

December 15, 2011

To: Interested Parties
From: Ben Tulchin and Ben Krompak, Tulchin Research
Re: **Statewide Polling Finds Strong Support for Millionaires Tax to Restore Funding for Essential Services in California**

Over the past several years, the state of California has made billions of dollars in state budget cuts to education and other essential services. These massive cuts have hit middle class families and local communities hard during already tough times, resulting in larger class sizes, rising college tuition, decreased assistance for seniors in need, reduced public safety and emergency services, and neglected infrastructure. With new trigger cuts now looming, the Restoring California Coalition was convened to advance a ballot measure to offset these cuts and restore funding to education and other mission critical areas in order to protect the future of California's middle class through a tax on California's wealthiest taxpayers.

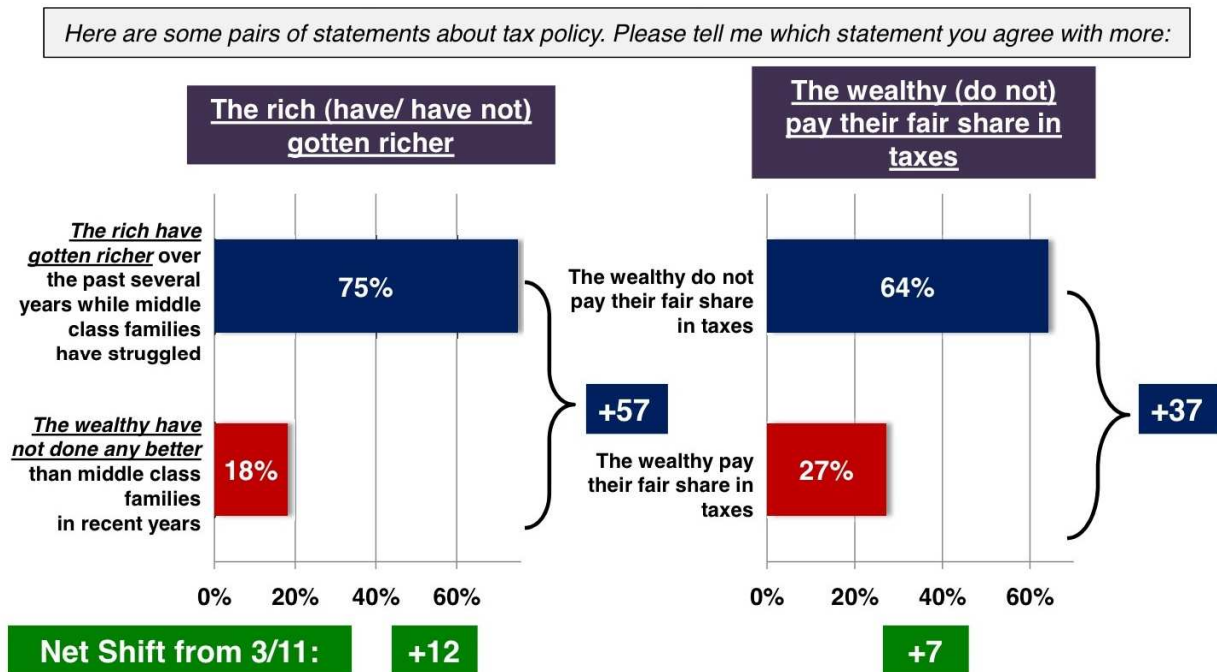
To that end, Tulchin Research has been working closely with the coalition to develop a statewide revenue measure that can win at the ballot box. We have conducted an unprecedented amount of public opinion research on fiscal issues and tax policy, including numerous rounds of statewide polling and focus groups with voters across the state. As a result, the Restoring California Coalition has put forth a measure that would generate \$6 billion a year in new state revenues to restore funding to education, public safety, senior and children's services, and rebuild roads and bridges, by asking those who make more than \$1 million annually to pay their fair share. **The "Millionaires Tax to Restore Funding for Education and Essential Services Act of 2012," or simply "The Millionaires Tax," is the ONLY statewide revenue measure currently being pursued that would not raise taxes on anyone earning less than \$1 million a year to balance the budget and fund education and other essential services.** Furthermore, our extensive research fully vetted the Millionaires Tax and, as a result, it represents the strongest proposed statewide revenue measure with the best chance of success in the November 2012 general election.

Voters Overwhelmingly Believe That the Rich Are Getting Richer and Do Not Pay Their Fair Share in Taxes

At a fundamental level, **California voters overwhelmingly believe that that the rich have gotten richer in recent years and that the wealthy do not pay their fair share in taxes.** Our October 2011 survey of 1,200 likely California voters statewide found three out of four voters (75%) in agreement with the statement that "the rich have gotten richer over the past several years while middle class families have struggled," with only 18 percent of voters believing that "the wealthy have not done any better than middle class families in recent years." Similarly, on the question of whether those at the top are contributing their fair share, nearly two-thirds (64%) of voters statewide agree that "the wealthy do not pay their fair share in taxes" while only a quarter (27%) believe that they do.

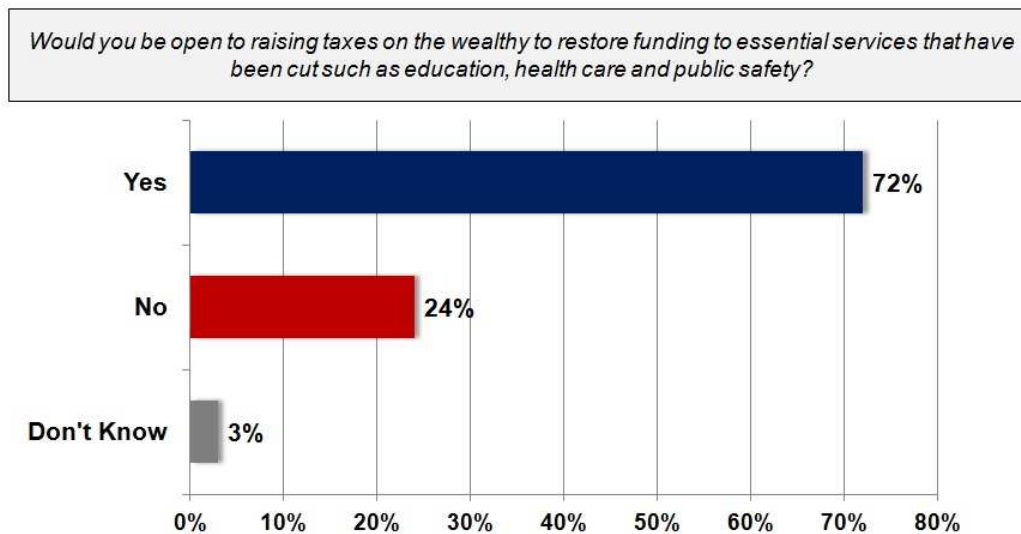
Notably, our research finds public opinion has moved increasingly in this direction since just earlier this year, as billionaire investor Warren Buffett noted that wealthy individuals like himself do *not* pay their fair share in taxes and called for Washington to “stop coddling the rich,” President Obama has introduced federal tax proposals to raise taxes on those who make more than \$1 million a year, and Occupy Wall Street has made its presence known in the political landscape. A Tulchin Research survey in March 2011 of 800 likely California voters found similar attitudes but slightly less dramatic margins, with 69 percent of voters feeling the rich had gotten richer to 24 percent who said they had not and 61 percent agreeing that the wealthy do not pay their fair share in taxes to 31 percent who said they do. As the graph below illustrates, the more recent October data represents a net shift of 12 points since March toward the belief that the rich have gotten richer and a net shift of 7 points toward the position that the wealthy do not pay their fair share in taxes.

Graphic 1: Public Attitudes Toward the Wealthy and How Much They Pay in Taxes



We then took this line of questioning one step further and asked if voters “would be open to raising taxes on the wealthy to restore funding to essential services that have been cut such as education, health care, and public safety.” The results tracked sentiment with data described above as nearly three out of four voters (72%) responded that they would be open to raising taxes on the wealthy to restore funding cuts and less than a quarter (24%) oppose it, with only three percent undecided.

Graphic 2: Voters Open to Raising Taxes on the Wealthy to Restore Funding to Services



As the only proposed statewide revenue measure that would raise the income tax rate on the wealthiest Californians and not raise any taxes on those making less than \$1 million in annual income, the Millionaires Tax reflects public opinion by asking more only of those taxpayers whom voters believe can afford it and do not currently pay their fair share.

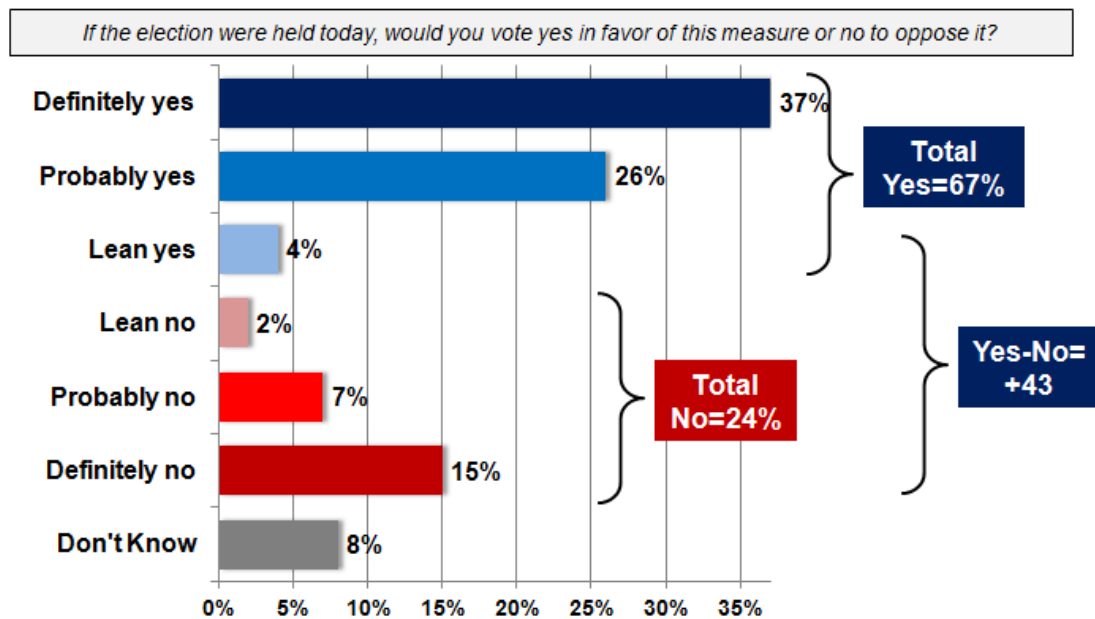
Millionaires Tax Supported by a Wide Majority of California Voters

Throughout the course of our research, involving multiple rounds of statewide polling and focus groups conducted across the state, we thoroughly tested different tax proposals incorporating different themes, dollar amounts, and funding priorities. **We consistently found voters most willing to support a measure taxing annual income over \$1 million and funding education and other essential services that have seen cuts in recent budget years.**

Campaigns rarely release polling data, especially the initial vote for title and summary on a ballot measure, but the results of our research are so compelling that we feel it important to share with the public our major findings in order to demonstrate that ours is indeed the strongest and most winnable revenue measure currently being proposed.

Our October poll tested a title and summary for a measure closely reflecting the final version of the Millionaires Tax submitted to the Attorney General's office. **The measure, which would establish a tax increase on incomes over \$1 million and raises \$6.1 billion to restore funding to education and other services that have been cut, is supported by voters by a commanding 43-point margin with fully two-thirds of voters (67%) of voters in support of the measure and less than a quarter (24%) opposed.** Impressively, nearly two out of five voters (37%) *strongly* support the millionaires tax, giving this measure a solid base of support and putting it in excellent position to pass on Election Day. Only eight percent of California voters said they were undecided on the measure – a very low number at this early stage in the process.

Graphic 3: Strong Support Statewide for Millionaires Tax to Restore Funding for Services¹



As detailed in the table below, the measure attracts voters from across the political spectrum and finds strong support in all corners of the state and among voters of all ages, genders, ethnicities, and incomes.

- **The Millionaires Tax finds support across the political spectrum. The measure is backed by wide majorities of Democrats and independent voters and polls even with Republicans.**
 - Democrats support the measure by a margin of better than 8-to-1, with 84 percent of Democrats in support and just 10 percent opposed.
 - Among decline-to-state and third party voters, more than two out of three (68%) support the measure to just 23 percent who oppose it – a margin of 45 points.
 - Republicans are evenly divided on the measure, with 46 percent opposed to it and 45 percent in support – a very healthy position for any statewide tax measure to be in with Republican voters at this early stage.

¹ The text of the title and summary tested in our poll is as follows: **Restores funding for education, police, fire, senior services, and road repair. Tax on personal income above \$1 million. Accountability Requirements. Initiative statute.**

- Provides funds to restore specified programs previously eliminated due to budget cuts.
- Allocates 52% to Kindergarten through 14 and higher education; 16% to police and fire; 16% to senior services; and 16% to road repairs. Imposes additional 3% tax on taxpayers' personal income above \$1 million and 5% tax on taxpayers' personal income above \$2 million to provide dedicated funding to restore budget cuts.
- Creates dedicated fund into which tax revenues are deposited.
- Accountability requirements include independent audits.
- The Legislative Analyst's estimate of fiscal impact would be additional annual state revenues of about \$6.1 billion with comparable annual expenditures by the state and local government for funding specified programs previously eliminated due to budget cuts.

Graphic 4: Support Statewide for Millionaires Tax by Key Demographic Groups

<i>“If the election were held today, would you vote yes in favor of this measure or no to oppose it?”</i>				
	TOTAL YES	TOTAL NO	UNDECIDED	YES – NO
All Voters	67%	24%	8%	+43
PARTY				
Democrat	84%	10%	6%	+74
Republican	45%	46%	9%	-1
DTS/Other	68%	23%	10%	+45
REGION				
Los Angeles County	71%	20%	9%	+51
Other Los Angeles Area	61%	33%	6%	+28
Bay Area	78%	14%	8%	+64
San Diego	69%	26%	5%	+43
Sacramento/North	65%	29%	6%	+36
Central Valley	55%	33%	11%	+22
GENDER				
Men	65%	29%	6%	+36
Women	70%	20%	9%	+50
RACE				
White	64%	28%	9%	+36
Latino	78%	18%	4%	+60
Black	88%	7%	5%	+81
Asian	81%	19%	*	+62
AGE				
18-29	79%	15%	5%	+64
30-39	80%	12%	8%	+68
40-49	65%	26%	8%	+39
50-64	65%	28%	7%	+37
65+	59%	32%	8%	+27
ANNUAL HOUSEHOLD INCOME				
<\$35,000	83%	14%	3%	+69
\$35,000-\$75,000	65%	28%	7%	+37
\$75,000-\$150,000	63%	30%	7%	+33
\$150,000-\$250,000	69%	25%	7%	+44
\$250,000+	59%	39%	3%	+20

- **The Millionaires Tax is backed by wide majorities of voters in every region of California.**
 - The strongest support for the measure comes from the San Francisco Bay Area, where voters say yes by a 64-point margin, with 78 percent of voters supporting it and just 14 percent opposed.
 - Voters in Los Angeles County support the Millionaires Tax by a 51-point margin, with 71 percent of voters supporting the measure and just 20 percent opposed.
 - In the Los Angeles area outside of L.A. County, voters back the measure, 61 percent to 33 percent, which is quite impressive in this traditionally more conservative part of the state that includes Orange County as well as the Inland Empire (Riverside and San Bernardino counties).
 - Voters in the San Diego area back the measure by a 43-point margin, 69 percent to 26 percent.
 - In the Sacramento region, voters back the measure 65 percent to 29 percent.
 - In the Central Valley region, 55 percent of voters support the measure to 33 percent who oppose it.

- **The Millionaires Tax is supported by men and women and by voters of all ages.**
 - The measure is supported by female voters by a margin of 50 points (70 percent support to 20 percent opposed) and by male voters by a margin of 36 points (65 percent support to 29 percent opposed).
 - The measure is backed by voters under the age of 50 by 55 points (74 percent support to 19 percent opposed) and by voters over 50 by 32 points (62 percent support to 30 percent opposed), with voters under 40 giving it the highest level of support (80%).

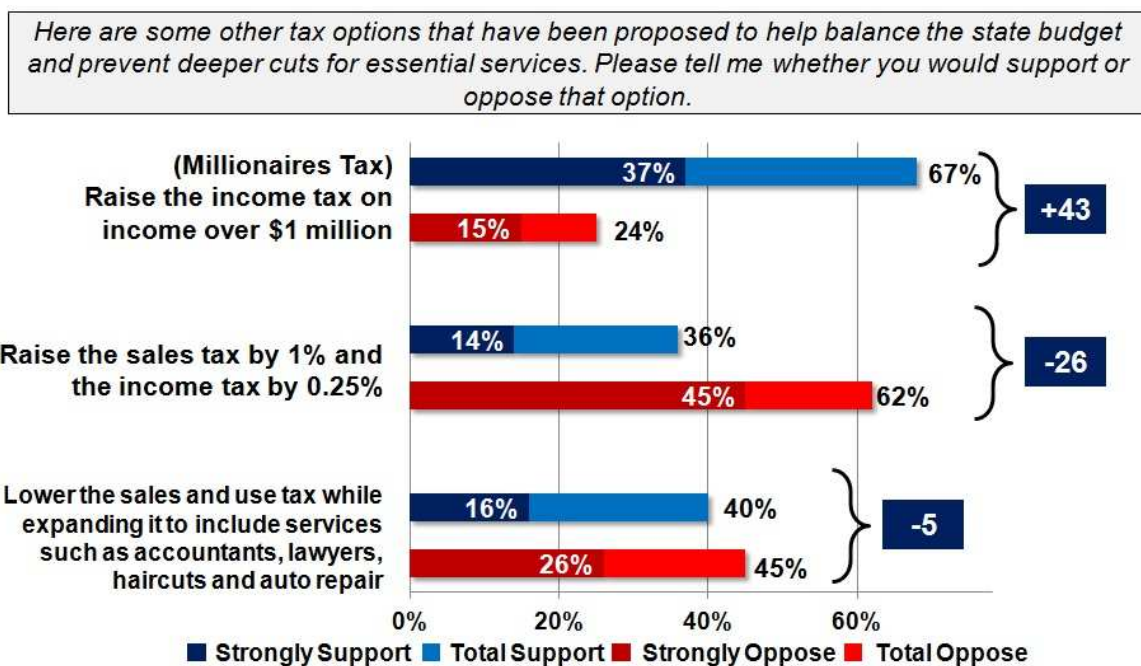
- **Voters of all ethnicities strongly support the Millionaires Tax.**
 - Among white voters, 64 percent support the measure while 28 percent oppose it.
 - The measure finds its strongest support among black voters, 88 percent of whom support it to just 7 percent who are opposed.
 - Latino voters back the measure by a margin of 78 percent to 18 percent.
 - Among Asian voters, 81 percent support the measure while just 19 percent oppose it.

- **The Millionaires Tax is supported by voters at all income levels – including those in households making over \$250,000 a year.**
 - Not too surprisingly, households with the lowest reported income (\$35,000 a year or less in household income) offer the highest level of support, as 83 percent would vote yes on the millionaires' tax if the election were held today to only 14 percent who would oppose it.
 - On the other end of the spectrum, **even the wealthiest households in California support the Millionaires Tax, as those who report making more than \$250,000 a year in household income** (in the top 1 percent of income earners nationally) **back the measure by a margin of 59 percent to 39 percent.**
 - Voters in between also favor it as households with an annual income of between \$150,000-\$250,000 support the measure by a 44-point margin, 69 percent to 25 percent.

Research Finds Far Less Support for Regressive Tax Options

In addition to the Millionaires Tax, we tested several more regressive tax options to address the state’s budget challenges and consistently found an electorate with little appetite for raising taxes on California’s struggling middle class. Our October survey tested policy options including a one-percent increase in the state sales tax combined with a one-quarter-of-one-percent across-the-board increase in the state income tax as well as a proposal to lower the sales tax and expand it to include services such as accountants, lawyers, haircuts, and auto repair. Both measures fail to garner the support of a majority of voters, with the income and sales tax proposal being rejected by a 26-point margin (36% support to 62% opposed) and the proposal to lower the sales tax but expand it to cover services also being rejected (40% support to 45% opposed).

Graphic 5: Opposition to More Regressive Tax Proposals



These findings are very consistent with our other qualitative and quantitative research, demonstrating that voters are very open to raising new revenues from those taxpayers earning over \$1 million a year but much more reluctant to support tax increases on themselves during challenging times.

Conclusion

In summary, the Millionaires Tax represents the strongest and most winnable revenue measure headed for the November 2012 California statewide ballot. California voters widely believe that the rich have gotten richer in recent years and that the wealthy do not currently pay their fair share in taxes. The measure’s development was informed by extensive public opinion research finding potential resistance to tax increases on California’s middle class but strong support for raising taxes on annual incomes over \$1 million in order to restore funding to education and

Tulchin Research – Research Findings

other essential services. The Millionaires Tax measure finds support across the state and across the political spectrum and is supported by voters of every ethnicity, gender, age group, and income level. Additionally, the measure has a strong and intense base of support and a relatively low number of voters statewide (8%) are undecided on the issue, demonstrating that it's standing is relatively stable at the outset of the campaign and putting it in an excellent position to garner a majority of the vote and pass in November.

Research Methodology:

Tulchin Research conducted an extensive amount of public opinion research to assess the viability of the Millionaires Tax proposal to restore funding to education and other essential services. Here is the methodology of the research we have cited in this report.

- From October 28 – November 3, 2011, Tulchin Research conducted a statewide telephone survey among 2,400 likely November 2012 voters in California, using live interviewers and calling both landlines and cell phones. The margin of error is +/- 2.0 percentage points.
- From October 6 – October 13, 2011, Tulchin Research conducted a statewide telephone survey among 1,200 likely November 2012 voters in California, using live interviewers and calling both landlines and cell phones. The margin of error is +/- 2.8 percentage points.
- From March 13 – March 16, 2011, Tulchin Research conducted a statewide telephone survey among 800 likely November 2012 voters in California, using live interviewers and calling both landlines and cell phones. The margin of error is +/- 3.5 percentage points.
- Focus Groups: Tulchin Research conducted sixteen (16) focus groups among swing voters and base voters throughout the state, including in Concord, Los Angeles, Long Beach, Riverside, Roseville, and San Diego. Focus groups are a form of qualitative research and the results are impressionistic and not scientific or quantitative in nature.