

What Does Proposition 39 Mean For California?

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Under [Proposition 39](#), approved by 60.1% of voters in the last election, the state of California is expected to fund a new Clean Energy Job Creation Fund with monies raised by changing the method by which multi-state businesses operating in California are taxed.

Previously multi-state businesses had two options for determining which portion of their income would be subject to taxation in California. Starting in 2013 most multi-state businesses would be required to use one of those options, the “single sales factor method”. The “single sales factor method” apportions taxable income based on the percentage of the company’s product sold in California.

This change is expected to result in a significant increase in state tax revenues. Under Prop 39, one-half of the increase will fund the Clean Energy Job Creation Fund. According to the [Legislative Analyst’s Office](#) (“LAO”), the expected funding is estimated at \$500-550 million each fiscal year from 2013-14 through 2017-18. No funding is provided for the Clean Energy Job Creation Fund after 2017-2018.

School funding will also increase based on the new revenue. The LAO estimates the school funding increase at \$200-500 million per fiscal year through 2017-2018, and twice that amount or more starting in 2018-2019.

Supporters argued that Prop 39 “will encourage companies to base more employees, offices and other facilities in California” and “create as many as 40,000 jobs by investing half a billion dollars annually for five years in energy efficiency retrofits in public schools, colleges and universities and by assisting local governments to do energy-saving retrofits on buildings and residences.” [[Los Angeles Times](#), 11/10/12]

The campaign to support Proposition 39 was largely funded by a hedge fund billionaire in San Francisco, and received only token opposition.

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