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## **Governor Brown Will Seek More Automatic Spending Cuts if Tax Increase Fails**

On December 8, 2011, Governor Jerry Brown indicated he will propose an additional round of automatic State Budget cuts if voters reject his recently released proposal to increase both income and sales taxes (click [here](#) for the full story). Governor Brown's ballot initiative would increase revenue \$7 billion a year by temporarily raising income taxes on those making more than \$250,000 per year and boosting the statewide sales tax by a 0.5 percentage point to 7.75%.

Governor Brown indicated that his 2012-13 proposed Budget would be built assuming that the projected revenue from the tax increases associated with the ballot measure would be approved by voters, thereby allowing for an increased level of proposed expenditures. Should these tax revenues not materialize due to the failure of the ballot measure, then the second round of automatic reductions would occur as highlighted above. "We're going to balance the budget," Governor Brown said in an interview in Los Angeles on December 6. "We'll propose cuts and the taxes, and if the taxes don't materialize, I will propose we have trigger cuts that go into effect immediately."

These cuts would of course be on top of the current year "trigger cuts" if they are implemented. The Department of Finance will soon make its determination of the revenue outlook.

It is unclear at this point what the second round trigger cuts would be, but given that education is the largest single part of the State Budget, odds are slim-to-none that we would escape the cross hairs of the budgetary trigger.

A couple additional points: First, by tying the second round of cuts to a ballot initiative, Governor Brown pushes Budget reduction timelines into the fall of 2012, as we would have to wait to see how the voters react to the ballot measure. Second, the decision regarding resources is being placed at the feet of the voters, and taken out of the hands of the Legislature, tying the trigger cuts to the results of direct democracy. However, this Budget strategy is a choice; the failure of the ballot measure and the trigger reductions wouldn't necessarily have to go together. Automatic cuts aren't the only option, and should education funding reductions find their way onto the automatic trigger list, we think there are alternatives to reducing education funding that should be pursued thoroughly as the

Administration and the Legislature look to balancing the State Budget in the event of a revenue shortfall.

—*Jeff Bell and Robert Miyashiro*

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