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MEET CALIFORNIA'S 1%

HOW
WALL STREET BANKS,
BIG CORPORATIONS &
THE SUPER RICH ARE
KILLING
THE RECOVERY



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HOW WALL STREET BANKS, BIG CORPORATIONS AND THE SUPER-RICH ARE KILLING THE RECOVERY

While the majority of Californians continue to suffer from the economic crisis, big corporations and super-rich individuals are driving an agenda in our state to ensure the 1% prospers at the expense of the 99%. The result has been an increased economic burden for working people that includes more expensive higher education, more foreclosures, depressed wages, fewer jobs, and a deteriorating quality of life.

This report is an introduction to “California’s 1%” – the rich CEOs and executives in the Golden State who pocket millions while backing and bankrolling an agenda that keeps economic and political power in the hands of the few – and kills or delays the chances of a broad economic recovery.

The top 1%’s stranglehold on our state is no accident. California is home to 57 fortune 500 companies, the top 25 of which generated \$117 billion in profits in 2010.¹ These companies are driven by some of the country’s highest paid and most influential CEOs who use their vast fortunes to engineer and maintain the status quo that keeps them on top while systematically robbing the 99% of what’s needed for a recovery to rebuild communities.

THE 1%’S RECOVERY KILLER AGENDA For decades the 1% has attacked legislation to improve conditions for the 99%, using scare tactics by calling them “Job Killers”. Each year the California Chamber of Commerce spends millions to prevent bills from becoming law that would in fact help and protect Californians. Their efforts to rig the system are evidenced through widespread practices that include taking advantage of tax breaks and loopholes that allow them to evade paying taxes despite record profits and increasing executive compensation. They spend an exorbitant amount of money on lobbying and political contributions, supporting a “Recovery Killer” agenda that continues to tilt in their favor and has resulted in killing a housing recovery, a state fiscal recovery, and environmental protections.

- **Killing a Housing Recovery:** The housing crisis has created 2 million foreclosures which in turn has led to 2 million additional homeowners being underwater in California. Yet, Wall Street banks fought fixes to the foreclosure crisis by killing the 2011 Homeowner Protection Package a comprehensive set of state policy solutions backed by housing experts and advocates. Banks also resist resetting mortgage to fair market value, a step that is critical to stabilizing housing and would create 300,000 jobs in California.
- **Killing a State Fiscal Recovery:** The shrinking share of corporate taxes has shifted the costs of supporting our cities and schools to California’s 99%, with the wealthy and corporations failing to pay their fair share. This shift is the result of an agenda advanced by the CalChamber, big oil, major California corporations and the 1%, that ensures tax breaks and defends corporate loopholes.
- **Killing Environmental Protections:** Backed by oil, alcohol, and tobacco industries, and the CalChamber, corporations spent millions to pass Proposition 26 in 2010 to make it harder to hold polluters accountable for damages to California. Proposition 26 redefined regulatory fees – like those imposed on major polluters – as taxes and makes it harder for local government to enact fees to protect the public, at the expense of police, firefighters, and other vital services.

Economists from across the political spectrum, as well as a growing number of regular Californians, decry the growing gap between the rich and poor, yet California’s 1% keeps driving their agenda to kill an economic recovery for the 99%, while increasing the wealth for the 1%. Ultimately, this strategy will destroy the very markets that the 1% needs in order to thrive. Wealth creation through economic growth is quite different than wealth accumulation through gaming the system. California as a society must examine the role these individuals play in cementing a system that, over time, is not sustainable.

MR. CEO, TAX DODGER, INC.



John Stumpf, Wells Fargo CEO (San Francisco, CA)

Wells Fargo Profits 2011: \$15.8 billion²

Stumpf Compensation: \$19.8 million³

Stumpf Home: \$5.3 million in San Francisco's Russian Hill⁴

Wells Fargo Taxes: \$0 US federal income taxes in 2009



Timothy Sloan, Wells Fargo CFO

Sloan Compensation: \$8.3 million⁵

Sloan Home: \$5.2 million in San Marino⁶

Wells Fargo is America's biggest tax-dodger and one of the key culprits in destroying California's housing market. Despite a three-year profit of \$49.3 billion⁷, Wells Fargo received \$17.96 billion in tax breaks from 2008 to 2010, more than any other company nationally.⁸ The top seven Wells Fargo executives raked in almost **\$73 million** last year⁹ even as the company slashed 6,385 jobs.¹⁰ Wells Fargo is one of the top banks foreclosing on Californians and had \$17.5 billion worth of foreclosed homes on its books nationally as of June 2010. In 2011, before the subprime bubble burst, Wells Fargo originated or co-issued \$74.2 billion worth of subprime loans, contributing to the current foreclosure crisis.¹¹ Wells Fargo spent \$1.45 million on lobbying and political spending in California between 2007 and 2011 including contributions made to the California Bankers Association and CalChamber, who does its bidding in Sacramento to kill foreclosure fixes Californians need.

MR. CRUDE



John Watson, Chevron CEO (San Ramon, CA)

Chevron Profits 2010: \$19 billion¹², highest profits in 132-year history

Watson Compensation: \$16.3 million¹³

Watson Primary Home: \$1.4 million in Lafayette, CA¹⁴

Chevron Taxes: \$0 US federal income taxes in 2009¹⁵

Chevron, the country's second largest oil company and based in California, is working to kill California's fiscal recovery - fighting taxes on oil in the state, dodging federal taxes and demanding tax breaks at the local level despite record profits coupled with near-record gas prices. While the rest of the country struggles, Chevron has reported record profits since 2008 and this year reported \$26.9 billion in profits for 2011¹⁶, the highest annual profits in its 132-year history. Yet Chevron paid no federal income taxes in 2009, instead getting a tax *subsidy* of \$19 million. Chevron is fighting efforts to ensure that it pays its share in California, demanding a property tax reassessment and a local tax rebate in excess of \$100 million from cash strapped local municipalities in California. Chevron paid big to keep regulations in its favor, making the list of top 100 national political spenders, paying out \$3.5 million between 2001-2010 and spending \$15.7 million dollars¹⁷ in California political giving over a five-year period, among the highest rates of spending of California corporations.

MR. EVERYDAY LOW WAGES

Gregory Penner, Walmart Board of Directors Walton Family and Managing Partner of Madrone Capital

Walmart Profits 2011: \$15.7 billion¹⁸

Penner Homes: \$18 million in Atherton, CA¹⁹

\$8 million in Carmel, CA²⁰

Walmart Taxes: \$1.2 billion tax breaks and subsidies



Walmart is undercutting economic recovery for California workers, creating low wage jobs across the state, and benefits from billions in subsidies, stunting economic recovery. Mr. Walmart, Greg Penner, is a member of the Walton family, the wealthiest family in the nation. Six members of the Walton family have combined wealth greater than the bottom 30% of Americans,²¹ yet the average pay for Walmart workers is just \$8.81 per hour.²² The company has received in excess of \$1.2 billion in tax breaks, free land, infrastructure assistance, low-cost financing and outright grants from state and local governments around the country.²³ In the last two decades, the family has spent \$4.6 million on federal elections to advance their agenda against the 99%.²⁴ In 2006, Penner contributed \$250,000 to "No on 82,"²⁵ an initiative that sought to establish a universal preschool system in California for four-year-olds by placing an additional income tax on individuals making more than \$400,000 a year, and couples making in excess of \$800,000.²⁶ Last year, Penner co-founded a new independent expenditure committee called Govern for California intended to "capitalize on the competitive match ups created by the state's new political maps." Govern for California has warned that "the scarce resource is not going to be money²⁷." Just what California needs – more 1% money in politics.

MR. FORECLOSURE



Charles Noski, Bank of America Vice Chairman

Bank of America Profits 2011: \$1.4 billion²⁸

Noski Compensation: \$6.4 million²⁹

Noski Homes: \$3.4 million in Palos Verdes Estates³⁰

\$6.4 million in Suffolk County, NY³¹

BofA Taxes: \$0 US federal income taxes 2009-2011³²

Despite being bailed out by taxpayers, Bank of America's foreclosures and single-mindedness in generating fees to create profits in California has undermined a recovery. The company blocked legislative reforms for homeowners and prevents a fiscal recovery by paying no federal income taxes³³, instead hiding money in overseas tax shelters³⁴. In fact, Bank of America benefitted from \$5 billion in taxpayer subsidies from 2009-2011³⁵. Charles Noski is Bank of America's newly appointed Vice Chairman and former CFO and based in California. Between July and August 2011, Bank of America increased foreclosures by nearly 200 percent in California.³⁶ The company had more foreclosed homes, \$88 billion worth, in its servicing portfolio than any other mortgage servicer in the country as of June 2010.³⁷ Bank of America has poured millions of dollars into its lobbying operations to fight common sense reforms that would protect American consumers and workers, spending some \$15.7 million in federal lobbying from 2008 to 2011³⁸ and \$1,171,747 in lobbying in California where they successfully fought bills that would have helped Californians facing foreclosure. Bank of America received a tax refund of \$666 million for 2010, following a \$3.5 billion refund reported in 2009³⁹ and a \$733 million refund in 2011.⁴⁰ Despite these taxpayer subsidies the company cut 30,000 jobs last year.⁴¹ Bank of America operates 371 tax-sheltered subsidiaries, more than any other big bank studied, with 204 subsidiaries in the Cayman Islands alone, according to its 2010 regulatory filings.⁴²

THE INTEREST RATE SWAP KING



Peter Barker, JP Morgan Chase Chairman of California

JP Morgan Chase Profits 2011: \$18.9 billion⁴³

Barker Home: \$6.5 million in Montecito, California⁴⁴

JP Morgan Executive Compensation: \$78 million for Top 5 Execs⁴⁵

JP Morgan Chase is a top bank foreclosing on Californians and has the most foreclosures nationally with nearly \$20 billion in foreclosed homes. JP Morgan Chase undercuts a fiscal recovery by resisting fixes to foreclosures and gouges taxpayers for millions in excessive interest rates on toxic interest rate swaps with local municipalities. JP Morgan Chase, who's California Chairman is Peter Barker, is ripping off the City of San Francisco, East Bay MUD, and the Metropolitan Transportation Commission who are paying \$24 million a year in interest rate swap deals that went bad when the banks crashed the economy. Banks sold state and local governments complex financial deals called "interest rate swaps" that were supposed to save money, but the opposite has happened and now, all over the country, taxpayers are overpaying the banks millions of dollars annually and cannot get out of the deals without paying huge penalties. Across the country, the bank is gouging state and local governments for more than \$200 million a year on toxic swap deals.⁴² The company is also a foreclosure leader and, as of June 2010, had \$19.5 billion worth of foreclosed homes on its books—more than any other bank in the country.

MR. MILLIONAIRE'S CLUB



Charles Schwab

Charles Schwab CEO (San Francisco, CA)

Schwab Personal Net Worth: \$3.5 billion⁴³

Charles Schwab Profits 2010: \$454 million⁴⁴

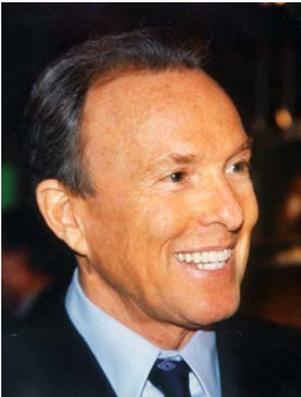
Schwab Compensation: \$4.5 million⁴⁵

Schwab Homes: \$1.6 million in Atherton⁴⁶

\$10.5 million in Vail, CO⁴⁷

Charles Schwab pays big to support the Koch Brothers' agenda. Late last year, we learned that San Francisco CEO Charles Schwab was part of the Koch Brother's millionaire's club⁴⁸, which uses vast corporate and individual resources to fund an entire political network of think tanks, elected officials and various front groups to advocate for policies that help their bottom line – favoring lower personal and corporate income taxes, less government oversight of environmental regulations, and fighting health care reform and energy independence.⁴⁹

THE LAND BARON



Donald Bren

The Irvine Company Chairman (Irvine, CA)

Bren Net Worth: \$12 billion

Bren Primary Home: \$6 million in Newport Beach⁵⁰

The Irvine Company is known to shield its political spending and its political agenda by working through associations like the Cal Chamber and real estate associations. The Irvine Company's California PAC spending between 2007-2011 totaled \$2.3 million. Bren is one of the founders of California's New Majority PAC which has advocated against Proposition 82 that would have established universal preschool by placing an additional income tax on wealthy individuals.⁵⁵ The company has benefits from a less-known aspect of California's Proposition 13, which limits tax increases on commercial property to 2%. An estimated \$7.5 billion a year is lost because commercial property is not being taxed at market value. This is unfair to the rest of us – whether new homeowners, new businesses starting up, or others who pay property taxes based on current market value. In virtually every county in the state, the share of the property tax borne by residential property has increased while non-residential property tax has decreased since the passage of Proposition 13 in 1978, in Los Angeles County the residential tax has shifted from 53% to 69% and in Orange County going from 59% to 72%.⁵⁶

MR. REAL ESTATE WORLD MAGNATE



Richard Blum, CBRE Chairman of the Board and Member University of California Board of Regents

Richard Blum's \$7 billion Blum Capital Partners owns CB Richard Ellis, the largest real estate brokerage firm on the planet. He sits on the Board of UC Regents where he has voted for significant tuition increases, undermining recovery for California's students.⁵⁷ Blum has served on the Board of UC Regents since 2002, and has been a leader in UC's investment strategy which, it is reported, has personally enriched him financially. After his appointment as a regent, UC invested \$748 million in seven private equity deals in which Blum or his firm, Blum Capital Partners, were major investors⁵⁸. UC has also invested \$84 million in real estate and private equity deals, as well as the stock of a public corporation, in which Mr. Blum held significant interests⁵⁹. At the end of 2009, UC held investments totaling \$304 million in all 18 of the public companies in which Blum Capital Partners held a substantial or controlling stake.⁶⁰ At best, this is a severe conflict of interest. As he showered members of the 1% with millions through business investments, Blum voted to saddle students with thousands of dollars in additional tuition. In July 2011, Blum voted to raise tuition at the University of California by 9.6%, on top of a previously-approved 8% hike. At the same meeting, the regents also voted to give a pay raise to three university executives.⁶¹

MR. CORPORATE TAX HOLIDAY



John Chambers, Cisco CEO (San Jose, CA)

Cisco Profits 2010: \$7.7 billion⁵⁸

Chambers Compensation: \$18.8 million⁵⁹

CEO Home: \$4.6 million in Los Altos Hills⁶⁰

Company Taxes: \$46 billion untaxed, sitting in overseas tax shelters

Chambers has been leading the charge in undermining economic recovery in California and across the country, lobbying for a tax holiday for US corporations sheltering their money overseas and putting down large sums of political money to fight tax reforms. Cisco has \$46 billion sitting overseas to avoid paying taxes in the US⁶¹ and has cut its income taxes by \$7 billion since 2005 by sheltering almost half of its profits in a subsidiary at the foot of the Swiss Alps.⁶² Chambers is a top lobbyist in DC, using corporate funds to ask Congress for a tax holiday for corporations hiding their money overseas and has brought that agenda to California. Cisco was one of the largest corporate donors against the effort to stop corporate loopholes in California, spending \$1.6 million in 2010 against Proposition 24, Repeal of Corporate Tax Breaks, ensuring \$1.7 billion in corporate tax breaks. The company spent \$3.5 million on politics in California between 2007 and 2011 and spent \$8.9 million on federal lobbying during that same time period. While fighting to avoid paying their fair share, the company has been firing workers, laying off almost 6,000 employees despite \$7.7 billion in profits.

THE BILLIONARE RUNNER-UP

Meg Whitman ***Hewlett Packard CEO (Menlo Park, CA)***

Hewlett-Packard Profits 2010: \$8.7 billion⁶⁷

Whitman Net Worth: \$1.4 billion⁶⁸

Whitman Home: \$3 million in Atherton⁶⁹

Hewlett-Packard Taxes: \$0 federal income taxes in '09



Whitman secured her place on the Forbes billionaire list through her ascent at EBay and, after an unsuccessful bid for governor, now sits at the helm of tax dodger Hewlett-Packard. Hewlett-Packard got \$2.7 billion in tax subsidies between 2008 and 2010 and an effective tax rate of *negative* 3.6% in 2009. Whitman spent \$140 million of her own money in her unsuccessful bid for California governor. Whitman said that, if elected governor, on her first day she would suspend AB32, the Global Warming Solutions Act of 2006, to study the potential economic implications of the bill.⁷⁰ Whitman's platform also included cutting the capital gains tax which would have cut her taxes in half and would have inevitably increased the burden on the 99%.⁷¹ It is reported that while Whitman was CEO of EBay, the number of overseas workers at the company increased by 666%.⁷² By 2007, nearly 40% of EBay's jobs were outsourced.⁷³

THE EXECUTIVE COMPENSATION KING



Paul Otellini ***Intel President & CEO (Santa Clara, CA)***

Intel Profits 2010: \$11.5 billion⁷⁴

Otellini Compensation: \$15.5 million⁷⁵

Otellini Home: \$2 million⁷⁶

Paul Otellini, the King of Corporate Compensation, received a 104% jump in pay a year after laying off 10,500 employees. Otellini saw an increase in compensation from \$5.9 million in 2006 up to \$12.1 million in 2007.⁷⁷ He was apparently rewarded for having laid off 10,500 Intel employees the year before.⁷⁸ Otellini's pay package then jumped again by 17% in 2009. Despite these practices, Otellini was recently tapped to sit on President Obama's Jobs Council despite the fact that the company paid \$0 in state income taxes from 2008-2009.⁷⁹

MR. CORPORATE HIRED GUN

Allan Zarembeg
California Chamber President & CEO

CalChamber '10 Revenue: \$26.9 million⁷⁵
CEO Compensation: \$911,843⁷⁶



CalChamber does the dirty work for California's 1%, shelling out big wages while selling out California's students and the state's economic recovery. California's business leaders are paying big for their hired guns. In 2009, the Chamber, a non-profit 501(c)6, spent a combined \$2,934,072⁷⁷ in compensation for its top eight executives, nearly \$1 million of which went to the CEO, Alan Zarembeg. The Chamber, which had a 2010 operating budget of \$26.5 million, spent a whopping \$9.6 million in lobbying between 2009 to 2011.

Zarembeg, the Chamber's highly-compensated leader, has played an active role in California, serving on the UC Commission on the Future while simultaneously supporting Education Recovery Killer measures, fighting to limit revenue that could directly benefit the state's already strapped higher education system. Zarembeg and the Cal Chamber push long term decimation of the very economy that produced the corporations that are his members. The more they strangle higher education and the social safety net, the less stable their own society becomes.

THE 1%'S RECOVERY KILLER AGENDA

WHO FUNDS AND RUNS THE HIRED GUNS?

California's 1% put big money behind a select group of industry associations to exert their influence. The most powerful is the California Chamber [CalChamber], whose leadership board includes Chevron, Shell Oil, Wells Fargo, Bank of America, Citibank, Intel, and the Irvine Company. The CalChamber advances the agenda of California's 1% through lobbying and several PACs – ChamberPAC which supports candidates, JobsPAC which is an independent expenditure committee that directly runs campaigns to elect candidates and CalBusPAC which works to support or oppose state-wide ballot initiatives.

CalChamber PAC Funders			
	Chamber PAC	JobsPAC	CalBusiness PAC
Wells Fargo	✓		
Chevron		✓	✓
Wal-Mart	✓		
Bank of America	✓	✓	
The Irvine Company	✓	✓	✓
Charles Schwab			✓
Hewlett-Packard			✓
Intel	✓		

GETTING THEIR MONEY'S WORTH:

Analysis by the Sacramento Bee and California Watch shows corporate lobbyists wielded strong influence, defeating bills that would have cut back various tax breaks and prolonged the foreclosure process. The analysis showed:

- The CalChamber prevailed on the largest number of bills in 2011, winning on 62 of 87 bills.
- Associations representing bankers, realtors and insurance companies won at least 85 percent of the time in 2011.

Wall Street and big corporations have flooded our State Capitol with millions of dollars in political cash and used its influence to undermine an economic recovery. Instead of doing their part to rebuild communities, some of California's wealthiest corporations and individuals work against the 99%. They have invested their profits and taxpayer subsidies in political hired guns, lobbying and political contributions towards a series of legislative and proposition battles that have resulted in damaging the housing market, delaying a fiscal recovery, and negatively impacting environmental protections.

HOUSING RECOVERY KILLERS

It was Wall Street's toxic lending and recklessness that created the housing crisis, but they are making homeowners- and all of California - bear the costs. The largest banks and their lobbying associations – the California Bankers Association, the California Independent Bankers Association, and the California Mortgage Bankers Association – have used their influence to kill efforts to stabilize housing, which is critical to turning our economy around in California.

The housing crisis has created 2 million foreclosures which in turn have led to 2 million additional homeowners being underwater (30% of all mortgages) in California. The continuing tsunami of foreclosures creates a vicious circle: Each new foreclosure brings another distressed property on the market; the distressed asset reduces the value of all homes within a neighborhood; many more people capable of paying their mortgage find themselves "underwater" with a vastly depressed home value due to the foreclosed homes flooding the market. The result is a housing depression from which homeowners and our economy cannot recover. The drop in property values has a direct fiscal impact on our cities and schools that derive their most stable revenues from property taxes, because homes are reassessed downward, reducing the property tax pool.

Banks Fight Foreclosure Fixes:

Led by the California Bankers Association that spent over \$2 million in lobbying since 2009⁷⁸, banks killed the 2011 Homeowner Protection Package, a comprehensive set of policy solutions backed by housing experts and advocates. The package sought to recoup \$2 billion per year in costs to the public and homeowners caused by foreclosures (Foreclosure Fee, AB 935 Blumenfeld), ensure legal and fair consideration for loan modifications to keep families in their homes (Good Faith Modifications, SB 729 Leno/Steinberg), and require more notice and transparency on ownership of loans and therefore confirm who has the right to foreclose (Mortgage Title Transparency, AB 1321 Wieckowski).

BANK LOBBYING AGAINST THE HOUSING RECOVERY			
	Foreclosure Fee	Fair Modification	Mortgage Transparency
Wells Fargo	✓	✓	✓
Bank of America	✓	✓	✓
JP Morgan Chase	✓	✓	✓
CA Banker's Assoc. (CBA)	✓	✓	✓
CA Mortgage Banker's Assoc	✓	✓	✓
CalChamber	✓		✓

The Foreclosure Fee would have helped to offset the costs borne by communities due to foreclosures and would have been distributed to local communities for public education, public safety, economic redevelopment, to cities and counties, and towards small business loans. In short, the banks and their lobbyists spent their money to maintain the status quo at the expense of homeowners and communities hurting from foreclosures.

Banks Refuse to Reset Mortgages to Fair Market Value to Create 300,000 Jobs in California:

Today, Californians are forced to overpay banks \$20 billion every year on underwater mortgages, money that could instead be pumped into our economy in the form of consumer spending to create 300,000. Fixing the underwater crisis by resetting mortgages to current fair market value would save California homeowners an average \$810 every month on their mortgages, money that is now going to artificially inflated mortgage debt.⁸⁴ With the extra \$810 per month, homeowners could start spending again, making purchases they have been putting off. The increase in consumer demand would pump \$20 billion into the local economy and in turn help spur 300,000 jobs in California. The big banks, which have the largest cash reserves in history and are paying out sky high executive salaries and bonuses, have fought against efforts to reduce foreclosures and reset mortgages to fair market value.

FISCAL RECOVERY KILLERS

The shrinking share of corporate taxes has shifted the costs of supporting our cities and schools to California's 99%, with the wealthy and corporations failing to pay their fair share. This shift is striking: Despite skyrocketing corporate profits, since 1980 corporate income taxes at the state levels have decreased by nearly 50% as a percentage of all state taxes collected according to the Nelson A. Rockefeller Institute of Government.⁸⁵ In short, corporate tax dodgers get to walk away with a great deal of money at Californians' expense.

California Is the Only State in which Big Oil Doesn't Pay its Share:

California is the only state, and the only place in the world, that does not tax oil production, commonly referred to as an oil severance tax. Led by the big oil lobby and the CalChamber, which Chevron chaired until last year, multiple efforts for an oil severance tax in California have been defeated. The 2011 oil tax (AB 1326 Furutani), would have generated \$2 billion and funded the University of California, the California State University and community colleges where tuition has doubled since 2008. Instead, students were taxed with tuition increases while big oil made big profits and paid big executive salaries.

Contrary to oil company scare tactics, an oil severance tax would have no effect on the price of gasoline or on oil production. Other huge oil states – Texas and Alaska, for example – have oil severance taxes. Alaska has a progressive, 25% oil severance tax, the largest in the country, and some two-dozen states have severance taxes on oil, gas or both.

Corporations Spent Million to Ensure \$1.7 billion in Tax Breaks:

Californians need jobs, not more big corporate tax loopholes. Proposition 24, the “Tax Fairness Act,” of 2010 would have ended \$1.7 billion in special corporate tax loopholes and prevented deeper cuts in public schools, health care and public safety. These tax loopholes unfairly benefit less than 2% of California's businesses that are the wealthiest, multi-state corporations. The remaining 98% of California's businesses, especially small businesses, get virtually no benefit from these tax breaks.

Some of the largest and most profitable corporations funded the effort against “Proposition 24” to ensure continued tax breaks and loopholes that don't require the creation or protection of one single California job, and instead ensure devastating cuts to schools, fire stations, and libraries. Corporations that spent millions to defeat Proposition 24 and maintain the loopholes paid their CEOs over \$8.5 billion, and made over \$65 billion in profits in 2010, while at the same time laying off over 100,000 workers.

In an effort to keep the corporate loopholes in place, the campaign against Proposition 24 spent \$24 million, with Cisco, GE, Disney, Fox, and the CalChamber leading the corporate contributions.⁸¹ Under these current corporate loopholes, corporations can manipulate the system and pay lower taxes without creating jobs and get tax breaks even when they cut jobs. The loopholes cost thousands of jobs and put California taxpayers at a disadvantage.

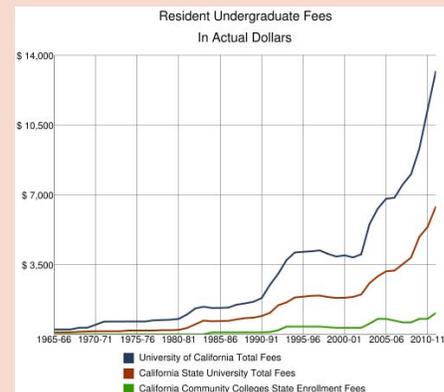
Top Contributors For Tax Breaks	Spending
Genentech, Inc.	\$ 1,600,500
Cisco Systems, Inc.	\$ 1,600,000
Viacom Inc.	\$ 1,600,000
General Electric Company	\$ 1,500,000
Time Warner	\$ 1,500,000
The Walt Disney Company	\$ 1,400,000
Fox Group, a Division of News America Inc.	\$ 1,325,000
CBS Corporation	\$ 1,250,000
Qualcomm Incorporated	\$ 1,000,000
California Chamber of Commerce	\$ 25,000

CALIFORNIA'S STUDENTS PAY THE PRICE:

California leads the nation in tuition increases for higher education. California student tuition has nearly doubled since 2008, as student loans have inflated to \$1 trillion nationally.

STUDENT TUITION INCREASES (2008-2011)

- **University of California:** \$7,517 to \$13,218 [76% increase]
- **California State University:** \$3,521 to \$6,422 [82% increase]
- **Community College:** \$600 to \$1,080 [80% increase]



State of California, Postsecondary Education Commission.

According to the Public Policy Institute of California, the need for college educated workers is outpacing the state's ability to produce them, and that gap is expected to widen. The lack of an educated workforce will reduce California's ability to support future economic growth.

In the last 3 years, \$20 billion has also been cut from K-12 education. California's K-12 funding nears the bottom, ranking 46th for spending per student among the 50 states.

Secret Tax Dodging by California’s Largest Corporations:

“This year, there has been a great deal of discussion about whether corporations are paying their fair share of federal taxes. But the issue resonates at the state level as well, where corporate taxes have long been a shrinking share of state revenues”

-NY Times, December 7, 2011⁸²

The largest corporations in California don’t pay their fair share of taxes despite huge profits and executive compensation. Last year, Citizens for Tax Justice (CTJ) reported that many Fortune 500 companies are paying nothing in Federal income taxes or if they do pay, their rate is far below the 35 percent tax rate- including companies like Wells Fargo, Bank of America, HP, Yahoo, and Occidental Petroleum. According to a CTJ report on state level taxes, many corporations also pay nothing or significantly less than their fair share in state corporate taxes, including Intel, Wells Fargo, McKesson, Mattel, Hewlett-Packard, and many others.⁸³ California Senator Sen. Lois Wolk, (D-Vacaville) puts the estimate of total state tax breaks at nearly \$50 billion a year, more than triple what’s needed to close the state deficit.⁸⁴

It is time to track which of the multi-billion dollar California corporations dodge their share of taxes. This year, a Corporate Tax Transparency proposal (AB 2439, Mike Eng) would require publicly traded corporations to report the amount they pay in state taxes. Currently, Californians have no way to know how much these large corporations are paying in state taxes. Just like at the federal level, this legislation helps identify which corporations are paying their fair share of California taxes and which are paying very little or nothing.

ENVIRONMENT KILLERS

Corporations Weakened Environmental Laws that Hold Polluters Accountable:

Corporations spent more than \$33 million⁸⁵ to make it harder to hold polluters accountable for damages to California. Backed by oil, alcohol, and tobacco industries, Proposition 26 redefined regulatory fees – like those imposed on major polluters – as taxes that require a 2/3 vote of the legislature to approve. The 2/3 super-majority needed is nearly impossible to achieve, which makes it harder for local government to enact fees to protect the public. Without these fees, police, firefighters, and others charged with protecting the public lose out, making enforcement of California’s leading air, water and emissions protection laws almost impossible to enforce.

The top four contributors to Proposition 26 alone spent over \$12 million. The CalChamber also funded a specific PAC, “Stop the Hidden Taxes,” that spent \$3.9 million. Among the major contributors to CalChamber’s PAC were Chevron, Occidental Petroleum, and JP Morgan Chase.

Top Contributors to Prop. 26	Spending
California Chamber of Commerce	\$ 3,937,323
Chevron Corporation	\$ 3,750,000
American Beverage Association	\$ 2,450,000
Philip Morris USA Inc.	\$ 2,250,000

The new law undermines the regulation of greenhouse gases and carbon emissions. “It will make environmental regulation more difficult in many areas -- not just climate change -- as its reach is quite broad," according to Louise Bedsworth, a research fellow at the Public Policy Institute of California.⁸⁶ According to a report by UCLA's Emmett Center on Climate Change and the Environment, a real world example would be an oil spill. “Proposition 26 would pose a barrier to helping ensure a future stream of revenue for oil spill prevention, response and cleanup programs.”⁸⁷

THE 1%'S CALIFORNIA: STATE OF EXTREME INCOME INEQUALITY

“California is rich. Even in the midst of a drought, we have lots of water, and in the midst of a recession, we have lots of money. The problem is one of distribution, not of actual scarcity”

- Rebecca Solnit; Los Angeles Times, November 1, 2009

California is one of the richest states in the nation and is the world's 8th largest economy⁸⁸. Despite its unmatched wealth, California has the 7th widest gap between the rich and the poor, ranking between Alabama and Texas.⁸⁹

California's 1% has succeeded in concentrating and protecting their wealth.

- While the income pie grew in California, most Californian's only got a tiny slice. Between 1987 and 2009, 71.3% of income gains went to the wealthiest 10% of Californians.⁹⁰
- In 2007, the average CEO's annual pay was 275 times the average worker's pay, compared to 35 times in 1978. The gap between low-wage and high-wage workers widened to a greater extent in California than in the US as a whole.⁹¹
- Compensation of top executives skyrocketed from \$1.2 million in 1970s to \$9.2 million in the first half of the 2000s after approximately four decades of little to no change.⁹²
- In 2009, the average Californian in the top 1% earned in less than 8 workdays what the average middle-income Californian earned in one year.⁹³
- The federal tax system has also become less progressive with the top 400 US households paying 16.6% of their incomes in federal income taxes in 2007, down from 26.4% in 1992.

CALIFORNIA'S MILLIONAIRES

33,900 Millionaires

\$104 Billion Total Income=
*11 times the income needed
to lift every single Californian out
of poverty.*

SOLUTIONS FOR A 99% RECOVERY

Make Wall Street Banks, Big Corporations and The Super Rich Pay Their Share:

- **Raise Taxes on the Super Rich:**
California's wealthiest individuals pay a lower tax rate than most working families. The 1% needs to pay their fair share of what's needed to fully fund what California needs for a recovery. Specifically California's 1% must publicly endorse passage of the new compromise tax measure on November's ballot that will raise an estimated \$9 billion in its first year to support education and other vital services that supports all Californians.
- **The Corporate Tax Transparency Bill -AB 2439 (Assemblyman Mike Eng):**
Currently, the public has no way to know how much Wall Street Banks and large corporations pay in state taxes. Simple disclosure will provide a meaningful way for ordinary citizens to know whether or not these companies pay their fair share. AB 2439 will ensure that publicly traded corporations will report the amount they pay in state taxes to the State Controller, who will make this information publicly available. Since 1980, corporate state tax revenue has fallen by nearly 50% as a percentage of total revenue. AB 2439 will give the public the ability to hold banks and corporations accountable.
- **Close Corporate Tax Loopholes:**
An estimated \$7.5 billion a year is lost because commercial property is not being taxed at market value. This is unfair to the rest of us – whether new homeowners, new businesses starting up, or others who pay property taxes based on current market value. It's time for corporate property tax reform so that homeowners stop subsidizing corporations.

Fix Housing, Fix the Economy, and Create Good Jobs:

- **Reset Mortgages to Fair Market Value to Stabilize Housing and Create Jobs:**
By resetting underwater mortgages to current market value, more than \$20 Billion dollars a year will be injected into the California economy, thereby creating more than 300,000 jobs in the state. The National Mortgage Settlement only scratches the surface of what's needed. Big banks must stop refusing to do what's needed for a housing recovery by immediately resetting mortgages to current market values.
- **Pass The Homeowners Bill of Rights:**
The California Homeowner Bill of Rights is a package of bills designed to protect homeowners from unfair practices by banks and mortgage companies and to help consumers and communities cope with the state's urgent mortgage and foreclosure crisis. Joined by Senate President pro Tem Darrell Steinberg and Assembly Speaker John A. Pérez, Attorney General Harris has announced sponsorship of six bills including: **Foreclosure Reduction Act - AB 1602** (Assemblymen Mike Feuer & Mike Eng) and **SB 1470** (Senators Mark Leno, Fran Pavley & Senate President Pro-Tem Darrell Steinberg): These companion bills seek to end the unfair practice of dual tracking by preventing bank servicers from continuing the foreclosure process after a borrower has submitted a loan modification application and is waiting for a response. These bills also require the creditor (bank) to provide documentation establishing evidence of ownership, the chain of title to the property, and the right to foreclose.
Due Process Protections for Homeowners - AB 2425 (Assemblymember Holly Mitchell) and **SB 1471** (Senators Mark DeSaulnier & Fran Pavley): These companion bills seek to provide due process for struggling homeowners by establishing penalties for robo-signing, providing borrowers legal recourse and slowing any foreclosure action until the issue gets resolved. This bill will also require the bank servicer to establish a single point of contact (SPOC) once a borrower is 60 days delinquent, has received a notice of default and/or is seeking a loan modification.

ENDNOTES

*California lobbying and political contribution data provided by Maplight. MapLight is a nonpartisan research organization that reveals money's influence on politics.

- ¹ CNN Money California Fortune 500 List 2011; <http://money.cnn.com/magazines/fortune/fortune500/2011/states/CA.html>
- ² 2011 profits
- ³ http://www.sec.gov/Archives/edgar/data/72971/000119312512117239/d285202ddef14a.htm#toc285202_32
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- ⁶ Nexis Property history and Assessment Record for Los Angeles County.
- ⁷ Citizens for Tax Justice & the Institute on Taxation and Economic Policy. November 2011. "Corporate Taxpayers & Corporate Tax Dodgers 2008-10." See Chart on Pg. 34 under Wells Fargo "Three Year Totals"
- ⁸ Citizens for Tax Justice & the Institute on Taxation and Economic Policy. November 2011. "Corporate Taxpayers & Corporate Tax Dodgers 2008-10." See Chart on Pg. 6 under under "25 Companies with the Largest Total Tax Subsidies, 2008-10"
- ⁹ 2010 Proxy Statement. Total of yearly compensation for top 5 executives
- ¹⁰ I searched for Wells Fargo and added up all announced layoffs for a total of 6,385. The links are as follows for specific announcements: 1. <http://layofftracker.blogspot.com/2009/06/wells-fargo-might-layoff-thousands.html> 2. http://www.msnbc.msn.com/id/38135734/ns/business-us_business/ 3. <http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2011/04/07/BUF811S88Q.DTL> 4. <http://layofftracker.blogspot.com/2011/11/wells-fargo-plans-to-cut-technology-and.html> 5. http://layofftracker.blogspot.com/2009_08_16_archive.html 6. <http://layofftracker.blogspot.com/2009/07/wells-fargo-cuts-50-jobs.html>
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- ²⁷ <http://blogs.sacbee.com/capitolalertlatest/2012/03/david-crane-puts-250000-into-committee-for-courageous.html>
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- ³² Bank of America 2012 10-K.
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- ³⁴ GAO-09-157, *INTERNATIONAL TAXATION: Large U.S. Corporations and Federal Contractors with Subsidiaries in Jurisdictions Listed as Tax Havens or Financial Privacy Jurisdictions*, Government Accountability Office, Dec 2008.
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ENDNOTES CONTINUED

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- ⁷⁵ Intel 2010 Proxy Statement
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