



December 13, 2011

Governor Brown Makes Trigger Cut Announcement

This afternoon, Governor Jerry Brown presented his Department of Finance's revenue [forecast](#) for 2011-12 pursuant to Chapter 41, Statutes of 2011 - the so-called "trigger cuts" that were approved as a component of the 2011-12 state budget package. Department of Finance Director Ana Matosantos outlined both the revenue forecast and the resultant reductions that will take effect on January 1, 2012. Of note, reductions to K-12 schools were far less dramatic than had been anticipated.

In terms of the revenue forecast, the Department of Finance has estimated total state revenues for 2011-12 at \$86,247,700,000, **\$2.2 billion below** the Budget Act forecast; in its [November estimate](#), the Legislative Analyst's Office estimated total state revenues at \$84,764,000,000. Since the Department of Finance estimate is higher, it is the operative estimate for purposes of determining the extent of the triggered reductions.

Major changes in the revenue forecast from the Budget Act until now include an increase in the state's three largest General Fund tax sources of \$1.8 billion.

- Personal income tax revenues are estimated to be \$1.529 billion higher. High-income wages and salaries were stronger in 2011 and 2012 than previously estimated. Proprietor's income is also estimated to be higher. However, capital gains are mixed: estimated to be slightly lower in 2011 and slightly higher in 2012;
- Sales tax revenues are estimated to be \$232 million lower, primarily due to the result of the delay in implementation of use tax collection changes, a lower projection of inflation, and a higher projection of unemployment; and,
- Corporation tax revenues are estimated to be \$467 million higher, primarily because of a higher corporate profits forecast.

This net increase, however, was not enough to fully offset the unallocated revenues relied upon in the budget that were intended to offset the trigger reductions. These reductions, effective January 1, 2012 unless otherwise noted, 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. A federal judge has issued a temporary restraining order preventing the state from implementing the IHHS service hour cuts.
\$67.7 million in increased county charges for youthful offender placements in Division of Juvenile Justice	Beginning January 1, 2011, 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. (See a county coalition letter on the impact of the DJJ trigger cut here .)
\$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.
\$15 million to the California Emergency Management Agency for Vertical Prosecution Grants	Eliminates funding for District Attorneys' Vertical Prosecution grants. The grants were not disbursed to counties in 2011-12 in the event the trigger was pulled.
\$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. The grants were not disbursed to counties in 2011-12 in the event the trigger was pulled.

Reduction	Description
\$248 million to the Department of Education Home-to-School Transportation	Eliminates funding for the Home-to-School Transportation program.
\$79.6 million to K-12 schools and \$72 million to community colleges in Proposition 98 apportionments	Decreases school apportionment funding effective February 1, 2012. The funding decrease for K-12 schools is equivalent to reducing approximately a half of a school day.

When asked about his message to those who are impacted by the reductions, Governor Brown replied with the Latin phrase: *"Nemo dat quod non habet."* (No man gives what he does not have.) Emphasizing his focus on fiscal discipline, the Governor expressed his frustration with the "cognitive dissonance" of Californians demanding services but not wanting to pay for them and discussed the November ballot as an opportunity to have that conversation with the electorate. He also indicated that a new round of trigger cuts would be proposed in the January budget, to ensure that the state's spending plan gives an honest assessment of the state's fiscal situation. These trigger cuts would go into effect if the \$7 billion in new revenues proposed by the Governor in his ballot measure are unsuccessful.

This indicator of the state's continued economic struggles underscores the need for constitutional protections for realignment revenues, a conversation that will also take place with voters in preparation for the November general election.

Happy Holidays to all.

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 California State Association of Counties