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## Assault on state's taxpayers is the wrong answer

Larry McCarthy

There are nearly 100 bills awaiting consideration in the California Legislature that would gouge taxpayers with more than \$20 billion in higher taxes or fees. This is Sacramento's unfortunate response to a broken state budget and financial management system.

To date, the Sacramento response has been to propose tax increases and to cut the heart out of schools, infrastructure and other critical priorities for Californians as a way to meet the state's budget deficit and to continue to increase state spending.

There is a better solution for the California economy: Better management of the \$130 billion in hard-earned taxes already paid by Californians.

The authors of tax increase bills are akin to a family that decides the answer to the problem of having spent to the limit of all their credit cards is to get a new credit card!

The real answer is to manage state spending in a disciplined manner by allocating resources to this state's priority needs, measuring for outcomes and cost effectiveness while eliminating notorious examples of fraud and out-of-control spending brought to light by the media.

If there is anything good about the



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current budget crisis, it is that a resolve to better manage state spending should be allowed to emerge.

Here is the reality that Sacramento must begin to understand:

For those who care about public sector spending for schools, highways, safety net services and public safety, the largest revenue opportunity is an improved economy. Politicians cannot raise taxes to match the revenue flow that will result from increased economic activity in the state.

It is a virtual certainty that each of those \$20 billion in tax- or fee-raising bills makes California products and services more expensive, thus making California employees more vulnerable when decisions are made to reduce costs. Each lost job makes a huge dent in the state budget, and California has lost more than 285,000 manufacturing jobs since January 2001.

Take, for example, AB 1500 authored by Assemblyman Manny Diaz (D-San Jose) and SB 981 by Senator Nell Soto (D-Ontario). These bills would impose a hidden gasoline and diesel tax on California consumers and small businesses.

AB 1500 has a price tag for taxpayers of \$750 million.

Californians already pay the highest prices for gas in the country. In San Jose, the average cost has leaped to more than \$2 a gallon.

This hidden gasoline tax will just add to the total.

The consequences of Assemblyman Diaz' bill are the loss of good jobs for the people of San Jose and throughout the state. And because gas taxes are regressive, Mr. Diaz' bill will hit low-income families hardest of all.

Small businesses, including truckers, shop owners and others who rely on diesel fuel, also will pay the consequences for Mr. Diaz' legislation through higher fuel costs. It would also mean fewer workers paying taxes and more looking to public assistance as they try to find a new job.

AB 1500 is one bill in a \$20 billion package. The damage to the economy from these reckless tax increase threats is potentially devastating.

Taxpayers must demand a systematic review of every state program to determine what management opportunities exist to deliver quality services at more competitive costs.

Random press reports over the past few years from leading California

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newspapers identify \$10 billion in fraud and out-of-control public spending in the state. (For example, fraud in California's Medi-Cal program amounts to \$2.5 billion a year, according to a published report. See Fraud and Waste coverage at Cal-Tax Online -- [www.caltax.org](http://www.caltax.org)). We are convinced that a top-to-bottom review of state and local spending will immediately reveal tremendous opportunity to redirect tax dollars to priority needs.

An attack on fraud and misspending is long overdue. The examples are numerous and egregious.

Everyone needs to stop pretending this is someone else's problem and take it on as their own.

Until we address the out-of-control spending problem in this state, new sources of money should be off the table.

It is the only way to get California healthy again.

*Larry McCarthy is president of the California Taxpayers' Association.*

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