Legislative analyst offers lower estimate for Brown's tax-hike initiative

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Less than a week after Gov. Jerry Brown built his new budget on a $6.9 billion tax hike initiative, the state's top fiscal analyst said his measure would fall $2.1 billion short.

The Democratic governor wants to increase the sales tax by a half-cent for four years and the income tax on wealthy earners for five years to shore up California's deficit-plagued budget.

But the nonpartisan Legislative Analyst's Office said in a letter issued Monday that Brown's tax proposal will generate only $4.8 billion in the first budget cycle.

Jason Sisney, the analyst's office chief forecaster, said the two offices were in general agreement on how much sales tax revenue the state would raise under Brown's plan. But they disagreed over how much the state would obtain from the wealthy, whose income is extremely volatile.

"We're still working to analyze some of those differences, ... but given the nature of them, it has to do with our high-income assumptions," Sisney said.

The analyst's office and Department of Finance included separate projections in a joint letter to Attorney General Kamala Harris used to prepare voter information for petitions.

The difference doesn't have immediate consequences since lawmakers do not plan to act until May or June, when more income data will be available. If Brown's measure qualifies for the Nov. 6 ballot, the analyst's office would review the initiative again in July.

But if the analyst's forecast holds true, state leaders would eventually have to find additional cuts or revenue beyond Brown's proposal.

The governor released a $92.5 billion general fund plan last week that, besides raising taxes, would impose $4.2 billion in cuts. Those include halving the amount of time parents can receive welfare payments without finding a job and eliminating 71,000 subsidized child-care slots for working low-income parents.

If voters reject his taxes, Brown wants to cut more than $2 billion in school programs compared with this year's funds, though doing so relies on a legally questionable budget maneuver and
reneging on a promise made last year to educators. The state also would continue sending $10 billion in late payments to districts.

The joint letter says Brown's tax proposal would result in a net increase in state spending on K-12 schools and community colleges, but it doesn't say specifically how much, only that it "could be in the billions of dollars annually."

The analyst estimates that Brown's proposal would raise $5.5 billion annually over the next three fiscal years on average; the governor's Department of Finance has pegged it at $6.9 billion. In 2016-17, when the plan would cover half a fiscal year, Brown says it would raise $3.4 billion, while the analyst says $3.1 billion.

All told, the Department of Finance estimates Brown's plan would generate $31 billion over five years; the analyst says it would raise $24.6 billion.

Finance's assessment suggests the bulk of money would come from upper-income earners each fiscal year. The analyst's office says it's a nearly even split during the three full years of implementation, with slightly more money coming from the half-cent sales tax hike.