



PROPOSITION 30 - IN DEPTH SUPPLEMENT

Provides Funding for Programs to Reduce Air Pollution and Prevent Wildfires by Increasing Tax on Personal Income over \$2 Million.

Background

In response to climate change, California has implemented a number of programs to promote zero-emission vehicles (ZEVs). This includes requiring ride-sharing companies (such as Uber and Lyft) to have 90 percent of their drivers driving ZEVs by 2030. In addition to the high costs of ZEVs, the state's electrical grid requires upgrades in order to handle the increased capacity that additional ZEVs would require. The state currently has approximately \$10 billion allocated over 5 years for increasing the number of ZEVs in the state.

State agencies are responsible for wildfire suppression and prevention on about one-third of state land; federal and local agencies are responsible for the rest. The state budget for wildfires this year is approximately \$4 billion.

Last year, California raised more than \$130 billion in revenue from personal income taxes. California currently has a budget surplus of \$97 billion.

Prior Legislation

Assembly Bill 32 in 2006 and Senate Bill 32 in 2016 required California to reduce its overall greenhouse gas emissions to 1990 levels by 2020 and 40 percent below 1990 levels by 2030. These laws appointed the California Air Resources Board (CARB) to develop policies (including the state's cap-and-trade program) to achieve this goal. CARB began requiring increased use of ZEVs in 1990, as part of its emissions-reduction goals. Requirements have been refined over the years, and the current plan under consideration would require that by 2035, 100 percent of new vehicles sold must be ZEVs.

Policy Implications

The current marginal income tax rate in California is 12.3% on people married filing jointly for income earned above \$1,250,000. In addition, income over \$1 million is taxed 1% to fund mental health programs. If Prop 30 passes the rate will be 15.05% for each dollar above \$2 million in income. This rate is higher than that of other states in the US.

Increasing income tax revenue could cause the state to reach its spending limits, called the Gann Limit, which would mean that mandated expenditures from Prop 30 would require cutbacks in expenditures in other areas.



On August 25, 2022 the California Air Resources Board issued a regulation requiring 35% of new cars sold in California to be electric vehicles by 2026 and 100% by 2035. The Legislative Analyst Office's report says this in the Voter Information Guide:

- *If the state approves the ZEV mandate, then the additional funding from the proposition to help buy new ZEVs would not have much effect on the total number of ZEVs driven in California. This is because the ZEV mandate would already require a significant increase in the number of ZEV sales, even without the additional spending. Instead, the proposition's main effect would be to shift who pays for the ZEVs. That is, more costs would be covered by revenue from the new tax on high-income taxpayers instead of by vehicle sellers and/or buyers. This would not have much effect on state and local finances.*
- *If the state does not approve the ZEV mandate, then the funding from the proposition to help buy new ZEVs would increase the number of ZEVs—and decrease the number of gasoline- or diesel-powered vehicles—driven in California. As a result, the amount of gasoline being used would be less. Over the long term, this change could have several different fiscal effects on state and local governments, including lower gasoline tax revenues that are used for transportation projects, higher revenues from electricity taxes, and other effects related to less air pollution. The net fiscal effect of these changes are uncertain, but likely minor compared to the hundreds of billions of dollars state and local governments spend annually on all activities.*

Supporters Say:

- Prop 30 will reduce catastrophic wildfires and air pollution from vehicles.
- Prop 30 taxes only the wealthiest 0.2 percent of Californians, ensuring they pay their fair share to help reduce air pollution.

Opponents Say:

- Californians already pay high income taxes and are facing high inflation.
- California has already allocated significant funds to ZEVs and to wildfire suppression and prevention; additional funds can be paid from the state's budget surplus.

***Supporters** (Signers of the official ballot arguments are in bold)

**California State Firefighters
American Lung Association**



**Coalition for Clean Air
California Environmental Voters
Natural Resources Defense Council
Union of Concerned Scientists**

Yes on 30: Clean Air California yeson30.org

Major campaign contributions as of August 17, 2022 – \$15,644,707

***Opponents** (Signers of the official ballot arguments are in bold)

**Howard Jarvis Taxpayers Association
California Small Business Association
United Latinos Action
California Teachers Association
Jack O’Connell, State Superintendent of Public Instruction, Ret.**
Governor Gavin Newsom
Republican Party of California

None reported from any opponents

*For information about total funding and major contributors, consult one of these sources: Voter’s Edge (votersedge.org/ca), Power Search (powersearch.sos.ca.gov/quick-search.php), or Fair Political Practices Commission (www.fppc.ca.gov/transparency/top-contributors/nov-22-gen.html). The latter lists only the contributions of the campaign committees.