



October 4, 2012

How Do Propositions 30 and 38 Compare?

The California Budget Project (CBP) recently released analyses of Proposition 30 and Proposition 38, two revenue measures that will appear on the November 6, 2012 statewide ballot. The table below provides a brief side-by-side comparison of key components of Propositions 30 and 38. The CBP has endorsed Proposition 30 and neither supports nor opposes Proposition 38.

A more in-depth examination of both measures can be found in two CBP reports that are the basis for this side-by-side analysis: [What Would Proposition 30 Mean for California?](#) and [What Would Proposition 38 Mean for California?](#), available on the CBP's website (www.cbp.org). Also available there are prior CBP publications on two key policies that are referenced briefly in this table: the Proposition 98 school funding guarantee and the recent state-to-county "realignment" of public safety and health and human services programs (see [School Finance in California and the Proposition 98 Guarantee](#) and [Finishing the Job: Moving Realignment Toward Completion in 2012](#)).

How Do Propositions 30 and 38 Compare?		
	Proposition 30	Proposition 38
Sponsors and Proponents		
Who Are the Key Sponsors or Proponents?	Governor Jerry Brown California Federation of Teachers California Teachers Association	Advancement Project Co-Director Molly Munger California State PTA
Effect on Taxes		
How Would Personal Income Tax Rates Change? ^a (Income Ranges Reflect Taxpayers Filing Jointly)	Would increase rates on taxable incomes above \$500,000 Would increase the current top marginal tax rate of 9.3% by an additional: 1.0% rate on taxable incomes of \$500,001 to \$600,000; 2.0% rate on taxable incomes of \$600,001 to \$1 million; and 3.0% rate on taxable incomes over \$1 million	Would increase rates for nearly all California taxpayers Marginal tax rate increases would range from an additional 0.4% on taxable incomes between \$14,633 and \$34,692 to an additional 2.2% on taxable incomes over \$5 million.
Would the State Sales Tax Change?	Yes Would increase the sales tax rate by a quarter cent	No
How Long Would the Tax Increases Be in Effect?	Income tax: 2012 through 2018 (seven years) Sales tax: 2013 through 2016 (four years)	2013 through 2024 (12 years)
What Share of the New Revenues Would Be Raised From Taxpayers With Incomes Over \$532,000 (Top 1%)?	78.8%	44.1%
What Share of the New Revenues Would Be Raised From Taxpayers With Incomes Under \$58,001 (Bottom 60%)?	8.8%	4.9%

(continued)

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	Proposition 30		Proposition 38
New Revenues Raised			
How Much New Revenue Is Estimated in 2012-13? ^b	\$8.5 billion (Department of Finance)	\$7.7 billion (Legislative Analyst's Office)	\$5.6 billion (Legislative Analyst's Office)
How Much New Revenue Is Estimated in 2013-14 and Subsequent Years?	\$5.7 billion in 2013-14 and an average of \$6 billion per year while the measure's tax rate increases are in full effect (Legislative Analyst's Office)		Around \$10 billion in 2013-14, with annual revenues tending to increase over time (Legislative Analyst's Office)
Impact on the State Budget and Implications for School Funding			
If the Measure Takes Effect, Would the State Avoid \$6 Billion in Automatic Midyear Spending Reductions, Primarily to Education, in 2012-13?	Yes		No
How Would the New Revenues Be Allocated?	Revenues would be deposited into a newly created Education Protection Account within the state's General Fund. Revenues would increase funding for K-12 schools and community colleges and free up General Fund dollars to help close the state's budget gap.	Revenues would be deposited into a newly created California Education Trust Fund outside of the state's General Fund and be allocated as follows: 2013-14 through 2016-17: K-12 schools (60%), repayment of state debt (30%), child care and preschool (10%) 2017-18 until the measure expires: K-12 schools (85%), child care and preschool (15%) ^c	
How Would the New Revenues Affect the Proposition 98 Minimum Funding Guarantee for K-12 Schools and Community Colleges?	Because an increase in General Fund revenues tends to boost the Proposition 98 minimum guarantee, Proposition 30's revenues would likely increase state spending for K-12 schools and community colleges significantly. The Department of Finance estimates that under Proposition 30, the Proposition 98 minimum guarantee for 2011-12 and 2012-13 combined would increase by \$2.9 billion. ^d	Proposition 38 would not affect the Proposition 98 guarantee.	
How Much New Revenue Would Be Available To Help Close the State's Budget Gap? ^e	\$5.6 billion in 2011-12 and 2012-13 combined (Department of Finance) ^f The Department of Finance estimates that Proposition 30 revenues would close the budget gap through at least 2015-16.	Around \$3 billion per year through 2016-17 and several hundred million dollars per year beginning in 2017-18 (Legislative Analyst's Office) These estimated General Fund savings would result from revenues allocated to repayment of state debt.	
Would the Measure Place the Framework for the 2011 "Realignment" in the State Constitution?	Yes Proposition 30 would place the state-to-county shift of dedicated revenues in the state Constitution, ensuring that counties will receive ongoing funding to pay for the realigned public safety and health and human services programs.		No

Source: California Budget Project, *What Would Proposition 30 Mean for California?* (September 2012) and California Budget Project, *What Would Proposition 38 Mean for California?* (September 2012)

^a Income brackets are for 2011 and would be adjusted annually for inflation. Marginal tax rates exclude the 1% rate on incomes above \$1 million that was approved by voters through Proposition 63 of 2004.

^b The Department of Finance's (DOF) \$8.5 billion estimate includes revenue from the 2012 tax year that would be counted as 2011-12 revenue. The DOF has not provided estimates of how much revenue Proposition 38 would raise. According to the Legislative Analyst's Office (LAO), revenues raised by Proposition 38 in 2012-13 likely would not be spent until 2013-14.

^c Beginning in 2017-18, the share of Proposition 38 revenues that could be used to pay debt service would drop sharply. According to the LAO, during this period the measure could provide several hundred million dollars per year in state General Fund savings if certain conditions are met.

^d Proposition 30 revenues would be used to fund the increase in the Proposition 98 spending requirement.

^e The LAO has not provided General Fund savings estimates for Proposition 30. The DOF's savings estimate includes revenue from the 2012 tax year that would be counted as 2011-12 revenue. The DOF has not provided General Fund savings estimates for Proposition 38, nor estimates of Proposition 30's General Fund savings after 2012-13.

^f This General Fund savings estimate excludes Proposition 30 revenues that would fund an estimated \$2.9 billion increase in the Proposition 98 guarantee.