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State budget cuts must be balanced with fair revenue increases

CPI calls for ending corporate tax breaks and revising sales tax, along with political reform

To avoid drastic and unprecedented cutbacks in public services, California lawmakers must face their responsibility for fair increases in taxes and fees balanced with spending cuts.

The Center on Policy Initiatives, a San Diego research and advocacy center dedicated to the needs of working families, today called on the governor and state legislators to modernize the state's revenue structure and budgeting process.

"Our state is in deep trouble. We must have reality-based budgeting that balances selected cuts with new revenue," said CPI Executive Director Donald Cohen. "It is highly irresponsible to close off the state's options with "No taxes" rhetoric."

The governor and others are wrong to interpret voters' thumbs-down on Prop 1A as a mandate against all taxes, Cohen said. Low turnout and survey results indicate voters may have dismissed the propositions as inadequate but still want real solutions to the budget shortfall.

The solution must include political reform to end the tyranny of a one-third minority. California is the only state that requires a two-thirds vote of the legislature for both adopting a budget and approving new revenues.

In addition, certain increases and changes to make the tax structure more fair are supported by a majority of voters. Among them:

- Eliminate \$2 billion a year in recent corporate tax cuts. A new study by the California Budget Project reveals that the state's budget agreements since last fall give giant tax cuts to just a few large corporations.
- Modernize the sales tax to match modern consumption patterns, by including services and Internet sales.
- Tax commercial property at market value, eliminating the assessment disadvantage for newer businesses.

These and many other reasonable revenue sources are available if lawmakers take a responsible approach to budgeting.

"Most Californians do not want drastic cuts in basic services such as schools, public safety and healthcare for children," Cohen said. "The role of our state government is to figure out the best and fairest ways to pay for these services."