



2011-12

45 Day Budget Revision

Business Services

August 16, 2011

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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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2011-12 State Adopted Budget

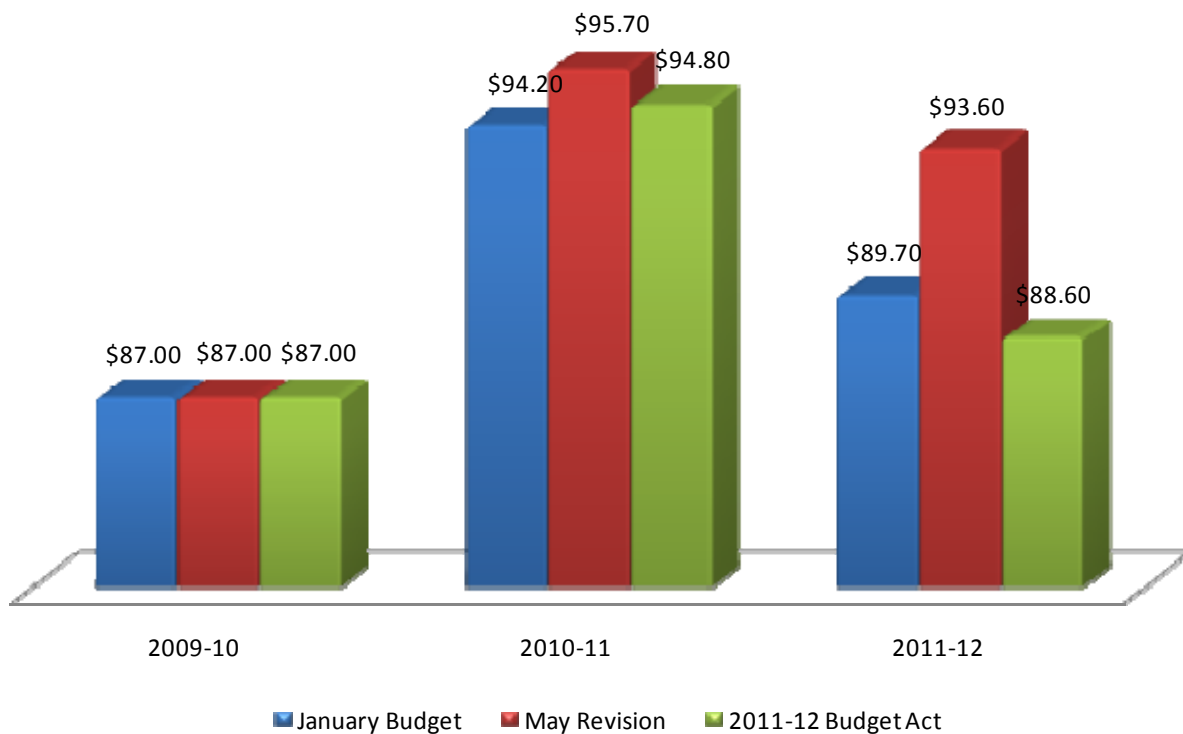
STATE BUDGET SUMMARY

The 2011-12 Budget Act for the State of California was passed by the Legislature on June 28, 2011 and signed by the Governor on June 30th. This was sixth time in 20 years that a state budget was signed on time. The enacted budget expenditures are projected to be reduced by 6.1% from the prior year, while revenues are projected at 3.4% lower. The state's reserve is budgeted at 0.6% of revenues and transfers in.

In the May Revision budget, tax extensions were to provide \$9.6 billion in revenue based on the assumption the voters would approve to extend temporary taxes that expired on June 30th. However, the legislature failed to agree to put a tax extension initiative on the ballot before they expired or to approve an extension on their own. As a result, the enacted budget fills the gap created by the loss of tax revenues with \$4 billion more in assumed revenues than were included in the May revise based on higher than projected receipts.

The state's 2011-12 budget through ABX1 26 eliminates redevelopment agencies (RDA's), while ABX1 27 allows those RDA's that make voluntary payments to local schools and special districts in the county or city where the RDA resides. Funds from RDA's that are eliminated will be deposited into the county Educational Revenue Augmentation Fund (ERAF) and distributed to schools on a per average daily attendance (ADA) basis.

State General Fund Revenues



School Services of California, California School Finance & Management Conference 7/2011



K-12 EDUCATION BUDGET REVISIONS

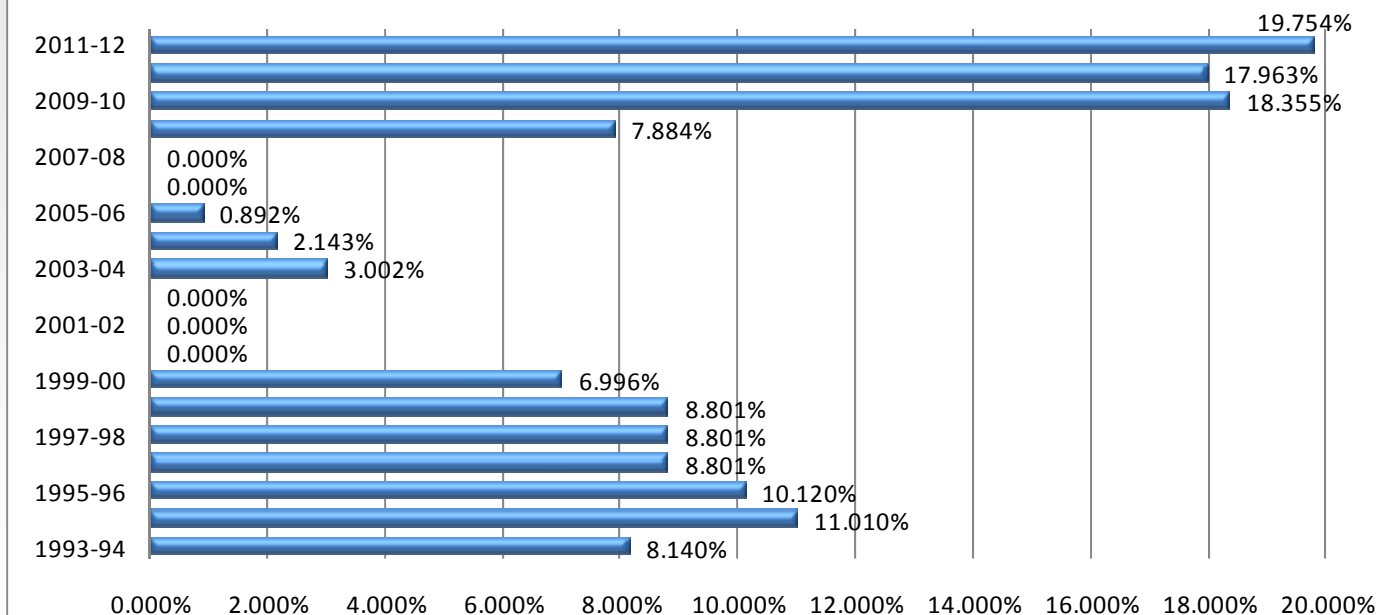
The 2011-12 state budget act maintains flat funding for K-12 Education from the May Revise proposal. However, it eliminates \$2.5 billion in deferral pay downs and imposes \$2.1 billion in new deferrals. In addition, because of the uncertainty surrounding the higher receipts at the state level, triggers have been put into place that would reduce Proposition 98 and school transportation funding mid-year should the state not receive the extra \$4 billion assumed in its budget. There are three tiers of triggers that would be imposed if by January 2012 revenues fall short of the \$4 billion assumption. Those tiers are as follows:

- Tier 0** State receives \$3 to \$4 billion: the state will not impose additional cuts and will roll over any balance of the problem to 2012-13
- Tier 1** State receives \$2 to \$3 billion: \$600 million in cuts will be imposed to areas other than K-12 and the balance will roll over to 2012-13
- Tier 2** State receives less than \$2 billion: \$1.9 billion in mid-year cuts will be imposed, including a \$1.5 billion cut to schools based on the assumption of seven fewer classroom days. It also includes \$250 million cut that will eliminate school bus transportation funding. Cuts will be proportional based on how much of the first \$2 billion the state is able to collect.

Should the full revenue limit reduction be imposed, the average maximum cut would be \$260 per ADA for unified school districts.

The enacted state budget also contains language within AB 114 that requires districts to recognize Prop 98 funding at the level the state has budgeted and to not take into consideration any mid-year cuts that may be imposed if revenues fall to the Tier 2 trigger level. AB1200, the county fiscal oversight responsibility of districts is also affected by the Governor's enacted budget with adoption of AB 114. AB 114 states that county offices of education (COE) shall not require districts to project a lower level of revenue per ADA than it received in 2010-11 as a condition of budget approval. AB 114 also states that COE's shall not require districts to demonstrate they will be able to meet financial obligations for the next two years.

Revenue Limit Deficit Factors



District Budget

DISTRICT BUDGET REVISIONS SUMMARY

Hemet Unified included an additional \$330 per ADA reduction to its revenue limit funding calculation in its 2011-12 adopted budget. The additional cut was included in the calculation as a safe-guard against potential cuts in state revenue should tax extensions not be approved and the state's adopted budget included further cuts to K-12 revenue than was assumed in the May Revise. While the tax extensions did not materialize, additional funding was provided in the state's 2011-12 budget act and AB 114 based on higher than estimated levels of revenue receipts at the state level. Language in the state's adopted budget requires districts to maintain the same level of revenue limit funding per ADA as it received in 2010-11. As a result, Hemet will revise its adopted budget by eliminating the \$330 per ADA reduction to revenue limit funding it had included in its adopted budget revenue limit calculation.

Unrestricted General Fund

REVENUES

At the time of adoption of the 2011-12 budget in June 2011, Hemet Unified School District's Unrestricted General Fund revenues were projected to be \$118.1 million. To comply with AB 114, the district will increase unrestricted revenues to \$125 million.

EXPENDITURES

Revisions to expenditures related to the enacted budget and other factors will be addressed in the district's First Interim Report after decisions have been made resulting from governing board recommendations and negotiations with bargaining units.

OTHER SOURCES/USES/CONTRIBUTIONS

No changes are recommended for the Other Sources/Uses/Contributions categories at this time.

FUND BALANCE

The fund balance will increase by \$6.9 million. The funds will be held in reserve pending the outcome of negotiations and board recommendations.

Restricted General Fund

No changes to the Unrestricted General Fund are proposed at this time.

Other District Funds

No adjustments to other district funds are proposed at this time

2011-12 45 Day Revision Budget Changes

UNRESTRICTED GENERAL FUND

	<u>May Revise</u> HUSD Adopted Budget	<u>Enacted Budget</u> HUSD Revised Budget	Change
Revenue Limit Funding	\$ 134,596,432	\$ 134,596,432	\$ -
Deficit Factor Reduction	(27,212,414)	(27,212,414)	-
Per ADA Cut	(6,845,609)		6,845,609
Total	\$ 100,538,409	\$ 107,384,018	\$ 6,845,609
Beginning Fund Balance	25,739,600	25,739,600	-
Revenue	118,107,095	124,952,704	6,845,609
Expenses	106,163,921	106,163,921	-
Other Sources/Uses	(12,774,577)	(12,774,577)	-
Ending Fund Balance	24,908,197	31,753,806	6,845,609

