



FOR IMMEDIATE RELEASE
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Cal-Tax: Sales Tax Increase is a Wrong Move

Larry McCarthy, president of the California Taxpayers' Association, issued this statement today (January 9):

Taxpayers are alarmed and disappointed by early reports that Governor Gray Davis will propose a sales tax increase to help close the state's budget gap.

The system to manage public finances in California is broken and raising taxes should not be considered until policy-makers take serious steps to contain spending and address waste and fraud that are draining away billions of tax dollars.

Raising taxes will have destabilizing effects on an already beleaguered economy, pushing further away the day of California's recovery. Raising taxes without tighter controls over spending existing tax dollars is simply unacceptable and would essentially be underwriting further out-of-control budgeting.

California's financial management and budgeting system is not meeting the priority needs of California. Taxpayers are being ripped off by underperforming programs. The costs are over the top while performance and outcomes are seriously deficient. News media in California has reported more than \$8 billion in misspending. Some examples:

- Medi-Cal fraud is now estimated to be costing \$2.5 billion a year, according to a *Los Angeles Times* report, Dec. 26, 2002.
- California's food stamps error rate is the worst of any state in the nation, according to various media reports in recent years.
- California's child support enforcement system is so deficient that the federal government continues to penalize the state many millions of dollars, according to various press accounts.

(More examples can be found on the Cal-Tax website at:
[http://www.caltax.org/FinalTax\\$\\$\\$FraudWasteReport1-7-03.pdf](http://www.caltax.org/FinalTax$$$FraudWasteReport1-7-03.pdf))

In this context, tax increases cannot be the first option.

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