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Budget Advisory Committee Meeting

Proposition 30

February 29, 2016

Proposition 30 Temporary Taxes

- Proposition 30, approved by voters in November 2012, temporarily increased the state sales tax and income tax rates for high-income earners to address state revenue shortfalls stemming from the Great Recession
- Unless extended by the voters, these higher taxes will expire as follows:
 - The 0.25% sales tax increase expires in 2016 (i.e., the 2016-17 fiscal year)
 - The personal income tax increase expires in 2018 (i.e., the 2018-19 fiscal year)

Proposition 30

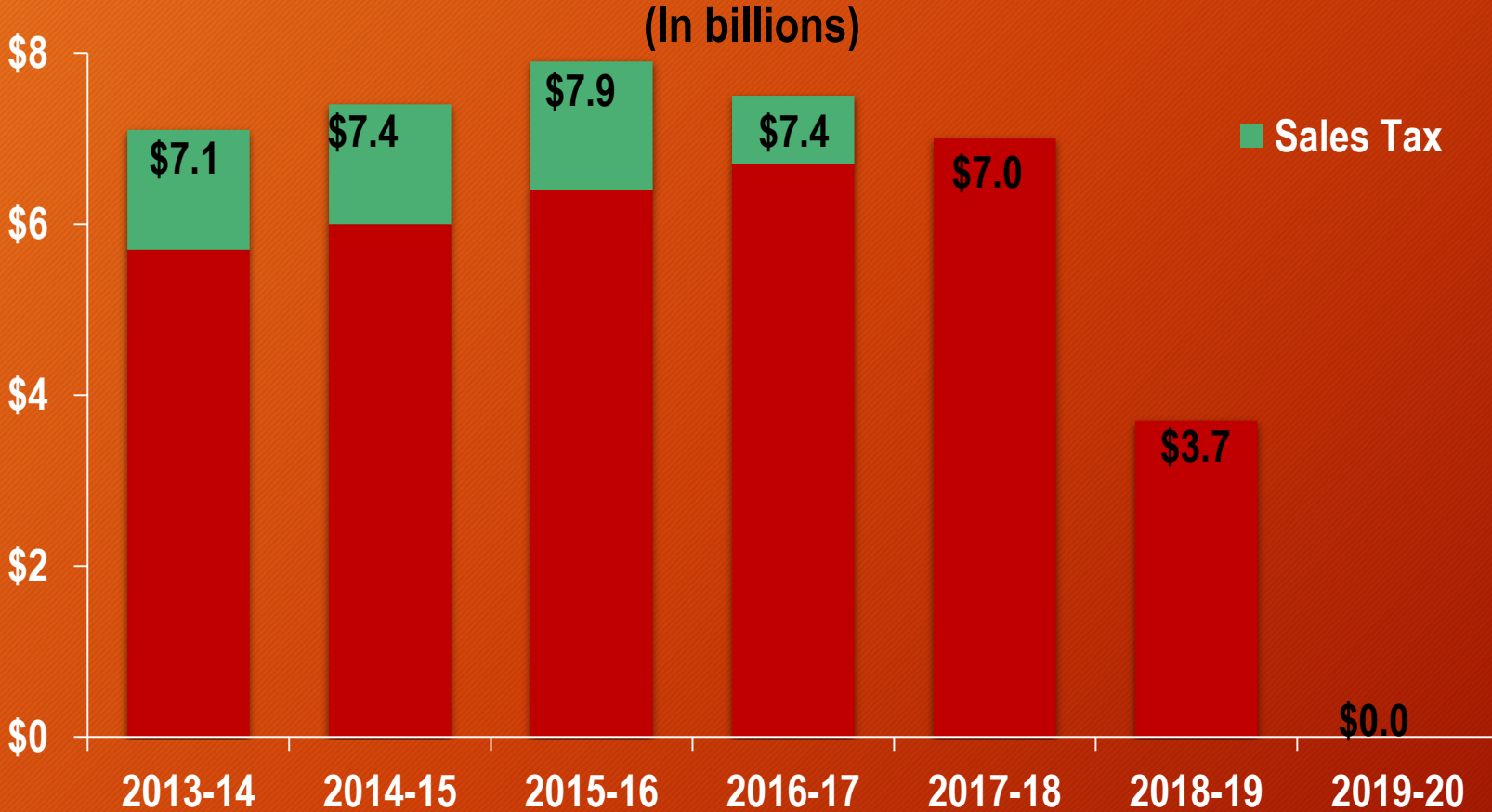
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- Proposition 30 Continues to Generate Approximately \$7 Billion for Education Annually
 - Sales Tax Increase of 0.25% Will Expire in 2016
 - Personal Income Tax Increase Will Expire in 2018



Proposition 30 Revenue Historical Gains and Estimated Loss

4



Source: School Services of California, Inc.

EAST Side's Revenue from Prop. 30

- Education Protection Account (Prop 30) Revenues
 - FY 2015-16 \$36 million
 - FY 2014-15 \$37 million
 - FY 2013-14 \$29 million
 - FY 2012-13 \$30 million
- Important Note: The Revenues generated by Proposition 30 have helped accelerate K-12 Education funding to fully fund LCFF – The revenues are not in addition

Proposition 30 Extension

- 585,407 signatures are required to qualify the new California Children's Education and Health Care Protection Act initiative, for the November 2016 Ballot with a June 30 Deadline

Proposition 30 Timeline and Funding

- “California Children’s Education and Health Protection Act of 2016,” the new proposal would extend the income tax rate increases on high income earners for an additional 12 years to 2030 with revenues generated by the higher income tax rates deposited into the Education Protection Account.
- According to the LAO, the extension on average should generate an estimated \$7-\$8 billion per year
- Prop 98 funding for K-12 education is estimated to increase by about \$0.50 on the dollar with the extension based on current funding

Voters Split on Extending Proposition 30

- A poll in November by the Public Policy Institute of California (PPIC) showed that voters remain split on whether to extend Proposition 30
- Among many other questions, the poll asked respondents whether they favored or opposed extending the Proposition 30 tax increases
 - Fifty-four percent or 54% of likely voters supported extending the Proposition 30 tax increases, with 41% opposed.
- The poll also asked respondents to rank various issues that will likely appear on the November 2016 general election ballot
 - Fifty-five percent or 55% of likely voters identified the issue of school facilities to be very important, compared to only 37% who identified extending Proposition 30.

Note: In two more recent voter surveys, extending Prop. 30 received the support of 49 percent of likely voters in one poll and, with different wording, support of 63 percent of voters in another poll.

What are the Implications of not Extending Proposition 30

- The Governor may maintain the current GAP% funding of 6% in FY 2018-19 if additional revenues are not forthcoming
- Full Funding of LCFF which is Currently Planned for FY 2020-21 may be extended if a recession occurs and no additional revenues from Prop. 30
- If a recession occurs during the LCFF implementation period, without the additional revenue and a recession occurs, currently proposed GAP% could go down

Questions and/or Comments