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For Immediate Release:

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Gov. Schwarzenegger Will Call Special Session to Immediately Consider Commission on the 21st Century Economy Recommendations

Governor Arnold Schwarzenegger today announced that he will immediately call the legislature into a special session after the Commission on the 21st Century Economy (Commission) submits its recommendations for modernizing and stabilizing California's out-of-date revenue laws that contribute to our feast-or-famine state budget cycles.

"For too long our broken tax system has taken Californians on an unwelcome rollercoaster ride," said Governor Schwarzenegger. "This Commission will help change that, and provide students, teachers, the elderly and the poor a more reliable funding stream. I assure all Californians that I will call on the full legislative body to immediately consider the Commission's recommendations as soon as they are submitted."

Also today, the Governor signed Executive Order S-15-09, granting the Commission's request to extend the submission of their report to September 20, 2009.

On October 30, 2008, Governor Schwarzenegger and the legislative leaders created the bipartisan Commission to re-examine and modernize California's tax laws. This 14-member Commission will suggest changes that will result in a revenue stream that is more stable and reflective of our economy. This long-term action will help avoid the extreme revenue swings that have caused crippling deficits while maintaining a fair and equitable revenue structure that

will ensure our continued competitiveness and attraction to employers and workers.

Below is the text of Executive Order S-15-09:

EXECUTIVE ORDER S-15-09

WHEREAS California is and should remain the best place in America to live, work and raise a family; and

WHEREAS California's long-term prosperity requires that employers and entrepreneurs invest, remain and grow in the state and that workers desire to live in the state; and

WHEREAS the quality of life for Californians benefits from essential and important services provided by state government directly and through funding for local government operated programs, and it is beneficial for those essential and important services to have a stable and predictable source of funding; and

WHEREAS General Fund revenue over the last several decades has fluctuated dramatically due to changes in the economy in general, but primarily as a result of the volatility that is inherent in California's current tax system; and

WHEREAS the volatility inherent in California's current tax system is reflected by fluctuations during the last decade, as exemplified by:

(a) a 28.1% increase in personal income tax revenue in Fiscal Year 1999/2000, followed by a 25.9% decrease in personal income tax revenue in Fiscal Year 2001/02;

(b) a 22.7% decrease in corporate income tax revenue in Fiscal Year 2001/02 and a 27.6% increase in corporate tax revenue in Fiscal Year 2002/03;

(c) an 11.1% increase in sales and use tax revenue in Fiscal Year 1999/2000 and a currently estimated 1.4% decrease for Fiscal Year 2007/08; and

WHEREAS the volatility inherent in California's personal income tax is driven significantly by its reliance on capital gains tax revenues, which have experienced decreases in the last decade as great as 59.1% in tax year 2001, and an increase of 64.9% in tax year 2004; and

WHEREAS this fluctuation in General Fund revenues creates difficulty in funding the operations of government year-to-year, as the need for state services such as operating state parks, operating state prisons, overseeing elections and providing funding for healthcare and social services do

not change in response to revenue, but in relation to population, demographics and service availability; and

WHEREAS this fluctuation in General Fund revenues makes it even more difficult to plan for those activities of government which, due to their magnitude, require funding over several decades, including projects for environmental remediation and infrastructure development; and

WHEREAS the California economy has changed significantly since our tax code was designed for the economy of the last century, shifting from a primarily manufacturing- and agriculturally-based economy to an information- and innovation-based economy; and

WHEREAS, California's current tax system could be improved to provide greater incentives for firms to increase employment in the state and invest more in entrepreneurial activities and research that lead to high paying jobs and more exports; and

WHEREAS an improved tax system would decrease the pressure for future tax increases to address revenue shortfalls that will continue to occur if the volatility of the current system is not reduced; and

WHEREAS Californians would benefit from an improved tax system that supports a strong economy and job climate and provides a more predictable revenue source for essential and important government services; and

WHEREAS elected officials could benefit from a study of tax system alternatives and information to develop strategies to improve the state's tax system; and

WHEREAS I established the Commission on the 21st Century Economy (Commission), and the Commission has made excellent progress in its review of the existing tax structure and has identified reforms to make California's tax structure more aligned with the modern California economy; and

WHEREAS the complexity and far-reaching nature of tax reform necessitates time for thoughtful deliberation, careful analysis and public comment; and

WHEREAS, in consultation with the Legislative leaders, I will call a special session in September 2009 to consider the recommendations made by the Commission to improve California's state tax system.

NOW, THEREFORE, I, ARNOLD SCHWARZENEGGER, Governor of the State of California, by virtue of the power and authority vested in me by the Constitution and statutes of the State of California, do hereby issue this Order to supersede Executive Orders S-12-08, S-01-09 and S-03-

09 and become effective immediately:

1. The Commission on the 21st Century Economy (Commission) is hereby established. It shall consist of fourteen members, seven of whom shall be appointed by the Governor, three of whom shall be appointed by the Speaker of the Assembly, three of whom shall be appointed by the Senate President pro Tem, and one of whom shall be appointed jointly by the Speaker of the Assembly and the Senate President pro Tem. The Governor shall designate one of the members as chairperson. The members of the Commission shall serve without compensation and at the pleasure of the official who appointed them.

2. On or before September 20, 2009, the Commission shall deliver a report to

the Governor and to the Legislature with recommendations to change laws to achieve the following goals:

- a. Establish 21st century tax structure that fits with state's 21st century economy;
- b. Stabilize state revenues and reduce volatility;
- c. Promote the long-term economic prosperity of the state and its citizens;
- d. Improve California's ability to successfully compete with other states and nations for jobs and investments;
- e. Reflect principles of sound tax policy including simplicity, competitiveness, efficiency, predictability, stability and ease of compliance and administration;
- f. Ensure that tax structure is fair and equitable.

3. The Commission shall be disbanded 30 days after delivery of their report unless the Commission's service is extended by further Executive Order.

4. The Commission shall comply with applicable open meeting laws.

IT IS FURTHER ORDERED that State Agencies shall cooperate and provide support to the Commission in the implementation of this Order. Other entities of State government not under my direct executive authority, including constitutional officers, legislative branch, judicial branch, and local agencies, are requested to cooperate and provide support to the Commission.

This Order is not intended to create, and does not create, any rights or benefits, whether substantive or procedural, or enforceable at law or in equity, against the State of California or its agencies, departments, entities, officers, employees, or any other person.

I FURTHER ORDER that, as soon as hereafter possible, this Order be filed in the Office of the Secretary of State and that widespread publicity and notice be given to this Order.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 29th day of July 2009.

ARNOLD SCHWARZENEGGER
Governor of California

ATTEST:

DEBRA BOWEN
Secretary of State

----- End of Forwarded Message