

California: New senator proposes a sweeping overhaul above and beyond Governor Brown's budget



David M. Kall | Tuesday, February 3, 2015

On Jan. 9, 2015, Gov. Brown released his [budget](#) for 2015-2016. It calls for \$113 billion in general fund spending, representing an increase of 1.4 percent over the previous budget. In a press release, the governor's office stressed that the governor's policies helped stabilize California's "massive \$26.6 billion budget deficit and estimated shortfalls of roughly \$20 billion" since Gov. Brown took office in 2011. Since then, billions of dollars in cuts, along with an improving economy and voter-approved temporary revenue producing measures helped to eliminate those deficits.

Reuters reported that while Senate Republican leader Robert Huff praised the budget proposal as a frugal plan and a good starting point, some progressive democrats take issue with the governor's failure to restore safety net measures, like those to help the impoverished and disabled.

Since Gov. Brown's budget release, one state senator, Bob Hertzberg (D-Van Nuys), has been in the spotlight for putting forth his own proposals. The former Democratic Speaker of the Assembly introduced [Senate Bill 8](#), or the Upward Mobility Act (Act), an "upward mobility ladder" for California residents. On his website, Sen. Hertzberg described the Act as one crafted to "help ensure California's residents and businesses can thrive in the 21st Century global economy."

Initially, the Act's goal is to explore problems with the current tax structure and discuss reform alternatives. Ultimately, the Act seeks to create broad changes to three areas of the state's tax code:

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- Broaden the tax base by imposing a sales tax on services to increase revenues. Healthcare and education services would be exempted from the tax, as well as small businesses with under \$100,000 gross sales.
- Enhance the state's business climate and incentivize increases in minimum wage. The corporate income tax would be reviewed to determine whether it is meeting its intended purposes, including whether it is shared fairly among California's businesses and what impact it has on the business climate, while at the same time linking changes to a change in the minimum wage.
- Examine the impacts of simplifying the Personal Income Tax while maintaining progressivity.

Characterizing Sen. Hertzberg's plan as a "sweeping overhaul" of California's tax structure, the *Los Angeles Times* noted that it would increase revenues by \$10 billion annually by broadening the sales tax, lowering personal and corporate income tax, and boosting the minimum wage. The senator, who is also the new Chair of the Senate Governance and Finance, has received a "surprisingly warm reception."



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