California's financial forecast this week will have real-world consequences

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Next month, rural residents may struggle to find library books, and low-income families could lose subsidized child care.

Come February, public school districts may scour their calendars looking for days to shut their doors.

The rosy budget crafted by Gov. Jerry Brown and lawmakers in June confronts reality this week when state finance officials update their revenue forecast.

The audience for such dry exercises normally consists of bureaucrats and budget wonks. But in an unusual step, state leaders tied real-world consequences to the revenue update. They inserted $2.5 billion in midyear cuts, some or all of which will trigger if Brown's Department of Finance determines California will fall short of its optimistic projections.

The nonpartisan Legislative Analyst's Office said last month that California will take in $3.7 billion less than expected. That would translate into $2 billion in cuts to libraries, universities and K-12 schools, with the rest of the hole rolled into next year's $13 billion deficit.

"Child care providers are concerned," said Patty Siegel, executive director of the California Child Care Resource and Referral Network, who is hoping to avoid a $23 million cut to child care after facing a $412 million reduction this summer. "Those already on the cusp of closing are wondering, is this the piece that will put them over the edge?"

The budget divided cuts into two tiers. The first goes into effect if fiscal officials determine the state will be at least $1 billion shy by June, and most people at risk already assume they will lose funding. Finance Director Ana Matosantos said last month that "some level of trigger cuts will likely occur."

The first tier is the broadest; it includes $600 million in reductions to higher education, In-Home Supportive Services, subsidized child care and developmental services, among other programs.
It would require counties to pay $125,000 for each juvenile offender they sent to a state facility, which local officials said would result in more youths being tried as adults and less rehabilitation.

The first-tier cuts would begin in January.

The second tier includes cuts to community colleges and K-12 schools. They would go into effect if it is determined the state has fallen off track by at least $2 billion.

K-12 districts could not lay off teachers, and any reduction in the school calendar would have to be negotiated with labor unions. Those cuts would take effect in February.

The potential for K-12 reductions has drawn the greatest attention, and it remains unclear just how deep into school budgets the state will cut, if at all. The analyst projected districts would lose $248 million in school bus money and $1.1 billion in general dollars, equivalent to five days of school.

Advocates for other programs on the chopping block say they face detrimental impacts.

The state would cut $15 million in library funding, which would damage two programs: a service that allows state residents to use libraries outside their own system; and coordination of a volunteer-driven adult literacy program.

"It would significantly impact readers and people trying to get sufficient reading skills," said Michael Dillon, a lobbyist for the California Library Foundation.

The cuts would likely hit poor and rural residents hardest, Dillon said. State funding allows them to borrow from bigger libraries and use services in wealthier communities.

Other cuts would have fewer immediate impacts. All three higher-education systems – University of California, California State University and California Community Colleges – have said they would absorb cuts without charging higher fees this spring.

Patrick J. Lenz, UC vice president for budget, said the system would rely on reserves to cover its $100 million loss. But he said $100 million is equivalent to a 5.9 percent tuition hike, and UC would consider that as a solution in future years if the cut becomes permanent.

Labor and disabled rights advocates have filed suit to block a $100 million cut to In-Home Supportive Services. The budget trigger calls for a 20 percent reduction in service hours for IHSS recipients, but Oakland-based U.S. District Court Judge Claudia A. Wilken has blocked that cut until a hearing Thursday.

The budget also calls for a $100 million reduction to services for the developmentally disabled. But severe cuts, such as lower reimbursements for service providers, would likely require legislative action.
Some advocates hope Democratic lawmakers will roll back trigger cuts before they take effect. Senate President Pro Tem Darrell Steinberg said he is open to tweaks, but it is unlikely lawmakers would make widespread changes.

"I have no great expectation we're going to be able to fundamentally revisit the trigger issue," Steinberg said. "And the reason is pretty obvious. The $13 billion deficit grows to $15 billion if you negate the triggers."

Though Republicans opposed the Democratic budget, the triggers may be one of the few things Republicans like about the spending plan. Assemblyman Jim Nielsen, R-Gerber, called them "appropriate" because they send a signal to ratings agencies that "at least in this respect California is being responsible."

Any rollback would require Brown's signature, which seems unlikely. The governor has repeatedly pointed to the triggers as a defense for relying on an optimistic revenue forecast.

The state last relied on budget triggers in 2009 when lawmakers and then-Gov. Arnold Schwarzenegger were unsure how much in federal stimulus funds the state would receive. Fiscal officials ultimately determined the state would fall short, leaving in place higher income tax rates and cuts to social services.

With economic uncertainty in the United States and Europe and partisan strife in California politics, it remains difficult to budget with certainty. That could lead to greater reliance on trigger-type mechanisms to impose midyear cuts.

Brown has said he would rely on trigger cuts again next fall if voters reject his $7 billion annual tax hike on sales and wealthy earners. He previously said those cuts would fall on "schools, universities, public safety and the courts."

But Legislative Analyst Mac Taylor said the state should not get trigger happy.

"I don't think it's the best way," he said. "I think these are things the state shouldn't be relying on, and we should use them only in the most unusual situations."