

## Fact Sheet: 2011-12 Budget “Trigger Reductions”

Given the tenuous national economic situation, the recent [announcement](#) by State Controller John Chiang that the state’s July revenues missed budget targets by ten percent, and last week’s release of the Department of Finance’s [monthly revenue bulletin](#) , we thought it appropriate to update counties on the so-called “trigger reductions” mechanism, by which the state will enact mid-year budget reductions should state revenues not achieve anticipated targets.

AB 121 directs the Director of the Department of Finance, by December 15, 2011, to develop an updated revenue forecast for 2011-12 general fund revenues and to compare the forecast to that prepared by the Legislative Analyst’s Office in November 2011. If the higher of those two forecasts is less than \$87,452,500,000 (i.e., revenues are short of budget act estimates by more than \$1 billion), Section 3.94(b) becomes operative and triggers reductions totaling \$601 million to occur on or after January 1, 2012.

These reductions are as follows:

| Reduction   | Description   |
|---|---|
| \$100 million to the University of California   | Unallocated reduction   |
| \$100 million to the California State University  | Unallocated reduction   |
| \$100 million to the Department of Developmental Services   | Department is directed to convene stakeholder working groups to develop savings proposals   |
| \$100 million to Department of Social Services In-Home Supportive Services                                  | Across-the-board 20% service hour reduction   |
| \$72.1 million in increased county charges for youthful offender placements in Division of Juvenile Justice | Beginning January 2, 2012, counties would be charged an annual rate of \$125,000 for every youthful offender committed to a Division of Juvenile Justice facility; payments would be required for any youthful offender in DJJ’s jurisdiction on or after January 1, 2012, regardless of commitment date. |
| \$30 million to California Community Colleges   | Results in a \$10 per unit fee increase   |
| \$23 million to Department of Education Child Care  | Across-the-board reduction of 4%  |
| \$20 million to the Department of Corrections and Rehabilitation  | Unallocated reduction   |
| \$15.866 million to California State Library  | Eliminates all state grant funding for local library services   |

| <b>Reduction</b>   | <b>Description</b>  |
|--|---|
| \$15 million to the California Emergency Management Agency Vertical Prosecution Grants | Eliminates funding for District Attorneys' Vertical Prosecution grants  |
| \$15 million to the Medi-Cal program   | Extends provider cuts and copayments to the Medi-Cal Managed Care Plans |
| \$10 million to Department of Social Services In-Home Supportive Services              | Eliminates funding for IHSS Anti-Fraud grants                           |

If the higher forecast projects revenues less than \$86,452,500,000 (i.e. revenues are short of budget act estimates by more than \$2 billion), Section 3.94(c) becomes operative and triggers additional reductions totaling \$1.86 billion to occur on or after January 1, 2012, as follows:

| <b>Reduction</b>   | <b>Description</b>   |
|--|--|
| \$248 million to the Department of Education Home-to-School Transportation | Eliminates funding for the Home-to-School Transportation program |
| \$72 million to California Community Colleges                              |  |
| \$1.5 billion to K-12 education  | Eliminates seven days of school                                  |

If both sets of trigger reductions are effectuated, they will total \$2.461 billion.

SB 73 contains additional statutory direction on how the cuts to In-Home Supportive Services (IHSS), Developmental Services, and Medi-Cal Managed Care would be effectuated. The measure contains detailed provisions on the appropriation of the 20 percent reduction in authorized hours for IHSS recipients. SB 73 also establishes an IHSS Care Supplement application for recipients who believe he or she is at serious risk of out-of-home placement due to the reduction in hours. The state will develop an assessment tool for counties to use to determine who is at risk of out-of-home placement.

Admittedly, it is far too early to speculate as to the outcome of the December determination, but keep an eye on the state's monthly receipts. CSAC will continue to provide updates as events warrant.

## Trigger Cuts Summary

| <b>Tier 0</b>   |                        |
|---|------------------------|
| <i>If the State receives \$3 - \$4 billion of the \$4 billion projected revenues, there will not be additional cuts. Any shortfall will be rolled into 2012-13.</i> |                        |
| <b>TOTAL</b>  | <b>\$0</b>             |
| <b>Tier 1</b>   |                        |
| <i>If the State receives \$2 - \$3 billion of the projected revenues, more than \$600 million in cuts will go into effect:</i>                                      |                        |
| ▪ Unallocated reduction to University of California   | \$100 million          |
| ▪ Unallocated reduction to California State University  | \$100 million          |
| ▪ 20 percent reduction in authorized hours for In-Home Supportive Services recipients   | \$100 million          |
| ▪ Department of Developmental Services unallocated reduction  | \$100 million          |
| ▪ Juvenile Justice – increase charge to counties for youthful offenders sent to Division of Juvenile Justice  | \$72.1 million         |
| ▪ \$10/unit fee hike for community colleges   | \$30 million           |
| ▪ Across-the-board cut to child care funding  | \$23 million           |
| ▪ Unallocated reduction to Department of Corrections and Rehabilitation   | \$20 million           |
| ▪ Reduction to California State Library for library grants  | \$15.9 million         |
| ▪ Medi-Cal Managed Care Plan payment reductions   | \$15 million           |
| ▪ Eliminate Vertical Prosecution grants   | \$15 million           |
| ▪ Eliminate anti-fraud grants provided to counties for the IHSS program   | \$10 million           |
| <b>TOTAL</b>  | <b>\$601 million</b>   |
| <b>Tier 2</b>   |                        |
| <i>If the State receives \$0 - \$2 billion of the projected revenues, up to \$1.9 billion in cuts will go into effect, proportionate to revenues:</i>               |                        |
| ▪ Reduction to K-12 schools that allows districts to drop seven classroom days. The school year would be reduced to 168 days – down from 180 days three years ago.  | \$1.54 billion         |
| ▪ Elimination of school bus transportation  | \$248 million          |
| ▪ Reduction to community colleges   | \$72 million           |
| <b>TOTAL</b>  | <b>\$1.86 billion</b>  |
| <b>Total Trigger Reductions</b>   | <b>\$2,461 million</b> |