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ICYMI: *San Jose Mercury News*: State's revenue will be healthy without Prop. 30 taxes, Gov. Jerry Brown's finance department says

State's fiscal outlook is strong even when Prop. 30 expires, yet many are still calling for it to be extended

(SACRAMENTO)-- Prop 30's tax increase was sold as temporary in 2012 but now many are pushing to make it permanent. However, new budget projections by the Department of Finance demonstrate that the state will still be on strong financial footing when Prop. 30 expires. Special interest groups are ignoring these facts and not only want to make Prop. 30 permanent, but are also proposing tens of *billions* in additional new and higher taxes.

***San Jose Mercury News*: State's revenue will be healthy without Prop. 30 taxes, Gov. Jerry Brown's finance department says**

SACRAMENTO -- When Gov. Jerry Brown unveiled his revised state budget late last week, the news that California is swimming in black ink rightfully stole the show.

But tucked away on one of the final pages of the 104-page summary of the spending plan was a surprising revelation: Not only will the budget survive when Proposition 30's temporary taxes are phased out, but general fund revenues are also expected to continue climbing.

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During the white-hot Proposition 30 debate in 2012, Brown convinced voters to endorse the measure -- aimed at bolstering funding for public schools hit hard during the Great Recession -- by promising that a quarter-cent sales tax hike and income tax increases on the wealthy would only last several years, until California could get back on its feet.

"I said that's a temporary tax," Brown said firmly at a Sacramento news conference in January when asked if he would push to extend the measure.

But the teachers who fought to pass Proposition 30 say they're skeptical of the administration's rosy revenue estimates -- and are planning to put the "millionaire's tax" portion of the measure back on the 2016 ballot -- with or without Brown's help.

"Ninety-five percent of the increase in income since the depths of the Great Recession has gone into the hands of top earners. That's who Proposition 30 asks to pay a little more," said Fred Glass, a spokesman for the California Federation of Teachers. "They can well afford it, and the rest of the state needs it."

According to Brown's revised spending plan, as Proposition 30 phases out, the tax revenue generated by the ballot measure will begin falling precipitously in fiscal year 2016-17 before evaporating entirely just before Brown leaves office in January 2019. Yet despite that loss, overall sales, personal income and corporation taxes are projected to climb from \$108.9 billion in the current fiscal year to \$123.5 billion in 2018-19, the year all Proposition 30 taxes are scheduled to sunset.

While that may sound crazy, the administration's estimates are actually based on a modest forecasting approach that assumes slow year-to-year revenue growth, said Ryan Miller, a state budget expert with the nonpartisan Legislative Analyst's Office.

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When Proposition 30 was first proposed, critics warned that California would come to regret the measure because it would drive multimillionaires and their businesses from the state. When it passed, the state's tax rate skyrocketed to 13.3 percent for top earners, the highest in the nation.

Although there's no evidence the flight ever occurred, the threat might become more real if high temporary taxes suddenly become high permanent taxes, said Jerry Nickelsburg, a senior economist at UCLA's Anderson School of Management.

"Future innovation and growth in California would slip relative to other states," he said.

Perhaps the biggest problem with extending the measure is that it would solidify the state's reliance on its top earners to generate a huge chunk of its revenue, Nickelsburg said.

Taxes on capital gains and other income collected from California's top 1 percent account for 45 percent of the state's personal income tax revenue, so even a slight dip in their earnings has a huge impact on the state's bottom line.

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