

California Releases Revised FY 2011-2012 Budget

Posted At : May 26, 2011 9:26 AM | Posted By : Erin Brady

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The state of California released Governor Brown's [revised FY 2011-12 budget](#) in mid-May 2011. The revised budget addresses the solutions put forth in the [Governor's Recommended Budget](#) released in January 2011, along with additional solutions deemed necessary to reduce the state's budget deficit. Even with \$13.4 billion in solutions proposed in the January budget, most of which were accepted by the legislature, a \$9.6 billion shortfall remains. To balance the budget and create a \$1.2 billion reserve, the May revision proposes \$10.8 billion in solutions.

In the revision, Governor Brown notes that much of the state's deficit is a result of too much borrowing, and he suggests several ways of reversing the damage done. One of his ideas proposes the reduction of state government. This includes eliminating 43 departments, offices, task forces, commissions, and boards, and realigning functions to local authorities. He also proposes the sale of underutilized and nonessential state properties. Governor Brown hopes to reduce operating costs and travel costs to supplement the savings. The state will likely reduce state personnel by approximately 5,500 in the next year.

Another part of the governor's plan is the reinstatement of a personal income surcharge for 2012 through 2015. According to the May revision, these funds would be used to fund a major realignment of public safety programs and protect education funding. The plan would help the state avoid an "all-cuts" budget that would significantly impact education and health care funding, which have already been greatly reduced. Governor Brown's revised budget solutions would operate on the assumption that an "all-cuts" budget or a budget full of "gimmicks" would be detrimental to California's fiscal health. Instead, Gov. Brown feels the solutions proposed will contribute to California's long-term recovery and success.

GovWin'S TAKE

California and Governor Brown have some tough decisions ahead of them. The state's fiscal situation is dire, and cuts will have to be made. It's hard to say how the solutions proposed in the revision will affect the state economy in the long run, but the constant theme of consolidating and streamlining has been successful in reducing costs for many cities, states, and localities recently.