



TUSTIN UNIFIED SCHOOL DISTRICT
2018-19
Second Interim Report

March 11, 2019

Budget Perspective



Description	Resource Codes	Object Codes	Original Budget (A)	Board Approved Operating Budget (B)	Actuals To Date (C)	Projected Year Totals (D)	Difference (Col B & D) (E)	% Diff (E/B) (F)
A. REVENUES								
1) LCFF Sources		8010-8099	209,035,217.00	210,070,842.00	118,463,994.45	210,547,465.00	476,623.00	0.2%
2) Federal Revenue		8100-8299	8,030,942.00	9,231,305.00	2,951,104.91	9,283,411.00	52,106.00	0.6%
3) Other State Revenue		8300-8599	33,276,431.00	38,786,598.00	14,944,772.10	38,678,046.00	(108,552.00)	-0.3%
4) Other Local Revenue		8600-8799	8,357,268.00	10,516,123.00	7,389,983.81	11,858,101.00	1,341,978.00	12.8%
5) TOTAL, REVENUES			258,699,858.00	268,604,868.00	144,749,855.27	270,367,023.00		
B. EXPENDITURES								
1) Current			2,172,892.00	115,325,580.00	65,696,571.00	115,302,440.00	23,140.00	0.0%
2) Capital			2,172,892.00	115,325,580.00	22,757,417.11	42,133,553.00	76,934.00	0.2%
3) Debt			315.00	315.00	315.00	315.00	0.00	0.0%
4) Other			2.00	2.00	2.00	2.00	0.00	0.0%
5) Total			2,175,009.00	115,326,897.00	65,699,301.11	115,305,308.00	23,140.00	0.0%
6) Other			1,169,616.00	1,169,616.00	14,520.00	27,402,407.00	(1,232,000.00)	-4.7%
7) Total			1,171,508.00	1,171,508.00	14,522.00	27,402,407.00	(1,232,000.00)	-4.7%
8) Other			150.00	150.00	150.00	150.00	0.00	0.0%
9) TOTAL, EXPENDITURES			3,346,417.00	3,346,417.00	80,276,373.11	142,809,165.00	(1,061,741.00)	-3.2%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES AND USES			(3,003,386.00)	(3,003,386.00)	1,579,793.91	283,961.00		
D. OTHER FINANCING SOURCES/USES								
1) Interfund Transfers		8900-8929	0.00	0.00	0.00	0.00	0.00	0.0%
a) Transfers In		7600-7629	3,500,000.00	3,500,000.00	0.00	0.00	(3,500,000.00)	-26.2%
b) Transfers Out			0.00	0.00	0.00	0.00	0.00	0.0%
2) Other Sources/Uses		8930-8979	0.00	0.00	0.00	0.00	0.00	0.0%
a) Sources		7630-7699	0.00	0.00	0.00	0.00	0.00	0.0%
b) Uses		8980-8999	0.00	0.00	0.00	0.00	0.00	0.0%
3) Contributions			0.00	0.00	0.00	0.00	0.00	0.0%
4) TOTAL OTHER FINANCING SOURCES/USES			0.00	0.00	0.00	0.00	0.00	0.0%

Agenda



- State and Education Budget
- Governor's 2019-20 January Budget Proposals
- Future Risks and Unstable Components
- Legislative Analyst Office (LAO) Budget Assessments and Recommendations
- Key Budget Assumptions
- Approved Budget Reductions
- Multi-Year Projections
- Ongoing Challenge–Enrollment
- What's Next...
- Certification

State and Education Budget

- Declining State Economy
 - Declining Revenue Projections
 - Low unemployment is stifling productivity
 - Slowing housing market
 - Recession?
- Federal Economy
 - Tax Cuts and Jobs Act
 - Federal Shutdown
 - Tariffs
 - Slow decline in Gross Domestic Product
 - Increasing Federal Deficit
- Proposition 98
 - 2018-19 -> Test 3
 - 2019-20 -> Test 1

State and Education Budget Cont.



California Department of Finance

February 2019

Finance Bulletin

Keely Bosler, Director

Economic Update

2018-19 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Billions)

Revenue Source	JANUARY 2019					2018-19 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$18,701	\$16,041	-\$2,661	-14.2%		\$57,334	\$54,677	-\$2,657	-4.6%
Sales & Use	2,486	2,215	-271	-10.9%		15,493	15,310	-183	-1.2%
Corporation	531	591	60	11.2%		4,353	4,787	434	10.0%
Insurance	19	18	-1	-1.4%		1,285	1,294	8	0.6%
Estate	0	0	0	0.0%		0	0	0	45.2%
Pooled Money Interest	44	62	18	40.5%		290	293	3	1.0%
Alcoholic Beverages	41	38	-3	-6.2%		236	223	-13	-5.4%
Tobacco	4	5	0	8.2%		38	39	1	1.9%
Other	84	149	65	76.9%		329	390	60	18.4%
Total	\$21,911	\$19,119	-\$2,791	-12.7%		\$79,360	\$77,014	-\$2,346	-3.0%

This is an agency cash report and the data may differ from the Controller's report to the extent that cash received by agencies has not yet been reported to the Controller.

Totals may not add due to rounding. The forecast is from the 2019-20 Governor's Budget.

Governor's 2019-20 Budget Proposals

- LCFF Cost-of-Living Adjustment (COLA) -> 3.46%
 - Proposition 98 increase (\$2.8 B) vs COLA increase (\$2 B)
 - Prop 98 Certification and LCFF Continuous Appropriation (*)

2018 Budget Act vs 2019-20 Proposal *	
<ul style="list-style-type: none">• Created new Prop 98 certification mechanism• Certified the guarantee for years 2009-10 through 2016-17• Provided for continuous appropriation of LCFF COLA	<ul style="list-style-type: none">• Cap increases to LCFF from continuous appropriation when COLA outstrips growth in Prop 98

- One-Time Discretionary – None
- STRS Pension Rate Buy Down-> 1% \$3B (\$700M over two years; \$2B buy down)
(Non-Proposition 98 Funding)
- Special Education – \$576M Not Qualified
- Pre-School and Child Care Funding
(Non-Proposition 98 Funding)

*

Capitol Advisors Group, LLC

Future Risk and Unstable Components



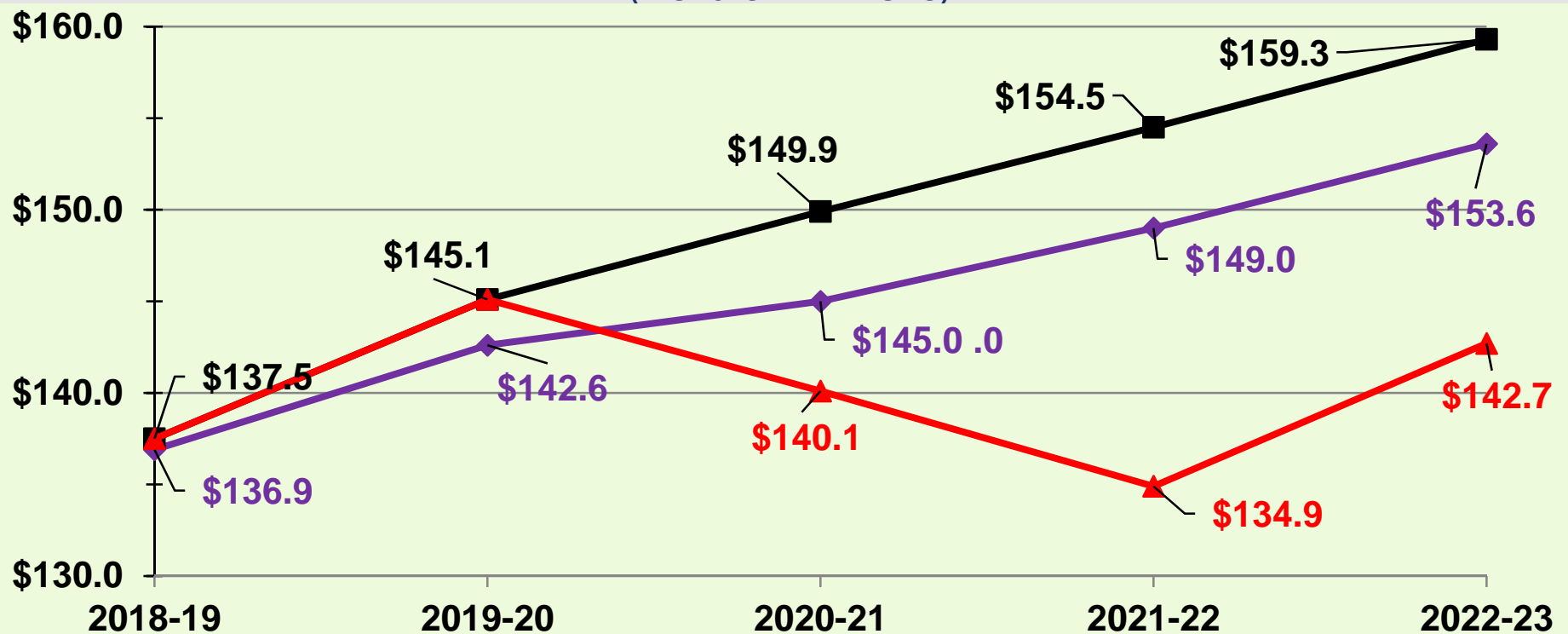
- Unsettled Stock Market
- Unstable Economy
- Impact of Immigration Policies
- Insufficient Funding Increase
- Declining Enrollment/ADA
- Special Education Costs Increase vs Funding Source Increase
- Increasing Pension Obligation
- Escalating Operational Costs
- State Legislation
- Federal Policies
- Unsustainable Expectations
- Risk of Recession

Future Risk and Unstable Components Cont.

Projected State General Fund Revenues



(Dollars in Billions)



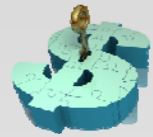
Legislative Analyst Office (LAO)

Budget Assessments and Recommendations

- Proposition 98 - potential shortfall
- Local Control Funding Formula – Link to annually to available funding and key economic indicators
- Recommendations
 - Repeal Statutory COLA
 - Reject Special Education grants and Propose Equalization
 - Delay one-time relief for CalSTRS pension obligations until the economic down occurs
 - Adopt Proposal to Sell \$1.5 billion in Proposition 51 School Facilities Bonds

Multi-Year Budget Projections

TUSD Key Budget Assumptions



Assumptions	<u>2018-19</u>		<u>2019-20</u>		<u>2020-21</u>	
	FI	SI	FI	SI	FI	SI
LCFF COLA	3.70%	3.70%	2.57%	3.46%	2.67%	2.86%
LCFF GAP Funding Rate	100%	100%	100%	100%	100%	100%
Free & Reduced/EL Learner Rate	43.13%	43.13%	41.60%	43.67%	39.56%	42.14%
Projected Enrollment						
Original Budget Projection –CBEDS	24,010	24,010	23,969	23,969	24,005	24,005
Increase (Decrease) from Original Budget	-261	-243	-478	-595	-705	-930
Revised Projected CBEDS Enrollment	23,749	23,767	23,491	23,374	23,300	23,300
CBEDS Enrollment Growth	-261	-243	-258	-393	-191	-299
CBEDS Enrollment Growth %	-1.09%	-1.01%	-1.09%	-1.65%	-0.81%	-1.28%
Projected ADA						
Original Budget Projection – ADA	23,170	23,170	23,082	23,082	23,117	23,117
Increase (Decrease) from Original Budget	-252	-252	-460	-573	-679	-896
Total Projected ADA	22,918	22,918	22,622	22,509	22,438	22,221
ADA Growth	-290	-290	-296	-409	-184	-288
ADA Growth %	-1.25%	-1.25%	-1.29%	-1.78%	-0.81%	-1.28%
Statutory Benefits (Full-time Employee)						
Certificated	18.63%	18.63%	20.48%	20.48%	21.45%	21.45%
Classified	26.61%	26.61%	29.25%	29.25%	31.95%	31.95%
Health and Welfare Rate			13%	13%	13%	13%

Approved Budget Reductions

February 25, 2019

Proposed Items Estimated	Other Items Under Consideration Estimated
Repurpose Veeh Elementary School (Future Savings of \$500,000)	IT Equipment Repairs/Replacements (\$200,000)
10% Reduction of Site Budget (\$231,000)	Settlement of H & W Future Costs (Included in First Interim Budget) (\$2,900,000)
Reduction Summer Institute Budget (\$411,000)	10% Reduction of Dept. Supplies Budget (\$49,000)
Reduction of School Libraries Budget (\$88,000)	10% of Conference Budget (\$14,000)
Reduction of Coaches (TOSA) Utilized (\$1,047,000)	Maintenance & Operations Contributions (\$1,500,000)
TOTAL	(\$6,440,000)

Multi-Year Budget Projections



	2018-19	2019-20	2020-21
Revenues	\$270,367,023	\$ 266,733,237	\$ 268,431,603
Expenditures	\$270,083,062	\$ 267,291,824	\$ 274,851,627
Transfers Out	\$ 4,417,849	\$ 3,100,000	\$ 3,100,000
Net Change (Deficit)	(\$ 4,133,888)	(\$ 3,658,587)	(\$ 9,520,024)
Beginning Balance	\$ 81,605,921	\$ 77,472,033	\$ 73,813,445
Ending Balance	\$ 77,472,033	\$ 73,813,445	\$ 64,293,420
3% Economic Uncertainty	\$ 8,235,028	\$ 8,111,755	\$ 8,338,549

Multi-Year Projections

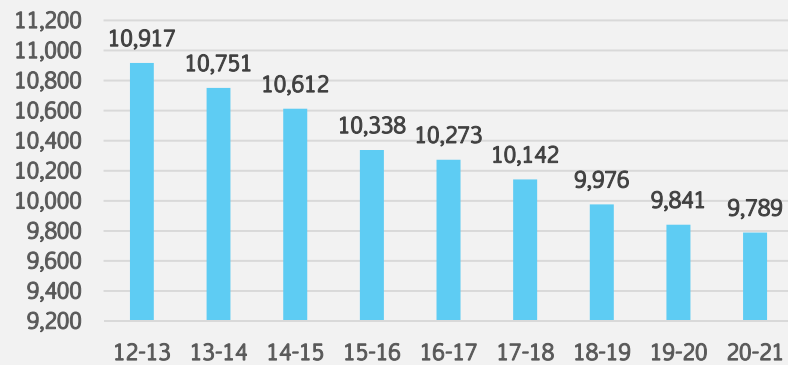
Components of Ending Fund Balance

	2018-19	2019-20	2020-21
Non-Spendable:			
Revolving Cash	\$ 150,000	\$ 150,000	\$ 150,000
Stores	\$ 264,999	\$ 264,999	\$ 264,999
Restricted Programs	\$ 17,655,891	\$ 15,533,604	\$ 13,291,628
Committed Reserves:			
• Benefits Accounts	\$ 140,000	\$ 140,000	\$ 140,000
• Vacation Liability	\$ 1,109,470	\$ 1,109,470	\$ 1,109,470
• Local Protection Reserve	\$ 18,773,124	\$ 16,801,224	\$ 14,501,224
• Facilities Maintenance Reserve	\$ 5,600,262	\$ 5,600,262	\$ 5,600,262
• Technology Reserve	\$ 6,021,468	\$ 6,021,468	\$ 6,021,468
• Classroom Furniture Reserve	\$ 1,278,276	\$ 0	\$ 0
• Pension Liability Reserve (Growth)	\$ 0	\$ 3,027,990	\$ 2,093,160
• Future School Opening	\$ 500,000	\$ 500,000	\$ 500,000
• One-Time Discretionary	\$ 9,134,155	\$ 8,116,159	\$ 5,046,147
• Textbook Adoption	\$ 4,170,000	\$ 5,000,000	\$ 5,000,000
• School Programs Carryover	\$ 2,847	\$ 0	\$ 0
• Anthem HRA Balance Reserve	\$ 236,513	\$ 236,513	\$ 236,513
• H&W Insurance Rebate (New)	\$ 1,200,000	\$ 1,200,000	\$ 0
• Declining Enrollment	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
• ELL Carryover	\$ 1,000,000	\$ 0	\$ 0

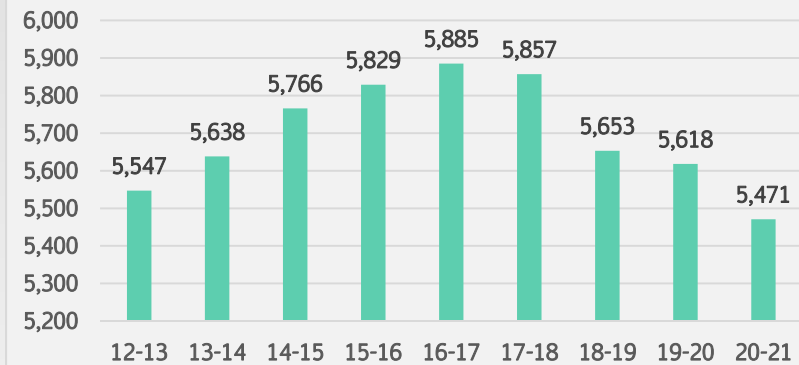
Ongoing Challenge: School Enrollment



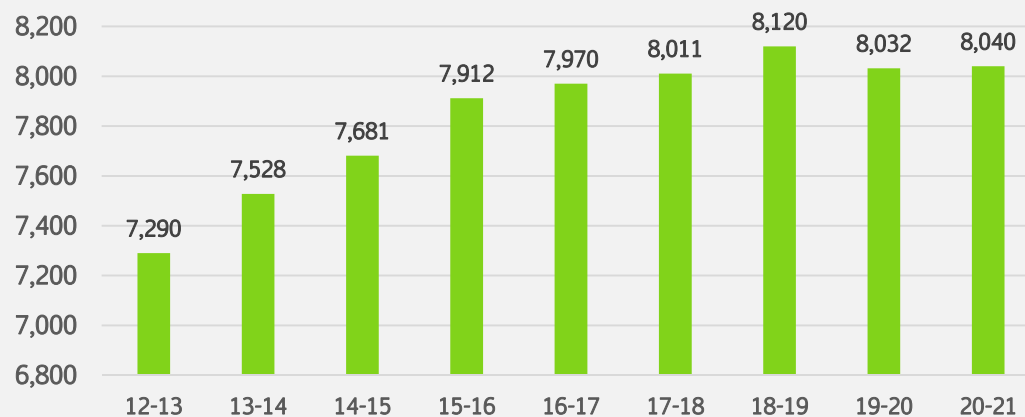
Tustin Enrollment Trend
Elementary Schools



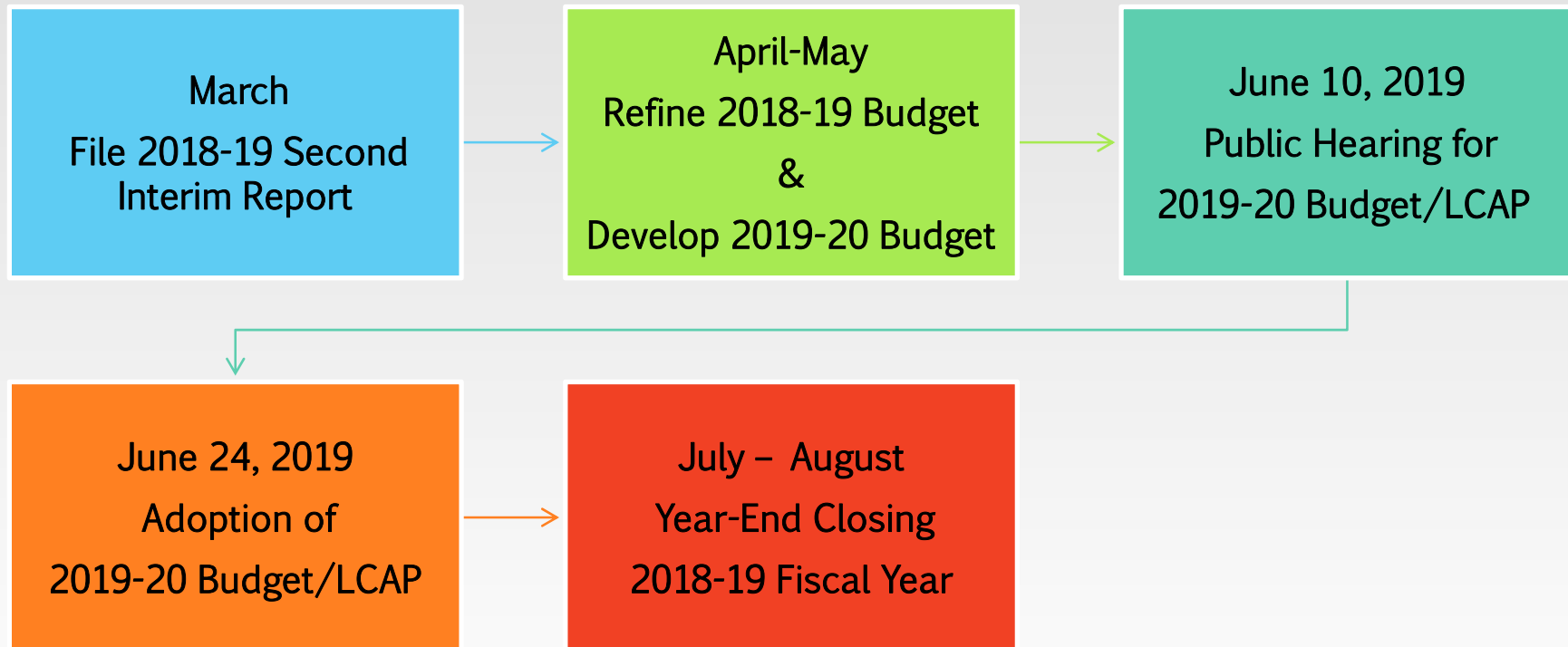
Tustin Enrollment Trend
Middle Schools



Tustin Enrollment Trend
High Schools



What's Next...



2018-19 Second Interim Report Certification



In certifying the 2018-19 Second Interim Report 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.