

2011-12 STATE BUDGET

On June 30, Governor Brown signed a budget that closes the state's \$26.6 billion deficit. The Governor signed \$14 billion in cuts passed by the Legislature in March with plans to close the budget gap by extending the temporary tax extensions. Republicans refused to allow voters to decide on tax extensions leaving a \$9.6 billion hole in the budget.

In order to close the gap, Democrats passed the first budget since Proposition 25 authorized majority-vote budgets. The 2011-12 budget includes the deep cuts from March along with new cuts to UC, CSU and the courts. While cuts make up a majority of the budget, Democrats managed to find some revenue solutions and \$4 billion in projected revenue to prevent total devastation of state programs. The 2011-12 General Fund budget totals \$85.9 billion, down 6.1 percent from 2010-11.

Revenue Solutions

- Increases vehicle registration fees by \$12 to free up \$300 million for public safety realignment.
- Requires collection of the sales and use tax by online retailers—the Amazon tax—for \$200 million in annual revenues.
- \$2.9 billion in borrowing and fund shifts.

Trigger Cuts

The budget assumes an additional \$4 billion in 2011-12 revenues that is used to reduce the current deficit. If that revenue does not materialize, the budget includes two tiers of trigger cuts. The amount of the shortfall of projected revenues will trigger different levels of cuts.

- **Tier One Cuts:** (If revenues fall short by more than \$1 billion)
 - UC and CSU---\$100 million reduction for each.
 - IHSS—reduction of 20 percent in service hours.
 - Medi-Cal—provider cuts to managed care plans.
 - Community Colleges--\$10 per credit fee increase
 - Child Care—4 percent reduction
 - Libraries—eliminate state grants
- **Tier Two Cuts:** (If revenues fall short by more than \$2 billion)
 - Prop 98—Reduce 7 Days of school, community college apportionments and eliminate Home-To-School transportation.

Redevelopment

- Eliminates redevelopment agencies effective October 1st, 2011 for a \$1.7 billion savings
- Cities and counties can elect to participate in an Alternative Voluntary Redevelopment Program (AVRP) and would pay to help fund schools, fire and transit services.

Realignment

- Shifts responsibility for some public safety, mental health, substance abuse, foster care, child welfare and adult protective services from the state to local entities. Funded by:
 - Dedication of 1 cent of the existing sales tax; and
 - Shift of vehicle license fee increase of \$12.

State Government and Workforce

- Eliminates 20 and reduces 14 boards, agencies and commissions.
- Adopts lower-cost health plan option for state workers and reduces compensation for a savings of \$308 million in 2011-12.
- Eliminates 5,500 positions from the state workforce.

Education

- **Prop 98:** Rebenchers Prop 98 funding level down by removing child care funding and an increase for the shift of mental health services to school district. Decreases Prop 98 \$2.1 billion as a result of shifting sales tax revenues to local government for realignment.
- **K-12:** Defers \$3 billion in funding to schools for one year. Shifts responsibility for mental health services for special education students to school districts.
- **AB 114:** protects teachers from layoffs in new fiscal year if the Tier 1 or 2 cuts are triggered due to a lack of revenue. Also requires districts to assume funding will remain at its current level next year and plan accordingly despite the possibility of mid-year cuts.
- **UC and CSU:** Total cuts of \$650 million to each system. CSU plans a 12 percent increase.
- **Community Colleges:** Reduces funding by \$400 million.

Health and Human Services

- **Healthy Families:** Increases premiums and co-pays for those above 150 % of poverty.
- **Medi-Cal:** Soft cap of 7 doctor visits per year. Imposes co-pays for doctor visits, ER and hospital stays. Reduces payments to providers by 10%. Eliminates Adult Day Health Care and provides some transitions assistance to ADHC participants.
- **CalWORKS:** Reduces grants to below the 1987 level and cuts child care and job services.
- **SSI:** Cuts SSI grants to below the state's 1983 level to the current federal minimum.
- **IHSS:** Recipients must receive medical certification and uses medical-dispensing.

Judicial

- Total reduction in trial court funding of \$350 million.
- Delays court construction for one year putting 40 projects on hold.
- Cuts funding for the Division of Law Enforcement .

Shifts, Reductions and Borrowing

- **State Disability Insurance (SDI) Fund Borrowing:** Borrows \$319.5 million from the SDI Fund to pay interest on federal loans for UI.
- **Alternate Base Period:** Extends the deadline for implementing the ABP for calculating Unemployment Insurance benefits.
- **State Parks:** Maintains cuts to parks and the targeted list of 70 park closures.

Read the complete Budget at:

<http://www.ebudget.ca.gov/Enacted/BudgetSummary/BSS/BSS.html>