



County of El Dorado

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TO: Board of Supervisors
FR: Laura Schwartz, Chief Budget Officer
RE: Budget update for 12-20-11

Governor Brown announced on Tuesday that the State will impose \$980 million in mid-year trigger cuts. The Department of Finance determined that the State will fall \$2.2 billion short of budgeted revenue. This forecast is more optimistic than the Legislative Analyst's projection which puts the shortfall closer to \$3.7 billion.

The cut list includes:

- About \$350 million to K-12 education, primarily cuts to student bus transportation (Districts say this will likely result in cuts elsewhere so federally mandated bus services can continue)
- \$100 million each to the University of California and California State University system
- \$100 million to community colleges which is expected to lead to a \$10 per unit increase
- \$100 million to IHSS, primarily through a 20% reduction in service hours (A federal judge has temporarily blocked the service hours cut).
- \$100 million to the Department of Development Services
- Further cuts to Medi-Cal and subsidized child care, which will make it more difficult for low-income Californians to get access to health care or find a service to watch their children while they work
- Charging counties \$125,000 for housing juvenile offenders
- Eliminate state grants to local libraries

The majority of these cuts would begin in January. Even after these cuts, the State still anticipates a shortfall of more than \$10 billion next year. There is talk of placing a measure on the November 2012 ballot asking voters to approve an increase in the sales tax and the income tax on high-income earners to reduce the deficit.

On a more positive note Controller John Chiang released the December 2011 Summary Analysis (copy attached) and compared to the 2011 Budget Act Estimates, total General Fund revenues in November were \$497.7 million better (8.9%) than expected. Total General Fund receipts are still below budget by \$1.1 billion and General Fund disbursements exceed budget by \$1.9 billion, for a budget deficit through November of approximately \$3 billion. This is a slight improvement from October's budget deficit of \$3.4 billion.