



What are the Trigger Cuts and How Do They Work?

With the budget deal signed by Governor Brown on June 28, 2011, there were three trailer bills signed that created a trigger mechanism of cuts contingent on a \$4 billion dollar assumption of higher state revenues for 2011-2012.

This \$4 billion dollar assumption is the key number that will determine if the "trigger cuts" portion of the agreement will be indeed enacted. Because this assumption is a projection of how much the state is expected to receive in revenues, if there is a shortfall, there are two tiers of nearly \$2.5 billion dollars of devastating cuts that could be implemented.

Process:

The State Controller John Chiang has been releasing monthly financial reports. In November, the Legislative Analyst Office (LAO) will release its financial analysis of the state's revenues. Then, in December, the Director of Finance (DOF) will review the Department of Finance's actual and revised spending and revenue numbers and compare it to the LAO's report of revenue projections.

The DOF will go with whichever number is higher to see if the numbers match the \$4 billion dollars in revenue assumptions. These numbers must be certified by December 15th and all of the trigger cuts will be implemented on January 1, 2012. The only proposal that can be implemented on February 1, 2012 is the one that reduces 7 days from the K-12 school-year.

Thus far the Governor's office has not publicly indicated on how exactly the cuts would be implemented. There has been an attempt by Asm. Blumenfeld to make adjustments to the budget bill and get the legislature involved in the decision-making regarding the trigger cuts and possibly suggest alternative solutions, but his bill AB X 120 stalled and never made it to the Governor's desk.

What's in the trigger?

Tier 0: If the state receives \$3-4 billion of the projected revenue, no cuts will be enacted.

Tier 1: If by December 15th it is determined that the state only has \$2-\$3 billion of the projected revenue, \$600 million in cuts will include:

- \$100 million cut to UC
- \$100 million cut to CSU
- \$100 million cut to In-Home Supportive Services hours
- \$100 million cut to Department of Developmental Services
- \$80 million cut to public safety programs
- \$30 million cut to community colleges triggering a \$10/unit fee hike
- \$23 million across-the-board cut to childcare funding
- \$20 million cut to Department of Corrections and Rehabilitation
- \$16 million cut to California State Library in library grants
- \$15 million cut related to Medi-Cal Managed Care
- \$15 million cut to California Emergency Management Agency
- \$10 million cut to Department of Social Services in anti-fraud grants

Tier 2: If the state has only has \$0 to \$2 billion of the projected revenues, there will be an additional \$1.9 billion in cuts, which include:

- \$1.5 billion reduction to K-12 schools that allows districts to drop seven classroom days. That would lower the required total to 168 days, down from 180 days three years ago.
- \$248 million cut that eliminates school bus transportation
- \$72 million cut to community colleges



Trigger Cuts Projected Timeline

June 2011

Governor signs budget deal before the constitutional deadline to pass the state's budget

September 2011

Field Poll indicates 66% of Californians oppose the trigger cuts ⁱ

October 2011

Controller John Chiang releases 3rd quarter revenue numbers and press widely cover possibilities of trigger cuts because of a \$705 million dollars deficit of expected revenues in September.

November 2011

Legislative Analyst Office (LAO) analysis on projected revenues
Department of Finance (DOF) analysis on projected revenues

December 2011

Director of the Department of Finance must officially submit revenue projections by December 15, 2011.

January 2012

If projected revenues are down by more than \$1 billion dollars, first tier trigger cuts will be enacted January 1, 2012.

If projected revenues are down by more than \$2 billion dollars, second tier trigger cuts will be enacted January 1, 2012.

February 2012

As a part of the trigger cuts, a reduction of seven K-12 school days per year will be enacted on February 1, 2012.

ⁱ http://articles.sfgate.com/2011-09-20/bay-area/30178539_1_spending-cuts-field-poll-revenues-fall