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Proposition 1A: Budget Stabilization/Rainy Day Fund/Two-year Extension of Tax Increases

This measure would change how the state budget is developed every year. In short, it places requirements on how much money the state must put into a "rainy day" fund in a given year, thereby limiting the amount the state can spend on ongoing programs in that same year.

Proposition 1A would also extend several tax increases approved as part of this past year's budget compromise. These taxes are currently set to expire after the 2010-2011 fiscal year. If Proposition 1A passes, the one-percent increase in the sales tax would be extended for one more year; the increase in the car tax (from 0.65 percent to 1.15 percent of the car's value) would extend for two more years, and the 0.25 percent increase in state income tax will also be extended for two more years.

- **Supporters of Proposition 1A** call it a long-awaited cap that will get state spending under control, adding that if Proposition 1A had been in effect ten years ago, California wouldn't be in the fiscal mess it is now. Supporters also say that without Proposition 1A, the only options in lean state revenue years will be deeper cuts for vital state programs, higher taxes for Californians, and increased pressure to eliminate the requirement that 2/3 of the Legislature approve any tax increase before it is implemented. Supporters acknowledge that the measure comes with a trade off in the form of higher taxes for two more years, but insist that California won't have another chance to put real spending reform in place for a decade if Proposition 1A fails, and we should not let this opportunity pass by.

Supporters of Proposition 1A include the California Taxpayers Association, the California Alliance for Jobs and the California Chamber of Commerce.

- **Opponents of Proposition 1A** say the measure will cost Californians an additional \$16 billion in taxes and that the price is just too high, especially because, they argue, Proposition 1A is so filled with fine print and loopholes that it will never achieve the meaningful budget reform it claims. Specifically, opponents point out that the "limits" put on state spending are based on the state's income, which it collects through tax revenues. By simply raising taxes, the state can increase its income, and thereby increase how much it can spend. They cite the state's independent Legislative Analyst's office agreement with this conclusion, when it says "The measure would not cap the level of spending that could be authorized in any given year if alternative revenues were approved." Thus, opponents claim, Proposition 1A actually encourages tax increases.

Opponents of Proposition 1A include the Howard Jarvis Taxpayers Association, the United Nurses Associations of California and the Congress of California Seniors.

More info:

Yes on Proposition 1A: www.cabudgetreformnow.com

No on Proposition 1A: www.VoteNoOn1A.com

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