

Howard Jarvis Taxpayers Association

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Stunning Taxpayer Victories Tempered By Debt Doubts

By Jon Coupal

In politics, sometimes you eat the bear and sometimes the bear eats you. Just ask the national Republican Party.

However, there is no doubt that California taxpayers “ate bear” last week by scoring some great electoral victories. First, the four statewide tax increase measures on the statewide ballot were soundly defeated. Propositions 86, 87, 88, and 89 would all have increased taxes on somebody and would have resulted in additional costs to everyone.

High priced political consultants have become expert at writing ballot measures whose actual costs are intentionally hidden or screened from all but the most diligent and knowledgeable of voters. If it is impossible to avoid featuring a tax prominently in a measure, then the subsequent advertising campaign focuses on how the tax will only impact certain unpopular groups or social pariahs like smokers, the “evil” rich, or corporations.

But make no mistake; each and every one of these measures would have, to one extent or another, a negative impact on California taxpayers.

Proposition 86 would have placed a massive tax on cigarettes with the proceeds, according to promoters, going for health care. But in fact, the hospital industry sponsors were simply looking to improve their bottom line by recovering their costs incurred by providing services to

those who do *not* pay, usually illegal immigrants. The hope was voters would rationalize increasing the financial burden on smokers because it would be “for their own good.”

But even if one does not object to “sin taxes,” the long-term result would have been damaging to *all* taxpayers. As smoking continues to decline, the hospitals would have relied on state taxpayers to fund the expanded programs established by Proposition 86.

Proposition 87 would have placed an extraction tax on oil companies drilling in California. The proposition prohibited these unpopular companies from passing on their increased costs to consumers. Right. Let’s get real. Successfully preventing a company from passing on costs has the same chance of success as repealing the law of gravity.

Proposition 88 would have established a new statewide property tax for public education. The wealthy backers claimed it was justified because it was “for the kids” and it would “only” be \$50. But, the proponents had — unwisely — tipped their hand by declaring their intent to come back in *future* years to *increase* the tax.

In any event, this measure was so flawed in so many ways that every major newspaper urged a “no” vote. Voters *crushed* Proposition 88 with a 77% “no” vote — a true electoral embarrassment!

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Proposition 89 would have established public funding for political campaigns by taxing corporations. But voters quickly figured out that this tax increase was nothing more than a power grab designed to benefit a handful of special interests, including the nurses union and trial lawyers.

Taxes on corporations, one way or another, find their way down to consumers, employees, or shareholders. Moreover, over the long-term, California taxpayers would have suffered by limiting the participation of the business community in the political process.

Taxpayers scored several local victories as well. In Sacramento County, a proposal to impose a sales tax to fund a sports arena went down in flames. Comic relief was provided when the billionaire owners were featured driving around in a limousine in a television ad for a hamburger chain. Voters *overwhelmingly* decided that the owners did not need a handout from taxpayers.

In San Diego, a city teetering on bankruptcy due to past bad deals made with public employee unions, voters approved a measure that would require future pension increases to be put to a public vote.

And in Los Angeles, city voters rejected what was probably the stupidest measure on any local ballot. Although the state had placed the \$2.9 Billion Proposition 1C housing bond on the ballot, City officials decided to put Proposition H, another \$1 Billion housing bond, on the ballot, to be repaid through an increase in property taxes. Here was their logic: To make housing more affordable, they would *increase* the cost of owning a home!

Taxpayers are also taking satisfaction from the reelection of Governor Schwarzenegger. He ran, start to finish, on a solid “no new taxes

platform.” For the next four years, this unabashed supporter of Proposition 13 will act as goalie against tax increase legislation emanating from the Legislature.

Still, taxpayers were not totally unscathed. Over \$42 Billion in state bonds won approval. Although these bonds do not require a tax increase, because debt repayment has first call on the general fund, this means that in future years this money will be *unavailable* for *ongoing* programs including schools, transportation, and social services.

The passage of these bonds pushes California’s debt service ratio dangerously high. Moreover, repayment of this debt will long outlast the current occupant of the Capitol’s “horseshoe,” the first floor office of our chief executive.

There is little doubt that we will not have to wait very long before the calls for higher taxes are heard from the usual suspects. The constantly out-of-balance budget and, now, the significantly increased commitment of additional billions to pay for debt service puts California in a precarious position indeed. If our elected leaders don’t start addressing the *expenditure* side of the equation, with an increased focus on waste, fraud and abuse, we are all in trouble.

Taxpayers can enjoy a sunny day today. But those are some serious clouds on the horizon.

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