

Propositions 30 and 38



Legislative Analyst's Office

Presented to:
Alameda County Office of Education
September 12, 2012

Background



What Is the LAO?

- **Created in 1941**
- **Nonpartisan, Independent Staff to the Legislature**
- **Provides Fiscal and Policy Analysis—
Particularly on Budget-Related Matters**



LAO Analysis of Ballot Measures

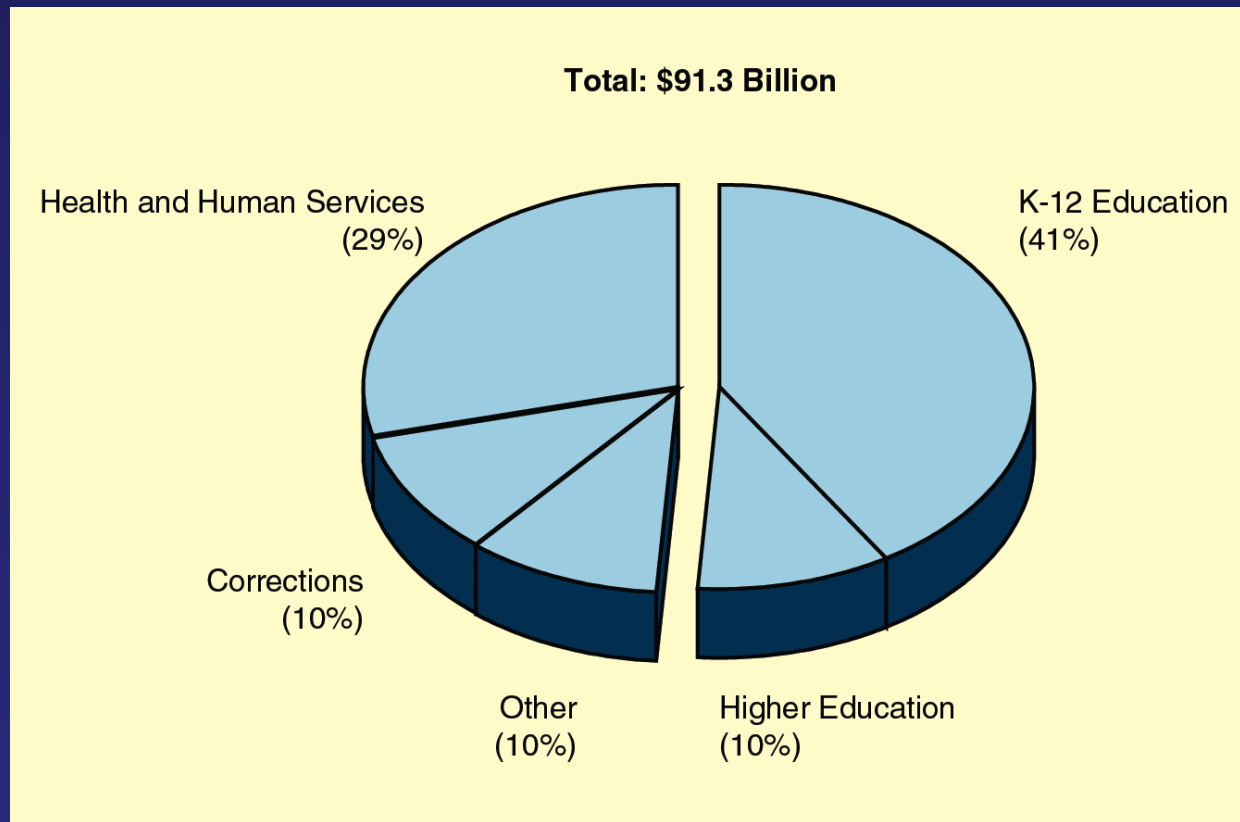
- **Provides Impartial Analysis for *Voter Information Guide***
- **Includes Estimate of Costs to State and Local Governments**

The State's Budget Situation

2012-13 State Budget Plan

- **Addressed \$16 Billion Budget Problem**
- **Assumes Passage of Proposition 30**
- **Includes a “Backup Plan” With Spending Reductions if Proposition 30 Does Not Go Into Effect**

The State's General Fund: 2012-13 Spending



Recent School Budget Issues

- **State Budget Reductions Beginning in 2009**
- **Some Reductions Mitigated By Additional Federal Funding**
- **Schools Reduced Per-Student Spending Almost 5 Percent Between 2007-08 and 2010-11**

Proposition 30

Temporary Tax Increases

- **Sales Tax Increase (0.25 Percent) for Four Years**
- **Personal Income Tax Increase for Seven Years**
 - 10.3 percent on \$250,000 to \$300,000 (single).
 - 11.3 percent on \$300,000 to \$500,000 (single).
 - 12.3 percent over \$500,000 (single).

New State Tax Revenues

- **\$6 Billion Average Annual Revenues Through 2016-17**
- **Revenues Could Change Significantly From Year to Year**

State Spending

- **New Tax Revenues Available to Fund Schools and Balance the Budget**
- **Backup Budget Plan Reduces Spending if Voters Reject Measure**

“Trigger” Reductions If Proposition 30 Not in Effect

(In Billions)

	Amount
Schools and community colleges	\$5.4
University of California/California State University	0.5
Other reductions	0.1

Proposition 38

Personal Income Tax Increases

- **Increases Tax Rates for 12 Years On Income Above \$7,316**
- **Higher Tax Rate Increases For Higher Incomes**

New State Tax Revenues

- **\$10 Billion in Annual Revenue From Tax Increases**
- **Revenues Likely Would Vary From Year to Year**

Allocation of Revenues

	2013-14 and 2014-15	2015-16 and 2016-17	2017-18 Through 2023-24
Schools	60%	60%	85%
Early care and education	10	10	15
State debt	30	30	—
Totals	100%	100%	100%

Other Provisions

- **Growth Limit on School and Early Childhood Education Funding Beginning 2017-18**
- **Funding Above Growth Limit Used For State Debt Payments**

Comparison of Two Tax Initiatives

	Proposition 30	Proposition 38
Taxes affected	PIT and sales	PIT
Highest PIT rate increase	3%	2.2%
Revenues raised (in billions, full year)	\$6	\$10 - \$11
2012-13 trigger cuts if measure takes effect?	No	Yes
Operative time period	7 years (2012-18)	12 years (2013-24)

Other Resources

- **Legislative Analyst's Office:**
www.lao.ca.gov
- **Secretary of State:**
www.sos.ca.gov
- **Alameda County Registrar:**
www.acgov.org/rov/