

Today's budget projections make triggers more likely

Today the state nonpartisan Legislative Analyst Mac Taylor released *California's Fiscal Outlook*, a report with significant, but not surprising, bad news. Taylor projects that General Fund revenues and transfers in 2011-12 will be \$3.7 billion below the level assumed in the 2011 Budget Act. This makes it more likely that cuts will be triggered.

By December 15, the Director of Finance, Ana Matosantos, will decide if the triggers will go into effect. Today Matosantos issued a statement saying that some mid-year cuts are "likely," but she did not speculate on the exact amount of the shortfall. The Budget Act calls for the Finance Director to make this determination using the higher of the revenue projections made by the Legislative Analyst's Office and the Department of Finance. So even if the DOF projections are lower, the trigger cuts will be no more than \$2 billion — equal to all of Tier 1 cuts and about three-quarters of the Tier 2 cuts.

Of course, the Legislature and the governor could intervene by introducing legislation, but Governor Brown already vetoed a bill earlier this year that would have repealed the trigger language, so this is not a likely scenario. Today's LAO's projection of a \$13 billion shortfall for the budget year 2012-13 signals more difficult financial times ahead.

The Triggers

Revenue less than \$1 billion short — no cuts

Tier 1: Revenue short \$1 billion to \$2 billion

- Community colleges cut \$30 million, UC \$100 million, CSU \$100 million.
Childcare cut 4 percent. Corrections and health and human services \$350 million.

Tier 2: Revenue short by \$2 billion to \$4 billion

- K-12 revenue limits cut a maximum of \$260 per ADA, with prorating if the shortfall was less than \$4 billion. With the maximum shortfall now projected, schools will lose \$180-\$190 per ADA.
- K-12 transportation funding cut by 50 percent, including special education transportation — and the impact on districts will vary dramatically — from \$0 per ADA to over \$2,000 per ADA. The average cut is \$46 per ADA.
- Community colleges cut an additional \$72 million.

Looking forward: Proposition 98

The report of the Legislative Analyst includes serious concerns about the state's ongoing obligation under Proposition 98 and will be addressed in an upcoming CFT Research Brief.