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## California tax talks await decisions by Gov. Jerry Brown

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When he abandoned his tax plan this summer to make a budget deal, Gov. Jerry Brown suggested he'd try again to raise revenue with a ballot measure in November 2012.

But two months later, Brown and the labor unions that could fund such an effort are stuck in preliminary, disjointed talks, discouraged by internal polls and undecided about which taxes to pursue. Labor officials, saying time is short to prepare for a campaign, are becoming increasingly anxious.

"We've got to all come together and support one thing, and we don't have a lot of time," said Dean Vogel, president of the California Teachers Association. "Whether it's mid-September or mid-October, the fact is we've got to have something."

Vogel said his association is looking for a measure worth \$8 billion to \$10 billion while "trying to be the floor coordinator" for seven or eight groups considering different ideas about what to pursue.

"Hopefully," he said, "something will break soon."

Brown described the tax talks as similar to "herding cats."

He said he has sufficient time to consider options, but he is unsure what to do.

"The path forward is not an easy one, because there is a strong resistance to tax increases," Brown said.

The challenge for Brown is to propose tax increases that are both relatively popular and unlikely to attract opposition from well-funded business groups. Some industry-specific taxes that poll relatively well could be doomed by heavy-spending opposition in a campaign, while some broader-based tax increases that are less offensive to business groups – the vehicle license fee, for example – are disliked by voters.

Proponents' planning is also complicated by uncertainty about the political and economic landscape more than a year from now, including the effects of the presidential campaign and another round of budget talks in Sacramento.

Democrats are assuming any tax measure will need to qualify as an initiative through the time-consuming signature-gathering process because Republicans this year were unwilling to provide the necessary votes to put one on the ballot through legislative action.

"This is not an easy nut to crack," Senate President Pro Tem Darrell Steinberg said. "These decisions need to be made over the next weeks, and certainly not too far into the fall."

Brown's plan to extend temporary tax increases on vehicles, income and sales – the proposal blocked by Republican lawmakers in budget talks this year – was tested by Brown on labor and business interests before he proposed it. Brown is similarly expected to make any decision about a tax initiative next year in consultation with those groups and with legislative leaders.

Allan Zaremborg, president of the California Chamber of Commerce, said he has not yet discussed potential tax proposals with Brown, but he said he has had "nonspecific discussions with some of the union people."

Like Brown, Zaremborg said "there's certainly plenty of time to sit down and discuss options."

"It certainly isn't time to panic," he said. "I'm not sure it's even time to be anxious yet."

Brown was consumed by budget talks for the first half of the first year of his third term, and as the Legislature finishes its session next month, he will be required to act on a flurry of legislation.

Dave Low, executive director of the California School Employees Association, said he expects Brown to refocus on taxes after the legislative session ends, and he said labor groups are "anticipating his next move."

"It does sort of revolve around him to a great degree," Low said. "He has the title, he has the capacity to raise money. He is the one who's sort of going to set the agenda."

The Democratic governor said in Fresno last week that it would "be nice to have the vehicle license fee" at a higher rate, for example. But he said later that the fee "isn't all that popular."

"We're looking at what will people accept," he said. "And there's not too much."

Asked at a press conference Thursday if he is any closer to deciding what taxes to propose, Brown said only, "No."

Steinberg, who is discussing potential tax measures with the governor, said whatever package is proposed should include higher taxes on the wealthiest Californians, but also business tax credits or other incentives "to help reduce the unemployment rate in California."

Low favors assembling \$5 billion to \$6 billion in proposed revenue, including eliminating certain corporate tax breaks and increasing taxes on the state's highest earners.

"I don't come from the school of thought that there's nothing you can do in 2012," he said.

However, he added, "It's not a walk in the park. That's for sure."

Any plan Brown advances will face opposition from tax foes, who are preparing their own initiative – a spending cap – for November 2012.

Jon Coupal, president of the Howard Jarvis Taxpayers Association, said the economy is unlikely to significantly improve before elections next year. He believes voters will be no more inclined in that climate to raise taxes than they are now.

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