
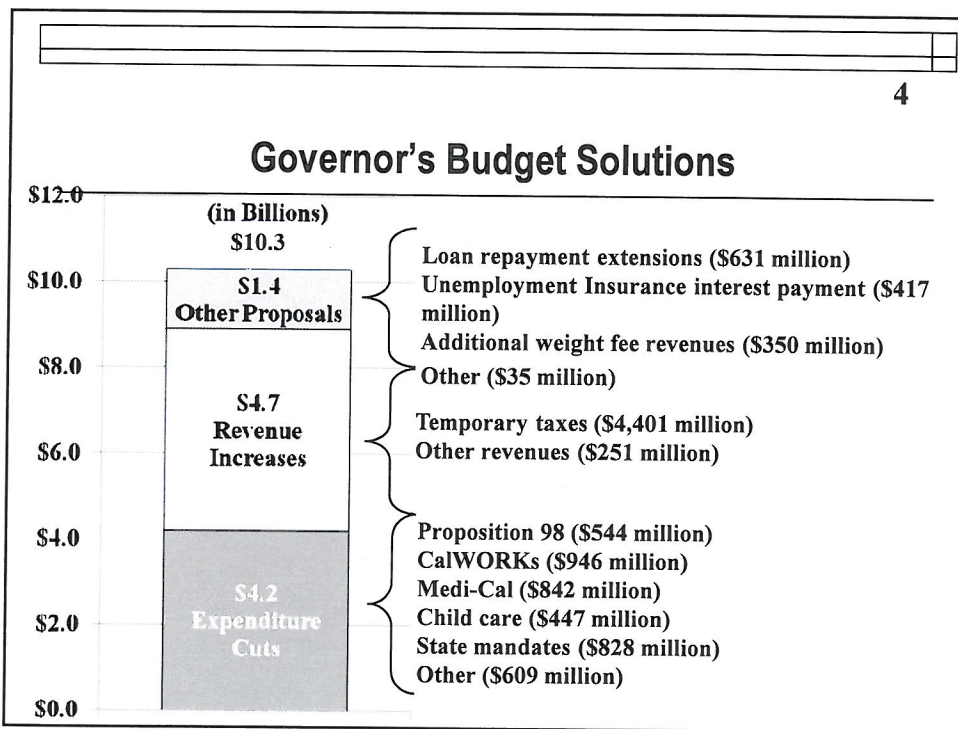
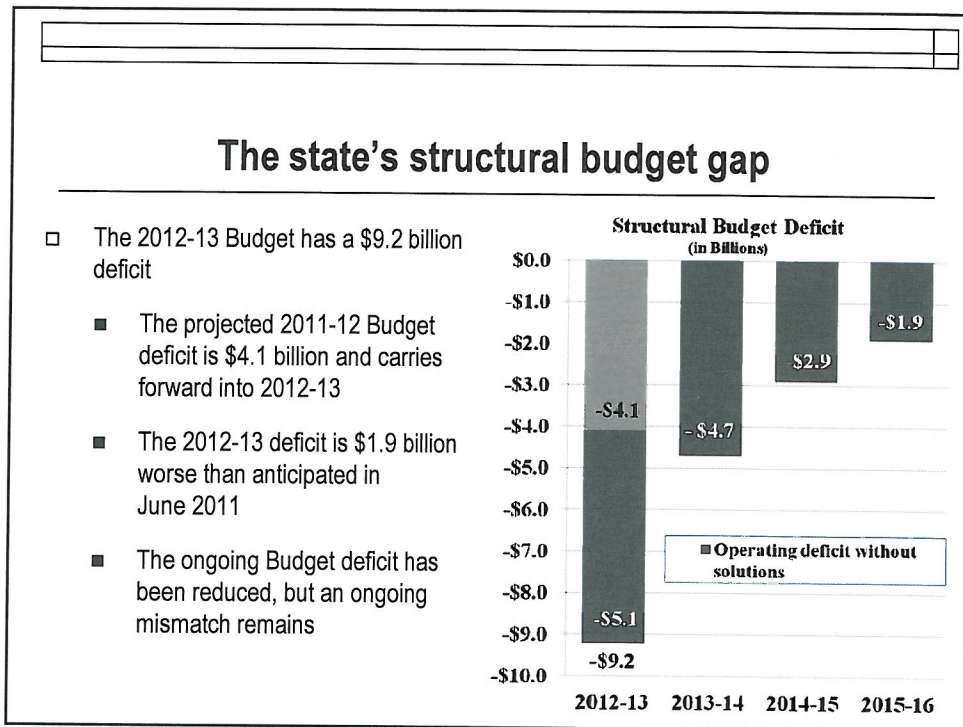


<h2 style="text-align: center;">Update on the Governor's 2012-13 Proposed State Budget</h2> <hr/>	
	<p style="text-align: right;">PVUSD Board of Trustees Brett McFadden, Chief Business Officer Helen Bellonzi, Director of Finance January 18, 2012</p>
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<h2 style="text-align: center;">Historical overview</h2> <hr/>	
<ul style="list-style-type: none">□ State funding for education was cut by 16% beginning in 2008-09 – five years ago!<ul style="list-style-type: none">■ And education has contributed about \$7 billion per year to help resolve the state's Budget crisis – a total of more than \$35 billion■ No other segment of the Budget has been cut anywhere close to that much and most other segments of the Budget have actually grown over the same five-year period■ 2012-13 will be the fifth straight year with no ongoing revenue increases (i.e. COLA) from the state	



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The governor's strategy (cont.)

The Governor's Budget Proposals for 2012-13 represent another desperate effort to get through a bad time, not a permanent solution

The Budget depends on passage of new temporary taxes midway through the year

The structural imbalance continues to dog the state's recovery

Specific proposals include:

100% of home-to-school and special education transportation funding is cut under both alternatives

No COLA funding – the fifth straight year!

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Two possible scenarios

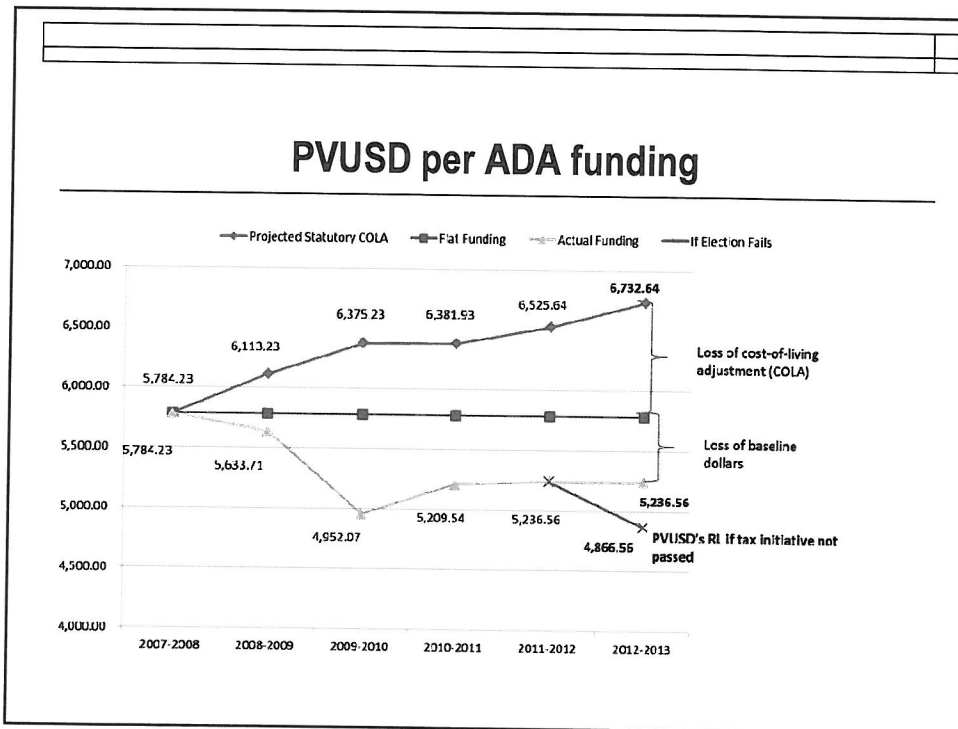
- Governor's Budget: Assumes voters approve a \$6.9 billion tax measure
 - Funding the statutory increase in Proposition 98 by manipulating deferrals
 - This alternative provides no additional spending for education, but maintains revenue limits at about 2011-12 pre-trigger-cut levels
- Alternative: Assumes voters reject the tax measure
 - Education is cut \$2.4 billion, about \$370 per average daily attendance (ADA)



Education takes the biggest hit

- Like the 2011-12 Budget Act, the Governor's Budget Proposal for 2012-13 contains automatic trigger reductions
 - The trigger reductions total \$5.4 billion
 - The cuts are linked to the failure of the proposed temporary tax increases, not a general revenue shortfall

Programs Targeted for Trigger Cuts		
Program	Amount	% Share
Proposition 98	\$4,837 million	89.7%
University of California	\$200 million	3.7%
California State University	\$200 million	3.7%
Courts	\$125 million	2.3%
All Other	\$28 million	0.6%
Total	\$5,390 million	100.0%



Fiscal challenges for the district	
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<ul style="list-style-type: none"> □ Fifth year in a row with no COLA or other ongoing funding <ul style="list-style-type: none"> ■ Out year projections continue to indicate substantial deficit spending ■ District fund balance in jeopardy should mid-year triggers occur again □ Funding for Home-to-School Transportation is at risk <ul style="list-style-type: none"> ■ This would be another \$2.6 million ongoing reduction (loss of \$1.3 in current year) ■ Add this to the potential \$370 per ADA amount if triggers are pulled □ Operational costs continue to go up along with increased state and federal academic requirements 	

Recommendations and next steps	
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<ul style="list-style-type: none"> □ Staff recommends the board to stay the course for the remainder of the fiscal year <ul style="list-style-type: none"> ■ No changes to operational service levels and/or programs ■ We have sufficient reserves to weather the recent \$1.5 million mid-year hit in December and meet our fiscal obligations for two years. □ The district will once again have to develop two budget scenarios: <ol style="list-style-type: none"> 1. The November initiative passes 2. It fails and mid-year triggers are pulled □ Staff will begin developing budget options for the board once we receive fiscal planning guidelines from the Santa Cruz COE □ Staff will present additional information and seek board input regarding policy priorities for 2012-13 in February 	

Conclusion	
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Questions and comments?	