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LAO forecast dismal

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In its much anticipated [economic forecast](#), the legislative analyst today reported that revenues for the rest of the fiscal year will fall some \$3.7 billion short of projections. If that is the case, then the trigger will be pulled on Dec. 15 and will take effect on Feb. 1.

When the Legislature adopted the 2011-12 budget, it assumed the Department of Finance May Revision revenue estimates and added another \$4 billion. It was that "extra" \$4 billion that caused the administration to demand that an automatic trigger also be adopted with the budget to force cuts if the extra \$4 billion did not appear. As reported previously, through the month of Oct., revenue is off by some \$1.3 billion. The LAO is anticipating that trend will continue and that almost none of the \$4 billion will appear.

Trigger language contained in the budget requires the Director of Finance to use the highest revenue estimates between her Department of Finance and the Legislative Office. As such, the LAO report is setting the worst case scenario. But with estimates this bad, it is unlikely that the Department of Finance will come out next month with estimates that would negate the need for at least some of the trigger cuts to be made.

Using the LAO estimates, the cut to K-12 schools would be about \$1.436 billion, or about three-fourths of the total K-12 trigger cut. That would translate to the elimination of the second half of home-to-school transportation funding and then a cut to revenue limits of about \$1.2 billion or \$200 per ADA. The actual cut will be determined on Dec. 15 by the Director of Finance.

CASBO and other groups are pushing for the transportation cut to be changed into an additional revenue limit cut because eliminating transportation funding affects LEAs in vastly different ways. The revenue limit is seen as the equalizer when it comes to applying cuts. If that effort is successful, the transportation cut would be eliminated and an additional cut of about \$42 per ADA.

The LAO forecasts that the state will end the current fiscal year with a deficit of \$3 billion. Next year, the LAO estimates a \$10 billion problem, mostly caused by temporary budget fixes sunseting.

We will keep you posted.

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