



Kate Harrison
Councilmember District 4

CONSENT CALENDAR

June 30, 2020

To: Honorable Mayor and Members of the City Council
 From: Councilmember Kate Harrison (Author) and Councilmember Cheryl Davila (Co-Sponsor)
 Subject: Resolution Urging Members Of Our State Legislature And Governor To Explore New Revenue Generating Options, Including A Millionaire Tax To Ensure Safety Net Programs Are Not Cut Due To An Unprecedented Statewide Deficit

RECOMMENDATION

Adopt a resolution encouraging State Legislators and the Governor to explore revenue options, including an additional tax on the highest earning Californians, to address the significant state budget shortfall following the impact of COVID-19.

FISCAL IMPACTS OF RECOMMENDATION

None to City of Berkeley

BACKGROUND

The COVID-19 pandemic has deeply impacted California's economy as U.S. Department of Labor data shows California's pandemic-related unemployment claims reached to 4.9 million, or an estimated 25% of California's workforce. As a result of this and the general economic downturn, California now faces an unprecedented \$54.3 billion deficit, which is an estimated 37% of the state's current general fund budget due to a loss of revenue, according to the state Department of Finance. While the Governor's May budget revise proposal includes \$4.4 billion in new revenues, it still largely predicated on borrowing and deferrals and an even greater federal bailout that includes \$14.0 billion in triggered cuts absent further federal action.

The deficit is not only at the state level but locally, as Resolution No. 69,400-N.S. states that the "City of Berkeley has incurred significant unbudgeted costs and anticipates additional costs" due to COVID-19. Deficits in Berkeley and across California raise fears about cuts to safety net programs used to stabilize and support families out of poverty in a state which where there is already growing income inequality As is the case with many crisis events, this is an impact that will fall disproportionately on low-income people and solutions to the budget shortfall must take this into account by focusing on progressive rather than regressive

solutions to generating revenue. During a time of hardship, our most vulnerable residents in Berkeley and statewide will rely more heavily on safety net services to survive and these programs will require additional financial investments as demand for them grows.

The proposed State-level “Millionaire tax” -- to be on the ballot in the fall -- would add a slight 2% increase on taxable personal income for our wealthiest Californians, those whose take-home salary is over a million dollars a year, and whose top marginal income tax rate currently stands at 13.3. The support for such a measure is very strong throughout the state. Polling by Binder Research Associates for Build Affordable Faster CA shows that 70% of California voters support a Millionaire’s Tax -- which would raise \$6 billion annually -- to protect vital public and community services.

Council of the City of Berkeley should urge members of our State Assembly and Governor to explore new revenue generating options, including a millionaire tax to ensure safety net programs are not cut due to an unprecedented deficit.

ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental effects associated with the proposed recommendation.

RATIONALE FOR RECOMMENDATION

This action to pass this resolution is necessary to help address the oncoming State budgetary shortfalls brought on by COVID-19.

ALTERNATIVE ACTIONS CONSIDERED

None.

CONTACT PERSON

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Attachments:

1: Resolution

RESOLUTION NO. N.S.

RESOLUTION URGING MEMBERS OF OUR STATE LEGISLATURE AND GOVERNOR TO EXPLORE NEW REVENUE GENERATING OPTIONS, INCLUDING A MILLIONAIRE TAX TO ENSURE SAFETY NET PROGRAMS ARE NOT CUT DUE TO AN UNPRECEDENTED STATEWIDE DEFICIT

WHEREAS, according to the Center for Disease Control, COVID-19, a respiratory disease, is a serious global health threat, with over 7 million cases of infection and 404,000 deaths globally; and

WHEREAS, in response to the COVID-19 pandemic, on March 3, 2020, the City Manager, in her capacity as Director of Emergency Services, proclaimed an emergency in the City of Berkeley due to the conditions of extreme peril to the safety of persons as a consequence of the global spread of COVID-19 and on March 4, 2020, the Governor of California ordered a statewide State of Emergency in response to COVID-19; and

WHEREAS, the Berkeley City Council adopted a resolution on March 10th ratifying the March 3rd Proclamation of a Local Emergency; and

WHEREAS, the pandemic has deeply impacted California's economy as U.S. Department of Labor data shows California's pandemic-related unemployment claims reached to 4.9 million, or an estimated 25% of California's workforce; and

WHEREAS, in statewide polling of likely voters in May 2020 by Binder Research Associates for Build Affordable Faster CA, 40% of those polled had lost their jobs or had hours or wages reduced at work due the COVID-19 pandemic; and

WHEREAS, in the polling by Binder Research Associates for Build Affordable Faster CA, a near-unanimous 93% of Californians expressed strong concern about the impact of the Coronavirus epidemic on the California economy, and 70% were concerned that vital these programs and services, such as our public schools and fire departments, will be cut in the next year because of reduced tax revenues; and

WHEREAS, California now faces an unprecedented \$54.3 billion deficit, which is an estimated 37% of the state's current general fund budget due to a loss of revenue, according to the state Department of Finance; and

WHEREAS, while the Governor's May budget revise proposal includes \$4.4 billion in new revenues, it still largely predicated on borrowing and deferrals and an even greater federal bailout that includes \$14.0 billion in triggered cuts absent further federal action; and

WHEREAS, while borrowing/deferrals and a federal bailout are part of the solution, borrowed money will need to be repaid (it took over a decade to repay many of the debt obligations from the 2008 Recession) and federal reliance is tenuous given that the White House and Senate are both controlled by fiscal conservatives; and

WHEREAS, the deficit is not only at the state level but locally, as Resolution No. 69,400-N.S. states that the "City of Berkeley has incurred significant unbudgeted costs and anticipates additional costs" due to COVID-19; and

WHEREAS, deficits across California raise fears about cuts to safety net programs used to stabilize and support families out of poverty in a state which where there is already growing income inequality; and

WHEREAS, even before the pandemic, there was great income inequality in California where according to Public Policy Institute of California (PPIC), “the large gap between the state’s top earners and others has grown substantially over the past four decades,” where top income earners in the Bay Area make 12.2 times as much as those in the lowest income bracket; and

WHEREAS, according to the Public Policy Institute of California, in California, 20% of all net worth is concentrated in the 30 wealthiest zip codes, home to just 2% of Californians and African American and Latino families have much lower wealth levels compared white families; and

WHEREAS, according to PPIC, in their California Poverty Measure report, major tax and safety net programs reduce this inequality by 48%; and

WHEREAS, Berkeley ranked 10th for income inequality among U.S. cities over 100,000 people where the lowest quintile in Berkeley had only 1.42% of the city’s total household income compared to the top quintile that had 55.42% of the total household income, according to a 2014 report by Bloomberg; and

WHEREAS, during a time of hardship, our most vulnerable residents in Berkeley and statewide will rely more heavily on safety net services to survive and these programs will require additional financial investments as demand for them grows; and

WHEREAS, making cuts to public education and state programs will have dire consequences for our most vulnerable residents, it is imperative for our state legislators to explore additional revenue options; and

WHEREAS, in the United States, as of 2013, the top 1% of households owned 36.7% of all privately held wealth according to a study by Americans for Tax Fairness; and

WHEREAS, some U.S. billionaires gained \$434 billion during the COVID-19 pandemic according to Americans for Tax Fairness and the Institute for Policy Studies’ Program for Inequality; and

WHEREAS, in the 1950s and 1960s, the wealthiest Americans paid a top income tax rate of 91%, compared to 43.4% in reviewing Tax Rate Schedules from the U.S. Department of the Treasury; and

WHEREAS, polling by Binder Research Associates for Build Affordable Faster CA shows that 70% of California voters support a Millionaire’s Tax -- which would raise \$6 billion annually -- to protect vital public and community services; and

WHEREAS, the proposed Millionaire tax would add a slight 2% increase on taxable personal income for our wealthiest Californians, those whose take-home salary is over a million dollars a year, and whose top marginal income tax rate currently stands at 13.3%;

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley hereby supports and urges members of our State Assembly and Governor to explore new revenue generating options, including a millionaire tax to ensure safety net programs are not cut due to an unprecedented deficit; and

BE IT FURTHER RESOLVED, That the City Clerk is authorized to transmit copies of this Resolution to Governor Newsom, State Senator Nancy Skinner, Assemblymembers Buffy Wicks and Rob Bonta, Senate President pro Tempore Toni Atkins and Speaker of the California State Assembly Anthony Rendon.