

Santa Monica-Malibu Unified School District
Board of Education Meeting
UPDATE TO THE AGENDA

April 19, 2012

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SW

TO: BOARD OF EDUCATION

DISCUSSION

FROM: SANDRA LYON

04/19/12

UPDATE

RE: NOVEMBER 2012 TAX INCREASE BALLOT INITIATIVES

DISCUSSION ITEM NO. D.03

Signatures are currently being collected for two ballot initiatives that have great potential impact on California's public education budget: the California Sales and Income Tax Increase Initiative (#12-0009) and the California State Income Tax Increase to Support Public Education Initiative (#11-0088, #11-0100). While there are other tax measures for which signatures are being collected (A Tax on Oil Initiative; An effort to collect more Income Taxes from Out-of-State Businesses), these are the two that are most directed toward raising revenues that will be directed to public education. Without the passage of a ballot measure, Governor Brown has been clear that schools will face an estimated \$370 per ADA cut.

California Sales and Income Tax Increase Initiative (#12-0009) (AKA: the Governor's proposal)

This initiative has been approved for circulation in California as an initiated constitutional amendment. To earn a spot on the state's ballot, sponsors of the initiative must collect 807,615 signatures. The measure is a merger of two previously competing initiatives: the "Millionaire's Tax" and Jerry Brown's Tax Increase Initiative.

It will:

- Raise California's sales tax to 7.5% from 7.25%. (Under the Brown Tax Hike, the sales tax would have increased to 7.75%)
- Increase the state income tax on those whose income exceeds \$250,000. This increased tax will be in effect for 7 years.

Those making \$1 million or more, who are currently taxed at a marginal rate of 10.3%, would instead pay 13.3% under this proposal. This would be the highest personal income tax in the country.

Official summary:

"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."

Fiscal impact estimate:

"Increased state revenues over the next seven fiscal years. 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 2018-19. These revenues would be available to (1) pay for the state's school and community college funding requirements, as increased by this measure, and (2) address the state's budgetary problem by paying for other spending commitments. Limitation on the state's ability to make changes to the programs and revenues shifted to local governments in 2011, resulting in a more stable fiscal situation for local governments."

California State Income Tax Increase to Support Public Education Initiative (#11-0088, #11-0100) (AKA: the Our Children, Our Future Act or the Munger Act)

This initiative has been approved for circulation in California as an initiated state statute. To earn a spot on the state's 2012 ballot, sponsors of the initiative must collect 504,760 signatures. Its sponsors refer to the measure as the "Our Children, Our Future: Local Schools and Early Education Investment Act."

Two versions of the initiative were submitted, and they differ in some respects. However, in general, if enacted, the initiative will:

- Increase state income tax rates for most Californians, resulting in increased revenues to the state of about \$10 billion a year.
- The state income tax increase would end after 12 years, unless voters reauthorize it.
- Earmark most of the new revenue of \$10 billion for public school districts and early childhood development programs.

Official summary:

"Increases personal income tax rates for annual earnings over \$7,316 with a sliding scale that increases the tax rate from .4% for lowest individual earners to 2.2% for individuals earning over \$2.5 million. Tax increase ends after twelve years. Allocates new revenues 85% to K-12 schools and 15% to preschools and child care. Provides K-12 funds on school-specific, per-pupil basis, subject to local control. Requires local education budgeting to be school-specific. Requires oversight, audits, and public input. Prohibits state from directing or using new funds."

Fiscal impact estimate:

"Increased state personal income tax revenues beginning in 2013 and ending in 2024. Estimates of the revenue increases vary from \$10 billion to \$11 billion per year initially, tending to increase over time. The revenues would be dedicated to K-12 education (85 percent of the funds) and early care and education programs (15 percent) and would supplement existing funding for these programs. In years with stronger growth in state personal income tax revenues, some of the revenues raised by this measure—several hundred million dollars per year—would be used to pay education debt service costs, resulting in state savings."

Commentary & Polling

There is concern, among those who generally support a tax increase, that if there are multiple tax increase proposals on the November 6, 2012, ballot, they might all fail. Whereas, these tacticians believe, if only one tax increase initiative is on the ballot, it stands a better chance of passing. Opinions from strategists:

- Steve Glazer, who is working for the Jerry Brown tax hike: "When voters are offered choices among competing [tax] measures, it depresses the support for each of them. The likely result will be all of them failing."
- Darrell Steinberg, the President Pro Tem of the California State Senate: "The real problem is that if you have multiple measures on the ballot, you dramatically increase the likelihood that they will all fail. That's not an acceptable outcome."
- Harold Meyerson, an op-ed columnist for the Washington Post: "...a look back at state history reveals numerous episodes in which Californians essentially championing the same cause have put rival measures on the same ballot, only to create a sea of voter confusion that doomed the proposals on election day."

According to a recent poll conducted by the LA Times, 64% percent of those surveyed said they supported **the Governor's proposal**, while a third of respondents opposed the measure. 32% of those surveyed said they supported the **“Our Children, Our Future” proposal**, while 64% said they opposed it.