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To: News Media, Editorial Page Editors
From: Cal-Tax (Ron Roach) – 916/930-3104
Re: State and Local Ballot Measures

There are at least 264 local tax and bond measures on November 5 General Election ballots around California. While official statistics are lacking, Cal-Tax believes this is an unprecedented number of local measures, both in numbers and magnitude of impact on taxpayers.

It appears that a “perfect storm” – a convergence of court action and ballot initiatives, as well as the struggling economy and the energy crisis – has set the stage for this glut of local tax and bond proposals.

Obviously, higher local taxes are in store for millions of Californians.

We believe the extraordinary number of local tax and bond elections is generally below the radar of most news media in the state. Cal-Tax staff devoted considerable time to round up and report on these measures. If you want to get your arms around this story, check out Cal-Tax's election preview below. And here's a link <http://www.caltax.org/BallotMeasure2002.pdf> for the list of local ballot measures, which is also up on the Cal-Tax Web site: www.caltax.org.

Local ballot measures sure to trigger tax hikes

With over \$32 billion in state and local bond issues on November 5 ballots, as well as an unprecedented number of local tax proposals, taxes for millions of Californians are sure to go up after the election. The only question: How much?

The sheer magnitude of local bond and tax measures on ballots around the state appears to be unprecedented. According to a Cal-Tax survey, the 264 proposals range from school bonds to parcel taxes and include numerous utility user tax and hotel-motel room taxes.

The unusually large number of local bond and tax measures is due in part to a 2001 court decision (*La Habra*) that enforces Proposition 62's requirement for voter approval

of local taxes imposed in the past without consent of voters. Also, voters in 2000 lowered the threshold for approval of local school bonds from 66.67 percent to 55 percent (Proposition 39). Local school districts are trying to provide matching funds for state school construction money. There also has been a backlash against soaring utility user taxes that are levied as a percentage of higher electricity bills. Local governments, many hurting from the economy's downturn, are scrambling to maximize revenue sources.

More than 100 local school districts are proposing \$10.2 billion in local bond measures, capitalizing on the new voter approval requirement that makes it relatively easy for these to gain approval. If passed, property taxes will be raised substantially to pay for the cost of the bonds. Property tax revenue also must pay for a number of the bonds that have been placed on the ballot by other local jurisdictions, a total that exceeds \$3.6 billion.

While they do not directly increase taxes, \$18.5 billion worth of state bond issues on the ballot, if approved, will put added strain on an already deficit-ridden state General Fund.

Distinguishing taxpayer impact of local bonds and state bonds. While local bond measures increase taxes, state general obligation bonds like Proposition 47 have dramatically different impact. A yes vote for Prop. 47 says that within the \$120 billion a year in state and local taxes already paid, school facilities are a priority to be funded. Passage of Prop. 47 forces the Legislature to make repayment cost for the school bonds fit within the state budget. In a deficit budget cycle, legislators should eliminate fraud and outrageous waste of tax dollars to make room for school facilities spending. It is virtually the only time that taxpayers can gain new priorities. Cal-Tax has also endorsed Prop. 47 because it guarantees planning, cost containment, accountability and solid management in the spending of tax dollars for schools. Proceeds of this bond will be cost-effectively spent.

Sales Tax Measures. Nine jurisdictions are asking voters to extend or increase sales taxes. Of the proposals, those in counties of Fresno and Solano appear to be generating the most controversy. In Fresno, an extension of a 0.5 percent rate for transportation is lauded as a needed fix for increasing traffic congestion and denounced for not telling voters how the funds are to be spent. According to the *Fresno Bee*, former Fresno City Manager Jeff Reid, a member of the "No on C" coalition, argues, "If they want to justify more money, let them justify it with a list of new projects." Barbara Goodwin, executive director of the Council of Fresno County Governments, said, "The reason it was left undefined was to provide more flexibility." Environmental groups are also opposing the plan. The Sierra Club's representative, Kevin Hall, argues more money should be set aside for rapid transit. "There is no vision" in local transportation planning he said.

Solano County, for the first time, is proposing a 0.5 percent sales tax rate increase to fund transportation projects. Proponents say the tax will improve freeways, local roads and transit. To help alleviate congestion at the I-80 and I-680 interchange in Cordelia,

20 percent of revenue produced by the new tax is earmarked for interchange improvements. The measure will also create a pot of money that can be used to match federal dollars. Congresswoman Ellen Tauscher told local officials that those who dole out federal money laugh at counties with no local matching money.

Local taxpayer groups are opposing the tax increase, according to the *Fairfield Daily Republic*, because the measure does not provide enough to fix the I-80 and I-680 interchange. They also argue that too much money goes to transit improvements and county taxpayers will be funding projects that should be paid for by the state or federal government.

Utility User Taxes. Perhaps the most unpopular tax of all is the local utility user tax, and 28 measures dealing with the UUT are on local ballots. In a number of cities and counties, voters have an opportunity to reduce or repeal the unloved tax. Some measures have been placed on the ballot by initiative. Others are measures put on the ballot by cities seeking to keep a tax that wasn't voter approved. In a few cities, there are increases proposed.

In Salinas, there has been a "hard ball" campaign by the city seeking to keep its 6 percent UUT. The sponsor of the initiative to repeal it, Mark Dieroff, has been targeted for a recall effort from his Hartnell College trustee seat. City officials are also issuing threats to eliminate a score of popular programs if voters cut off this revenue stream. City employee unions are putting big bucks into the campaign.

Those advocating repeal say the opponents are using scare tactics and need not make the cuts. They advocate trimming management salaries and perks. According to the *Salinas Californian*, they say the "top 40 bureaucrats" total \$5.94 million in base pay and perks. They also criticize the city's payment of 50 percent of employees' health club fees. The vacation time given City Manager Dave Mora – 33 days of vacation and sick leave, 22.5 days of management leave and 13 holidays – has also become an issue. Mr. Mora gets one day off in every four.

In a report released October 23, the Reason Public Policy Institute concludes that Salinas can save at least \$5.5 million and up to \$17 million by contracting out 11 different services, including \$1 million on golf courses and \$2.46 million on police.

Salinas Mayor Ann Caballero moved quickly to try and discredit the report. She said it was a political trick to confuse voters, although she had asked the Reason Institute to scrutinize budget proposals by proponents of the UUT repeal. Although the report concluded savings could be made in the city's budget, it also said some of the proposals by proponents of repeal were "overly optimistic." Geoff Segal of the Reason Institute said the organization does not endorse ballot measures.

An emotional debate over repealing a UUT is also taking place in the city of Santa Cruz. In March, voters repealed Santa Cruz County's UUT. The city is arguing the 7 percent tax amounts to only 70 cents-per-day for the average household and is needed to provide essential services. If the repeal is approved, the city says it will close

the Santa Cruz Civic Auditorium, the downtown teen recreation center, the Natural History Museum, the Beach Flats Community Center and the Harvey West School.

Critics contend this is a classic example of the "Washington Monument" strategy in reacting to budget cuts. Instead of cutting waste and low-priority programs, the government instead proposes to cut popular programs with the aim of warding off the reduction in funds (i.e. – close the Washington Monument).

According to the *Santa Cruz Sentinel*, opponents charge the city overtaxes the working poor and elderly to support a bloated bureaucracy, overpaid officials and pet projects that embarrass the city. They point to a proposed \$93,000 peace park that was a collection of a bunch of junk.

Supporters of UUT repeal include KSCO radio talk-show host Steve Hartman, former Santa Cruz Chamber of Commerce head Michael Schmidt and council candidate Phil Baer. Opposing repeal are the Police Officers Association, the Santa Cruz Firefighters Association, SEIU Local 415, Meals on Wheels and Assembly Member Fred Keeley.

In the Castro Valley area of Alameda County, taxes are an important issue in the campaign to incorporate as a city. Measure P, the incorporation proposal, is linked to adoption of a new 10 percent hotel tax and a continuation of a 5.5 percent utility user tax, now levied by the County of Alameda, beyond its 2009 sunset date.

Residents who do not favor incorporation are using the tax issue to dissuade voters from voting for Measure Q, the *Hayward Daily Review* reports.

Taxing Tourists. The transient occupancy (hotel/motel) tax is popular with city officials as it purports to tax those not voting on the proposal. There are at least 30 proposed increases of the tax on ballots around the state.

In San Jose, Mayor Ron Gonzales is under fire for twisting arms of hotel owners to get money for the campaign to raise \$370 million by adding a 4 percent hotel tax rate on top of the existing rate. Mr. Gonzales is asking the big San Jose hotels to cough up \$75 per room for the campaign, according to the *San Jose Mercury-News*. The paper reported that one insider said the tactic was a little heavy handed. "It's unusual for San Jose. It's not really extortion, but it's a bit Soprano-esque," the source said.

Dennis DeRollo, the mayor's eyes and ears on the campaign, said the mayor's role is that of gentle persuader, encouraging hotels to live up to a previous commitment.