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CALIFORNIA

New Fees May Skirt Tax Vote

By Evan Halper, Times Staff Writer

SACRAMENTO — Democrats are threatening to approve a crazy quilt of fees that can be pushed through the Legislature without a single Republican vote if the GOP doesn't soften its stand against a more broad-based tax increase.

The party is seeking to use a 1997 Supreme Court ruling that may allow it to win passage, without Republican support, of billions of dollars worth of fees as a trump card in the budget debate.

Continue to oppose more reasonable tax increases, they warn Republicans, and we'll simply raise revenue by tacking fees onto everything from lightbulbs to cocktails.

It all makes some fiscal experts bristle. They say enacting a bundle of erratic fees to help close a budget hole of as much as \$35 billion would create distortions in the economy and slow growth.

Assemblyman Joe Canciamilla (D-Pittsburg) warned as much at a recent gathering of the California Taxpayers Assn. But he also said that the longer the stalemate over how to close a budget gap continues, the more attractive a fee blitz looks to members of his party.

"The unwillingness of the two sides to come together about how to resolve the budget crisis leaves each side looking at what are its choices," said Canciamilla, a moderate who has been working with Republicans to reach budget solutions. "My more liberal members are being pushed into a corner of saying, 'OK, Republicans don't want a tax increase? Then we will impose every fee we can.'"

"Trust me, our caucus has looked at it and come up with all sorts of ugly options. If you wanted to take the fee measure to the extreme, it could get pretty nasty."

Republicans don't doubt that. They have been keeping a running list that includes more than two dozen fee bills proposed by Democrats. The most notorious proposal may be the one GOP lawmakers have taken to calling

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La Opinión

the "diaper duty," a fee on the purchase of disposable diapers.

Move Criticized

"These are simply a way to try to increase taxes and avoid the constitutional requirement of a two-thirds vote," said John Campbell (R-Irvine), vice chairman of the Assembly Budget Committee. "It'll do horrific damage to the economy."

Campbell questions whether many of the bills proposed by Democrats actually fall under the umbrella of fees that can be approved with a simple majority. That is important in the budget debate because while Democrats hold majorities in both houses of the Legislature, they are a few votes short of a two-thirds majority, the margin needed for some tax and fee hikes.

The Supreme Court ruling that guides the issue states that majority-vote fees can be placed on products that harm the health of Californians if the revenue generated goes to programs that mitigate the effects of the products.

The ruling was handed down in a case in which a paint company objected to paying a fee for lead poisoning prevention programs. The court declared the fee was legal.

But Democrats may be pushing the envelope in many of their fee proposals. In the case of disposable diapers, for example, they argue that diapers take up too much room in landfills and should be taxed to support recycling programs.

"Every other product we buy also fills up landfills," Campbell said. "The nexus they are trying to draw on a lot of these is quite remote I think they would be challenged in court."

The "nickel a drink" fee proposed for alcoholic beverages would be used to fund hospital trauma centers, as would a fee on ammunition. A fee on the cost of lightbulbs containing mercury would cover the cost of a program to collect and recycle them. A 30-cent charge for a barrel of petroleum would fund air-quality programs.

Smokers would pay more toward tobacco-related health-care programs, metals would be taxed to cover the cost of securing abandoned mines and dry cleaners using the chemical perchloroethylene would pay into a program promoting less toxic cleaning materials.

In many cases, the fees would take the place of money now flowing from the general fund, money that could be redirected to help pay off the shortfall. Even fees that would create new programs could help balance the budget; legislators might be able to suspend the programs after the money starts coming in, and then "borrow" the fee revenue to pay off other debts.

State Sen. Chuck Poochigian (R-Fresno) called the court decision permitting the fees unfortunate. "It is a structural issue that needs to be fixed," he said, adding that the law should be changed to require a two-thirds majority to raise the fees.

Economists say that, while some of the fees may be sensible, trying to raise billions of dollars worth of them at once could prolong the recession.

"These are the sort of things you want to avoid," said Steven Sheffrin, professor of economics at UC Davis. "They are a mess to administer and unnecessarily distort consumption patterns."

Many Democrats agree. But they say raising revenue through fees is preferable to raising no revenue at all, which is what the GOP advocates.

So far, Republicans aren't taking the bait. Not a single Republican lawmaker has broken away from the party pledge to resist any and all new taxes.

Little Flexibility

John Ellwood, a professor of public policy at UC Berkeley, said that, despite the bind Republicans appear to be in, there is little incentive for them to negotiate on taxes — even if the consequence could be an onslaught of fees that distort the economy.

"Term limits are coming home to roost," he said. "If you are a member of a minority party and there is no way to take the majority, there is no incentive to be reasonable. Particularly when you are looking for your next job."

Assemblyman Keith Richman (R-Northridge) expressed similar frustrations at a California Taxpayers Assn. event, where he too warned that the inability to compromise could result in a fee blitz.

Richman, who is working with Canciamilla and others on reaching a bipartisan budget agreement but has yet to support any tax increases himself, said legislators are in constant fear of getting voted out of office in a primary.

For Republicans, that means voting for a tax increase could end a career if your opponent in the primary held to the party line.

So Republicans say the billions of dollars in fees that Democrats are threatening to raise provides little motivation for negotiation, said Democratic political consultant Darry Sragow.

"You can argue it is despicable, and it's their failing to do what they are elected to do," he said, "but it would allow the deficit to be narrowed without any given Republican jeopardizing his or her prospects in a primary."

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Proposed Fees

Because Republican legislators refuse to consider raising taxes to address

the state's \$35-billion budget shortfall, Democrats threaten to impose fees on goods and services to raise revenues.

Here are some of the proposals and where the revenue would be applied:

- **Diapers** — A quarter-cent per diaper; for a special program to separate diapers from trash and recycle them.
- **Cocktails** — A nickel per drink; for hospital trauma centers.
- **Cigarettes** — 87 cents per pack; for tobacco-related health programs.
- **Dry cleaning** — \$3 per gallon of perchloroethylene; to promote nontoxic dry-cleaning alternatives.
- **Disposable cups and bags** — A 2-cent fee on plastic bags and cups; for recycling programs.
- **Jewelry** — Fee increases on mine operators; for abandoned mine programs.
- **Munitions** — 10-cent fee per bullet; to fund hospital trauma centers.
- **Gasoline** — \$1 per barrel of oil refined in California; for air pollution mitigation.
- **Lightbulbs** — 5 cents per fluorescent light; for recycling programs.

Sources: Assembly and state Senate bills

Los Angeles Times

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