

*Overview of May Revision
2011-12 State Budget*

**Castro Valley Unified
School District**

May 23, 2011

The May Revision

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- The May Revision is in keeping with the general theme of the Governor's January Budget Proposal
 - Big cuts already enacted for the non-Proposition 98 side of the Budget
 - Elimination of redevelopment agencies and redirection of property tax
 - Realignment of programs from the state to the local level
 - Extension of temporary taxes by vote of the people
 - Relatively level funding for K-12 education
 - Big funding cuts from community colleges and higher education

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- Some things have changed
 - Tax revenues have increased, independent of tax extensions
 - The Governor has had no success getting Republican support for taxes
 - Increased pressure for pension, business, and other reforms
 - Neither party supports suspension of Proposition 98 and further cuts to K-14 education

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- Some things remain the same
 - The State Budget is still dependent upon future events – extension of taxes
 - The State Budget is balanced only if revenues are increased by some future event
 - “Electioneering” will continue with education funding threatened if new revenues do not materialize
 - Education funding is the “hot button” for voters to approve taxes
 - Voters will not extend taxes to increase welfare payments or to increase funding for prisons – so we can expect education to remain part of the “electioneering”

Administration Identifies Remaining Budget Problem of \$9.6 Billion

- Prior Legislative Actions and Improved Tax Collections Reduce Budget Shortfall
 - \$25 billion deficit in January has been shrunk to \$9.6 billion
 - Mainly due to:
 - \$13 billion of expenditure cuts, fund shifts, and other measures already approved by the Legislature and,
 - Estimated \$6.6 billion improvement in state tax collections, mainly due to higher than anticipated personal income tax (PIT) collections

New Proposal – Less Taxes and Some Additional Spending

- New proposal includes a net amount of \$10.8 billion in budget-balancing actions
 - To cover \$9.6 billion deficit and provide for a \$1.2 billion General Fund Reserve
- Less reliance on tax extensions – only \$4 billion at election risk instead of \$12 billion
- Proposes to reduce state's budgetary debt obligations, reduce some previously adopted deferrals in scheduled payments to school districts

Plan Involves Much Uncertainty

- School districts, counties, and the state face significant uncertainties under plan for major tax proposals and realignment
- Greater certainty if Legislature and Governor reach budget agreement without need to go to voters
- Legislature has more options now:
 - Improved economic and revenue situation
 - Significant budget solutions already adopted
 - Positioned to dramatically shrink budget problem

CVUSD Budget Planning

- CVUSD budget planning assumed \$349 reduction in funding (\$19 + \$330) based on January Proposal
- SSC now recommends planning for “flat” funding without \$349 reduction
- District will revise to the May Revision but....
 - Will not change spending plans for the 2011-12 Budget
 - If funding materializes then the recommendation will be take into consideration for the 2012-13 budget