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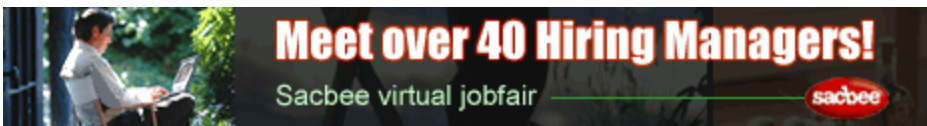
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## Politics



CURRENT TOP NEWS REPORTS  
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### Imperial shuns sale, roils water picture

EL CENTRO -- In a stunning move that could lead to a statewide water crisis, Imperial Valley officials Monday rejected a controversial proposal to reduce their water use and sell the excess to San Diego.

### Building Influence: In region, few limits to giving

Through a twist of timing and a fateful fluke, the last mayor's race in Sacramento was a battle of the titans. Campaign money flowed at flood tide as big labor and big development poured contributions into the treasuries of candidates Rob Kerth and Heather Fargo.

### Despite limits, money is still a factor in Davis

Even with one of the most stringent campaign finance limits in the nation, money still talks in Davis City Council races -- just perhaps not as loudly as in other cities.

### Legislators vow not to rush budget

With \$10 billion of proposed budget cuts before them, state legislators said Monday that they don't want to rush into hasty decisions and need time to weigh the effects of Gov. Gray Davis' plan.

### State GOP chief seeks to punish big business

Saying big business should be punished for turning its back on the California Republican Party, state GOP Chairman Shawn Steel on Monday called for an end to corporate tax breaks and said he may push a 2004 ballot initiative to raise corporate property taxes.

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## State GOP chief seeks to punish big business

**By Margaret Talev -- Bee Capitol Bureau**  
*Published 2:15 a.m. PST Tuesday, December 10, 2002*

Saying big business should be punished for turning its back on the California Republican Party, state GOP Chairman Shawn Steel on Monday called for an end to corporate tax breaks and said he may push a 2004 ballot initiative to raise corporate property taxes.

"Any special tax breaks for these large corporations, I'm not interested in that -- that's over," Steel told a luncheon audience of the Sacramento Press Club.

"It's time to realize these people are not our friends. I'd much rather see a tax break on a family home than a large corporate tax break."

In a 45-minute speech billed as a post-election analysis, the outgoing party chairman blamed two forces for Republicans'



Shawn Steel, state GOP chairman

shutout in their bid for statewide office this year: investor Gerald Parsky, who has used his influence as President Bush's point man in California to whittle away at Steel's power, and what Steel called the "betrayal of big business."

He called Parsky "a draconian Darth Vader," who didn't raise enough money for the party and underfunded the campaign of GOP controller candidate Tom McClintock because of ideological differences.

Parsky could not be reached to respond, but his office released a statement trumpeting his fund-raising efforts on behalf of the party.

Steel said corporate executives, from developers to bankers to high-tech manufacturers, put tens of millions of dollars behind Gov. Gray Davis and the Democratic-controlled Legislature, under the assumption that Republicans will represent their interests regardless of their political support.

"Even \$2 million or \$3 million more for Bill Simon might have made a difference," Steel said of the Republican nominee, who lost to Davis by a five-point margin.

Steel also attacked the state Chamber of Commerce and the California Business Roundtable, led by KB Home Chairman and Davis supporter Bruce Karatz, for proposing open primary elections.

Karatz could not be reached for comment. Said Allan Zarembeg, president of the California Chamber of Commerce, "My membership is pro-business, pro-jobs, pro-economy. But not all of them are Republicans. Some are strong Democrats."

Steel's speech was at times contradictory. On the one hand, he said he would "oppose any tax increase under any circumstances" as a remedy to the state's \$21 billion budget deficit.

At the same time, he said he will ask fellow Republicans, when they meet in February for the party's semiannual convention, to study the merits of a ballot initiative supporting some form of a "split roll" property tax system that differentiates between homeowners' taxes and corporations' property taxes.

That could require more frequent assessments to the market value of commercial property. The California Taxpayers Association has estimated that could cost businesses more than \$3 billion per year collectively.

"It would be devastating to the business climate and the economy of California," said association spokesman Ron Roach.

"He's there spreading blame for what happened to Republicans in California, and he's angry with the business community for contributing money to Democratic candidates. How do you get back at the business community: You

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### **Dan Walters: To tax or not is question hanging over state's budget deficit**

The Legislature returned to the Capitol briefly Monday, ostensibly to take up Gov. Gray Davis' \$10 billion-plus down payment on a budget deficit that could reach \$30 billion. But after a few hours of private briefings and public pontificating, lawmakers left town again, probably not to return until January.

### **Millions in U.S. face cuts in Medicaid benefits**

WASHINGTON -- Caught between rising health-care costs and state budget shortfalls, millions of poor and elderly Americans face sizable cuts in the health care they will receive under Medicaid in 2003 and probably for many more years, according to state government officials.

### **Lawmakers to tackle budget next month**

California lawmakers said they will not act until at least next month on \$10.2 billion in midyear budget cuts proposed by Gov. Gray Davis that many of the majority Democrats say cut too deeply into schools and services for the poor.

### **Developer dollars pour into Placer**

*Second of three parts*

### **Real estate lobby now key part of Elk Grove campaigns**

Tired of feeling like colonial subjects of Sacramento County Elk Grove voters declared their independence in March 2000, creating the state's first new city of the 21st century.

raise their taxes. But that seems like the wrong way to go."

Steel said he favors offsetting any increase to corporate taxes with reductions to homeowners' property taxes. Such a change would require voter approval.

It was unclear whether Steel would find support within his own party. Neither Senate Republican Leader Jim Brulte of Rancho Cucamonga nor Assembly Republican Leader Dave Cox of Fair Oaks returned calls for comment. The California Republican Party has no formal position, a spokeswoman said.

The Howard Jarvis Taxpayers Association has not taken a stance either, but President Jon Coupal said the group is sympathetic to Steel and his frustration with corporations that support Democrats prone to taxing and spending.

"Our reaction is, if you want to raise taxes, raise taxes on yourself. That's our reaction to the business community," he said.

Bob Mulholland, a senior adviser to the state Democratic Party, said Democrats are open to Steel's proposal. One Democrat, Sen. Martha Escutia of Whittier, has filed similar legislation to close loopholes she says corporations enjoy under Proposition 13.

At the same time, Mulholland said he did not believe Republicans would follow through. Steel's term as chairman expires early next year.

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#### About the Writer

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