



CALIFORNIA BUDGET PROJECT

FOR IMMEDIATE RELEASE  
September 8, 2011

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## Statement: Jean Ross on Tax Deal Announced by Governor Brown

The California Budget Project, a nonpartisan public policy research group, released the following statement from Executive Director Jean Ross today in response to the tax deal announced by Governor Jerry Brown today:

"The California Budget Project strongly opposes the last-minute tax deal announced by the Governor today. This agreement not only makes major changes to the state's tax system in the final hours of the legislative session without an opportunity for public review and comment, but it also provides costly new tax breaks at a time when the Governor's Department of Finance projects budget deficits into the foreseeable future.

"The Governor's proposal suffers from what the California State Senate's Office of Oversight and Outcomes called the 'blank check effect,' in a report issued this morning. This report noted: 'Tax expenditures, unlike direct spending, can balloon far beyond initial expectations with little notice or control.' While recent corporate income tax collections suggest that the cost of elective single sales factor apportionment, also enacted as part of a last-minute deal, will far exceed the initial February 2009 estimates, the proposal announced today replaces one flawed policy with another. Although the proposed tax deal strives for revenue neutrality, last-minute drafting and the lack of public review could very well result in policies that will cost the state far more than initial estimates suggest.

"The fact is, California cannot afford the kind of 'no strings attached' policy that this tax deal represents. The proposal announced today provides costly tax breaks to businesses at a time when corporate profits are at record levels. Moreover, it does so without requiring recipients of the tax cuts to create a single new job or invest even one additional dollar in California.

"Lawmakers should balance the deep cuts made as part of this year's budget agreement with meaningful new revenues raised by closing ineffective tax loopholes, such as elective single sales factor apportionment, rather than divert those resources to risky new tax cuts. Tax cuts enacted over the past two decades will cost the state \$13 billion in 2011-12. These tax cuts are one of the reasons why California faces significant budget crises on an annual basis.

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“We agree with the Governor that California should require all corporations to use the single sales factor method of allocating income, but the dollars that would be gained by doing so should be invested in the public structures and systems that have made California great: our public schools, colleges and universities, and other quality services.”

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*The California Budget Project (CBP) engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. Support for the CBP comes from foundation grants, publications, and individual contributions. Please visit the CBP's website at [www.cbp.org](http://www.cbp.org).*