

Trigger Cuts to be Enacted, Affect Education

Over the last month, three key state fiscal entities have released financial outlook reports detailing the state's current revenue situation and providing projections for the upcoming budget year. Democratic Controller John Chiang's report found state revenues to be \$1.5 billion behind the FY 2011-2012 budget revenue projections. It also found the state has overspent during the fiscal year by \$1.7 billion and came in \$810.5 million short of expectations for October. In the report, the Controller credits the revenue shortfall to lower than expected personal income and corporate tax receipts. The Legislative Analyst's (LAO) financial outlook found the state to be facing a budget deficit of \$13 billion in the next fiscal year (FY 2012-2013). The LAO's report argues the state will not receive the expected \$4 billion in additional revenues as included in the current budget plan – the revenues necessary to avoid trigger cuts.

The Department of Finance released an analysis recently also identifying a sizeable revenue gap for the FY 2011-12 budget package, pegging it at \$2.2 billion with revenues in October alone falling \$608 million below expectations. Following up on the analysis, the Department and Governor Brown officially released their outlook for the coming year and

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outlined a tiered system of additional budget cuts to education and social services should state tax revenues fail to meet projections. The tiered cuts included:

- Tier 0: State short up to \$1 billion of projection: No additional cuts; push any remaining budget imbalance to the FY 2012-13

- Tier 1: State short \$1-2 billion of projection: \$600 million worth of cuts to the UC/CSU system, corrections, social services and increase of community college fees by \$10 a unit

- Tier 2: State short \$2-4 billion of projection: \$1.9 billion in cuts to K-12 education (\$1.5 billion) and school transportation programs in addition to Tier 1 cuts

Despite the revenue gaps, legislative and agency officials had been optimistic and holding out hope that a surge of revenues would help avoid triggering the additional cuts. Governor Brown, however, put the issue to rest indicating the triggers would indeed be pulled and more cuts are likely when he releases his proposed FY 2012-2013 budget proposal in January. While the trigger cuts will have significant impacts for higher education and child care, K-12 was largely spared facing only a \$80 million direct reduction and \$248 million through the elimination of school bus funding. This is slight when compared with the \$1.5 billion direct cut they faced. Community College impacts will likely lead to a \$10/unit fee hike beginning with the 2012 summer term and are likely to remain permanent.

So, what does this mean for adult education? That remains unclear and could ultimately vary from district to district. Governor Brown during his press conference today noted that schools have the flexibility to move funds around. He noted that they would have the option to even backfill school bus funding to the detriment of another categorical program if that remains and could have an impact for further reductions in adult education on a district-by-district basis.

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We will continue to monitor the budget situation very closely. We are hopeful that with the passage of AB 189 (Eng, 2011) school districts will be forced to think twice before adopting a budget or reductions that would further impact adult education. As the 2012 legislative session approaches, the California Adult Education Administrators Association (CAEAA) and California Council for Adult Education (CCAEE) will be working closely with the Administration and Legislature to stave off further reductions, promote, and ultimately set the basis for restoring funding for adult education in California.

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