



Facts About PROPOSITION 1A

CALIFORNIA VOTERS WILL BE ASKED TO CONSIDER PROPOSITION 1A ON MAY 19

Proposition 1A is also known as the Budget Stabilization Act, on the special statewide May 19 ballot. This is one of six ballot measures that the Governor and the state Legislature have put forward as part of a package of actions to address a \$41.6 billion state budget shortfall.

Prop 1A would establish a “rainy day” reserve fund, regulate the level of spending each year, and increase the amount of funding held in reserve to help guard against the dramatic ups and downs that have characterized state spending in recent years.

If approved, Prop 1A could result in approximately \$16 billion in additional revenue to the state’s general fund between 2010-11 and 2012-13. This revenue would come from a 1-cent-per-dollar increase in the state sales tax, a vehicle license fee increase and a 0.25 percent increase in the state personal income tax. These increases would be combined with a budget cap on the amount the state can spend each year and the creation of a “rainy day” fund. The spending limit is based on revenue growth over the previous 10 years – any revenues over that amount would be saved in a rainy day fund.

Starting in 2011, 3 percent of general fund revenue would be placed in the rainy day fund each year. The rainy day fund would be capped at 12.5 percent of the revenue generated. Any amount above that could be used to pay debt or for one-time purposes.

The UC Board of Regents has endorsed Prop 1A, determining that the passage of Prop 1A would enhance UC’s ability to secure more adequate state support to fund its core mission by helping the state to achieve a more stable financial picture. Prop 1A is designed to help avoid further deep budget cuts to higher education and state agencies that are subject to discretionary funding actions of the Legislature and the Governor.

The state budget approved in February for the rest of 2008-09 and the 2009-10 fiscal year contained \$115 million in new permanent funding reductions for UC and, by virtue of other growing costs not addressed in the budget, extended the university’s state budget challenge to \$450 million. The total \$450 million shortfall for UC consists of the \$115 million in new cuts, \$122 million in underfunded enrollments and \$213 million in unfunded mandatory costs over the two-year period for utilities, employee health benefits and other inflationary costs. In addition, the final state budget included an additional \$255 mil-

lion one-time reduction that the state expected to backfill with federal stimulus funds. In late April, California received its initial share of the federal stimulus’ state stabilization funds, which provided \$268 million for UC. These funds offset the \$255 million in additional cuts for UC that were included in the final state budget and provided the university an additional \$13 million, making the budget shortfall for UC approximately \$437 million.

SUPPORT FOR PROP 1A

Prop 1A supporters include the California Chamber of Commerce, the California Taxpayers Association, the California Business Roundtable, California Farm Bureau Federation, and the California Alliance for Jobs, the California Fire Chiefs Association, the California Peace Officers’ Association, California NAACP and California Hispanic Chambers of Commerce. Proponents argue that Prop 1A will help provide short-term solutions to get California through these difficult economic times and long-term solutions to ensure we never again face the type of deficits we faced this year. If Prop 1A is not approved, supporters say that the general fund may once again be in significant deficit, which likely would necessitate further cuts to state-funded programs.

OPPOSITION TO PROP 1A

Organizations against Prop 1A include the Howard Jarvis Taxpayers Association, the California Faculty Association, SEIU and AFSCME. Opponents claim that Prop 1A is a tax hike disguised as a spending limit, with a two-year extension of higher car, income and sales taxes that will cost Californians jobs, hurt small businesses and weaken California’s ability to compete in the global economy. Opponents also argue that higher sales taxes will hurt low-income residents disproportionately, and the \$200 per child tax credit will be eliminated if Prop 1A passes.

MORE INFORMATION

More information about **Prop 1A** Includes arguments for and against, available on the Secretary of State’s Web site: www.voterguide.sos.ca.gov/pdf-guide/props/prop1a-analysis.pdf

www.voterguide.sos.ca.gov/pdf-guide/props/prop1a-arguments.pdf

For more information about **all the propositions** on the ballot and an overview of how the state budget process works: www.voterguide.sos.ca.gov

*The University of California does not support or oppose ballot measures. However, it does seek to objectively evaluate a ballot measure’s impact on UC and higher education. For legal guidelines for UC participation in ballot campaigns: www.ucop.edu/state/advocacy/ballotguidelines.html