



Search Terms: California Avoids Tax Hikes

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The Associated Press State & Local Wire

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SECTION: State and Regional**LENGTH:** 748 words**HEADLINE:** California avoids tax hikes, but cities charging higher fees**BYLINE:** By LISA LEFF, Associated Press Writer**DATELINE:** SAN FRANCISCO**BODY:**

Grieving families in San Francisco can expect to pay \$700 if they want the medical examiner to cremate a loved one's remains. Nightclub bouncers in San Diego are footing a bill of \$152 apiece for new worker's permits. And stores that sell cigarettes in the state capital have started counting an extra \$300 into their annual cost of doing business.

Gov. Arnold Schwarzenegger may have strong-armed lawmakers into supporting his "no new taxes" pledge, but Californians still will be paying more for government as a result of the budget compromise struck in Sacramento this week. Legally constrained in their ability to raise other forms of revenue, cities and counties are increasingly looking to fees, fines and other service charges to plug the holes left by state funding cuts.

Unlike tax hikes, which arrive conspicuously in hefty chunks and require two-thirds' voter approval, fees are often imposed or raised with little griping from a largely unaware public. This year, however, city and county officials are hiking higher and digging deeper to secure untapped funds, prompting an outcry from fiscal conservatives and liberals alike.

"Fees are the local government version of crack cocaine," said Carl DeMaio, president of The Performance Institute, a private government think tank. "If you took this away from local governments and said they had to account for it, I think you would have a huge withdrawal period."

As part of the deal hammered out by the Republican governor and the Democrat-controlled Legislature, city mayors and county supervisors agreed to accept \$2.6 billion in cuts over the next two years. In exchange, Schwarzenegger and legislators promised to back a November ballot measure that would protect local coffers from future state raids.

Even before the agreement was brokered, fees on parks, parking lots, power and other once-presumed perks of residency had become vital to keeping municipal programs afloat, replacing taxes as the primary funding source of local governments, according to the League of California Cities.

A 1996 law prohibits local governments from charging consumers more than it costs to provide a service,

however, so cash-strapped communities have sought ever more novel approaches to keep from slashing jobs and services during California's recent economic doldrums.

Levying fees on telephone customers to fund emergency 911 systems, requiring residents to purchase permits for street parking and burglar alarms, and charging flat fees for fire inspections and aid from paramedics are just a few of the ideas gaining currency throughout the state.

"There is no dearth of creativity in that regard," chuckled Steve Frates, a finance professor at Pomona College's Rose Institute of State and Local Government. "One city was playing around with a charge on leaving cut flowers at the graveyard. There is almost nothing that would surprise me anymore."

Frates blames lawmakers in Sacramento and a succession of governors from both political parties for putting local leaders in a situation where they inflict "death by a thousand slices."

"Politicians are very creative, and they are especially creative at forcing other people to inflict pain on the taxpayers," he said. "I do not begrudge the city managers who are saying, 'How can I make this damn thing balance?' The problem is deep and systemic."

Others have been less forgiving, though. This week, California's largest telephone carrier sued to stop the city of Stockton from charging local callers an additional \$1.50 per month to subsidize the 911 emergency service, calling it an unconstitutional tax that exceeds the cost of providing such assistance.

In San Diego, where the budget was bolstered by \$5.9 million in fees, The Performance Institute has accused city officials of raiding departments that lend themselves to user finance charges - parks and planning, for instance, to bankroll less lucrative fixtures of municipal government such as social services.

"The question becomes, why are we paying taxes if everyone is paying these fees? Are we not paying twice for the same service?" DeMaio said

Local officials say there is nothing nefarious in trying to recoup what it costs to issue a permit, operate a recreation program or regulate an industry. They say it's a natural outgrowth of tax limitation measures - beginning with Proposition 13 in 1978 - that have limited revenues from property and sales taxes.

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