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Contact: Ron Roach (916) 930-3104

CAL-TAX: OPPOSITION EVALUATION OF PROPOSITION 76 IS PREDICATED ON HUGE TAX INCREASE IF THE INITIATIVE IS DEFEATED

Opposition statements about Proposition 76, the budget reform initiative on the November 8 ballot, are predicated on the fact that opponents believe they can get the Legislature to raise taxes by \$3.8 billion for schools next year if the initiative is defeated, the California Taxpayers' Association observed today.

Teacher union lawyer Lance Olson has criticized a campaign commercial based on Cal-Tax's analysis that funding for schools will increase next year. His criticism is pure fantasy and must be based on (1) his belief that, if Proposition 76 is defeated, the union can successfully lobby for a \$3.8 billion tax increase in the Legislature in 2006 and (2) his misunderstanding of the words "increase" and "cut" in the English language.

By repealing "Test 3" of the school funding law, Proposition 76 guarantees that schools will get at least a \$3 billion **increase** in funding next year over what they got this year. Under existing law, and with budget experts expecting that Test 3 of Proposition 98 will remain in effect, a smaller increase will be provided. This is a fact.

The charge that the measure "cuts" school spending by \$3.8 billion is based on the union attorney's belief that the Legislature in 2006 will raise taxes by \$3.8 billion and appropriate \$6.8 billion in new money for schools, despite a \$7.5 billion structural deficit. This is pure wishful thinking, according to Cal-Tax.

And if the Legislature could get a two-thirds vote for a \$3.8 billion tax increase, it still cannot fairly be said that Proposition 76 "cuts" school spending. The \$3 billion in increased spending would be a smaller **increase**, but not a cut. The difference between a \$6.8 billion increase and a \$3 billion increase best meets the definition of "Slobovian loss," as defined by the Assembly Revenue and Taxation Committee in a 1980 report. In the "Revenue and Taxation Reference Book," Slobovian loss is a "loss of something you don't have but thought you might get."

Note: The term "Slobovian loss" originates from the reference to the mythical country of Lower Slobovia in the satirical "Li'l Abner" comic strip classic by Al Capp.

(See [attached](#) Cal-Tax release on facts, assumptions and conclusions regarding the impact of Proposition 76 on school funding.)