

Not all business leaders behind Brown's tax initiative

By David Siders, Sacramento Bee

In January, Gov. Jerry Brown traveled to Irvine to meet with members of the Orange County Business Council, highlighting what he expected to be widespread business support for his November ballot measure to raise taxes.

Kaiser Permanente and Occidental Petroleum Corp. had already committed money to the campaign.

"Business is not only supporting it," Brown said, "but they're putting their money where their mouth is."

Eight months later, the Democratic governor has raised nearly \$15 million, about half of which is from business interests, including California's heavily regulated oil and health care industries.

Yet many chambers of commerce and other business groups remain on the sidelines, saying higher taxes may damage the economy.

The California Chamber of Commerce is neutral on Proposition 30, which would raise the state sales tax and income taxes on California's highest earners.

Even the relatively liberal Los Angeles Area Chamber of Commerce, Silicon Valley Leadership Group and Bay Area Council have yet to take a position. All three endorsed Brown's budget proposal last year, when the governor was seeking tax extensions to go with billions of dollars in spending cuts.

"It's a very challenging issue for us," said Jim Wunderman, president of the Bay Area Council. "Last year we were talking about extensions of existing taxes. Now you're talking about newer ideas ... The business community at the company level is

mixed on this issue.”

Before a bill-signing event at a Bay Area Council meeting in Redwood City this week, Brown met privately with Wunderman, who said Brown brought up the initiative.

Publicly, Brown exhibits little concern. He said it is “amazing” that the state chamber is neutral, a stance that “is basically clearing the way for us.”

Brown has enjoyed a relatively favorable relationship with business groups since taking office. The state chamber commended Brown a year ago when he vetoed four of five bills identified by the chamber as “job killers.”

The legislation Brown signed in Redwood City also was encouraging to business groups, consolidating authority for the state’s international trade and investment program within the governor’s Office of Business and Economic Development.

“Thirty-seven years ago, my first act as governor was to abolish the Department of Commerce,” said Brown, governor before from 1975 to 1983. “I sent someone over there to find out what the hell they were doing, and they had a bunch of pamphlets on the floor. I said, hell, let the Chamber of Commerce do that stuff.

“But over the last several decades I’ve really come to understand that a partnership with government and business can make a hell of a lot of difference.”

Brown has collected major donations this year from labor unions, Indian tribes and a variety of business interests, including oil companies, the American Beverage Association and Blue Shield of California. A political arm of the California Hospital Association contributed \$2 million – more from that one source than the campaign opposing Proposition 30 has raised altogether.

“We believe that the state has to have a balance of new revenues and appropriate budget cuts,” said Jan Emerson-Shea, a spokeswoman for the hospital association. “And we’ve been on the cuts side for the last few years, and so we feel that this new revenue that will be raised through Prop. 30 is a necessary step to try to bring the state back into some fiscal health.”

Brown’s tax campaign considers business group endorsements significant enough to have promoted in July one from the Valley Industry & Commerce Association, a San Fernando Valley group. But the lack of broader support from chambers may be less significant to Brown than it would have been a year ago, when he relied on them in his unsuccessful effort to persuade Republican lawmakers to negotiate a tax deal.

Nor is the support of chambers likely as important to Brown this year as it was to Gov. Arnold Schwarzenegger’s failed campaign in 2009 for Proposition 1A, which would have extended certain tax increases. The state chamber’s support for Proposition 1A, which voters rejected, was considered crucial during the campaign in part because the initiative was decided in a special election, where voter turnout tends to be more conservative than in November.

Schwarzenegger adviser Adam Mendelsohn said, “Getting business support was definitely more critical in our campaign,” but he added, “just trying to get as much support as possible is important, because tax increases are, you know, by their definition not easy to get passed.”

Public support for Brown’s tax measure remains above 50 percent, according to polls. But tax increases are difficult to pass in California, and Brown’s measure does not include the kind of state spending restriction that made Schwarzenegger’s measure more palatable to business.

“Our message has tried to be very clear,” said Rob Lapsley,

president of the California Business Roundtable, which will consider Proposition 30 on Sept. 24. "If there's going to be revenues, there need to be comprehensive reforms that go with it."

He credited Brown for his proposals to reduce pension costs and to limit the reach of the California Environmental Quality Act.

"Obviously people want to create a positive working relationship with the governor for a variety of key issues facing the business community," Lapsley said. "Nobody likes taxes, but the business community tries to look at the big picture. They recognize that the governor is trying to stabilize California."

However, he said, "they also recognize that (Brown) doesn't have the votes in the Legislature, with the Democrats, to get any of his real reforms passed."

The Orange County Business Council, where Brown visited in January, met Thursday to consider his initiative. The group has yet to announce a position, but it appears to have reservations.

Lucy Dunn, the council's president, wrote a blog post in June critical of the initiative and other calls for increased funding.

"Millions, billions, gazillions," she titled her post. "But where are the reforms and innovations?"