Opinion: California doesn't need more taxes – no on Prop. 30

By Michelle Steel

Proposition 30, on the Nov. 6 ballot, will ask Californians to raise their own taxes by about $6.6 billion to fund California's bloated government. Proposition 30 won't fix our schools or stabilize the state budget; it will increase tax volatility and leave our children facing more of the same.

Proposition 30 will raise income tax rates by one to three percentage points on Californians who earn $250,000 or more, for seven years – making our top income tax rate the highest in the nation. It will also raise the state sales tax, currently the highest in the nation, by one quarter of a cent, for four years.

The rationale for the higher taxes is that top-earning Californians should "pay their fair share." Class warfare may be a good political tactic, but it is bad policy. Proposition 30 will make life for Californians more difficult across the wealth spectrum.

The state Franchise Tax Board data released earlier this year that shows that from 2007-09, the income of California's top 1 percent declined the most of any income class. Yet, they continued to account for over 35 percent of state tax revenue, down from about 50 percent in 2007, and now their contributions hover around 40 percent. A recent study by the California Budget Project says this group would account for 81.2 percent of Prop. 30 funds. While the CBP says that's a good thing, the Legislative Analyst's Office says these revenues "could be subject to multibillion dollar swings" because of economic fluctuations that affect investments much more than wages and salaries.

The lowest-income earners in California pay little to no income tax, but they pay a lot of sales tax. According to the Board of Equalization, the bottom fifth of earners spend 82 percent of their income on taxable purchases. While the tax increase on the bottom 20 percent will be small in comparison with the top 1 percent, it won't be insignificant at a time when every penny counts.

These tax hikes will hit everybody, and they will hurt the economy. After all, an economy is made up of the business owners, employees, and consumers who participate in it. When these individuals have fewer dollars in their wallets, it becomes harder to grow a business; to get transportation to work or to buy food, clothing, and everything else we need.

With less production, less consumption, and less capital with which to increase either of those, there is less economic growth and less work available for those who need it.

Supporters of Proposition 30 claim that the money taken out of our pockets will go to schools. The supporters' rebuttal to arguments against Proposition 30 included in the official Voter Guide says, "Proposition 30 provides billions in additional funds to reduce class sizes and restore programs like art and PE." But there is no evidence that classrooms will benefit from the increase in funds.

Even the California School Boards Association – a supporter of Proposition 30 – has said it wants "to make it clear to the public that the governor's initiative does not provide new funding for schools. Instead, it bolsters the General Fund with new revenue." The money that will go to schools, because of the California Constitution's minimum-funding requirement for education, will be spent to restore "some of the funds already owed to schools," not increased services for students.

The higher taxes in Propositin 30 will hurt the economy by taking more from Californians, making it more difficult to save for the future, to create jobs, or to find them. It will increase state spending without increasing student performance. And it will aggravate the revenue volatility that has plagued state budgeting for decades.

Please join me in voting no on Proposition 30.

Michelle Steel is vice chairwoman of the California Board of Equalization. This column first ran in the Orange County Register.