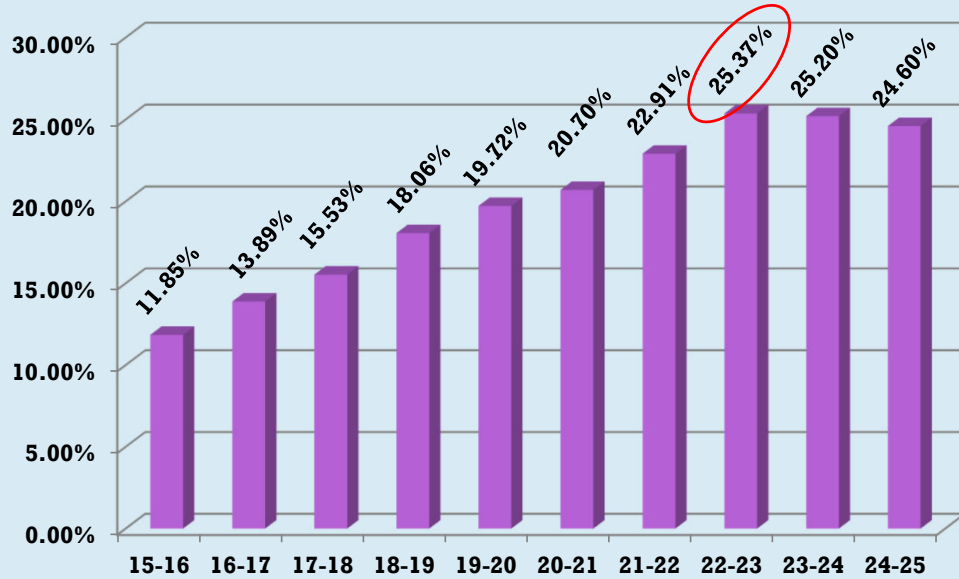
Tustin Unified School District

Tustin Future Risks and Challenges Cont.

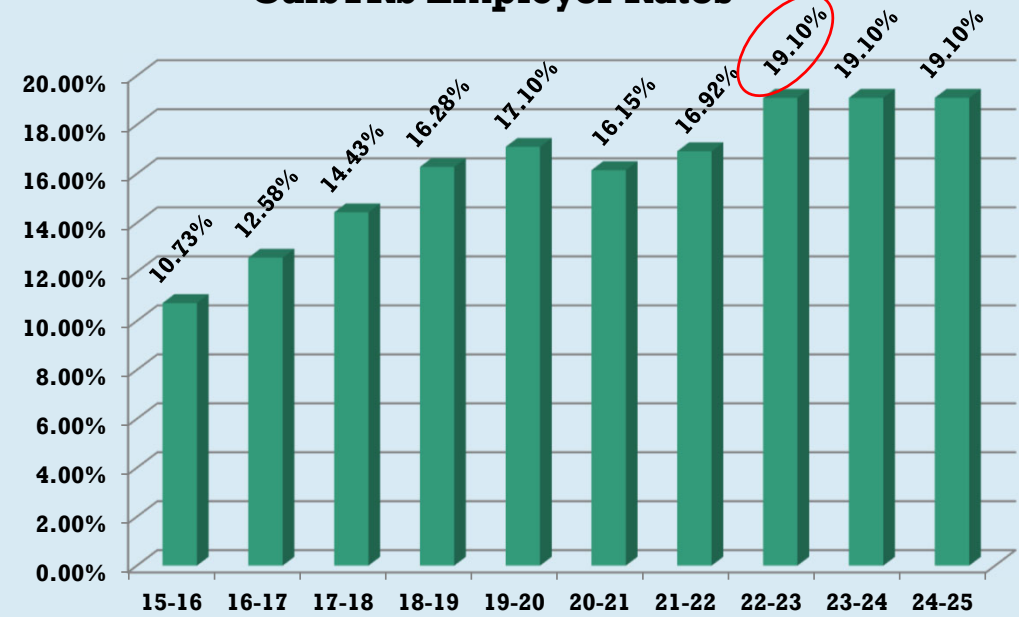
Employer Pension Rates



CalPERS Employer Rates



CalSTRS Employer Rates



State relief from
2020 Budget Act
ends after 2021-22

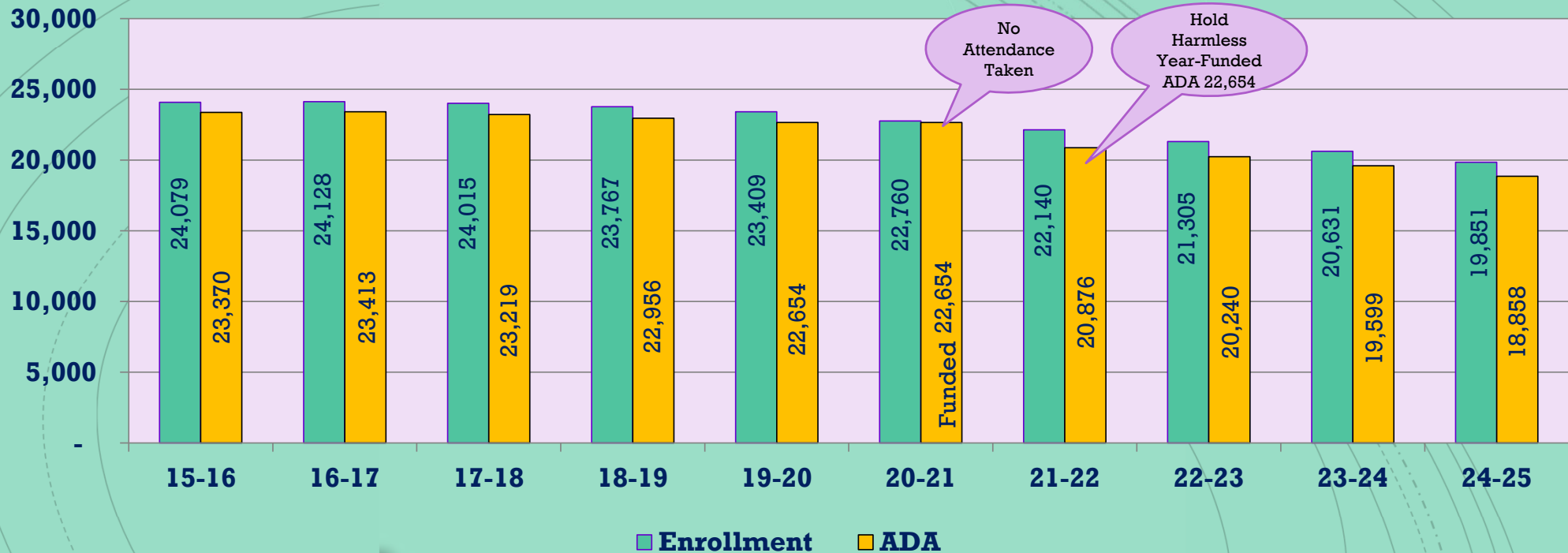
CalSTRS/CalPERS 2022-23 Increases	CalPERS 22.91% to 25.37% =2.46% Increase	CalSTRS 16.92% to 19.10% = 2.18% Increase	2022-23 Total Increase
Pension Liability Increase	\$1,034,000	\$2,740,510	\$3,774,510



Tustin Unified School District

Tustin Future Risks and Challenges Cont.

Enrollment/ADA

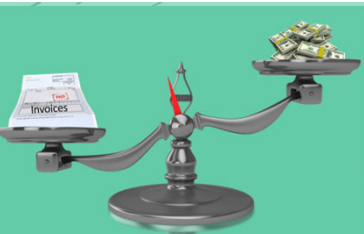


Enrollment Changes	18	49	-113	-248	-358	-649	-620	-835	-674	-780
ADA Changes	88	43	-194	-263	-302	N/A	-1,778	-636	-641	-741
Funded ADA						2019-20 ADA 22,654	2019-20 ADA 22,654	2021-22 ADA 20,876	2022-23 ADA 20,240	2023-24 ADA 19,599

Tustin Unified School District

Tustin Future Risks and Challenges Cont.

Enrollment/ADA Impact – Governor's Proposal (3-Year ADA Average)



Total
3-Year
Cumulative
Revenue
Loss:
(\$26)
Million

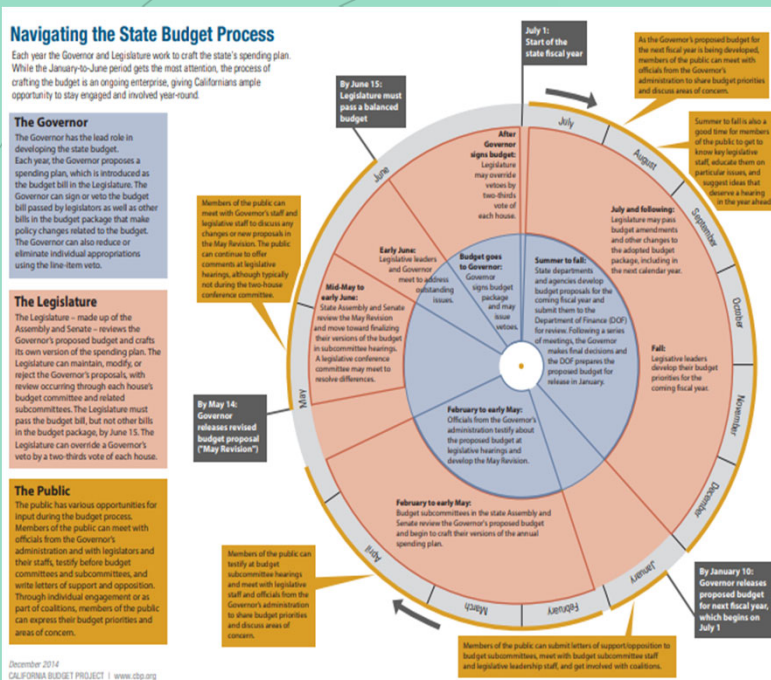
LCFF Funding	2022-23	2023-24	2024-25
COLA Augmentation	6.56% + 3.30% Augmentation \$21 Million	5.38% -0- \$13 Million	4.02% -0- \$10.2 Million
Funded 3-Year Average ADA Decline (Proposed)	(443) = (\$4.8 Million)	(805) = (\$9.2 Million)	(1,018) = \$12.1 Million
Net Funded COLA Increase/Decrease	7.2% = \$16.2 Million	1.57% = \$3.8 Million	(.78%) = (\$1.9 Million)

Note: Include \$.6 million for TK and exclude funds for ongoing cost increases (PERS/STRS/Step & Col/etc.)

ADA Change	2022-23	2023-24	2024-25
Funded 3-Year Average ADA Decline (Proposed)	(443)	(805)	(1,018)
Current Actual ADA Decline	(1,778)	(636)	(641)
Net Change in Funded ADA	1,335	(169)	(377)

Funded 3-Year Average ADA Decline (Proposal) = Delay Full Funding Reduction Impact

Tustin Unified School District Budget Cycle Timeline



June

- Legislature and Governor meet on outstanding budget items
- June 15 –** Legislature approved State Budget Bill
- June 30 -** Governor to act on State Budget Act
 - Sign as is
 - Sign with veto/reduction line item
 - Reject the whole budget bill and send it back to the Legislature

July

- 2022-23 Budget goes into effect July 1
- July Finance Conference – State approved 2022-23 State Budget Bill
- Begin closing fiscal year 2021-22

August

- Complete closing fiscal year 2021-22
- Prepare 2021-22 Unaudited Actuals Report for Board approval on September 12
- Update 2022-23 Budget to Governor's final Budget Bill

September

- Submit 2021-22 Unaudited Actuals Report
 - Board approval September 12
 - County Office/State/Other Agencies
- Roll over 2021-22 program balance to 2022-23
- Update the Board with the Governor's approved State Budget Act "August Revision"



Tustin Unified School District 2022-23 July 1 Budget Adoption CERTIFICATION



In certifying the 2022-23 Budget as positive, the Board understands its fiduciary responsibility to maintain fiscal solvency for the current and subsequent two fiscal years. The District will implement the necessary budget adjustments to maintain a positive certification