

2015-16 45 Day Budget Update



HEMET UNIFIED SCHOOL DISTRICT



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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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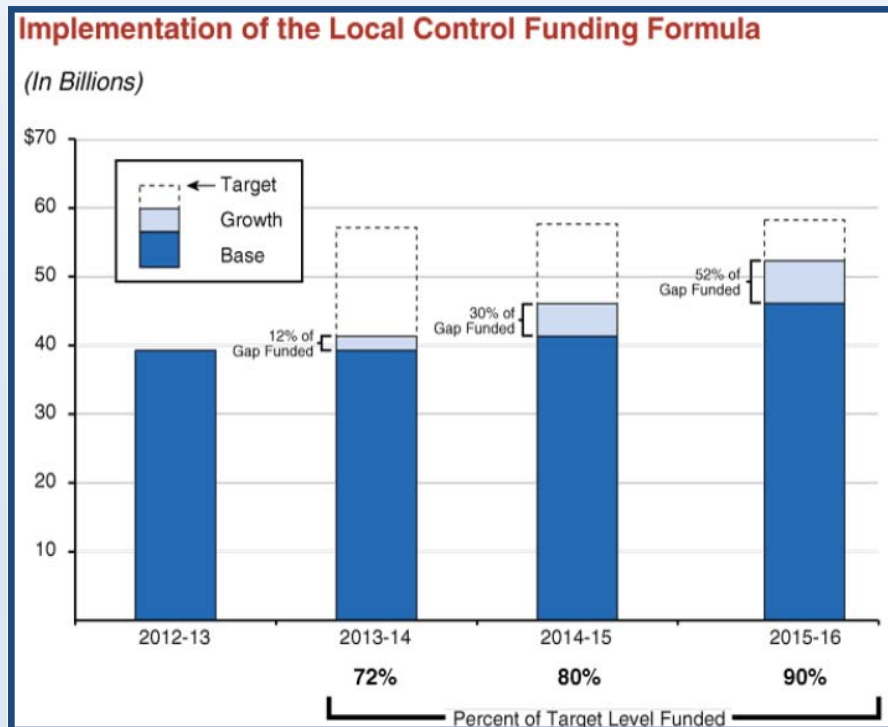
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2015-16 State Adopted Budget

STATE BUDGET SUMMARY

The 2015-16 State Budget Act (AB 93) was passed by the Legislature on June 17, 2015. The governor signed the bill on June 24, 2015. Also signed by the governor were the Senate Bill (SB 97), the Education Trailer Bill (AB 104) and the LCFF Trailer Bill (SB 78). The budget act includes \$68.4 billion in Proposition 98 funding for 2015-16. The 2015-16 budget funds 51.52% of the Local Control Funding Formula (LCFF) gap and a 1.02% cost of living adjustment (COLA) that was applied to LCFF base grants. As indicated in the table below, LCFF funding is approximately 90% of the way toward full implementation.



2015-16 Budget—Major Features of the Adopted Plan (Proposition 98); <http://www.lao.ca.gov/Publications/Report/3273>

The signed budget act for 2015-16 also included an estimated \$530 per average daily attendance (ADA) discretionary. In addition to the one-item discretionary funds, the budget act provides approximately \$1,450 per certificated staff member in categorical funds as an Educator Effectiveness/Support grant. Districts will have three years to spend these funds. Before the Educator Support funds are released, districts must explain how funds are proposed to be used at a public meeting and adopt the spending plan at a subsequent meeting. The state also authorized a competitive CTE grant that will require phased-in matching funds over a three year period. The first year will require a 1:1 match, the second year a 1.5 : 1 match and in the third year a 2:1 match. All past revenue deferrals have been eliminated.



K-12 EDUCATION BUDGET CHANGES FROM MAY REVISE

The 2015-16 state budget act contained changes from the May Revise budget proposal. Because the district's budget was developed using assumptions from the May Revise, the changes resulting from the enacted budget will need to be incorporated in a revision to the district's budget. Those revisions will be presented in Hemet Unified's 2015-16 First Interim report. Notable budget changes from May Revise to the signed budget that are expected to be included in the First Interim Report, including those impacting multi-year projections, are:

- LCFF gap funding current and two subsequent years:
 - 2015-16 — reduction from 53.08% to 51.52% or approximately \$470,000 decrease to adopted budget LCFF revenue projections
 - 2016-17—reduction from 37.40% to 35.55% or approximately \$815,000 decrease in revenue in multi-year projections
 - 2017-18—reduction from 36.70% to 35.11% or approximately \$890,000 decrease in revenue in multi-year projections
- Discretionary grant reduction from \$580 ADA budgeted to \$530 per ADA or approximately \$1.0 million
- Educator Support Grant— increase of \$1,450 per certificated staff member or approximately \$1.4 million
- Adult Education Block Grant—one time funding of \$464,000
- Phase-In 3% required contribution to Routine Restricted Maintenance. The May Revise proposed the full 3% contribution beginning with the 2015-16 year. The enacted budget phases in the contribution in over six years as follows:

| 2015-16 and 2016-17 | 2017-18 to 2019-20 | 2020-21 and beyond |
|---------------------------------------|--|---|
| Lesser of: | Greater of: | 3% of total General Fund expenditures |
| 3% of total General Fund expenditures | Lesser of 3% of total General Fund expenditures or the amount deposited in 2014-15 | <u>Legislative Intent</u> Comply with minimum 3% deposit at full LCFF implementation |
| The amount deposited in 2014-15 | 2% of total General Fund expenditures | |



District Budget Update

COMBINED GENERAL FUND

REVENUES

Hemet Unified's 2015-16 adopted budget was based on many of the assumptions presented in the May Revise. It assumed a COLA of 1.02% on LCFF base grants and LCFF gap funding of 53.08%. Factoring in the decrease in the LCFF gap funding to the 51.52% approved in the state's enacted budget, the district can expect a decrease in 2015-16 LCFF revenues of approximately \$470,000 below the amount estimated in the budget adopted by the Governing Board on June 16th. The board approved budget also included \$11.4 million for the discretionary grant proposed in the May revise. While the May Revised estimated districts would receive approximately \$601 per ADA for the discretionary grant, Hemet USD budgeted these funds at \$580 per ADA. This was still above the \$530 authorized by the state's enacted budget. The difference amounts to a reduction of approximately \$980,000 in unrestricted state revenues for Hemet USD.

Information on the amount Hemet USD will receive for the one-time Adult Education Block grant was released after the district adopted its 2015-16 budget. The block grant revenue will come to the district as unrestricted funds and will be reported in the state revenue category. The total award is expected to be approximately \$475,000 and will be reported as an increase in other state revenues in the unrestricted general fund.

| Unrestricted General Fund | May Revise/Adopted Budget | Enacted Budget Changes (Estimate) | Projected First Interim |
|------------------------------------|---------------------------|-----------------------------------|-------------------------|
| LCFF Revenues | \$ 178,984,901 | (\$ 470,000) | \$ 178,514,901 |
| Federal Revenues | 100,000 | -0- | 100,000 |
| Other State Revenues | 14,814,081 | (505,000) | 14,309,081 |
| Local Revenues | 2,336,511 | | 2,336,511 |
| Total Unrestricted Revenues | \$ 196,235,493 | (\$ 975,000) | \$ 195,260,493 |

The district's 2015-16 budget did not include any budget amounts for the Educator Effectiveness/Support grant that was authorized with the state's enacted budget. Based on the estimated funding amount of \$1,450 per ADA, Hemet USD can expect to receive about \$1.4 million in restricted funds. Districts will have three years to spend the funds. No details are currently available as to when funds will be released or if the entire amount will be released in the current year.

The district will make budget revisions for the revenue changes in its First Interim report which is scheduled to be presented to the Governing Board for approval in December 2015.

EXPENDITURES

There are currently no projected budget revisions to expenditures at this time.

OTHER SOURCES/USES/CONTRIBUTIONS

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

FUND BALANCE

Changes to the ending balance will be made in the First Interim report based on adjustments to revenues described in this report and any subsequent changes to revenues and expenditures.

OTHER DISTRICT FUNDS

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

