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To: Heather Dearing, CCY
From: HR Dowden & Associates
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Subject: 2011-12 State Budget Trigger Cuts Update

Today, the Department of Finance released their updated revenue projections for the 2011-2012 Budget. The Department's new estimate is \$86.2 billion, which is \$2.2 billion lower than the final 2011-12 Budget Act signed into law back in June. The Department of Finance's projections were healthier than the Legislative Analyst's Office estimates that came out in mid-November. Since the revenue estimates were greater than \$2 billion, both the Tier 1 and Tier 2 trigger cuts will go into effect on January 1, 2012. The biggest change to the trigger cuts is with Proposition 98 apportionments, originally to be cut by \$1.54 billion or the equivalent of seven days of school; however, due to the final revised revenue estimates that cut only needs to be \$79.6 million, or the equivalent of one half-day of school, and goes into effect on February 1, 2012.

It is expected that there will not be any additional cuts between January and June of 2012. However, the Governor indicated that in his upcoming budget proposal for the 2012-2013 fiscal year, it will include less funding for schools and another trigger cut proposal should the voters fail to pass his tax initiative at the November 2012 ballot. The Governor's [open letter](#) to the public outlines his tax proposal – a temporary 2% higher income tax on millionaires and high-income earners for five years, and a temporary ½ cent increase in the sales tax. The goal of this measure is to prevent future cuts to public safety and education.

Currently, Governor Brown is having discussions with the other interest groups who have filed tax initiatives that are also scheduled to appear on the November ballot. His goal is to work with them to come up with a compromise deal or even see them pull their proposals from the ballot in order to eliminate the amount of competing proposals. The Governor took the route of filing the tax initiative since the Republican leadership refused to negotiate last year and their ask is so high that the Governor would lose with the Democrats. He committed to keeping his door open to working with Republicans, but was not willing to have a repeat of this last year.

Below is a summary of the trigger cuts that will go into effect January 1, 2012. Some of these numbers differ slightly from previous figures due to changes in caseloads:

TIER 1 & TIER 2 Trigger Cuts Enacted (in millions):

Unallocated Reduction to the University of California	\$100.0
Unallocated Reduction to California State University	100.0
Eliminate State Grants for Local Libraries	15.9
Additional Reduction to the Department of Developmental Services	100.0
In Home Supportive Services (IHSS)—20 percent Reduction in Service Hours, Eliminate Funding for Local Anti-Fraud Efforts	101.5
Medi-Cal—Extend Provider Cuts and Copayments to all Managed Care Plans	8.6
Unallocated Reduction to the Department of Corrections and Rehabilitation (CDCR)	20.0
Juvenile Justice—Increase County Charge for Youthful Offenders Sent to CDCR	67.7
Reduce Vertical Prosecution Grants	14.6
Proposition 98—Community College \$10 per unit fee increase	30.0
Proposition 98—Reduce Community College Apportionments	72.0
Child Care—4 percent Across-the-Board Reduction	23.0
Proposition 98—Eliminate Home-To-School Transportation	248.0
Proposition 98—Reduce School Apportionment by one half-day (effective February 1, 2012)	79.6
Total	\$980.8

To review the determination letter issued by the Department of Finance, please [click here](#).