



7 Things California Can Do to Protect the Health of Children & Families

If the legislature adopted the seven revenue solutions outlined below, California could **avoid making almost 100% of the Governor’s proposed program reductions to education, health and human services, and other public programs.**

It’s time for California legislators to be fiscally responsible by maintaining programs that not only help children and families during this economic downturn, but also keep billions of dollars circulating through our economy and take full advantage of federal stimulus dollars. For example—

- California could continue the Healthy Families Program and **provide healthcare coverage to nearly one million children by repealing the tax cuts enacted** over the last eight months that benefited only a very small number of California corporations.
- \$1 billion in proposed cuts to Medi-Cal eligibility, which could result in a **loss of health coverage for nearly a million, would be avoided if the legislature imposed a severance tax on oil production.**

CALIFORNIA CAN’T AFFORD TO TAKE REVENUE OFF THE TABLE!

Revenue Options	Revenue Generated
1. Reinstate the 10% and 11% Personal Income Tax Rates for the Top 1.5% Highest Earners. The tax rate for top earners in 2009 is below 1991 rates, while recent tax increases adopted by the legislature disproportionately impact low- and middle-income taxpayers. Going back to 1991 rates generates \$4-6 billion in revenue through a new 10 percent rate on the earnings of joint taxpayers with incomes above \$321,000 (\$160,500 single) and an 11 percent rate on joint taxpayers with incomes above \$642,000 (\$321,000 single). ⁱ	\$4-6 B
2. Fully Restore the Vehicle License Fee to 2% of Value. Restore the vehicle license fee to 2% of the depreciated value of a vehicle by making a 0.85 percentage point increase in the current rate. This could generate up to \$2.9 billion. ⁱⁱ	\$2.9 B
3. Broadening the Sales Tax. Expanding the narrow sales tax base by including options such as repair services, entertainment and recreation, cable and satellite TV, and digital downloads could generate between \$2 and \$4 billion.	\$2-4 B
4. Oil Severance Tax. California is the <u>only state that does not tax oil production</u> . A tax of 9.9 percent, which has been proposed by the Governor, would generate \$1 billion dollars a year and would have no impact on the production or the price of gas at the pump for consumers. ⁱⁱⁱ	\$1 B

<p>5. Repeal the Tax Cuts Enacted as Part of the September 2008 and February 2009 Budget Agreement. Despite the budget crisis, the legislature approved massive corporate tax breaks, including cuts that will provide large benefits for a very small number of corporations in California and result in the loss of \$2 billion in state revenue each year when fully implemented. Repeal of tax credit sharing enacted in September 2008 will raise \$80 million in 2009-10. Eliminating the temporary tax cuts enacted in February 2009 will raise \$341 million 2009-10.^{iv}</p>	<p>\$421 M</p>
<p>6. A "Nickel a Drink" Tax or Fee on Alcoholic Beverages. Billions in public costs, including for healthcare and law enforcement, can be attributed to alcohol abuse. Alcoholic-beverage taxes have not increased since 1991. A tax or fee would raise approximately \$585 million.</p>	<p>\$585 M</p>
<p>7. Limit Mortgage Interest Deductions to Primary Residences. California currently subsidizes vacation homes and boats through mortgage interest deductions. Elimination of this tax loophole would raise approximately \$85 million per year.</p>	<p>\$85 M</p>
<p>TOTAL</p>	<p>\$11-\$15 B</p>

Source: This document was extracted and amended by Community Health Councils from the California Budget Project's *Options for Closing the Budget Gap* (June 3, 2009).

ⁱ California Budget Project. *What's In the Conference Committee Revenue Package* (July 30, 2008).

ⁱⁱ Estimated revenue figure provided by the California Budget Project.

ⁱⁱⁱ California Tax Reform Association. *Oil Fact Sheet* (April 1, 2008).

^{iv} Jean Ross and Alissa Anderson. *To Have and Have Not*. The California Budget Project (June 2, 2009).

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