

Date: May 8, 2003
To: Members of the Legislature
CC: Governor Davis
From: Coalition for California Jobs
Re: New Taxes and Fees



We, the undersigned members of the California business community, representing many of the state's major employers and thousands of small businesses, are becoming increasingly alarmed at the Legislature's apparent willingness to seriously consider a broad range of new fees, mandates and regulatory programs at a time when our state government and economy is facing unprecedented challenges. These fees, mandates and regulations are particularly outrageous given the enormous cost burden the Legislature imposed on California businesses last year. The course the Legislature appears to be charting is not only unconscionable, it threatens to further plunge California into an economic and fiscal tailspin that will put countless jobs at risk.

A stark and troubling example of this trend is apparent in AB 10X. This measure replaced general fund support for Cal/EPA water and air programs with new fees that will exceed \$26 million. Not only will this measure place additional burdens on a struggling economy, the manner in which it was considered is an affront to the democratic process. The discussion and review of AB10X excluded fee payer participation and provided no opportunity for a meaningful discussion about the likely negative consequences of this new burden. To add further injury to this insult, the Legislature is now considering increasing those fees by another \$30 million or more.

Shockingly, AB10X is just one proposal among dozens of tax, fee and regulatory proposals that Cal-Tax estimates carry a combined price tag of *at least* \$64.5 billion and growing.

This misguided course must be altered if California is to have any hope of averting an economic meltdown and job losses of epic proportions.

We believe first and foremost, the Legislature must demonstrate the decisive leadership our state's budget crisis requires by refraining from adopting any new fees, taxes, mandates or any other new burdens on the economy until a coherent budget has been adopted.

Further, once a budget has been adopted, we call on the Legislature to require that all proposals for new and increased taxes and fees be subjected to the following tests:

- **Does this tax, fee or program help or harm the economy's expansion and put jobs first?**
Rather than adding new programs and bureaucracy, state agencies should focus resources on the programs that do the most good and eliminate the least productive programs.
- **Are there appropriate controls on these agency fees?**
The Legislature must establish legislative caps and sunsets on all fee programs. It must apply the Administrative Procedures Act (with OAL review) to all

proposals to increase fees. And it must require all agencies that collect fees to demonstrate the following before increasing fees:

- The fee is directly linked to the mandated program it is intended to fund.
- The fee level is proportional to the service received or the impact addressed.
- The program to be funded has been seriously reviewed, and all overlaps or duplications with other agencies have been identified and eliminated.

- **Are there strict, measurable results associated with this tax, fee or regulation?**

The Legislature should require the Auditor General to certify after one year that newly funded programs have achieved the specific goals set forth. If the agency is unable to make such a demonstration, the program should be eliminated.

California's economic and budget crisis has been created, in part, by an increasingly hostile and difficult business climate. The only way our state can work its way out of this crisis is by expanding the economy and employment. Controls on fee-funded programs that seem to be immune from the budget process is an essential first step in reforming California's budget process and improving the state's business and jobs climate.

These and other reforms are also the only rational way to ensure the continued vitality of important education, public safety and safety net programs. Far too many fee-funded programs escape any minimal budget review and oversight, while general fund programs face material cuts. This disturbing trend is fostered by the misguided belief that fees raised outside of the general fund have no material effect on the economy. This is untrue. California business is among the most heavily regulated, and pays some of the highest fees, taxes, energy, workers compensation, and employee health care costs. And our employees pay among the highest housing costs. These burdens have played a major role in creating a drag on business that results in economic stagnation, declining tax revenues and rising unemployment.

It is past time for the state to construct a coherent budget and show proper restraint against new fee-funded programs that will hurt business and workers. California's economic and budget crisis calls out for bold leadership – leadership that recognizes the vital role a supportive business climate will play in helping to restore the state to economic prosperity.

Sincerely,

Members of the Coalition for California Jobs

California Chamber of Commerce
California Manufacturers & Technology Association
California Business Roundtable
California Taxpayers' Association
California Retailers Association
Western States Petroleum Association
California Business Properties Association
California Restaurant Association
California Building Industry Association
California Distributors Association
California Beer and Beverage Distributors Association
AeA (formerly known as the American Electronics Association)
Personal Insurance Federation of California
Civil Justice Association of California
Associated Builders and Contractors of California
Association of California Life & Health Insurance Companies