



What California Can Do to Protect the Health of Children & Put People Back to Work

If the legislature adopted the six revenue solutions outlined below, Californian could avoid the devastating impact of the Governor’s proposed program reductions to Health and Human Services. Last year, similar budget cuts were proposed that would have triggered the loss of 261,000 jobs in the health and human services industry alone.ⁱ It’s time for California’s legislators to be fiscally responsible by maintaining programs that not only help children and families during the economic downturn, but also keep billions of dollars circulating through our economy.

<p style="text-align: center;">Enact the following revenue options to raise almost \$8 billion for California</p>	<p style="text-align: center;">To avoid the following \$4.7 billion in devastating cuts</p>
<p>Tax on Upper Households: This would raise the income tax rate from 9.55% to 10%-11% for single filers with incomes greater than \$250,000 and married couples with incomes greater than \$500,000. <i>It is estimated that this tax increase would raise \$2.1 billion in state tax revenue annually.</i>ⁱⁱ Currently, California’s lowest-income families pay a disproportionate share of their total income in state taxes (11.1%) compared to the wealthiest 1% (7.8%).ⁱⁱⁱ</p> <p>Enact an Oil Severance Tax: This would impose a 10% tax on all oil producers for the privilege of collecting oil from the earth or water in California and would have no impact on the production of the price of gas at the pump. <i>It is estimated that this tax would generate at \$1.4 billion in 2011-2012.</i>^{iv} California, the third largest oil producing state in the nation, is the only state that does not charge an oil severance tax.</p> <p>Close Corporate Property Loophole: Would close a loophole in property tax law by requiring that when 100% of a company property changes ownership, it must be reassessed regardless of how many take ownership. <i>It is estimated that this would yield \$21 million annually in property tax assessments.</i>^v Currently, companies avoid reassessment when property changes ownership as long as multiple entities or individuals acquire that property with none acquiring more than a 50% interest.</p> <p>Amend Corporate Tax Law to mandate the use of a single sales method: This would require companies to pay higher state taxes if they make substantial sales in California regardless of where the vast majority of their employees are headquartered. <i>It is estimated that this would bring in \$250 million in 2011 -12 and up to \$1 billion by 2013-2014.</i>^{vi} The Legislative Analyst’s Office estimates that a mandatory single sales factor could produce an eventual net gain of about 40,000 jobs in California.</p>	<p>Healthy Families – \$41.8 million</p> <ul style="list-style-type: none"> • Eliminate Vision Coverage (\$12.2 million) including eye exams and glasses for 900,000 children. • Increase Healthy Families premiums (\$24.1 million) by 83% for 565,000 children whose family income is over 150% FPL. • Increase co-payments (\$5.5 million) on emergency room visits (\$15-\$50) and hospital stays (\$0-\$100) for 900,000 children. <p>Medi-Cal – \$1.74 billion</p> <ul style="list-style-type: none"> • Limit doctor/clinic visits to 10 per year (\$196.5 million) eliminating access to approximately 1.3 million office visits per year. • Limit prescription drugs to 6 per month (\$11.1 million) for the sickest 10% or 770,000 Medi-Cal beneficiaries. • Place dollar caps on medical supplies (\$9.8 million) such as hearing aids, durable medical equipment and wound care affecting 20,000 Medi-Cal beneficiaries. • Add co-payments (\$587.1 million) for 7.7 million families on doctor, clinical, dental & pharmacy visits (\$5), emergency services (\$50) and hospital stays (\$100/day & \$200/stay). • Eliminate coverage for adult day health care (\$178.1 million) for 27,000 seniors. • Eliminate coverage for over-the-counter drugs and limit nutritional supplements (\$17.1 million) for 7.7 million Medi-Cal beneficiaries. • Cut Medi-Cal reimbursement rates by 10% (\$743.6 million) for physicians, clinics, pharmacies, nursing facilities, long-term care, hospitals and others. <p>CalWorks (1.5 billion)</p> <ul style="list-style-type: none"> • Limit length of assistance, reduce grants and welfare to work activities dropping 122,000 families from the program.

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<p>Broaden definition of retailers engaged in business within California: This would require companies to collect a use tax on sales of tangible personal property to California consumers regardless of the state in which the retailer is headquartered or physically located. <i>It is estimated this will raise \$1 billion million annually in revenue.</i>^{vii} The New York Supreme Court noted that this type of measure allows the “out of state seller to shoulder their fair share of the tax collection burden” California should be afforded that same fairness.^{viii}</p> <p>Increase Alcohol Tax: This would impose a 10-cent tax on alcoholic drinks. <i>It is estimated that this will bring in \$1 billion annually.</i>^{ix} Alcohol taxes not only provide a source of revenue but reduce alcohol consumption, alcohol-related violence and community-blight.^x</p> <p>Broaden the Sales Tax: This would include a sales tax on entertainment, admissions, hotels, parking and facility use. <i>It is estimated that this would bring in \$1-2 billion annually.</i>^{xi} These items are included in their sales tax base in many other states.</p>	<p>SSI (\$177.3 million)</p> <ul style="list-style-type: none"> • Reduce grants for approximately 1 million low-income seniors and people with disabilities. <p>In Home Health Services (IHHS) (\$486.2 million)</p> <ul style="list-style-type: none"> • Eliminate hours and reduce services for more than 450,000 aged, blind and disabled individuals. <p>Child Care and Developmental Services (\$750 million)</p> <ul style="list-style-type: none"> • Reduce income eligibility and subsidies and eliminate childcare for children 11 to 12 cutting 188,000 families from programs and services.

ⁱ University of California, Berkeley Center of Labor Research and Education, The Economic Consequences of Proposed California Budget Cuts, May 2010.

ⁱⁱ California State Assembly, Bill analysis: AB 1836 (Furutani) as amended: April 15, 2010.

ⁱⁱⁱ California Budget Project “Who Pays Taxes in California?” April 2010.

^{iv} California State Assembly Bill Analysis: AB 1604 (Nava) as amended: February 17, 2010.

^v California Assembly Bill Analysis: AB2492 as amended: May 18, 2010.

^{vi} Office of California Senator Kevin De Leon “SB 116 California First – Bringing Jobs Back to California” February 2011.

^{vii} California Tax Reform Association, “Recommendation to Achieve Revenue Sufficiency” California Working Families Policy Summit, January 12, 2011.

^{viii} CA State Assembly bill analysis AB 178 (Skinner), April 27 2009.

^{ix} California Tax Reform Association, “Recommendation to Achieve Revenue Sufficiency” California Working Families Policy Summit January 12, 2011.

^x Jernigan et al, The Potential Economic Effects of Alcohol Excise Tax Increases in Maryland.

^{xi} California Tax Reform Association, “Recommendation to Achieve Revenue Sufficiency” California Working Families Policy Summit, January 12, 2011.