Kathleen Hanley

Mr. Rutherford

Oxford Scholars

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Proposition 55

In November 2016, along with the presidential election, California's registered voters will be faced with a slew of propositions. One of these will be Proposition 55. Proposition 55 prevents billions of dollars in budget cuts by continuing to raise taxes on the wealthiest Californians, arguably to ensure they pay their 'fair share'. In order to understand this bifurcation of the tax burden or alternative revenue stream, one must first understand the events that lead to the creation of Proposition 55.

On November 6, 2012 California voters passed Proposition 30, a Sales and Income Tax Increase Initiative, by a margin of 55% to 45%. Governor Jerry Brown was the leading proponent of Proposition 30, an amalgam of two tax overrides intended to tax the wealthy to pay for California schools. With the passage of Proposition 30 came the following changes: sales tax was raised from 7.25 percent to 7.50 percent, and four high-income tax brackets for taxpayers with taxable incomes exceeding $250,000, $300,000, $500,000 and $1,000,000 respectively were created. The income tax portion affected the top three percent of California's taxpayers and was retroactive to January 1, 2012. The tax was written to sunset in seven years time. Though some predicted a mass exodus of wealthy Californians, this did not occur. In fact California currently has the highest population of millionaires in the United States at just over 777,000.

Proposition 55 alternate name—The California Extension of the Proposition 30 Income Tax Increase Initiative—explains the bill. Though Proposition 30 was originally set to expire in

2019, it is not unusual for government entities to attempt to extend taxes with a sunset clause prior to their expiration date. This allows time to run several campaigns prior to the exhaustion of the override. Consolidated general elections in presidential years typically have a high voter turnout; they offer the best opportunity to get a message out to voters that do not ordinarily participate in off year elections. A "yes" vote on the ballot would mean extending the personal income tax increases on incomes over $250,000 that was approved in 2012 for 12 years, rather than the original seven, while a "no" vote would allow the original proposition to run its course and come to end in the January 2019.

With so many ballot measures and empty state and federal seats up for grabs, the voter has limited time to digest the myriad propositions. Arguably most voters will not read the complete text of the measure. Instead, they will focus on the legislative analyst report and the ballot argument. Voter fatigue will also set in; the campaigns wear on many voters, and political advertisements blanket television and radio. Proposition 55 will be seen as a simple choice. Will it raise taxes? No. Will it benefit everyday Californians? Yes. Can the elite politicos raid the money? No.

In other words, Proposition 55 is likely to pass. It is an existing tax. It only affects nearly one percent of the population. The results can be seen locally. It benefits children and the elderly, and some of the wealthiest taxpayers support it. It is a direct subsidy with built in controls and it cannot be diverted by the legislature. It lowers debt and adds to the reserves. It increases annual revenues over $4 billion annually, depending on market forces. Moreover, at a time when property values are rising, wages are up, and unemployment is down, it does not raise taxes. It in fact lowers the sales tax, which has direct effect on the consumer's pocket. Currently, we have a popular governor, whose measures at the beginning of his first term set the stage for a balanced budget, improved schools, elder care, and fiscal health. He has proven to be a fiscal conservative, leading to real results at the local level. He is a strong supporter of the proposition and has proved to be generally trustworthy. His father was the governor during the largest building boom in California history. He was the governor when Proposition 13 was passed into law and witnessed nearly 40 years of service degradation and deferred maintenance on our roadways and public infrastructure. Governor Brown is firmly behind the reauthorization of this constitutional initiative.

In my opinion, of all of the 15 other propositions, Proposition 55 in particular has a good chance of becoming law. It conservatively prevents $4 billion in school budget cuts, it does not raise taxes, it has strict accountability, and it promises a “return to source” of previous tax shifts and take-a-ways to public safety agencies. By law, public school funding is over 48 percent of the General Fund Budget of the State of California. Any additional revenue enhancements reduce the burden on other agencies dependent on state revenue. Even if they do not receive more revenue, they do not receive any less. Loss of annual funding to schools means a balancing act to ensure they (schools) receive their legal entitlement. Proposition 55 is direct funding and is not a new tax. With that being said, I firmly believe that Proposition 55 has a very good chance of passing in November 2016.