



EDUCATING ALL YOUTH FOR EXCELLENCE

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

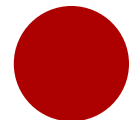
Review of Governor's 2012-13 Budget Message

January 26, 2012

GOVERNOR'S 2012-13 BUDGET PROPOSAL

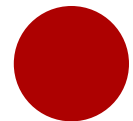
-EDUCATION FUNDING STILL AT GREAT RISK-

- Assumes passage of Governor's tax initiative in November 2012 to raise \$6.9 billion
- Provides for a Prop 98 increase of \$4.9 billion
- The increase is being used to address the cash deferral issue
 - Does not provide any new spendable funding
- Eliminates all transportation funding
- Does not fund the 3.1% projected COLA
- Failure of tax initiative will result in trigger reduction of \$4.8 billion
 - \$2.6 billion cut to Prop 98
 - \$2.2 billion in additional deferrals



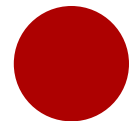
OTHER FEATURES OF GOVERNOR'S PROPOSAL

- A weighted student funding formula will be phased in over five years and will include:
 - Base level of funding for all students
 - Additional weighting for English learners
 - Additional weighting for students on free and reduced-price lunch
 - Additional weighting for schools with high concentrations of the above two categories
 - K-3 class size reduction and Economic Impact Aid will be folded into the revenue limit beginning with the budget year



OTHER FEATURES OF GOVERNOR'S PROPOSAL

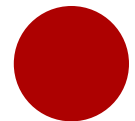
- The move to eliminate mandated programs will continue and will include a proposal to create a block grant for the remaining programs
 - \$200 million in funding for block grant will be allocated on a per ADA basis



LEGISLATIVE ANALYST'S OFFICE

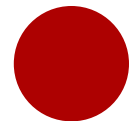
OVERVIEW

- Tax initiative would improve the financial outlook of public education over the next several years
- Trigger plan would create significant uncertainty for schools in 2012-13
- The uncertainty of passage is likely to be particularly problematic for schools
- Districts will feel compelled to build 2012-13 budgets assuming the trigger cuts will be implemented



LEGISLATIVE ANALYST'S OFFICE OVERVIEW (cont.)

- Likely school will implement most, if not all, of the reductions that many hope to avoid
- Legislature needs to be very deliberate in structuring a workable trigger package
- Legislature will need to be careful in setting the size of the trigger reduction and specific education reductions to impose
- Legislature should design tools to help schools respond to the trigger cuts



IMPACT ON CASTRO VALLEY BUDGET

- District will not know outcome of election until November
 - But even the proposed “Best Case” is not good – loss of nearly \$400,000

Governor's Budget Proposal		
	2012-13	
	Best Case	Worst Case
Per ADA (Revenue Limit) Reduction	\$ (13)	\$ (370)
Loss of Revenue Limit Funding	\$ (114,031)	\$ (3,245,507) *
Loss of Transportation Funding	\$ (284,834)	\$ (284,834)
Total Loss of Funding	\$ (398,865)	\$ (3,530,341)
ADA	8,772	8,772
* Apparent error in DOF deficit factor could result in further loss if corrected.		



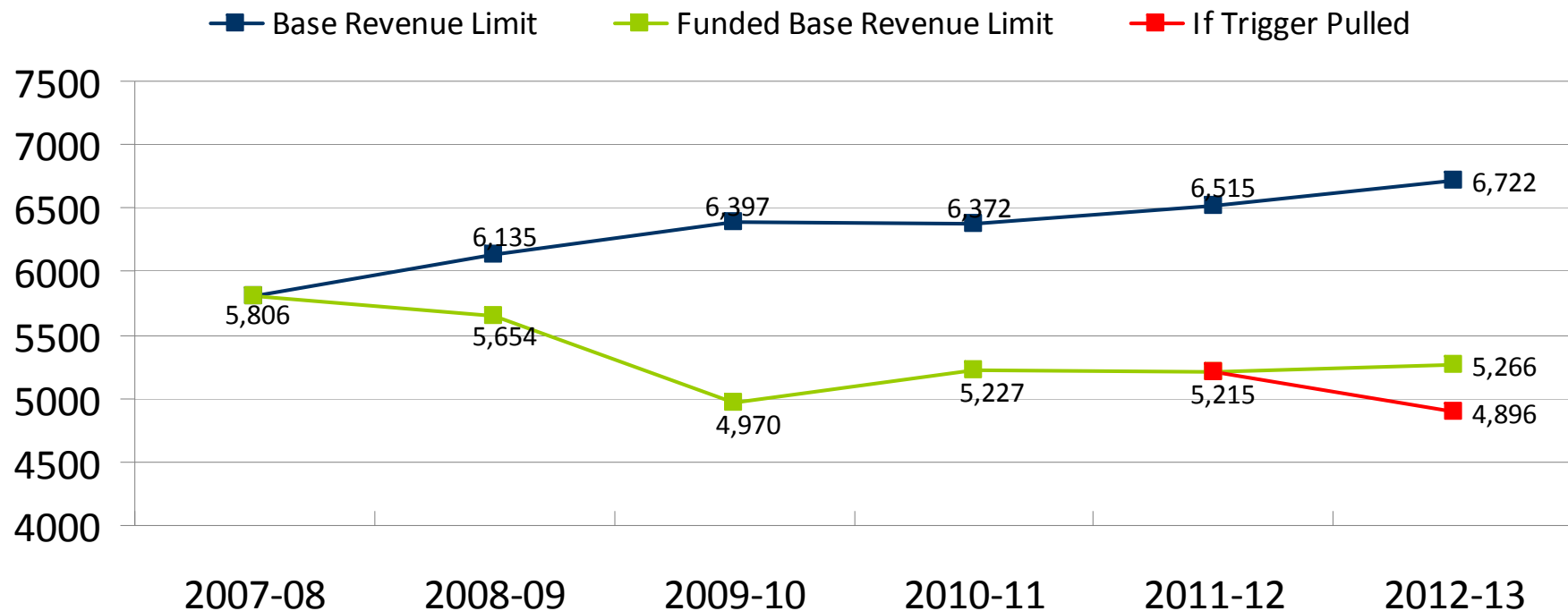
IMPACT ON CASTRO VALLEY BUDGET

- State budget proposal leaves a daunting level of uncertainty with huge variation in outcome
- Will require district consideration and planning for two budget scenarios:
 - Best Case – Tax initiative passage
 - Worst Case – Tax initiative fails
- District could lose over \$3.5 million of revenue if November tax initiative fails
- District should develop budget based on the tax not passing
 - District cannot assume California voters will approve the proposed tax increase
 - District cannot adjust its budget to the magnitude needed if it plans for Best Case and the tax fails

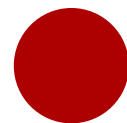


BAD NEWS IS COMPOUNDED IN GOVERNOR'S BUDGET PROPOSAL

- Four years of funding cuts followed by more cuts



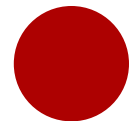
- Cuts in Revenue Limit have resulted in a loss of over \$5 million per year for Castro Valley USD.



On-Going Deficit

- Use of one-time funding and district reserves have lessened impact of revenue reductions
 - However one-time funding and reserves can't replace on-going revenue
 - On-going structural deficit continues and must be addressed

Fiscal Year	11/12	Taxes Pass 12/13	Taxes Fail 12/13
On-going Deficit	\$ (4,458,090)	\$ (4,458,090)	\$ (7,703,597)
Projected Unassigned Reserves*	\$ 5,476,696	\$ 1,018,606	\$ (2,226,901)
* Amount above/(below) 3% minimum required reserve.			



NEXT STEPS

- Plan for the worst, hope for the best
- Set Board Study Session:
 - Discuss immediate and multi-year budget implications
 - Review budget development assumptions
 - Discuss contingency planning
 - Board feedback and direction
- District will continue to monitor developments in the state budget

