

45 Day Budget Revision

2008-09



Business Services

October 21, 2008

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This and other Financial & Budget documents of the Hemet Unified School District are posted on the web site:

<http://www.hemetusd.k12.ca.us/>

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2007-08 State Adopted Budget

STATE BUDGET SUMMARY

The 2008-09 Budget Act for the State of California was signed by Governor Schwarzenegger on September 23, 2008. The adopted budget was the latest budget passed and signed in state history. Controversy over how to resolve the state's ongoing structural deficit and current year budget gap of \$24.3 billion presented in the May Revise led to the long delay. 47% of the deficit was addressed through expenditure reductions. Revenue increases made up 35% of the shortfall, with borrowing, primarily through economic recovery bonds and a reduction in the state's reserve balance closing the gap.

In an attempt to address the continued structural deficits, budget reform was a key piece in this year's state budget. Reform measures that will go before the voters as a constitutional amendment include securitization of the state lottery, changes in the 'rainy day fund' or budget stabilization fund, and authority for the governor to freeze or apply mid-year cuts when revenues fall short of budget needs.

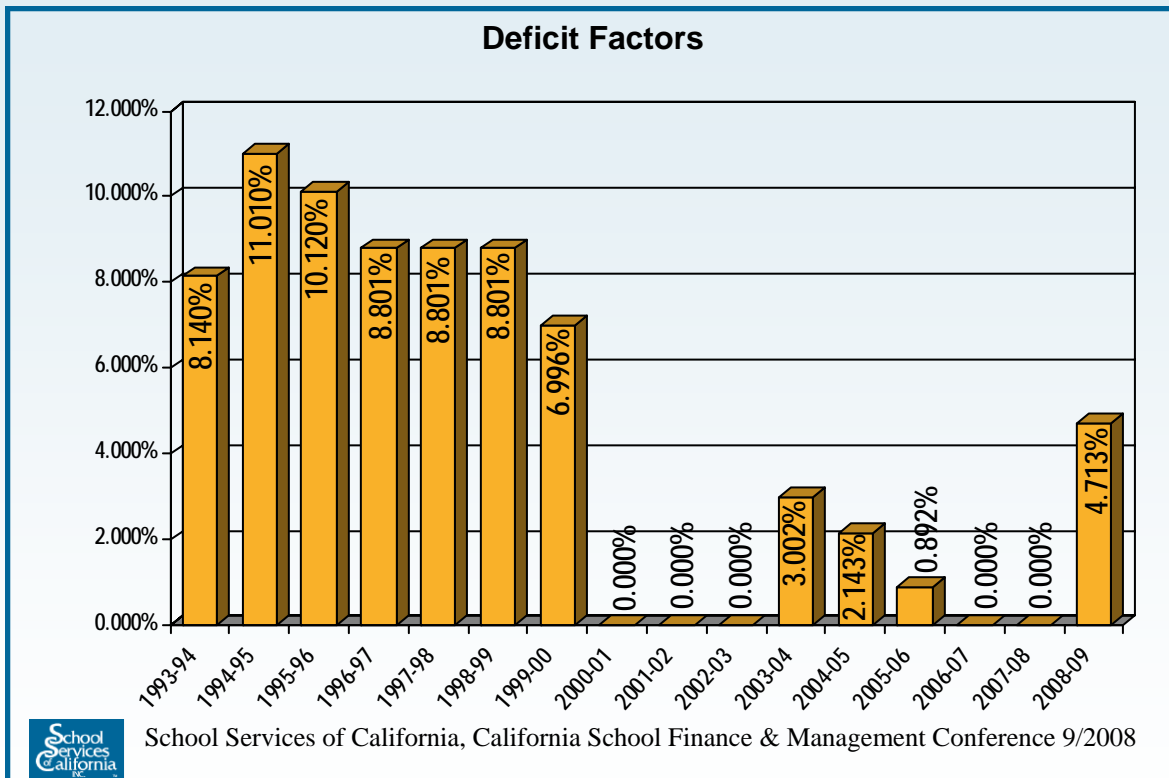
Subsequent to the adoption of the budget at the end of September, tax receipts have not reached budgeted projections and as a result, the governor has called for legislators to return to Sacramento to discuss the increasing revenue shortfalls and possible mid-year budget revisions. It appears that mid-year cuts in all areas including K-12 education are likely and districts have been advised by their advocates to reserve funds to protect against that possibility.

K-12 EDUCATION BUDGET REVISIONS

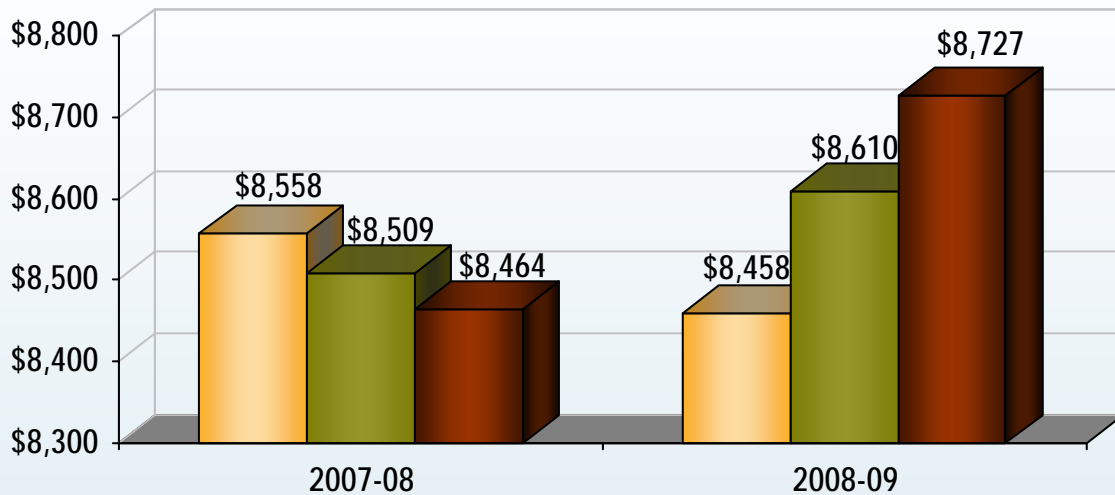
Districts are required to revise their budgets within 45 days of the adoption of the State budget to include changes that were enacted subsequent to the budget proposal presented in the May Revise. The State budget signed on September 23, 2008 contains \$1.3 billion more in Proposition 98 funding for K-12 education from the budget proposed by the Governor in May. The 5.66% cost of living adjustment (COLA) provided in the May Revise remains intact, but the proposed deficit factor has been reduced, resulting in a net increase of 0.68% in revenue limit funding. Additionally, the final budget eliminated the 6.5% cut to categorical programs, restoring funding to 2007-08 levels.

Prop 98 per pupil spending increased by \$263 to \$8,727 for 2008-09 over the 2007-08 level. Per pupil spending from all sources totals \$12,152 or \$110 more than 2007-08 compared to a \$627 increase in 2007-08 over the prior year.

The flexibility options offered in the May Revise budget proposal were not included in the final budget and districts have



Per-Pupil Proposition 98 Funding



■ Governor's Budget
 ■ May Revision
 ■ Adopted



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not been given the ability to transfer fund balances in state categorical programs to the unrestricted general fund. However, SB1660 was approved and that legislation authorized some flexibility with Professional Development Block Grant funds. This grant can now be used to pay for mathematics, science and special education teacher salaries in API deciles 1,2, or 3 schools if they are paid from an 'alternate salary schedule'. A prior annual agreement between the district and the teachers' bargaining unit authorizing the use of the PDBG funds for this purpose must be in place and an annual report must be submitted to CDE for those district's that chose this option

Deferred maintenance funds are provided in the enacted budget that were not included in the May Revise budget proposal. This change will mean the district match for deferred maintenance will be required. The district match and the state contribution to the district's deferred maintenance account will total approximately \$1.8 million. The district match was budgeted as a reserve in the routine maintenance account and those funds will be transferred to deferred maintenance in the 45 day budget revision.

Changes from May Revise to Adopted Budget

	May Revise	Adopted Budget
Prop 98	\$56.8 Billion	\$58.1 Billion
COLA	5.66%	5.66%
State-wide Enrollment	-0.52%	-0.52%
Revenue Limit Deficit	5.370%	4.713%
Deferred Maintenance	\$39.6 million	\$277.3 million
Flexibility	Similar to 2003	None
Categorical Program Deficits	6.5% Reduction, no COLA (except Special Education)	6.5% cut eliminated, no COLA
Unrestricted Lottery	\$121 per ADA	\$118 per ADA
Restricted Lottery	\$22.50 per ADA	\$19 per ADA

Revisions to lottery revenue projections were also made in the state's adopted budget. The May Revise



District Budget

DISTRICT BUDGET REVISIONS SUMMARY

The final revisions to the 2008-09 California Budget will result in a projected \$847,019 increase in revenue limit funding for which the budget will be adjusted at this time along with revisions to other state funding to account for the elimination of the 6.5% reduction proposed in the May Revised budget.

The delay in the adoption of the State Budget allowed the district to finalize transactions for the 2007-08 fiscal year. As a result, this report will include budgetary revisions to record the changes from projected to actual beginning balances in all accounts.

The late adoption of the State's 2008-09 budget has also given district staff the opportunity to review preliminary enrollment and staffing levels. As of September 25th, reported enrollment, excluding non-public schools, adult education, and charter schools was 22,579 or 428 below the 23,007 projected in the adopted budget. At a 93.5 percent rate of average daily attendance (ADA), this would equate to a reduction of 433 ADA, or more than \$2.5 million from original budget projections. However, because the district is experiencing a decline in enrollment from the prior year, it can calculate its revenue limit funding based on the last year's higher ADA. Because enrollment and related ADA were projected to decline in the district's adopted budget, no significant adjustments to revenue limit for changes in enrollment will take place this year. The \$2.5 million impact will be felt in 2009-10. There may however, be some slight adjustments in revenue limit funding projections at First Interim and other reporting periods during the year as adjustments are made to the part of the calculation that addresses student transfers in and/or out of the district's charter school. In the meantime, enrollment and staffing levels will continue to be monitored and necessary budget adjustments will be recommended in the district's First Interim Budget Report which is scheduled to be presented for approval by the Governing Board in December.

UNRESTRICTED GENERAL FUND

REVENUES

Hemet Unified School District's Unrestricted General Fund revenues for 2008-09 were projected to be \$136 million in the budget adopted in June 2008. Changes as a result of the state's adopted budget increase revenue limit and state funding by \$1,012,808. Increases are \$847,019 in revenue limit for the 0.68%. State revenue budgets will be adjusted by a total of \$165,789. The state revenue revisions are comprised of a \$234,123 increase for the elimination of the 6.5% reduction to per pupil CSR rates and a decrease of \$68,334 in lottery due to a per ADA reduction in projected receipts.

At this time, there are no adjustments to federal or local revenues.

EXPENDITURES

No changes to unrestricted expenditures are proposed at this time, but they may be adjusted in the District's First Interim Report which will be presented for board approval in December.

FUND BALANCE

The unrestricted beginning fund balance for 2008-09 grew by \$1,393,167 from the amount projected in the district's adopted budget. The increase was a result of Medicare Administrative Activities (MAA) and E-Rate revenues received late in the 2007-08 fiscal year that were expected to be received in 2008-09. Amounts budgeted in 2008-09 for those revenues that were actually received in the prior year will be adjusted downward in the First Interim Report. The increases in state revenues, including revenue limit, from the 0.68% COLA and some ADA adjustments will also be held in reserve, adding a total of \$1,012,808 to the general fund ending balance for a total of \$14,925,016. The unrestricted general fund ending balance is made up of \$6.0 million in designated reserves for OPEB, site carry over balances, pre-paid expenses, stores, and revolving cash, \$5.6 for the required 3% economic uncertainty reserve, and \$3.3 million held as a reserve for potential mid-year cuts.



RESTRICTED GENERAL FUND

Revenue revisions to the unrestricted general fund are related to the state's adopted budget's elimination of the 6.5% overall reduction to most state programs that was proposed in the May Revise. The total adjustment to state revenues based on the elimination of the 6.5% cut, is an increase of \$381,594. Transfers out will be increased by \$932,691 for the district's match to the deferred maintenance fund. The additional revenues will be budgeted in various expenditure accounts but most will not be allocated to sites or departments at this time. Staff will conduct an analysis of each categorical program's expenditure needs, determine the likelihood of mid-year cuts from the state, and review projected cash flow needs for the First Interim report and distribute the additional funds as appropriate at that time. It should be noted that school business advocates have advised district's to hold the additional funds in reserve to protect against possible mid-year cuts and to off-set potential reductions in funding for 2009-10.

SPECIAL REVENUE FUNDS

Adjustments to revenues based on the state's enacted budget are presented for both the Adult Education and Charter School Funds.

CHARTER SCHOOLS—FUND 09

Both the charter school block grant and charter school categorical block grant were budgeted with the 6.5% reduction applied to all other state funding. Elimination of the 6.5% reduction along with higher enrollment than originally projected will mean an increase of \$326,512 for the charter school general purpose block grant and \$40,847 for the categorical block grant. The additional funds will be budgeted in salaries, employee benefits, books and supplies, and services expenditure categories.

ADULT EDUCATION—FUND 11

The district's adopted budget for adult education assumed a 6.5% reduction to its apportionment funding. The state's enacted budget approved by the governor on September 23 eliminated the reduction and funds Adult Education at the same level as 2007-08. Assuming Adult Education ADA reaches its cap of 218.36 ADA, Adult Education state revenues will be increased by \$74,303 for a projected total of \$595,427. The additional dollars will be used to reduce the program's projected deficit spending for 2008-09.

CHILD DEVELOPMENT—FUND 12

Budgets in Fund 12—Child Development are being increased a total of \$32,524 for the elimination of the 6.5% reduction in state funding.

DEFERRED MAINTENANCE - FUND 14

The May Revise budget did not provide for state funding of the deferred maintenance program for 2008-09. The enacted budget reversed that assumption and deferred maintenance will be funded by the state at approximately 90%. This requires the district to contribute an amount equal to 1/2 percent of the total combined general fund adopted budget expenditures. The district reserved \$932,691 to meet its match requirement in the routine maintenance account pending the outcome of the state budget. Adjustments will be made to re-budget this reserve as a transfer out from routine maintenance to deferred maintenance and to increase state revenues by \$840,000 in the deferred maintenance fund for the state portion of this funding.

BEGINNING FUND BALANCES REVISIONS

The district closes out all transactions from the prior fiscal year in mid August. Because actual prior year ending fund balances and the corresponding beginning fund balance for the current year will vary from those that were projected during the budgeting process, budget revisions are required. The table on the following page lists the projected beginning balances for each of the district's funds, actual beginning fund balances, and the differences.

The largest variance in a fund's actual beginning balance from projections occurred in Fund 21—Building Fund. This is the fund where revenues and expenses related to facilities projects funded by the district's voter-approved general obligation bonds are recorded. The beginning balances for the other capital project funds,

Fund 25 Developer Fees and Fund 35 County (State) School Facilities, also were higher than anticipated. Work not completed and invoiced as quickly as estimated would be the primary reason the beginning balances in these funds was higher than projected.

The unrestricted general fund saw an increase of more than \$1 million in the beginning balance from what was projected in the district's adopted budget. The increase was a result of \$500,000 in MAA funding, and \$700,000 in prior year E-rate reimbursements that were received in late June that were not expected until the 2008-09 fiscal year.

A \$822,000 increase to the beginning balance in the unrestricted general fund was the result of a slow down in spending in categorical programs at year-end and delays in receiving items ordered late in the year. These funds are carried over to the 2008-09 fiscal year and redistributed to sites and programs as permitted.

**2008-09 Beginning Fund Balances
All Funds**

	<u>Adopted Budget</u>	<u>Year-End Changes</u>	<u>Revised Budget</u>
Fund 03 - Unrestricted General Fund	\$ 10,505,772.00	\$ 1,393,167.37	\$ 11,898,939.37
Fund 06 - Restricted General Fund	8,966,736.00	822,262.97	9,788,998.97
Fund 09 - Charter Schools	154,080.00	27,020.82	181,100.82
Fund 11 - Adult Education	244,875.00	36,886.04	281,761.04
Fund 12 - Child Development	117,093.00	19,481.32	136,574.32
Fund 13 - Child Nutrition	1,844,792.00	24,139.00	1,868,931.00
Fund 14 - Deferred Maintenance	828,992.00	(261,892.90)	567,099.10
Fund 17 - Reserve Other than Capital Outlay	454,988.00	(62,844.69)	392,143.31
Fund 21 - Building Fund	53,405,260.00	3,661,271.34	57,066,531.34
Fund 25 - Capital Facilities	4,545,288.00	554,734.48	5,100,022.48
Fund 35 - County School Facilities	1,954,954.00	55,941.05	2,010,895.05
Fund 40 - Reserve for Capital Outlay	20,813.00	(2,000.03)	18,812.97
Fund 67 - Self Insurance Fund	8,921,704.00	426,254.78	9,347,958.78
Total	<u>\$ 91,965,347.00</u>	<u>\$ 6,694,421.55</u>	<u>\$ 98,659,768.55</u>



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**2008-09 45 Day Budget Revision
Hemet Unified School District
Unrestricted General Fund**

	<u>Adopted Budget</u>	<u>Bdgt Revisions as of 9/30/08</u>	<u>45 Day Revisions</u>	<u>Revised Budget</u>
Revenue				
Revenue Limit	\$ 124,042,744	\$ -	\$ 847,019	\$ 124,889,763
Federal Revenue	982,000	-	-	982,000
State Revenue	9,946,609	-	165,789	10,112,398
Local Revenue	1,191,485	-	-	1,191,485
Total Revenue	<u>\$ 136,162,838</u>	<u>\$ -</u>	<u>\$ 1,012,808</u>	<u>\$ 137,175,646</u>
Expenditures				
Certificated Salaries	\$ 69,904,115	\$ (88)	\$ -	\$ 69,904,027
Classified Salaries	16,573,097	227	-	16,573,324
Employee Benefits	24,490,897	3,488	-	24,494,385
Books & Supplies	2,783,954	3,026	-	2,786,980
Services & Operating Expenses	11,121,849	(34,403)	-	11,087,446
Capital Outlay	23,550	14,627	-	38,177
Other Outgo	69,166	9,100	-	78,266
Transfers of Support Costs	(2,252,225)	4,023	-	(2,248,202)
Total Expenditures	<u>\$ 122,714,403</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,714,403</u>
	<u>\$ 13,448,435</u>	<u>\$ -</u>	<u>\$ 1,012,808</u>	<u>\$ 14,461,243</u>
Other Financing Sources/Uses				
Transfers In	\$ 300,000	\$ -	\$ -	\$ 300,000
Transfers Out	-	-	-	-
Other Sources	-	-	-	-
Other Uses	-	-	-	-
Contributions	(11,735,166)	-	-	(11,735,166)
Total Others Sources/Uses	<u>\$ (11,435,166)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,435,166)</u>
Increase/(Decrease) in Fund Balance	<u>\$ 2,013,269</u>	<u>\$ -</u>	<u>\$ 1,012,808</u>	<u>\$ 3,026,077</u>
Beginning Fund Balance	<u>\$ 10,505,772</u>	<u>\$ -</u>	<u>\$ 1,393,167</u>	<u>\$ 11,898,939</u>
Ending Fund Balance	<u>\$ 12,519,041</u>	<u>\$ -</u>	<u>\$ 2,405,975</u>	<u>\$ 14,925,016</u>

**2008-09 45 Day Budget Revision
Hemet Unified School District
Restricted General Fund**

	<u>Adopted Budget</u>	<u>Bdgt Revisions as of 9/30/08</u>	<u>45 Day Revisions</u>	<u>Revised Budget</u>
Revenue				
Revenue Limit	\$ 6,233,493	\$ -	\$ -	\$ 6,233,493
Federal Revenue	12,555,965	-	-	12,555,965
State Revenue	13,941,072	-	381,594	14,322,666
Local Revenue	19,872,420	-	-	19,872,420
Total Revenue	\$ 52,602,950	\$ -	\$ 381,594	\$ 52,984,544
Expenditures				
Certificated Salaries	\$ 19,718,383	\$ (429,314)	\$ 91,693	\$ 19,380,762
Classified Salaries	14,113,806	5,290	40,507	14,159,603
Employee Benefits	11,167,476	(41,085)	23,565	11,149,956
Books & Supplies	6,253,474	343,830	284,401	6,881,705
Services & Operating Expenses	5,797,492	(74,552)	(67,794)	5,655,146
Capital Outlay	109,174	201,809	-	310,983
Other Outgo	4,475,099	-	-	4,475,099
Transfers of Support Costs	1,683,689	(5,978)	9,222	1,686,933
Total Expenditures	\$ 63,318,593	\$ -	\$ 381,594	\$ 63,700,187
	\$ (10,715,643)	\$ -	\$ -	\$ (10,715,643)
Other Financing Sources/Uses				
Transfers In	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	-	(932,691)	(932,691)
Other Sources	-	-	-	-
Other Uses	-	-	-	-
Contributions	11,735,166	-	-	11,735,166
Total Others Sources/Uses	\$ 11,735,166	\$ -	\$ (932,691)	\$ 10,802,475
Increase/(Decrease) in Fund Balance	\$ 1,019,523	\$ -	\$ (932,691)	\$ 86,832
Beginning Fund Balance	<u>\$ 8,960,618</u>	<u>\$ -</u>	<u>\$ 828,381</u>	<u>\$ 9,788,999</u>
Ending Fund Balance	<u>\$ 9,980,141</u>	<u>\$ -</u>	<u>\$ (104,310)</u>	<u>\$ 9,875,831</u>

**2008-09 45 Day Budget Revision
Hemet Unified School District
Fund 09 - Charter School Special Revenue Fund**

	<u>Adopted Budget</u>	<u>Bdgt Revisions as of 9/30/08</u>	<u>45 Day Revisions</u>	<u>Revised Budget</u>
Revenue				
Revenue Limit	\$ 756,414	\$ -	\$ 326,512	\$ 1,082,926
Federal Revenue	25,000	-	-	25,000
State Revenue	88,042	-	40,847	128,889
Local Revenue	71,199	-	-	71,199
Total Revenue	\$ 940,655	\$ -	\$ 367,359	\$ 1,308,014
Expenditures				
Certificated Salaries	\$ 460,418	\$ 29,125	\$ 150,000	\$ 639,543
Classified Salaries	59,878	1,756	50,000	111,634
Employee Benefits	126,481	653	40,000	167,134
Books & Supplies	90,973	(24,865)	80,865	146,973
Services & Operating Expenses	162,563	(6,669)	46,494	202,388
Capital Outlay	-	-	-	-
Other Outgo	-	-	-	-
Transfers of Support Costs	40,342	-	-	40,342
Total Expenditures	\$ 940,655	\$ -	\$ 367,359	\$ 1,308,014
	\$ -	\$ -	\$ -	\$ -
Other Financing Sources/Uses				
Transfers In	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	-	-	-
Other Sources	-	-	-	-
Other Uses	-	-	-	-
Contributions	-	-	-	-
Total Others Sources/Uses	\$ -	\$ -	\$ -	\$ -
Increase/(Decrease) in Fund Balance	\$ -	\$ -	\$ -	\$ -
Beginning Fund Balance	\$ 154,080	\$ -	\$ 27,021	\$ 181,101
Ending Fund Balance	\$ 154,080	\$ -	\$ 27,021	\$ 181,101

**2008-09 45 Day Budget Revision
Hemet Unified School District
Fund 11 - Adult Education Fund**

	<u>Adopted Budget</u>	<u>Bdgt Revisions as of 9/30/08</u>	<u>45 Day Revisions</u>	<u>Revised Budget</u>
Revenue				
Revenue Limit	\$ -	\$ -	\$ -	\$ -
Federal Revenue	-	-	-	-
State Revenue	521,124	-	74,303	595,427
Local Revenue	54,500	-	-	54,500
Total Revenue	\$ 575,624	\$ -	\$ 74,303	\$ 649,927
Expenditures				
Certificated Salaries	\$ 403,946	\$ -	\$ -	\$ 403,946
Classified Salaries	75,030	(260)	-	74,770
Employee Benefits	99,804	(1,240)	-	98,564
Books & Supplies	66,066	(6,635)	-	59,431
Services & Operating Expenses	16,157	8,135	-	24,292
Capital Outlay	-	-	-	-
Other Outgo	2,230	-	-	2,230
Transfers of Support Costs	31,497	-	-	31,497
Total Expenditures	\$ 694,730	\$ -	\$ -	\$ 694,730
	\$ (119,106)	\$ -	\$ 74,303	\$ (44,803)
Other Financing Sources/Uses				
Transfers In	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	-	-	-
Other Sources	-	-	-	-
Other Uses	-	-	-	-
Contributions	-	-	-	-
Total Others Sources/Uses	\$ -	\$ -	\$ -	\$ -
Increase/(Decrease) in Fund Balance	\$ (119,106)	\$ -	\$ 74,303	\$ (44,803)
Beginning Fund Balance	\$ 244,875	\$ -	\$ 36,886	\$ 281,761
Ending Fund Balance	\$ 125,769	\$ -	\$ 111,189	\$ 236,958

2008-09 45 Day Budget Revision
Hemet Unified School District
Fund 12 - Child Development

	<u>Adopted Budget</u>	<u>Bdgt Revisions as of 9/30/08</u>	<u>45 Day Revisions</u>	<u>Revised Budget</u>
Revenue				
Revenue Limit	\$ -	\$ -	\$ -	\$ -
Federal Revenue	125,000	-	-	125,000
State Revenue	960,840	-	32,524	993,364
Local Revenue	-	-	-	-
Total Revenue	\$ 1,085,840	\$ -	\$ 32,524	\$ 1,118,364
Expenditures				
Certificated Salaries	\$ 324,330	\$ 7,351	\$ (4,161)	\$ 327,520
Classified Salaries	273,157	16,282	-	289,439
Employee Benefits	242,174	(2,284)	230	240,120
Books & Supplies	176,301	(24,451)	34,426	186,276
Services & Operating Expenses	10,465	1,147	-	11,612
Capital Outlay	-	-	-	-
Other Outgo	-	-	-	-
Transfers of Support Costs	59,413	1,955	2,029	63,397
Total Expenditures	\$ 1,085,840	\$ -	\$ 32,524	\$ 1,118,364
	\$ -	\$ -	\$ -	\$ -
Other Financing Sources/Uses				
Transfers In	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	-	-	-
Other Sources	-	-	-	-
Other Uses	-	-	-	-
Contributions	-	-	-	-
Total Others Sources/Uses	\$ -	\$ -	\$ -	\$ -
Increase/(Decrease) in Fund Balance	\$ -	\$ -	\$ -	\$ -
Beginning Fund Balance	\$ 117,093	\$ -	\$ 19,481	\$ 136,574
Ending Fund Balance	\$ 117,093	\$ -	\$ 19,481	\$ 136,574

2008-09 45 Day Budget Revision
Fund 14
Deferred Maintenance

	<u>Adopted Budget</u>	<u>45 Day Revisions</u>	<u>Revised Budget</u>
Revenue			
Revenue Limit	\$ -	\$ -	\$ -
Federal Revenue	-	-	-
State Revenue	-	840,000	840,000
Local Revenue	15,000	-	15,000
Total Revenue	\$ 15,000	\$ 840,000	\$ 855,000
Expenditures			
Certificated Salaries	\$ -	\$ -	\$ -
Classified Salaries	-	-	-
Employee Benefits	-	-	-
Books & Supplies	-	-	-
Services & Operating Expenses	15,000	1,772,691	1,787,691
Capital Outlay	-	-	-
Other Outgo	-	-	-
Transfers of Support Costs	-	-	-
Total Expenditures	\$ 15,000	\$ 1,772,691	\$ 1,787,691
	\$ -	\$ (932,691)	\$ (932,691)
Other Financing Sources/Uses			
Transfers In	\$ -	\$ 932,691	\$ 932,691
Transfers Out	-	-	-
Other Sources	-	-	-
Other Uses	-	-	-
Contributions	-	-	-
Total Others Sources/Uses	\$ -	\$ 932,691	\$ 932,691
Increase/(Decrease) in Fund Balance	\$ -	\$ -	\$ -
Beginning Fund Balance	\$ 828,992	\$ (261,893)	\$ 567,099
Ending Fund Balance	\$ 828,992	\$ (261,893)	\$ 567,099