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**HEMET UNIFIED SCHOOL DISTRICT**

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*2014-15 45 Day Budget Update*



**Business Services  
August 4, 2014**

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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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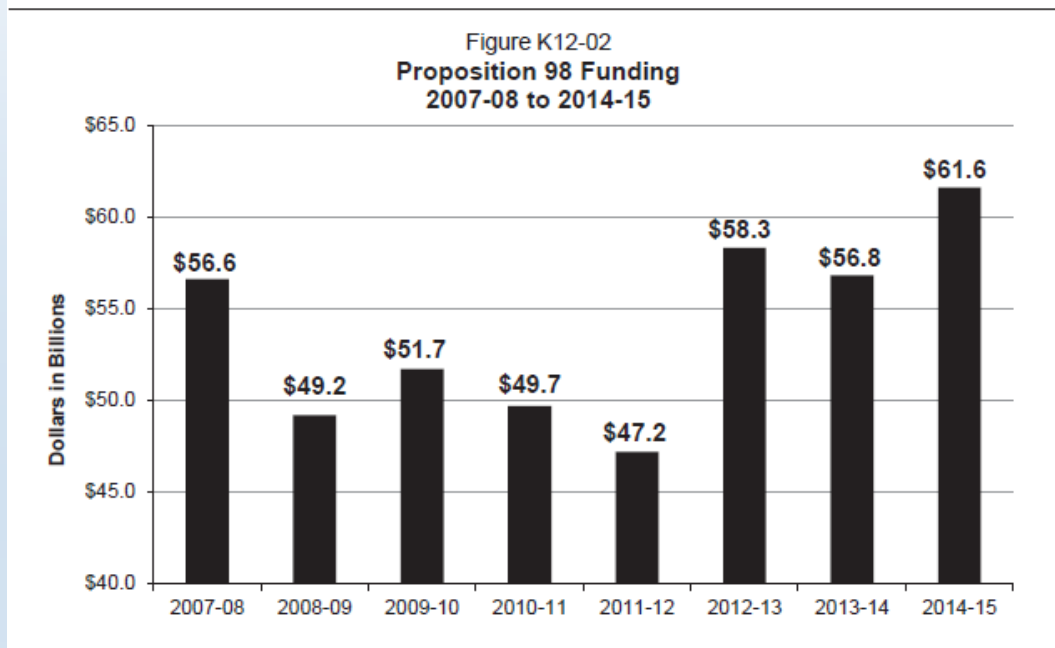
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# 2014-15 State Adopted Budget

## STATE BUDGET SUMMARY

The 2014-15 State Budget Act (AB 1457) was passed by the Legislature on June 14, 2014. The governor signed the bill on June 20, 2014. The budget act includes \$61.6 billion in Proposition 98 funding for 2014-15. The 2014-15 budget funds 29.56% of the Local Control Funding Formula (LCFF) gap and a 0.86% cost of living adjustment (COLA) on base grants. The budget act also included an estimated \$66 per average daily attendance (ADA) as a partial pay down of outstanding mandated cost claims. Revenue deferrals are eliminated with the exception of a portion of the June apportionment. The state budget made revisions to the proposed State Teachers Retirement System (STRS) rates for employers from the amounts recommended in the May Revise, lowering the increase for the 2014-15 year.



## K-12 EDUCATION BUDGET REVISIONS

The 2014-15 state budget act made some minor changes to current year funding. More significant are changes that will impact multiyear projections. A revised multi-year projection will be presented in the First Interim report. Notable budget changes including those impacting the multi-year projections are:

- A change in the pace of the increase to STRS rates. 2014-15 employer rates will be 8.88% compared to 9.25% as proposed in the May Revision. Rates increase by 1.83% each year through 2019-20, and increase by 0.97% in 2020-21 when the employer rate will reach 19.1%
- LCFF gap funding changes
  - 2014-15 increases from 28.05% to 29.56%
  - 2015-16 reduction from 30.39% to 20.68%
  - 2016-17 increase from 21.67% to 25.48%
- Reduction in the amount of deferrals that will be eliminated in 2014-15.
- Additional revenue to pay down old mandate claim obligations.
- A cap imposed on district reserves under specific circumstances.



# District Budget Update

## **COMBINED GENERAL FUND**

### **REVENUES**

Hemet Unified's 2014-15 adopted budget was based on many of the assumptions presented in the May Revise. It assumed a COLA of 0.86% on LCFF base grants and LCFF gap funding of 28.05%. Factoring in the increase in the LCFF gap funding to 29.56% approved in the state's enacted budget, the district can expect an increase in LCFF revenues by approximately \$1.0 million above the amount estimated in the budget adopted by the Governing Board on June 17th.

At the time of adoption of the district's 2014-15 budget in June 2014, combined General Fund revenues, transfers in, and other sources were projected to be \$188.9 million. Based on initial recalculations for changes in the LCFF gap funding percentage, the district can expect to revise 2014-15 revenues to \$189.9 million. The proposed mandate reimbursement is estimated at approximately \$66 per ADA or an additional \$1.3 million for Hemet USD.

The district will make budget revisions for the LCFF revenue changes in its First Interim report after new year ADA data is available. The First Interim report is scheduled to be presented to the Governing Board for approval in December 2014. Because of uncertainty as to when the state will release the mandate funding, budget revisions for those dollars will not be made until the funds have been received.

### **EXPENDITURES**

There are currently no projected budget revisions to expenditures. Staff will evaluate the impact to employee benefit costs as a result of the decrease in the employer STRS rate, as well as progress in implementing the LCAP initiatives when the First Interim Financial report is prepared. Budget revisions to reflect expenditures changes related to the LCAP plan and STRS costs will be made at that time. The state budget has recommended the mandate revenues be used for one-time expenditures related to common core implementation.

### **OTHER SOURCES/USES/CONTRIBUTIONS**

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

### **FUND BALANCE**

No changes to the ending balance is projected at this time.

### **OTHER DISTRICT FUNDS**

No adjustments to other district funds are proposed at this time.

### **GENERAL FUND RESERVE CAP**

The cap on reserves proposal would require districts to substantiate any ending fund balance in excess of the minimum required by law. The law would also make it illegal for a district to hold reserves more than twice the state minimum. For Hemet USD, the minimum reserve is 3% of combined general fund expenditures. A public hearing would be required at every budget adoption or revision to explain the excess balance. The county office of education would also need to determine if a district's budget exceeds the minimum reserve and if it complied with the public hearing requirements.

The reserve cap would not be put into place until the state's Rainy Day Fund, which will be placed on the ballot for voter approval in November 2014, is triggered for Proposition 98. The first fiscal year after a deposit is made into the Public School System Stabilization Account, districts would be held to the capped reserve limits.



# Multi-Year Projections

