

PTA ANALYSIS OF BALLOT MEASURE - NOVEMBER 2012 GENERAL ELECTION

PROPOSITION 30

Temporary Taxes to Fund Education. Guaranteed Local Public Safety Funding. Initiative Constitutional Amendment

California State PTA has adopted a NEUTRAL position on Proposition 30, an initiative constitutional amendment, which will appear on the November 2012 General Election Ballot. In March, Governor Brown and the California Federation of Teachers (CFT) agreed to merge their competing proposed ballot initiatives into a single measure, Proposition 30.

The California Attorney General has provided the following Title and Summary for Proposition 30: ***Temporary Taxes to Fund Education. Guaranteed Local Public Safety Funding. Initiative Constitutional Amendment.*** *Increases personal income tax on annual earnings over \$250,000 for seven years. Increases sales and use tax by ¼ cent for four years. Allocates temporary tax revenues 89 percent to K-12 schools and 11 percent to community colleges. Bars use of funds for administrative costs, but provides local school governing boards discretion to decide, in open meetings and subject to annual audit, how funds are to be spent. Guarantees funding for public safety services realigned from state to local governments.*

BACKGROUND INFORMATION

As part of the 2011-12 state budget plan, the Legislature enacted a major shift, or realignment, of state responsibilities and revenues to local governments. The realignment legislation shifted responsibility from the state to local governments (primarily counties) for several programs including court security, adult offenders and parolees, public safety grants, mental health services, substance abuse treatment, child welfare programs and adult protective services. To fund these programs, the budget redirected a total of \$6.3 billion in revenues from three sources: a percentage of state sales taxes (1.0625 cents), a percentage of the vehicle license fee (VLF) and the Mental Health Services Fund established by Proposition 63 in 2004.

Other budget-related legislation excluded the 1.0625 sales tax redirection from the Proposition 98 calculation in 2011-12 and subsequent years contingent on the passage of a ballot measure in November 2012. Proposition 30 authorizes the exclusion of 1.0625 cent sales tax revenues from the Proposition 98 calculation and provides funding for school districts and community colleges in an amount equal to the reduction in the minimum guarantee due to the exclusion.

Proposition 30 is a complex initiative that amends the Constitution to permanently dedicate a portion of the sales tax and VLF to local governments to pay for the programs realigned in 2011

and temporarily increases the sales tax .25% (4 years) and state personal income taxes (7 years) by creating three additional tax brackets for higher income earners.

Specifically, Proposition 30 imposes:

- A 10.3 percent tax rate on income between \$250,000 and 300,000 for individuals; \$340,000 and \$408,000 for heads of household; and \$500,000 and \$600,000 for joint filers.
- A 10.8 percent tax rate on income between \$300,000 and \$500,000 for individuals; and \$408,000 and \$680,000 for heads of household; and \$600,000 and \$1 million for joint filers.
- An 11.3 percent tax rate on income in excess of \$500,000 for individuals; \$680,000 for heads of household; and \$1 million for joint filers.

These tax rates would affect roughly 1 percent of California personal income tax filers due to the high income threshold.

The independent Legislative Analyst has stated in the fiscal impact statement for the ballot that, “Estimates of the revenue increases vary – from \$6.8 billion to \$9 billion for 2012-13 and from \$5.4 billion to \$7.6 billion, on average, in the following five fiscal years, with lesser amounts in 2018-2019.”

There is a provision in Proposition 30 that would declare Proposition 38 null and void if both measures pass in November and if Proposition 30 receives the most votes.

SUPPORTERS

California Federation of Teachers (CFT)
California Teachers Association (CTA)
California School Boards Association (CSBA)
League of Women Voters
PICO
Numerous others

OPPONENTS

Howard Jarvis Taxpayers Association
National Association of Independent Businesses
StopProp30.com

RATIONALE FOR PTA POSITION ON PROPOSITION 30

Prop 30 permanently takes a portion of sales tax and vehicle license fees out of the general fund and places this money in a special fund to finance Public Safety Services. Most of the realignment dollars provided to counties – nearly two-thirds of the funds in 2012-13 – support health and human services programs. Establishing this special fund re-benches Prop 98 funding to a lower threshold permanently, but does propose to provide funding for K-14 schools via the

temporary increased sales and income tax. The Legislature and the Governor are not prohibited from using the new funds to replace funds currently being spent on K-12 schools and community colleges. This money, while called the Education Protection Account, is put into the general fund and treated in the same manner as other Prop 98 funds. This temporary funding stream ends with the expiration of the tax while the realignment dollars continue to go to public safety services permanently.

Our own poll of PTA leaders showed that our leaders consider adequate funding for education to be their number one priority. This measure does not guarantee adequate funding. At best it maintains the current level of education funding. Instead the budget includes a trigger which automatically reduces funding to K-12 and colleges if this measure fails.

California State PTA believes that Proposition 38, the *Our Children Our Future* education initiative, will better provide more adequate and secure funding for K-14 education in California. PTA is fully committed to ensuring its passage in November and is an integral part of the campaign.

The highest priority for the California State PTA and members is adequate funding for schools. PTA supports legislation “to provide needed public services for all children and youth with the continued constitutional guarantee of financial support for public schools as the first claim on all state revenues in the general fund.” (Leg Plank 7)

Since Prop 30 permanently reduces funding for Prop 98, which we have strong authority for protecting, a logical position on this initiative would be “oppose”. Conversely, Prop 30 proposes to prevent further cuts to education in the short term and provides dedicated money for social services the organization supports which would indicate a “support” position.

Additionally, California State PTA is fully committed to the passage of Prop 38 and is an integral part of campaign, it would be inconsistent with this commitment and therefore confusing to our members and the public if we were to take anything other than a neutral position.

CONCLUSION

Due to the conflicting authorities based on the different provisions of Proposition 30, which permanently reduces funding for the Prop 98 guarantee over time and which provides some funding for social services, California State PTA has adopted a NEUTRAL position.

According to the PTA *Toolkit*, a neutral position means, "The initiative may be relevant to the welfare of children and youth, but after careful analysis, the California State PTA has chosen to neither support nor oppose this particular initiative due to either lack of existing specific authority or conflicting authorities." PTA will not support or oppose passage of the initiative.