



For Immediate Release – September 28, 2004
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CAL-TAX ANNOUNCES POSITIONS ON NOVEMBER BALLOT PROPOSITIONS

The California Taxpayers' Association is urging voters to reject initiatives to raise taxes on telephone users and target a group of high-income taxpayers. Cal-Tax also recommends that voters reject legislation to create a state-run health care system that is sure to create budget deficits in the future.

Founded in 1926 as a nonpartisan research and advocacy association, Cal-Tax focuses on ballot propositions that impact taxes and public finance. Positions adopted by the Board of Directors are based on extensive review and analysis.

Cal-Tax opposition to Propositions 63 and 67 is because of violations of the principle of fair taxation. Both measures punitively target groups of taxpayers for higher taxes. In the case of 67, telephone users would be taxed to reimburse private for-profit and non-profit hospitals and doctors for emergency care services. In the case of 63, millionaires would be required to pay more taxes to fund mental health care.

These are not necessarily judgments on the worthiness of causes being funded by the initiatives. Cal-Tax generally opposes so-called "ballot box budgeting" sponsored by special interests that want to impose new taxes and set up funding mechanisms that are unaccountable to the state's regular budget process. When taxes are raised, it must be done with fairness and protections to insure that the programs are carefully managed. Setting aside revenues for programs that do not compete for budget support based on merit and priorities established by elected legislators and the governor will damage California taxpayers in the long run.

Prop. 72 – the referendum against SB 2 (Burton) of 2003 – would create a \$7 billion state-run health care system paid for by taxing employers and employees. California has far too many residents without health insurance, but SB 2 is not the solution. This measure would threaten existing health care programs and force many businesses into a new state-run system. The California economy cannot afford to solve a problem that is national in scope, leaving the state with yet another massive budget obligation and creating a serious healthcare dilemma for companies with operations in the state. Cal-Tax urges a "no" vote on this referendum.

Cal-Tax opposition to Proposition 61, a bond measure for children's hospitals, is not necessarily a judgment on whether children's hospitals need more money. Cal-Tax opposition is based on the inappropriateness of state borrowing to fund private for-profit and non-profit hospitals. Cal-Tax has generally resisted the idea that special interest

use of the initiative process can carve out taxpayer financed programs for private-sector operations. In this case, it is the hospitals that put the measure on the ballot.

On some measures, such as those dealing with rules for primary elections, Cal-Tax directors felt the subject matter is outside the association's purview and therefore made no recommendation.

Cal-Tax directors have taken the following positions:

Prop. 59: Public Records. No recommendation. The Board of Directors decided that the subject matter, expanding public access to government documents, is outside the purview of Cal-Tax.

Prop. 60: Primary Elections. No recommendation. This measure, designed by the Legislature to maintain the status quo and counter the open primary initiative (Proposition 62), is outside the purview of Cal-Tax.

Prop. 60A: Surplus State Property. **Support.** Cal-Tax has supported efforts to sell surplus state property and this measure would ensure that the proceeds from such sales are not used to bolster general fund spending but instead must be used to retire existing debt.

Prop. 61: Children's Hospital Bond Act. **Oppose.** Cal-Tax directors oppose this \$750 million bond proposal, questioning why the state taxpayers should be required to pay for improvements to private hospitals that may have other sources of funding. Cal-Tax has generally resisted the idea that special interests should be able to use the initiative process to carve out taxpayer financed programs for private-sector operations -- in this case hospitals.

Prop. 62: Primary Elections. No recommendation. This measure would allow voters to choose any candidate in a primary election, regardless of party affiliation. (see Proposition 60.)

Prop. 63: Higher Income Taxes on Wealthy to Fund Mental Health Programs. **Oppose.** Raising taxes on a targeted group, in this case millionaires, violates principles of fair and equitable taxation. California is already too dependent on the income of the wealthy for revenue, exposing state finances to extreme instability. What group of taxpayers will be next to finance a cause that should be considered for funding in the state's normal budget process?

Prop. 64: Unfair Business Competition. **Support.** This measure is intended to discourage shakedown lawsuits that unfairly target businesses for minor violations of state law where no person is actually harmed and settlement is more cost effective for the business than litigation.

Prop. 65: Local Government Funding Guarantee. **Oppose.** This measure, placed on the ballot by cities and counties, would lock in the Constitution a dysfunctional state and local finance structure and essentially prevent the much-needed restructuring of state and local financial relationships. It is no longer even supported by the proponents.

Prop. 66: Limitation of “Three Strikes” Law. No recommendation. This measure is outside the purview of Cal-Tax.

Prop. 67: Telephone Tax. **Oppose.** This initiative, imposing a 400 percent tax increase on telephone users in California, would result in more than \$500 million in taxes to fund hospitals and doctors providing emergency and medical services. This initiative targets a totally unrelated service for taxation and then throws millions of dollars at a mismanaged emergency care system. The initiative does nothing to provide improved efficiency, oversight and cost containment that are needed for a true reform effort. The initiative could result in unlimited taxes on cellular phone and business users.

Prop. 68: Tribal Gaming. **Neutral.** The Board of Directors of Cal-Tax took a neutral position on this initiative, sponsored by owners of card rooms and race tracks to deprive Indian tribes of their monopoly unless they send at least 25% of their gaming revenues to the state.

Prop. 69: DNA Samples. No recommendation. This measure, requiring collection of DNA samples from all felons to create a database, would be funded by increased penalties. It is considered outside the purview of Cal-Tax.

Prop. 70: Indian Gaming. **Oppose.** This measure would give Indian gaming tribes a 99-year monopoly for unlimited casino gambling and slot machines, while imposing a meager tax on their revenues equivalent to the state’s 8.84% corporate tax rate. Such payments may not even be collectible.

Prop. 71: Stem Cell Research. **Oppose.** This measure authorizes up to \$3 billion in bonds to pay for expanded stem cell research. Opposition is based on inappropriateness of using state general obligation debt to pay for private-sector research and facilities. California does not have limitless capacity to borrow and is already approaching a prudent debt ceiling. Public debt should be reserved for public infrastructure, not ongoing research programs. Cal-Tax directors question why such research cannot be funded by the private sector. Cal-Tax has also generally resisted special interest use of the initiative process to carve out taxpayer financed programs for private-sector operations.

Prop. 72: Health Care Mandate. **Oppose.** Approval of this referendum would enact SB 2 of 2003, which sets up a \$7 billion government-run health care system, with the state dictating the care to be covered. Cal-Tax recommends a “no” vote on the measure.

Prop. 1A: Local Government Revenues. **Neutral.** This measure, supported by cities and counties, would shift \$1.3 billion in property taxes from cities and counties to schools through 2005-06, incorporating the agreement between the governor and local government leaders to guard against use of local government revenues to balance future budgets.

(Note: Some of the above positions were taken at the Cal-Tax Board of Directors meeting on September 24. Positions were taken earlier on measures on which Cal-Tax has a campaign role or has signed ballot arguments. These are Proposition 63, 64, 67 and 70.)